

UNITED STATES OF AMERICA
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION

In the Matter of

Cedar Point Federal Credit Union

Docket No. BD-05-09

Decision and Order on Appeal

This matter comes before the National Credit Union Administration Board (Board) on appeal from Cedar Point Federal Credit Union (Cedar Point). The Region II Director denied Cedar Point's application to convert to a community charter, and, upon a request for reconsideration, denied the application a second time.

Background

Cedar Point is a multiple group credit union with its headquarters located in Lexington Park, St. Mary's County, Maryland. As of June 30, 2009, it had 29,236 members and assets of nearly \$300 million. Cedar Point was chartered in 1945 to serve civil service employees at Patuxent Naval Air Test Station in Patuxent, Maryland. Its field of membership currently consists of over 500 select groups in St. Mary's, Charles, and Calvert counties. With potential membership of 58,472, Cedar Point's penetration rate is 50%.

Cedar Point submitted its application to convert to a community charter on September 21, 2007. The proposed community comprises St. Mary's, Calvert, and Charles Counties in Maryland and has a population of approximately 331,000 according to 2008 U.S. Census estimates. Region II requested additional information on November 14, 2007, and Cedar Point responded on January 23, 2008. The Region determined that Cedar Point's business plan was viable and Cedar Point was capable of serving the proposed community. Chartering Manual, §2.V.A.4.¹ Region II, however, denied the application on August 12, 2008, finding that the proposed three-county community did not meet the statutory requirements of a "local community, neighborhood, or rural district."

¹ The Chartering Manual is incorporated as Appendix B to Part 701 of the NCUA Regulations. 12 C.F.R. Part 701, Appendix B.

Id., §2.V.A.1. Cedar Point, through its attorneys, requested the Regional Director reconsider the determination on October 16, 2008. The Regional Director denied the request for reconsideration on March 6, 2009. Cedar Point, through its attorneys, then appealed to the Board on May 1, 2009. Cedar Point submitted supplemental information in support of the appeal on June 10, 2009 and December 7, 2009.

Issue for Appeal

The issue in the matter of the appeal is whether the three-county area is a community under the Federal Credit Union Act (the FCU Act) and NCUA policy.

Summary of Applicable Law and Policy

For community credit unions, the FCU Act limits membership to “Persons or organizations within a well-defined local community, neighborhood, or rural district.” 12 U.S.C. 1759(b)(3). NCUA’s Chartering Manual states that “[c]ommunity charters must be based on a single, geographically well-defined local community, neighborhood or rural district where the individuals have common interests and/or interact.”

The Chartering Manual sets forth the following requirements for community charters:

- The geographic area’s boundaries must be clearly defined;
- The area is a “well-defined local community, neighborhood, or rural district;”
- and
- Individuals must have common interests and/or interact.

Chartering Manual §2.V.A.1. The Chartering Manual continues: “Well-defined” means the proposed area has specific geographic boundaries. Geographic boundaries may include a city, township, county (or its political equivalent), or a clearly identifiable neighborhood. Id., §2.V.A.2. The Chartering Manual also states that “[t]he well-defined local community, neighborhood, or rural district requirement may be met if [t]he area to be served is in multiple contiguous political jurisdictions, i.e. a city, county, or their political equivalent, or any contiguous portion thereof and if the population of the requested well-defined area does not exceed 500,000.” Id.

The Chartering Manual also provides examples of the types of information that can be used to document the common interests and interaction of those in the proposed community. This information includes:

- Major trade areas (shopping patterns and traffic flows);
- Shared/common facilities (for example, education, medical, police and fire protection, school district, water, etc.);
- Organizations and clubs within the proposed community area;
- Newspapers or other periodicals published for and about the area; and
- Other documentation that demonstrates the area is a community where individuals have common interests and interact.

Chartering Manual, §2.V.A.2.

The three-county area meets the Chartering Manual’s first requirement for community charters, as it has clearly defined geographic boundaries. Because the requested area is a contiguous three-county area with a total population of less than 500,000, it may meet the second requirement of being a well-defined local community. Regardless, however, of whether the area falls under the parameters of an area which may meet the requirement of being a well-defined local community, the Chartering Manual requires Cedar Point to demonstrate that residents of the three-county area have common interests and/or interact. The appeal centers on whether the degree of common interests and/or interaction justifies a determination that the three-county area is a local community under the FCU Act and Chartering Manual.

Reasons for Approval

During its consideration of this matter, the NCUA Board noted the totality of evidence the credit union submitted demonstrates sufficient common interests and interaction. The specific Chartering Manual factors the Board noted were as follows.

Shared Facilities

The three-county area has a number of shared services, including:

- a regional library association;
- a single police academy;
- mutual aid agreements between the police departments of the counties and between the volunteer fire departments of the counties;
- a joint animal shelter; and

- a single electric utility serving most of the proposed community.

The proposed community also has one community college, the College of Southern Maryland, which provides opportunities for students to interact with students from other counties. Some courses of study are offered at only one of the college's campuses, requiring students to cross county lines. Further, all public high schools in the proposed community are members of the Southern Maryland Athletic Conference, and student athletes in each county regularly play student athletes in the other two counties in a variety of sports.

The governments of the three counties have a long history of cooperation through the Tri-County Council. Each county appoints the same number of representatives to the Council and the Council engages in strategic planning for the entire three-county region on issues such as transportation needs, fostering tourism, and economic development.

Newspapers

The Board noted that the Washington Post publishes a "Southern Maryland" Regional edition that 30% of households in the proposed community receive each week.

Other Factors

The Board noted that the Patuxent Naval Air Station in St. Mary's County and the Naval Surface Warfare Center in Charles County have a substantial economic impact on the three-county region. A study sponsored by the Tri-County Council and the Maryland Department of Business and Economic Development confirms the significance of these facilities. The study concluded that the military facilities contributed more than \$1.1 billion in direct wages and a total of \$2.8 billion to the three-county region's economy as of 2002.

The Board also noted that various agencies of Maryland state government have designated the three-county region as "Southern Maryland."

Conclusion

The comprehensive and detailed documentation the credit union and its counsel submitted demonstrates sufficient common interests and interaction to justify granting the requested community charter.

Order

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

- The Board reverses the Region II Director's denial of Cedar Point Federal Credit Union's request to convert to a community charter, and grants Cedar Point Federal Credit Union's appeal.
- Cedar Point Federal Credit Union's request for a community charter to serve persons who live, work (or regularly conduct business in), worship, or attend school in, and businesses and other legal entities located in Calvert, Charles, and St. Mary's Counties, Maryland is GRANTED.

So **ORDERED** this 17th day of December 2009 by the National Credit Union Administration Board.

Mary Rupp
Secretary of the Board