

UNITED STATES OF AMERICA
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION

In the Matter of

Vantage Credit Union

Docket BD-05-10

Field of Membership Appeal

Decision and Order on Appeal

Decision

This matter comes before the National Credit Union Administration Board (Board) on appeal from Vantage Credit Union (Vantage). The Region IV Director denied Vantage's original application and request for reconsideration to convert from a state-chartered geographic area credit union to a federally chartered community credit union.

Background

Vantage currently operates as a state-chartered, federally insured geographic area credit union in Missouri. It was chartered in 1957 as Suburban Teachers Credit Union, growing over the years through a combination of mergers and field of membership expansions. Its current field of membership includes the City of St. Louis, five Missouri counties and two Illinois counties. Vantage also currently serves employees, retirees and others affiliated with educational institutions located in 13 additional counties in Missouri and parts of several "districts" in Illinois,¹ and approximately 90 additional groups. Many of these educational and additional groups appear to be outside of Vantage's proposed federal community charter. Vantage states in its 9/30/09 call report that its current membership is 110,902 and its potential field of membership is 2.3 million² giving it a 4.5% penetration rate. It has \$642,664,440 in assets. Region IV believes that Vantage Credit Union is financially sound and that its management has proven it can operate the credit union in a safe and sound manner.

¹ It is not clear whether or not students are included as potential members of the educational institutions, making it impossible to determine the number of potential members of these institutions. In addition, it is unclear whether "districts" refers to school districts or some other type of "districts" in Illinois.

² The potential membership is actually higher. According to 2009 Census estimates, the population of the City of St. Louis and counties included in Vantage's current field of membership is 2,588,230. Vantage's current potential also includes the additional groups that Vantage serves that are outside of the proposed community.

Vantage submitted its original community conversion application package to Region IV on November 4, 2008, requesting the entire St. Louis Metropolitan Statistical Area (MSA) (which includes 16 counties and has a population of 2.8 million people). After consultation with the Region, Vantage narrowed its requested community to St. Louis City and 7 continuous counties, which is a portion of the St. Louis MSA. The proposed community includes the City of St. Louis, 4 contiguous counties in Missouri (Franklin, Jefferson, St. Charles and St. Louis) and 3 contiguous counties in Illinois (Madison, Monroe and St. Clair).³ According to the Vantage application, the population of the proposed area is 2,482,935. 2009 Census estimates put the population at 2,589,981. The geographic area encompassed within the proposed community is 4500 square miles. The potential membership of the proposed community is very close to the potential membership of Vantage's current field of membership. (See footnote 2.) If the proposed community is approved, service to potential members will not change materially.

Region IV denied Vantage's application on January 19, 2010 because the Region did not believe the application met the requirements of a well-defined local community. On February 12, 2010, Vantage submitted a request for reconsideration which the Region denied on March 19, 2010. Vantage appealed the denial of the request for reconsideration to the NCUA Board on May 11, 2010.

Issue for Appeal

The issue in this appeal is whether the proposed community (the City of St. Louis, Franklin, Jefferson, St. Charles and St. Louis Counties in Missouri and Madison, Monroe, and St. Clair Counties in Illinois) qualifies as a well-defined, local community as that term is used in the Federal Credit Union Act and NCUA's Chartering Manual applicable at the time of the application.

Law and Policy and their Application to the Conversion Request

Federal Community Chartering Requirements

For purposes of community charters, Section 109 of the Federal Credit Union Act states 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 FCU Act in 1998. Congress did not define the word local in either the FCU Act or its legislative history. NCUA's field of membership policy applicable to this appeal is found in Interpretive Ruling and Policy Statement (IRPS) 08-02.⁴ The Manual states as follows:

³ The only difference in the geographic area Vantage requested and geographic area currently served is Vantage currently serves Warren County, Missouri and does not currently serve Monroe County, Illinois, with approximate populations of 31,000 and 33,000, respectively.

⁴ The Chartering Manual applicable to the Vantage application and appeal is IRPS 08-2. IRPS 08-2 is referred to throughout this decision as the Chartering Manual or the Manual and is codified as of

Community charters must be based on a single, geographically well-defined local community, neighborhood, or rural district where individuals have common interests and/or interact. ...

NCUA has established 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. ...

"Well-defined" means the proposed area has specific geographic boundaries.

Manual at ch.2.V.A.1. & 2.

