

UNITED STATES OF AMERICA  
BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION

In the Matter of

Resource One Federal Credit Union

*Docket No. 98-FOM-001*

Decision and Order on Appeal

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

Background

Resource One is a multiple group credit union located in Dallas, Texas. It has 45,261 members (potential of 136,537) and assets of \$144,035,707. The Credit Union was chartered in 1936 to serve employees of the Sears Roebuck Dallas Catalog Order Plant. Nine credit unions merged into Resource One in the 1980s; there were several more mergers in the first half of the 1990s. The original sponsor closed in the early 1990s. Resource One has approximately 325 select employee groups within its field of membership. The overall penetration rate of the Credit Union is just over 33%, well below the peer average of 57.9%.

The Credit Union submitted its application to convert from a multiple group to a community charter on August 29, 1997, in the wake of the A T & T litigation. The requested community is Dallas County, Texas.

The Region V Director denied the application on October 27, 1997, after consultation with the Office of General Counsel. The Credit Union then submitted additional information. Upon reconsideration and review of the additional information, the Region V Director again denied the community conversion application, stating that the application did not show that Dallas County met the definition of a community charter as defined in the Chartering Manual.<sup>[1]</sup> The Region V Director stated that the application did not support the proposed area as a single community where the residents interact sufficiently to support it as a distinct neighborhood, community, or rural district. Resource One then appealed the denial to the NCUA Board.

Issue for Appeal

The issue in the matter of this appeal is whether Dallas County meets the definition of a community set forth in NCUA policy.

Analysis and Applicable Law and Policy

For purposes of community charters, Section 109 of the FCU Act

(12 U.S.C. 1759) states that "Federal credit union membership shall be limited to ... groups within a well-defined neighborhood, community, or rural district."<sup>[2]</sup> The Chartering Manual states that it is NCUA policy "to limit the community to a single, geographically well-defined area where residents interact." It then sets out a two part test:

- The geographic area's boundaries must be clearly defined; and
- The charter applicant must establish that the area is recognized as a distinct neighborhood, community, or rural district.

Chartering Manual at p. 1-6.

Dallas County meets the first part of the two-part community test. It is a clearly defined geographic area. As a county, it is a political jurisdiction with distinct boundaries.

The Chartering Manual then sets forth the types of documentation needed to show that the community area represents one well-defined area, distinguishable from the immediate surrounding areas. The documentation includes major trade areas (shopping patterns), traffic flows, shared/common facilities, common organizations and clubs, area newspapers or other periodicals, census tracts, history of area, common characteristics and background of residents, as well as what causes the area and its residents to be distinguishable from the immediate surrounding areas and residents. Manual at p. 1-7.

Dallas County encompasses a large city (Dallas) and includes 13 additional cities within its boundaries. The 1990 U.S. Census lists population of Dallas County as 1,852,810, with a 1996 estimate of 1,975,325. Dallas County encompasses approximately 900 square miles. The population of the city of Dallas is approximately 1,000,000. The rural population of Dallas County numbers only 7,340. Thus, the vast majority of county residents outside the city of Dallas also live in urban communities.

In this case, the second part of the two-part community test is more difficult to meet and less objective to describe than the first part because Dallas County has a large, dense, vastly urban population, with multiple urban areas. For purposes of credit unions applying to convert to a community charter, “the greater the population of the proposed area, the greater justification necessary to support the existence of the “community” and interaction among its residents.” Chartering Manual at p. 2-8. The credit union applicant must show that the proposed community is not only distinguishable from the surrounding area, but that its residents interact to form one community.

The Credit Union submitted demographic information that shows how Dallas County is different from the surrounding counties. Dallas County is a more densely populated county than the counties surrounding it,<sup>[3]</sup> its household income is second lowest of the area counties,<sup>[4]</sup> it has the most racial diversity,<sup>[5]</sup> and it has the smallest median household size.<sup>[6]</sup> Although these statistics do show some demographic differences between and among several Texas counties, they do not show interaction of residents to support that Dallas County is a community within NCUA policy.

The Credit Union also submitted additional information showing that only 9.3% of Dallas County residents leave the county to work; the vast majority of residents work within the county. The percentages for surrounding counties are much higher, from 20.8% to 70.6%.<sup>[7]</sup> The fact that over 90% of county residents who work work within the county does not necessarily indicate interaction among county residents. Rather, it may show substantial interaction within cities or other areas within the county, but not throughout the county. Resource One provided no information on how these statistics support interaction throughout the county.

