

UNITED STATES OF AMERICA
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION

In the Matter of

San Francisco Federal Credit Union
FOM-005

Docket No. 00-

Decision and Order on Appeal

This matter comes before the National Credit Union Administration Board (Board) on appeal by San Francisco Federal Credit Union over the denial of its application to convert to a community charter.

Background

San Francisco Federal Credit Union (the Credit Union) is a multiple group credit union located in San Francisco, California. It has 28,130 members and approximately \$300,000,000 in assets. The Credit Union was chartered in 1954 to serve employees of the city of San Francisco. It converted to a federal charter in 1995 and continues to serve city employees as well as 26 additional select groups, all located within San Francisco.

The Credit Union submitted its application to convert from a multiple group to a community charter on April 8, 1999. The requested community is the city of San Francisco. The population of San Francisco is 746,000. Its physical size is small, approximately 47 square miles; hence the population is quite dense. The area is surrounded on three sides by water. The Region VI Director denied the application on March 14, 2000, after twice consulting with NCUA's Offices of Examination and Insurance and General Counsel. The Credit Union appealed the Regional Director's denial on May 12, 2000.

Issue for Appeal

The issue in this appeal is whether the city of San Francisco qualifies as a "local community" as that term is used in the Federal Credit Union Act and in NCUA's field of membership policy.

Analysis and Applicable Law and Policy

For purposes of community charters, Section 109 of the Federal Credit Union Act

provides that "the membership of any Federal credit union shall be limited to ... persons or organizations within a well-defined local community, neighborhood, or rural district." 12 U.S.C. 1759(b)(3). Congress added the word "local" to modify community when it amended the Federal Credit Union Act in 1998. NCUA's Chartering and Field of Membership Manual^[1] states that it is agency policy "to limit the community to a single, geographically well-defined area where residents have common interests or interact." It then establishes the following requirements for community charters:

-The geographic area's boundaries must be clearly defined; -The

charter applicant must establish that the area is a “well-defined local community, neighborhood, community, or rural district;” and -The residents must have common interests or interact.

Chartering Manual at p. 2-44. The city of San Francisco meets these requirements.

The city of San Francisco’s geographic boundaries are clearly defined; as a city, it is a political jurisdiction with distinct boundaries.

The chartering policy addresses the meaning of local community and the importance of interaction and common interests as well as the significance of geographic and population size. Chartering Manual at pp. 2-44 and 2-45. For populations of 300,000 or less in a single political jurisdiction, there is a presumption that there is sufficient interaction and/or common interest to meet community charter requirements. Chartering Manual at p. 2-45. See *also* Supplementary Information to final IRPS 99-1, 63 Fed. Reg. 72013 (Dec. 30, 1998). For a larger population within a single political jurisdiction, NCUA policy requires substantial documentation. Chartering policy specifically states: “It is more difficult for a major metropolitan city ... to have sufficient interaction and/or common interests, and to therefore demonstrate that [the area meets] ... the requirement of being ‘local’.” However, policy “does not preclude community charters consisting of ... local areas with populations of any size from meeting community charter requirements.” Chartering Manual at p. 2-45.

The credit union applicant may provide various types of documentation (i.e. information on trade areas, shared common facilities, listings of clubs and organizations, maps, common characteristics and background of residents, etc.) to support the common bond requirement. In addition, a “narrative summary must explain how the documentation demonstrates interaction or common interests.” Chartering Manual at p. 2-46.

The information provided by the Credit Union indicates ample interaction and common interest among city residents. San Francisco is a single political jurisdiction and taxing authority governed by an 11-member board of supervisors and a mayor. The city/county government is the largest employer within the proposed community, with over 30,000 employees. The city has 14 separate neighborhoods, some diverse and some ethnically homogeneous. The Coalition for San Francisco Neighborhoods brings San Franciscans together to address common issues. San Francisco has only two major trade areas (large shopping centers) and one bulk warehouse outlet. There is one school district with 105 schools and one athletic district. There are many competitive teams on both the middle and high school levels where student teams participate and compete with one another. There are several institutions of higher education. Both the City College of San Francisco and San Francisco State University are city commuter schools providing for interaction among city residents. The San Francisco Municipal Railway System is the seventh largest transit system in the country with 700,000 daily boardings.

Due to the small geographic size and excellent public transportation system, movement across the city is easily accommodated. There is one police and one fire department, one power company, one telephone company and one cable service company. The water department is city-owned. The San Francisco Chronicle is

one of the largest regional newspapers in the country. Numerous community events draw large numbers of city residents together. The Credit Union submitted information on clubs and organizations, cultural offerings, professional sports and volunteer opportunities.

Local Community Charters Under IRPS 99-1

This is the first application for a local community charter comprising a large city (city population over 300,000) presented to the Board under IRPS 99-1. There have been several local community charter/conversion applications granted pursuant to IRPS 99-1 with potential fields of membership between 300,000 and 400,000; however, most of these applications were either rural areas, with small cities and towns interspersed, or suburban areas. A few local community charters have been granted to areas consisting of a medium size city and its surrounding area (e.g. Provo, Utah and Reno/Sparks, Nevada and their surrounding counties have each been granted community charters). Both of these communities had a smaller population (300,000 – 400,000) and a larger geographic area than San Francisco. Neither community is analogous to the city of San Francisco.

Conclusion

The city of San Francisco is a clearly defined geographic area. The area is small, densely populated, and bordered on three sides by water. Many services are provided on a citywide basis and there are many opportunities for cultural enrichment as well as volunteering. Interaction and common interest are shown through, among other things, one public school system, two local commuter colleges, the high use of mass transit, volunteering and only two major trade areas. The Credit Union has met the local community standards set forth in NCUA's chartering policy.

Order

For the reasons set forth above, it is ORDERED as follows:

The Region VI Director's decision denying San Francisco Federal Credit Union's application to convert to a community-chartered credit union is reversed and the appeal is granted.

San Francisco Federal Credit Union's request for a community charter to serve persons who live, worship, work in, or attend school in, and businesses and other legal entities located within the city of San Francisco, California, is granted.

So Ordered on the 7th day of September, 2000, by the National Credit Union Administration Board.

Becky Baker
Secretary, NCUA Board

[1] The chartering and field of membership policy applicable to this appeal is set

forth in Interpretive Ruling and Policy Statement (IRPS) 99-1, which is published as NCUA's Chartering and Field of Membership Manual (the "Chartering Manual").