



NATIONAL CREDIT UNION ADMINISTRATION

WASHINGTON, D.C. 20456

May 27, 1992

William C. Page
CINCO Federal Credit Union
49 East William Howard Taft
Cincinnati, Ohio 45219-1760

Re: ~~Field of Membership~~ (Your March 11, 1992,
Letter)

Dear Mr. Page:

You have asked whether the establishment of a branch office in Cincinnati by the National Football League Players' Association (NFLPA), would satisfy NCUA's operational area requirements so that the NFLPA could be added as a select group to CINCO Federal Credit Union (FCU). Operational area requirements can be met only if the NFLPA established its headquarters within the operating area of the FCU. There may be additional requirements that this proposed field of membership expansion must meet.

BACKGROUND

Chartering and field of membership requirements for FCUs are found in Interpretive Ruling and Policy Statement 89-1 (IRPS) (54 FR 31165 (July 27, 1989)). The IRPS has been incorporated into NCUA's Chartering and Field of Membership Policy Manual (Chartering Manual).

The FCU and the NFLPA have been negotiating to add the NFLPA to the FCU's field of membership. The FCU serves multiple groups in Ohio, a number of which are located in and around Cincinnati. The NFLPA, an associational group, is headquartered in Washington, D.C. and has members nationwide. To satisfy the operational area requirements of the Chartering Manual, the NFLPA is considering opening a branch office in Cincinnati or possibly some other arrangement so that NFLPA members will be "paid from" a location in Cincinnati.

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ANALYSIS

The addition of the NFLPA to the FCU's field of membership must meet select group addition requirements. (See p. 2-2 of the Chartering Manual.) Chapter 2 of the Chartering Manual states that any select group addition to an FCU must be within the operational area of the home or branch office of the FCU. "Operational area is defined as an area surrounding the home or branch office that can be reasonably served by the applicant as determined by NCUA." Operational area is defined by the regional office. An operational area of 25 miles or commuting distance from the home or branch office is generally acceptable. An associational group can meet operational area requirements if its headquarters or a majority of its members are within the FCU's operational area. An occupational group, unlike an associational group, can also meet operational area requirements if its "paid from" location is in the operational area of the FCU. Therefore, only if the NFLPA establishes its headquarters within the FCU's operational area, will it be eligible for inclusion in your field of membership based on the operational area requirements set forth in the Chartering Manual. The establishment of any other type of office of the NFLPA in Cincinnati is insufficient to meet the requirements of the Chartering Manual. Furthermore, the Chartering Manual states that "special care will be exercised by the Regional Directors in considering requests for select associational group expansions where the association's membership is geographically dispersed."

There also may be an overlap problem with this proposed field of membership expansion. The NFLPA is currently within the field of membership of AT&T Washington Federal Credit Union located in Arlington, Virginia. An overlap exists when a group of persons is eligible for membership in two or more credit unions. It is NCUA policy to avoid overlaps. NCUA further encourages credit unions involved in an overlap or potential overlap situation to work out the problems between and among themselves. The discussion on overlaps in the Chartering Manual is enclosed.

You also expressed concern about the difficulty imposed upon an FCU serving a group that is dispersed nationwide. It is possible to serve groups with a nationwide membership; a num-

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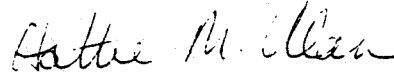
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ber of credit unions manage it. However, adherence to the Chartering Manual is required.

One additional note. A Regional Director can deny a field of membership expansion request, that otherwise meets the technical requirements of the Chartering Manual, if it poses potential safety and soundness problems.

Sincerely,



Hattie M. Ulan
Associate General Counsel

Enclosure

GC/MM:sg
SSIC 6010
92-0323

cc: Board Member Swan
Region IV Director

1. Present and Future Market Conditions:

The ability to compete in the marketplace and to adapt to changing market conditions is key to the survival of any enterprise, and a crucial part of that is the ability to plan well. NCUA, therefore, requires an applicant to submit a business plan based on realistic and supportable projections and assumptions, including, as a minimum, these elements:

- i. mission statement;
- ii. analysis of market conditions—economic prospects for the group, availability of financial services from credit unions, banks, S&Ls;
- iii. summary of survey results;
- iv. financial services needed/desired;
- v. financial services to be provided;
- vi. how/when services are to be implemented;
- vii. staffing of credit union and credentials of key employees;
- viii. physical facility—office, equipment;
- ix. type of recordkeeping system;
- x. budget for 1st, 2nd, and 3rd year;
- xi. semiannual pro forma financial statements for 1st, 2nd, and 3rd year, including assumptions—e.g., loan and dividend rates;
- xii. goals for number of members;
- xiii. goals for operating independently;
- xiv. source of funds to pay expenses during initial months of operation;
- xv. written policies (lending, investments, funds management);
- xvi. goals for dividends, generation of resources;
- xvii. plan for continuity—directors, committee members; and
- xviii. evidence of sponsor commitment if subsidies are critical to success of the Federal credit union.