The proposed community meets the requirement of being well-defined in that it consists of the City of St. Louis and seven contiguous counties. The area has specific geographic boundaries and meets this part of the definition as set forth in the Manual.

The Chartering Manual states that the requirements of a local community may be met if:

The area to be served is a Metropolitan Statistical Area ... or a portion thereof, where the population of the MSA ... does not exceed 1,000,000.

Manual at ch.2.V.A.2.

In such a case, the applicant need only submit a letter describing how the area meets the standards for community interaction and/or common interests. NCUA will then determine if further documentation is necessary. Since the proposed community has a population well in excess of 1,000,000, this provision of the Chartering Manual is not applicable.

Appendix B to Part 701 of the NCUA Rules and Regulations. Citations are to sections of the Chartering Manual applicable to this appeal, as published in Appendix B to Part 701 at 73 Fed.Reg. 73392 (12/2/2008). On June 17, 2010, the NCUA Board issued new final amendments to the Chartering Manual, including changes to the standards for community chartering, see 75 Fed.Reg. 36257 (6/25/2010), effective 7/26/2010. The Vantage application does not qualify under the new community chartering standards; however the new standards are not applicable to this appeal.

According to OMB Bulletin 09-01⁵, an MSA is a metropolitan area including “at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with a core as measured by commuting ties.” Hence the OMB definition of MSA is measured by commuting ties. OMB notes that when using the definitions for non-statistical purposes, it is the sponsoring agency’s responsibility to ensure that the definitions are appropriate for such use and that agencies may modify the definitions for their particular non-statistical program. The Chartering Manual permits the use of MSAs for purposes of defining a local community but imposes further requirements when population exceeds a certain level.

The Manual requires the credit union applicant submit documentation to support that the proposed community is a well-defined local community, neighborhood, or rural district if the population of an MSA or portion thereof exceeds 1,000,000. The FCU may provide various types of documentation (e.g. information on trade areas, shared common facilities, organizations and clubs, newspapers, maps and any other documentation that demonstrates common interest and interaction). In addition:

It is the applicant’s responsibility to demonstrate the relevance of the documentation provided in support of the application. This must be provided in a narrative summary. The narrative summary must explain how the documentation demonstrates interaction and/or common interests.

Manual at ch.2.V.A.2.

Vantage believes that the very fact that its proposed community is part of the St. Louis MSA meets NCUA’s definition of a well-defined local community. As noted in OMB’s Bulletin, the MSA definition is for statistical purposes only; other agencies may modify the definition for non-statistical programs. For proposed communities consisting of large multi-county MSAs or portions thereof, NCUA requires additional evidence that the well-defined local community standard is met. See discussion below.

Missouri v. Federal Requirements for a Community Charter

Vantage believes that it is inconsistent with the dual chartering system that it is able to serve an area that crosses state lines under Missouri field of membership standards, but may be unable to do so as a federal community charter. We do not agree that the result is inconsistent with the dual chartering system. Missouri chartering and field of membership law is set forth in Section 370.080 – 370.082 of the Missouri statutes, Mo. Ann. Stat. §370.080-082 (2010). It provides in part that credit unions serving geographic areas may include:

⁵ Title – Update of Statistical Area Definitions and Guidance on Their Uses, dated November 20, 2008. <http://www.whitehouse.gov/omb/bulletins/fy2009/09-01.pdf>

all those persons who reside or work in a city not within a county or a county, in which the main office of the credit union is located... The director shall not allow a geographic area credit union to expand beyond counties contiguous to a city not within a county or a county in which its main office is located.

§370.080.2.(2)

The Missouri provision is concerned only with contiguous cities and counties. Missouri law contains no requirements or provisions addressing interaction, common interest, MSAs, etc. The Missouri law is very different from federal chartering and field of membership law. Application of Missouri law allowing for a credit union to serve an area that crosses state lines has no bearing on the community field of membership requirements for a federal community charter (well-defined local community). The Missouri statute never uses the term “community”; it is based purely on contiguous geographic area. The fact that a state-chartered geographic credit union can exist and not meet the federal community standards is a result of the dual chartering system; it is not inconsistent with it.

