



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

August 19, 1991

Patrick J. Brennan, Jr.  
Western Credit Union, Inc.  
750 Georgesville Road  
Columbus, Ohio 43228-2898

Re: Risk Assets and Reserve Transfers (Your  
July 3, 1991, Letter)

Dear Mr. Brennan:

You have asked whether funds deposited in a federally insured financial institutions in excess of \$100,000 are risk assets. Such an investment is not a risk asset under NCUA's Rules and Regulations.

**ANALYSIS**

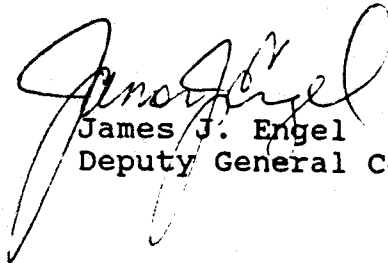
The Western Credit Union, Inc. ("CU") has adopted an investment policy permitting the CU to make deposits in large, well capitalized regional banks in excess of \$100,000. The CU hopes to obtain a higher yield on deposits in excess of \$100,000 than can be earned with deposits at the \$100,000 level. The CU believes this type of investment satisfies NCUA's safety and soundness provisions for the CU's excess funds. Before selecting a bank to deposit these funds, the CU evaluates the public financial position of each institution on a bi-weekly basis. None of these investments have a maturity in excess of three years. The CU has accounted for these funds in excess of \$100,000 as risk assets and has made appropriate reserve transfers.

Section 700.1(i)(2) of NCUA's Rules and Regulations (12 C.F.R. 700.1(i)(2)) exempts from the definition of risk asset "deposits and/or shares in federally or state insured banks, savings and loan associations, and credit unions that have a remaining maturity of 3 years or less." CU deposits in federally insured institutions, in excess of \$100,000, are not defined as risk assets for the purpose of establishing

FOIA Vol. III, B, 2 Reserves

reserves required by Section 116 of the FCU Act  
(12 U.S.C. §1762). Therefore the CU policy of making reserve  
transfers on this type of investment is not legally required.

Sincerely,



James J. Engel  
Deputy General Counsel

GC/MM:sg  
SSIC 3501  
91-0716



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July 19, 1984

Mr. Simeon H. F. Goldstein  
Executive Director  
Harry and Jane Fischel Foundation  
276 Fifth Avenue  
New York, NY 10001

Dear Mr. Goldstein:

This is in reply to your letter dated June 27, 1984, concerning credit union membership. Specifically, you ask whether a federally insured credit union can "accept as members (or issue Certificates of Deposit to) the general public, rather than only those who have a 'common bond'."

Section 109 of the Federal Credit Union Act (12 U.S.C. §1759) states, in part, that:

"...Federal credit union membership shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district." (Emphasis added.)

As seen from the above, a Federal credit union can only extend membership to those individuals within their field of membership. The field of membership of each Federal credit union is stated in section 5 of its charter and is generally limited either to a geographic area or to one or more groups each of which has its own common bond. However, your question refers to all federally insured credit unions (which includes both Federal and state chartered credit unions). For the most part, a state chartered credit union is similarly limited to accepting for membership only those who are within its field of membership.

We suggest that you contact the New York State Credit Union League, Credit Union Center, Box 15021, Albany, NY 12212 in order to ascertain whether you may fall within a field of membership of an existing credit union.

FOIA file: Vol III, Part A 3a



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I hope that we have been of assistance.

Sincerely,

*Robert M. Fenner*

ROBERT M. FENNER  
Director, Department of Legal Services



LS/HMU:cch  
3600  
February 1, 1984

MEMORANDUM

FROM: Hattie Ulan  
TO : Len Skiles  
SUBJ: Policy Statement on FOM

Attached is a new draft of the policy statement with the changes we discussed. Please let me know if the draft is ready for final. If so, I will distribute it to the other committee members.

