



October 31, 2012

NCUA Proposal to Amend Definition of a “Rural District”

Executive Summary

- The National Credit Union Administration (NCUA) has issued a proposed rule that would amend the definition of a “rural district” that applies to the community credit union charter, under NCUA’s Chartering and Field of Membership Manual.
- Specifically, the proposal would amend NCUA’s definition of a “rural district” by broadening the population criteria of the “rural district” designation from its current limit of 200,000 persons, to a limit of 200,000 persons or 3 percent of the population of the state in which the majority of the district’s persons are located. All other criteria not related to the total population would remain intact.
- NCUA believes that the current limit of 200,000 may be too low to sustain a viable “rural district” FCU for several reasons. A rural area may often be anchored by a more populated hub city or town, and members often travel to such a hub for shopping and other services. The inclusion of the more populated hub city or town may cause the area to exceed the 200,000 limit. Further, rural FCUs often find it difficult and costly to attract members in a widely dispersed rural area.
- The proposed rule is intended to enhance an FCU’s ability to attract and serve rural populations by placing branches in rural hubs, and by generally increasing the potential membership of credit unions that meet the “rural district” criteria. FCUs currently designated as “rural district” FCUs are grandfathered, and would be permitted to apply for an expansion of their charter.
- NCUA is seeking comments on the proposed amendment and on the definition of “rural district” generally. Comments for the proposal are due to NCUA by November 26, 2012; **please submit your comments to CUNA by November 16**. Comment letters may be filed with NCUA via e-mail at regcomments@ncua.gov. If commenting directly to the agency, please include “[Your name]–Comments on Notice of Proposed Rulemaking for Chartering and Field of Membership Manual” in the e-mail subject line.
- For more information from CUNA, Deputy General Counsel Mary Dunn at mdunn@cuna.coop.
- For further details, please click [here](#) for the proposed rule in the Federal Register, and [here](#) for NCUA’s 2010 final rule that defines the current “rural district” criteria.

Background

Under the Federal Credit Union Act and NCUA's current field of membership rules, a community credit union may qualify to charter or expand if the area to be served is a "well-defined local community, neighborhood, or a rural district" which meets criteria NCUA has established.

Currently, the Chartering and Field of Membership Manual (Chartering Manual)¹ includes two alternative sets of criteria to establish a "rural district."

1. One set of criteria is: the district has well-defined contiguous boundaries; more than 50% of its population resides in areas the U.S. Census Bureau designates as rural; and the district's total population does not exceed 200,000; or
2. The alternate criteria require: the district has well-defined, contiguous boundaries; it has a population density of no more than 100 people per square mile; and the district's total population does not exceed 200,000.

Therefore, the upper cap on the population of a "rural district" is currently 200,000 persons under either alternative.

Under the proposal, NCUA would broaden the population criteria of the "rural district" designation from its current limit of 200,000 persons, to a cap of 200,000 persons or 3 percent of the population of the state in which the majority of the district's persons are located.

NCUA believes that the 3 percent threshold is an appropriate number because it would only apply to states with a population above roughly 6.67 million (13 states). The agency believes that a 4 percent or higher threshold would be unreasonable because it would encompass states with populations above roughly 5 million (22 states), thus potentially leading to "rural districts" which are disproportionately large in relation to the size of the state.

For FCUs that are seeking a "rural district" that includes portions of two or more states, the proposed 3 percent state population component would be based on the state that contains the majority of the proposed "rural district."

Questions to Consider Regarding the Proposed Rule

1. Does your credit union support the amendment to broaden definition of "rural district" from a population limit of 200,000, to 200,000 or 3 percent of the population of the state?

¹ 12 C.F.R. part 701, app. B.

2. Should the proposed 3 percent limit be higher? Do you have any comments on the potential benefits and impacts of a higher percentage?

3. Do you have any comments on the other criteria, which are not related to the population limit, for defining a "rural district" found in the Chartering Manual?

4. Do you have any other comments generally?

Thank you for your comments.