Large Multistate Applications

Vantage believes that NCUA either will not permit communities crossing state lines or requires supplemental documentation not required in the statute or regulation for communities serving only one state. NCUA’s settled practice in the case of large multi-jurisdictional communities has been to demand a greater breadth and quantum of persuasive evidence of interaction and common interests among their residents than in the case of a community that is smaller in size and population. This is especially true when the boundaries of a community extend beyond a single state, because of the differences in local governments, taxing authorities, police, fire and other municipal services affecting each state’s citizens. It is also difficult to compare large, proposed multi-jurisdiction community applications to one another in that every proposed community presents a unique set of circumstances including boundaries, jurisdictions and terrain, with different elements of common interest and interaction.

Local Community Requirements

Vantage provided voluminous information in its application package. In addition to employment and commuting, it provided information on shopping areas; major roadways and public transportation; the airport; shared facilities including higher education, entertainment events, health care services, the local newspaper; and local community organizations. In addition to a narrative, Vantage used percentages of proposed community population in different ways to show interaction and common interest. Some of the data submitted show what

percentage of the population of the entire proposed community used a particular facility or attended a particular event. We do not believe such data alone to be valid evidence of inter- or cross-county/segment interaction or common interest, it only shows use. One would reasonably expect the vast majority of use of any facility to be by the residents of the area surrounding it. Other information submitted (and also information generated by NCUA staff) compares usage of a facility or attendance at an event to the population of each individual county/segment. Interaction or common interests can be shown by breaking the data into per county/segment use. The higher percentage use or attendance of the population of each individual segment or county, the more interaction or common interest across segments is shown. NCUA has evaluated interaction/common interests using this per segment information since 2006.

MSA, St. Louis Hub and Employee Commuting Patterns

As addressed above, the proposed community consists of a part of the St. Louis MSA. We accept the designation of the St. Louis MSA, as well as the designation of St. Louis City as a “principal city” of the MSA, as evidence of commuting patterns that demonstrate cross county interaction in the proposed community. The Board recognized that the St. Louis hub (St. Louis City and St. Louis County) constitutes a major trade area in a previous FCU conversion in 2004. The St. Louis hub forms the population center of the proposed community. There are substantial employee commuting patterns between the surrounding counties and the St. Louis hub and the bulk of the proposed community’s shared facilities are concentrated in the hub. The workflow commuting patterns from the surrounding counties to the St. Louis hub are evidence of interaction among residents of the proposed community. This conclusion parallels OMB’s designation of the larger St. Louis area as an MSA.

Shopping

The extent of residents’ inter-county/city commuting to shop is evidence of interaction due to the economic impact of resulting purchases and the tendency to periodically return to shop at the same outlets. Vantage submitted narrative information on nine shopping outlets; Vantage then submitted a chart of percentage use by county/St. Louis City residents of these shopping outlets. The narrative sets forth the percentages of shoppers at each outlet that live somewhere in the proposed community. As noted above, this by itself is not evidence of interaction. The chart provides percentages of shoppers at each shopping outlet by county and St. Louis City. This does provide information about interaction. There does not appear to be a great deal of interaction at any of the outlets between shoppers from more than two jurisdictions. The numbers are especially low for cross state shopping. NCUA staff used information submitted to provide one chart on overall shopping in the proposed community. Staff calculated an average percentage of shoppers in each county that shop outside their place of residence. The range of percentages is from 1.5% to 10.7% of residents by county that leave their place of residence to shop. We believe that the limited rate of cross-county shopping is

insufficient to support an inference of interaction among residents of the proposed community.

Health Care Services

The extent of patients' inter-county commuting to another part of the community to receive medical care is evidence of interaction due to the tendency of patients to build relationships with a particular facility and to return there for subsequent treatment. Vantage submitted narrative information on seven medical centers; they then submitted a chart of percentage use by county/St. Louis City of these medical centers. The narrative sets forth the percentages of patients at each medical center that live somewhere in the proposed community. As noted above, this by itself is not evidence of interaction. The chart provides percentages of patients at each medical center by county and St. Louis City. This does provide information about interaction. There does not appear to be a great deal of cross-county patient population at many of the medical centers. NCUA staff used information supplied by Vantage to create one chart on overall health care in the community and calculated an average percentage of patients in each county who travel outside their place of residence in to receive medical services. The range of percentages is from 1.8% to 8.0% of residents by county that leave their place of residence for medical center services. We believe that this limited rate of cross-county medical care is insufficient to support an inference of interaction among residents of the proposed community.

