

UNITED STATES OF AMERICA
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION BOARD

In the Matter of

xxxxxxxxxxxxxxxxxxxxxx
Federal Credit Union

Docket No. 00-FOM-001

Decision and Order on Appeal

This matter comes before the National Credit Union Administration Board (Board) on appeal from the xxxxxxxxxxxxxxxxxxxx Federal Credit Union (Appellant). The Region V Director denied the Appellant's application to add three select groups to its field of membership.

Background

Appellant is a multiple common bond credit union located in Galveston, Texas. It was chartered in 1958. Appellant's net worth ratio was xxxxx in December 1998, xxxxx in June 1999, and xxx in December 1999. Appellant does not dispute these net worth figures. In November 1999, Appellant applied to add three groups to its field of membership. The groups are: xxxxxxxxxxx xxxxxxxxxxx xxxxxxxx
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xxxxxxxxxxxxxxxxxxxxxxxx. The Region V Director denied the application request because Appellant did not meet the minimum net worth requirement for multiple common bond field of membership expansion. The Credit Union appealed the denial on January 19, 2000.

Issue for Appeal

The issue in the matter of this appeal is whether Appellant met the adequate capitalization standard required for multiple common bond field of membership expansion.

Analysis and Applicable Law and Policy

Congress amended the field of membership provisions as well as several other sections of the Federal Credit Union Act (FCU Act) in August 1998 by the passage of the Credit Union Membership Access Act (CUMMA). The Board issued Interpretive Ruling and Policy Statement 99-1 (IRPS 99-1) in December 1998. IRPS 99-1 implements the changes made by CUMAA and sets forth NCUA's chartering and field of membership policy. It is hereinafter referred to as the Chartering Manual.

Section 109(f) of the amended FCU Act, 12 U.S.C. 1759(f), sets forth approval criteria for multiple common bond field of membership expansions. In order for NCUA to approve an expansion request, the credit union must, among other things, be adequately capitalized. 12 U.S.C. 1759(f)(2)(B). The Board defines adequately

capitalized in the Chartering Manual as a net worth ratio of not less than 6%. See Chartering Manual at Ch.2,IV.B.2, p.2-32. Appellant's net worth ratio was below the required 6% at the time it applied to expand its field of membership. Its net worth ratio continues to be below 6%. Assuming other applicable criteria are met, the Chartering Manual allows for a multiple common bond field of membership expansion when a credit union has a net worth ratio of less than 6% only if the credit union is low-income or newly chartered (credit unions chartered less than ten years) and the credit union is making reasonable progress toward meeting the 6% net worth requirement. See Chartering Manual at Ch.2,IV.B.2, p.2-32. Appellant is neither low income nor newly chartered. Pursuant to the current Chartering Manual, neither the Regional Director nor the Board has the discretion to allow for a field of membership expansion since Appellant's net worth ratio is less than the required 6%.

Order

Based on the undisputed fact that Appellant's net worth ratio is less than 6% and Appellant is neither low income nor chartered within the last ten years, it is ordered as follows:

The Region V Director's decision denying xxxxxxxxxxxxxxxxxxxxxx Federal Credit Union's application to add three select groups to its field of membership is upheld and the appeal is denied.

So Ordered this 13th day of April, 2000, by the National Credit Union Administration Board.

Becky Baker
Secretary of the Board