

UNITED STATES OF AMERICA  
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION BOARD

In the Matter of

XXXXXXXXXXXXXXXXXXXXXXXXXXXX  
Federal Credit Union

*Docket No. 00-FOM-3*

Decision and Order on Appeal

This matter comes before the National Credit Union Administration Board (Board) on appeal from the XXXXXXXXXXXXXXXXXXXXXXXX Federal Credit Union (Credit Union or Appellant). The Region III Director denied the Appellant's application to add the underserved area of XXXXXXXXXXXXXXXX, to its field of membership.

Background

Appellant is a low income community credit union located in XXXXXXXXXXXXXXXX. It was chartered in 1970 (under a different name) as an occupational credit union. It converted from a multiple common bond credit union (occupational) to a community charter in April, 1997. Its community includes persons who live, work and worship in XXXXXXXX. The Credit Union has \$19 million in assets and is currently rated a composite XXXXXXXXXXXXXXXX. It has experienced problems with loan delinquency, loan losses and management.

In March of 1999, Appellant applied to add the underserved area of XXXXXXXX XXXXXXXX, to its field of membership. XXXXXXXX is an underserved community which lies adjacent to XXXXXXXX, and has a population of approximately 650. The Region III Director denied the field of membership request due to low penetration of the existing community and operating concerns as outlined in the examination report. The Credit Union appealed the denial to the NCUA Board.

Issue for Appeal

The issue in the matter of this appeal is whether Appellant has met the requirements of Interpretive Law and Policy Statement 99-1 (IRPS 99-1, also referred to as the Chartering Manual) for adding an underserved area to its field of membership.

Analysis of Applicable Policy

The Board issued IRPS 99-1 in December, 1998. IRPS 99-1 sets forth NCUA's chartering and field of membership policies. As provided in Chapter 3, III of the Chartering Manual:

A federal credit union that desires to include an underserved community in its field of membership must first develop a business plan specifying how its will serve the community. The business plan, at a minimum, must identify the credit and depository needs of the community and detail how the credit union plans to serve those needs.

Chartering Manual at p. 3-4.

Although the Credit Union is aware of this requirement, Appellant has not developed a business plan for service to the underserved area of xxxxxx.

Order

Based on Appellant's failure to develop a business plan specifying how it plans to provide service to the underserved area of xxxxxxxxxxxxxxxxx, it is ordered as follows:

The Region III Director's decision denying xxxxxxxxxxxxxxxxxxxxxxxx Federal Credit Union's application to add the underserved area of xxxxxxxxxxxxxxxxx, to its field of membership is upheld and the appeal is denied.

So Ordered the 6<sup>th</sup> day of June, 2000, by the National Credit Union Administration Board.

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Becky Baker  
Secretary of the Board