NCUA expects that the subscribers and proposed officials will understand and support the business plan submitted.

2. Overlaps

This discussion pertains to new charters as well as existing charters.)

An overlap exists when a group of persons is eligible for membership in two or more credit unions, including state charters. General policy requires that every effort be made to avoid an overlap. Ideally, a group of persons should be included in the field of membership in only one credit union.

Both new and existing credit unions are obligated to investigate the possibility of an overlap prior to submitting an application for a new charter or adding a group, by surveying the prospective field of membership and contacting the state credit union supervisor and the local credit union league or trade association. If and when an overlap situation does arise, officials of the involved credit unions are encouraged to work out the overlap problem between or among themselves. If the matter is resolved informally, the applicant must submit a letter to that effect from the credit union whose field of membership already includes the subject group. If no resolution is possible, an application for a new charter or expansion may still be submitted, but must also include information regarding the overlap and document attempts at informal resolution. In any event, the applicant Federal credit union must clearly indicate why a new credit union or expansion is being sought and why existing and potential members of the current credit union will support and join a newly chartered or expanded Federal credit union.

When resolution of an overlap problem is not forthcoming, and other circumstances warrant an overlap, then an overlap may be permitted. Among the circumstances which may justify an overlap are (1) failure of the original credit union to provide service to the group, (2) limited participation by members or employees of the group in the original credit union after the expiration of a reasonable period of time, and (3) incidental overlap (the group of persons in question is so small as to have no material effect on the original credit union). In reviewing the overlap, the Regional Directors will consider the nature of the problem; efforts made to resolve the problem; financial effect on the overlapped credit union; the desires of the group(s); the opinion of the state credit union supervisor, if applicable, and other interested parties; and the best interests

of the involved potential or current members. In general, NCUA will not protect associational and community charters from overlaps with occupational charters.

A number of situations may not justify approval of a requested overlap. For example, if the requesting credit union offers certain specialized services not offered by the original credit union (such as credit cards, ATMs, and IRAs), the extra services alone may not justify the overlap. Also, proximity, by itself, does not warrant approval of an overlap. A Federal credit union in Chicago, Illinois, may not have a convincing argument, based on geography alone, that a select employee group (SEG) also located in Chicago would be better served by it than by the SEG's headquarter's credit union located in Dallas, Texas.

From an overlap prevention perspective, new charter applicants and every occupational or associational group which comes before the Regional Directors for affiliation with an existing Federal credit union must advise in writing whether the group is included within the field of membership of any other credit union. This requirement will alert the Regional Directors to possible overlap situations before they occur. Thus, most potential field of membership conflicts can be avoided. If cases do arise where the assurance given to a Regional Director concerning unavailability of credit union service turns out later to be inaccurate, the misinformation is grounds for removal of the group from the Federal credit union's charter.

3. Exclusionary Clauses

(This discussion pertains to new charters as well as existing charters.)

In certain instances, exclusionary wording prohibiting certain overlaps may be used to help define the field of membership of a Federal credit union. Use of exclusionary wording should be avoided if possible. Generally, a thorough investigation of a charter application or an application for a field of membership expansion will disclose the situations where other credit union service is available. The field of membership should be written so that only the specific locations where credit union service is not currently

available are allotted to the new charter or to the FCU seeking the field of membership addition.

However, certain cases exist where a specific recitation of work locations (for an occupational group) or member locations (for an associational group) is not feasible. Corporations or associations with widely dispersed employees or members fall into this "exception" category. In these special cases, exclusionary wording could be used to provide some limits on an extensive field of membership. An example might be employees of XYZ Corporation where XYZ Corporation is relatively new company which specializes in acquisitions and divestitures and its corporate makeup is constantly changing. In this case the field of membership could be described "employees of XYZ Corporation who work in the United States, except employees eligible for membership in another occupational-type credit union serving an employee unit of XYZ Corporation."

Another situation which may require exclusionary wording is the chartering of a new community credit union or the field of membership conversion of an existing occupational or associational credit union to a community charter. Although investigation may show that the residents of the proposed area of service by and large do not have access to a credit union, other credit unions may be operating in the community which desire to remain autonomous entities. If the Regional Director determines that avoidance of overlap is warranted, an exclusionary clause may be inserted in the community credit union's field of membership. Examples of exclusionary wording are as follows:

1. persons who reside or work in Portland, Maine, except persons eligible for primary membership in ABC Employees Federal Credit Union or Portland City Employees Credit Union as of the date of this charter;
2. persons who reside or work in Hawaii, except employees of Hilo Sugar Company and the United States Government.

The exclusionary language in a community charter's field of membership ordinarily appli