

UNITED STATES OF AMERICA

BEFORE THE NATIONAL CREDIT UNION ADMINISTRATION BOARD

In the Matter of

Jackson VA Federal Credit Union *Docket No. 99-FOM-006*

Decision and Order on Appeal

This matter comes before the National Credit Union Administration Board (Board) on appeal from the Jackson VA Federal Credit Union (Appellant). The Region III Director denied the Appellant's application to add the employees of the National Park Service, Natchez Trace Parkway, to its field of membership.

Background

Appellant is a multiple common bond credit union located in Jackson, Mississippi. Its two service facilities are located in Jackson. On March 10, 1999, the Appellant submitted its application for a field of membership amendment to add employees of the National Park Service, Natchez Trace Parkway (Natchez group). The Natchez group is a unit of the National Park System under the United States Department of the Interior. The Natchez group consists of 150 primary potential members and is headquartered in Tupelo, Mississippi. Tupelo is 176 miles from Jackson. Forty-six of the Natchez group employees work in Tupelo. The rest of the employees are scattered throughout Mississippi, with twenty employees in Alabama and Tennessee. All but 9 of the Natchez group employees work at least 70 miles from Jackson. The Region III Director denied the application to add the Natchez group on March 29, 1999, because the group is located outside of the Appellant's service area. Jackson VA FCU filed its appeal on May 20, 1999.

Issue for Appeal

The issue in the matter of this appeal is whether the Natchez group is within the reasonable proximity of the Appellant.

Analysis and Applicable Law and Policy

Section 109 of the Federal Credit Union Act, as amended by the Credit Union Member Access Act, 12 U.S.C. 1759,¹ imposes a "reasonable proximity" limitation on multiple common bond credit union expansions. Section 109(f)(1)(B) states:

[I]f the formation of a separate credit union by the group is not practicable or consistent with the standards referred to in subparagraph (A), [the Board shall] require the inclusion of the group in the field of membership of a credit union that is within reasonable proximity to the location of the group whenever practicable and consistent with reasonable standards for the safe and sound operation of the credit union.

Interpretive Ruling and Policy Statement 99-1^[2] states that for multiple common bond credit unions, “groups must be within reasonable geographic proximity of the credit union. That is, the groups must be within the service area of one of the credit union’s service facilities.” Chartering Manual at p. 2-30, emphasis added. A credit union’s service area is defined as “the area that can reasonably be served by the service facilities accessible to the groups within the field of membership.” Manual at pp. 2-30 and A-1 (Glossary). The Federal Register published preamble to the Chartering Manual also addresses reasonable proximity and service area. The Board noted its view that “CUMAA and its legislative history sets forth the requirement that reasonable proximity should be a geographic limitation. That is, the group to be added must be within reasonable proximity geographically to the credit union.” 63 Fed. Reg. 72002 (December 30, 1998.)

Appellant and the Region agree that the Credit Union’s service area consists of a 50-mile radius from its main service facility in Jackson. The Region III Director determined that the Natchez group was not within the Appellant’s service area since Tupelo is 176 miles from Jackson. The Board adopts this determination. Appellant does not contest this determination, but rather sets forth extenuating circumstances it believes should override the service area restriction. Appellant notes that the Natchez group has been unable to obtain credit union service within Tupelo and that it possesses the means to serve the group (through ATM and Internet service) regardless of geographic distance. Although the Board is sympathetic to the Natchez group’s desire for credit union service and Appellant’s ability and willingness to provide such service, the group is not within the Appellant’s service area.

Order

Based on the NCUA Board’s determination that the Natchez group is outside of the Appellant’s service area, it is ordered as follows:

The Region III Director’s decision denying Jackson VA Federal Credit Union’s application to add the Natchez group to its field of membership is upheld and the appeal is denied.

So Ordered this 6th day of October, 1999, by the National Credit Union Administration Board.

Becky Baker

Secretary of the Board

^[1] Congress amended the field of membership provisions as well as several other sections of the FCU Act in August 1998 by the passage of the Credit Union Membership Access Act (CUMAA).

^[2] Interpretive Ruling and Policy Statement 99-1 (IRPS 99-1) implements the changes made by CUMAA, setting forth NCUA chartering and field of membership policy. IRPS 99-1 is set forth in NCUA’s Chartering Manual, NCUA 8007/M6001 (Jan. 1999). References to the Chartering Manual are to the Jan. 1999 edition.