Student Enrollment Patterns

The extent of student inter-county commuting to attend an institution of higher education is evidence of interaction because of the tendency of students to commute at least several times a week, and because they are exposed for long periods of time to their fellow students. Vantage submitted narrative information on 13 colleges and universities, including information on the percentage of students at each that live somewhere in the proposed community. This again gives no information on interaction. Information on institution enrollment broken down by county was only provided for two schools. NCUA staff obtained county breakdown enrollment information for a third school. Per segment data for the three schools indicated low cross segment enrollment. Both the limited per segment data (3 institutions out of 13) and the low percentages of cross-county attendance shown at those 3 institutions indicate a lack of sufficient interaction based on student enrollment.

Newspaper

A significant percentage of cross-county residents' reliance on a single, locally based newspaper is evidence of common interest in that a local newspaper addresses issues and concerns share by residents of the proposed community. The St. Louis Post-Dispatch is the major newspaper serving the proposed community. Vantage submitted data on per county penetration; NCUA staff used the most current data submitted to create a chart showing per county penetration. Daily

penetration rates are below 20% for all segments; the Sunday penetration rates are somewhat higher. The three Illinois counties are in the low end for both editions. Only the penetration rate for the Sunday edition for the 4 Missouri counties and St. Louis City reach a level that supports an inference of interaction. We believe the Sunday newspaper penetration only for the Missouri portion of the proposed community supports interaction, but not for the Illinois counties. Overall newspaper penetration rates do not support interaction.

Local Airport

The extent to which residents of each segment of the proposed community use a single airport to fly in and out of the community is evidence that it is a shared facility upon which residents of the proposed community rely. Lambert-St. Louis Airport is the only international airport serving the proposed community; the next closest international airport is 250 miles away. Supplemental information submitted by Vantage shows 30% or higher use of the airport by all segments of the proposed community. We believe use of Lambert-St. Louis Airport indicates cross-county interaction in support of a community charter.

Community Events and Facilities

Attendance at multiple community events and use of community facilities by substantial segments the proposed community indicates a common interest and interaction. In order to support interaction/common interest, there would need to be substantial attendance by cross county residents at multiple events. Vantage supplemented its initial package to provide information with data broken down by county/city. The data show high attendance for all segments at the St. Louis Zoo (22.3% or higher) and at a St. Louis Cardinals baseball game (35.1% or higher). Other events show much lower percentages, particularly for the Illinois counties. Although cross-county attendance at the zoo and Cardinals games is fairly high, we do not believe these two venues provide enough interactive support to compensate for the lower percentages of the other venues, especially in light of the more consistent lower percentages for the Illinois counties.

Community-Wide Civic Organizations

Vantage identified two organizations whose service areas are the same as the proposed community. The first is Starrs, the St. Louis area regional response team. The information provided states that Starrs works in conjunction with all 8 local governments, the two state governments and the Department of Homeland Security to coordinate planning for large scale critical incidents. Starrs is forming a Safety and Security Council to prepare for emergency response throughout the region. The second organization is EW Gateway. It is composed of elected and civic leaders of the proposed community and is responsible for road, bridge and transit projects as well as other issues. We do believe that these two organizations show some common interest/interaction across the various segments of the proposed

community, at least between the leaders of the segments of the community. However, the proposed community is composed of a large city, and seven counties from two states containing multiple municipalities. The Vantage application does not contain a discussion of the separate state and local governments or the multitude of jurisdictions providing primary and secondary education, police and fire protection, as well as various other services to the proposed community. Without evidence to the contrary, these types of services provided by multiple state, county and municipal jurisdictions detract from cross-county interaction. The minimal common interest/interaction provided by the two community-wide civic organizations does not counter the lack of interaction due to the large, multi-governmental proposed community.

Conclusion

In order to show adequate interaction/common interest for a large, highly populated, multi-jurisdictional area including portions of two states, the quantum and breadth of required information is high. We believe that neither the documentation nor the narrative provided demonstrates adequate interaction/common interests. With the exception of trade area (hub), employee commuting patterns and use of the airport, neither the statistical nor narrative information submitted provide for significant cross community interaction in this highly populated area. It is our conclusion that Vantage has not provided adequate evidence that the proposed area is a local community under the standards set forth in the applicable Chartering Manual.

Order

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

The Board upholds the Region IV Director's denials of Vantage Credit Union's application and request for reconsideration to convert to a community charter and denies Vantage Credit Union's appeal.

So **ORDERED** this 16th day of September 2010 by the National Credit Union Administration Board.

Mary Rupp
Secretary of the Board