Information was submitted on transportation including major interstates, airports and public transit. Dallas Area Rapid Transit (DART) is a unified transportation system (bus and rail) in Dallas County that appears to serve mostly the city of Dallas and its northern suburbs. The Credit Union did not use the information on DART to show community interaction except to say there are some late trains and buses scheduled to accommodate sporting events.

Resource One submitted voluminous documentation on the requirements to support a community.<sup>[8]</sup> The Credit Union submitted a brief history of the area and information on the county, state and federal government. It also submitted a listing of community clubs and organizations, information on museums,

cultural events, showplaces and professional and college athletics and information on shared public services and facilities (hospitals, utilities, telecommunications, and institutions of higher education), shopping centers, and print and broadcast media. These organizations, events, services and facilities do indicate some interaction among county residents, however, they are no different than those that exist in any large metropolitan area. They do not provide the “greater justification” necessary to support community and interaction in a highly populated area.

It is important to note that there are fifteen separate public school districts in Dallas County. The existence of so many separate school districts indicates that students, parents and staff do not interact throughout the county through the use of shared educational facilities. The Credit Union submitted no information on the public educational system. Neither did it submit information on police and fire protection in Dallas County. Education, and police and fire protection are all listed in the Chartering Manual as examples of shared facilities supporting a community charter. See Manual at p. 1-7.

Resource One also submitted information on lifestyles of residents of Dallas County as compared to those of neighboring counties.<sup>[9]</sup> This section sets forth the top ten leisure activities of Dallas, Tarrant and Collin County residents. The top ten activities do differ from one county to the other. However, this information tells little, if anything, about commonalities among Dallas County residents. It only shows, on a whole, how the a list of interests of Dallas County residents differ from those of two neighboring counties.

There are two documentation requirements set forth in the Chartering Manual that are clearly lacking in the application package. The first is common characteristics and background of residents. The Chartering Manual notes examples of the types of information to meet this requirement as income, religious beliefs, primary ethnic groups, similarity of occupations, household types, primary age group, etc. See Manual at p. 1-7. Although some of this information is touched upon in the Credit Union’s submission of data on demographics and lifestyle, the application does not identify the similarities among county residents that would help to identify it as a community. Rather, the discussion focuses on how Dallas County demographics and lifestyle differ from those of its surrounding counties. The information submitted does not show common characteristics or background as is required by the Chartering Manual.

The second documentation requirement relates to information on “what causes the chosen area and its residents to be distinguishable from the immediate surrounding areas and residents – some examples are old, well-established ethnic neighborhoods, planned communities, and small/rural towns or rural counties.” Manual at p. 1-7. No information was submitted on this criterion.

In summary, the Credit Union did not submit meaningful information on the common characteristics and background of county residents and the characteristics that distinguish the area and its residents from surrounding areas and residents; information that is crucial in defining this densely populated metropolitan county as a community. In addition, the other areas of information required (e.g. history, traffic flows, shopping patterns, shared facilities, organizations, periodicals) must show that there is interaction among and between residents on a county-wide basis. The information submitted does not support interaction. Especially noted is a lack of information on public education, and police and fire protection. The Credit Union does not show adequate interaction among its residents to meet the community chartering standards.

#### Order

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

The Region V Director’s decision denying Resource One Federal Credit Union’s application to convert to a community chartered credit union is upheld and the appeal is denied.

So Ordered this 28<sup>th</sup> day of December, by the National Credit Union Administration Board.

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Hattie Ulan

Acting Secretary of the Board

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[1] Interpretive Ruling and Policy Statement (IRPS) 94-1, as amended by IRPS 96-1, constitutes NCUA chartering policy in affect at the time Resource One filed its conversion application and is applicable to this appeal. The policy is incorporated into and referred to as the Chartering Manual.

[2] This provision of Section 109 is from the FCU Act prior to its amendment by the Credit Union Membership Access Act of 1998. Since Resource One filed its community conversion application prior to amendment of the FCU Act, the unamended version of Section 109 is the applicable version.

[3] Range is from 76 to 2203 people per square mile, with Dallas County the most dense at 2203. *See* p. 5-6 of application package.

[4] Range of median household incomes by county is from \$35,741 - \$52,892, with Dallas County near the bottom at \$37,944. *See* p. 5-8 of application package.

[5] *See* chart on p. 5-9 of application package.

[6] Range is from 2.7 to 3.0 with Dallas County at 2.7 members per household. *See* p. 5-10 of application package.

[7] *See* second chart on p.4 of additional information to application package.

[8] This information is found in chapter 6 of the application package.

[9] *See* p. 6-21of application package.