Attachment

LS/HMU:cch

FROM: Hattie M. Ulan, DLS  
 TO : Committee to Study Field of Membership  
 SUBJ: CURRENT NCUA BOARD POLICY ON FIELD OF MEMBERSHIP

As a preliminary step in our study on field of membership, the following is my analysis of current NCUA policy. Section 109 of the Federal Credit Union Act ("Act"), 12 U.S.C. §1759, limits Federal credit union membership to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community or rural district. The NCUA Board has construed this section fairly broadly through both the Federal Credit Union Bylaws ("Bylaws") and Interpretive Ruling and Policy Statements ("IRPS").

Two articles of the Bylaws address the field of membership issue. Article II of the Bylaws is entitled Qualifications for Membership. Section 1 of Article II states that the field of membership is limited to that stated in Section 5 of each credit union charter. Section 5 of Article II is the "once a member, always a member" bylaw. Specifically, it states that the board may resolve that members who are no longer within the field of membership may retain membership if they meet certain reasonable minimum standards established by the board. Article XVIII of the Bylaws is the definition article. Section 2(a) of Article XVIII

defines "members of their immediate families." This section has been recently amended by the NCUA Board. On January 11, 1983, the NCUA Board approved a standard amendment which allows those FCUs adopting it total flexibility in defining "members of their immediate families." Each FCU may define this term for itself. Prior to the bylaw amendment, Section 2(a) of Article XVIII defined the term as including grandparents, parents, husband, wife, children, grandchildren, brothers and sisters, living under the same roof and in the same household. Not all FCUs include family members within their field of membership. "Members of their immediate families" must appear in the FCU charter in order for family members to be included in the field of membership.

The current IRPSs on field of membership are IRPs 82-3 and 83-2. Two issues are addressed in the IRPSs. The first issue deals with FCU purchase of loans of a liquidating credit union. The Board states that an FCU "which purchases the loans of a liquidating credit union may offer full membership rights and services to the borrowers whose loans it has purchased." This is a method of expanding membership base. The second issue addressed in the IRPSs is multiple group charters. The current policy on multiple group charters is as follows: Two types of multiple group charters exist. The first type consists of groups having common bonds of occupation or association. In order for this type of multiple group charter to be approved, each occupational or associational group must have its own common bond. All of the groups must be within a well-defined area of the home office or an existing branch office (one that accepts

payment on shares and disburses loans) as determined by the Regional Director. Three additional criteria must also be satisfied: (1) all affected groups have requested credit union service from the applicant; (2) the applicant can provide credit union services to each group; and (3) the application is economically feasible and generally advisable. The second type of multiple group charter exists when any portion of the group is community based. In order for this type of multiple group charter to be approved, the combined field of membership is limited to well-defined neighborhood, community or rural district, as defined by the Regional Director. The geographical area is mandated by Section 109 of the Act. If the population of the proposed neighborhood, community or rural district exceeds 35,000, the chartering must be approved of by the NCUA Board, rather than by the Regional Director. Any group or individual that is within the defined neighborhood, community or rural district, unless specifically excluded in the credit union charter, is eligible for membership in the community Federal credit union. Should a group outside of the well-defined neighborhood, community or rural district seek to attain membership, that group must be geographically situated so that it and the community FCU are also within a well-defined neighborhood, community or rural district. The larger area must constitute a geographical area that could statutorily be established as a community credit union. Once it is determined that the larger defined area exists, two options are available. The first option is that the larger defined area will become the



boundary for the community FCU. All groups and individuals within the larger defined area will now be eligible for membership. The second option is that only the groups seeking membership will be added to the community charter. The FCU boundaries would not be expanded to include all groups within the larger area. If the second option is invoked, the three additional criteria listed above must also be satisfied. Lastly, it is NCUA policy not to encourage overlaps in chartering new FCUs or in adding groups to existing charters.

The NCUA Board is currently reviewing potential FCU service to retirees (i.e., all retirees residing within a credit union's locale). The proposal has been published for a second time for public comment. Once this study is completed and the retiree comments are analyzed, the NCUA Board will determine whether or not to extend service to retirees and what limitations and restrictions, if any, should apply to such service.



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The NCUA Board is currently reviewing potential FCU service to retirees (ie. all retirees residing within a credit unions locale). The proposal has been published for a second time for public comment. Once this study is completed and the retiree comments are analyzed, the NCUA Board will determine whether or not to extend service to retirees and what limitations and restrictions, if any, should apply to such service.