

#### 4. Occupational Common Bond

The NCUA Board has previously determined that an occupational common bond can also include designations based on employment in a trade, industry or profession (TIP), but because of operational concerns chose not to implement a TIP policy. Having addressed these concerns, the NCUA Board proposed a new definition of occupational common bond based on a TIP.

This type of common bond can include employment at any number of corporations or other legal entities that, while not under common ownership, share a common bond by virtue of producing similar products, providing similar services, sharing the same profession or trade, or participating in the same industry. The common bond of a TIP credit union is not based on a relationship with a single employer, but rather, on the commonality of interests or characteristics of those groups comprising the TIP. Individuals in those groups will share or participate in the same purpose, interest, or endeavor as a result of their employment. If persons in different groups possess common interests that are reasonably tied to a common endeavor or purpose, then the groups can be combined to form a single field of membership and, thus, a single common bond credit union. This commonality of interest constitutes a common bond of trade, industry or profession and meets the statutory requirement of "one group that has a common bond of occupation." 12 U.S.C. 1759(a)(1).

In the proposal, the NCUA Board stated that, while there is some latitude in defining trade, industry, or profession, the group must have a close nexus. Furthermore, the NCUA Board stated that a TIP must be narrowly defined and in most cases, will contain a geographic limitation. The geographic limitation will generally correspond to the credit union's current or planned service area. The NCUA Board limited the TIP to single common bond credit unions and proposed allowing any credit union to convert to a TIP single occupational credit union. Upon such a conversion, the credit union could retain its members of record.

One hundred and seventy commenters supported the TIP proposal. A few commenters who supported the proposal believe that a diverse field of membership should reduce sponsor risk and risk to the National Credit Union Share Insurance Fund. A few commenters expressed concern with how TIP will be implemented. Four commenters

opposed the TIP concept because they believe it would hurt small credit unions.

Many commenters provided examples of different TIPs, ranging from an educational TIP to a petroleum TIP. Some of the commenters believed that the general thrust of occupational chartering based upon TIP should be more "horizontal" than "vertical." That is, they viewed the TIP proposal as focusing on only some members of a trade or industry, as opposed to everyone working in the same trade or industry. The NCUA Board does not believe that these terms provide a meaningful or relevant distinction and is not using them in the Chartering Manual. In the proposal, the NCUA Board was simply illustrating who could become a member depended on whether the credit union had a professional TIP or an industry TIP. Again, if the TIP is the healthcare industry, everyone working at a hospital would be included in the TIP. If the credit union has a nurses TIP, then only nurses could be served. This is a clear and important distinction. A TIP can be "vertical" or "horizontal," but it is critical that a credit union understand which type of occupational common bond it is choosing.

In a similar vein, some commenters asked why a credit union could not serve clerical staff if a TIP is based on a single profession, for example, Certified Public Accountants (CPAs). The answer is that a TIP credit union based on profession or trade can only serve members of the same profession or trade. An engineer TIP can only serve engineers; a teachers TIP can only serve teachers. This is one of the fundamental criteria of a TIP. However, if a TIP is based on an industry, such as healthcare, the credit union can serve physicians, nurses, and administrative staff. Therefore, as stated above, how the TIP is characterized, whether by profession or industry, will be critical in determining who the credit union can serve. If the credit union wants to serve CPAs, it should request a CPA TIP. If the credit union wants to include administrative staff, then it should request a TIP based on the accounting industry.

A few commenters support applying TIP only to single common bond credit unions. Thirty-one commenters recommended applying TIP to multiple common bond credit unions. The NCUA Board believes that a narrow approach is appropriate at this time because expansion of the TIP policy would raise additional operational issues. For this reason, the NCUA Board is limiting this

type of occupational common bond to a single common bond credit union.

The NCUA Board stated in the proposal that a credit union converting to a TIP will usually have a geographic limitation that comports with its current or planned service area. Nine commenters opposed a geographic limitation on the TIP occupational common bond. A few commenters requested broad geographic options. A few commenters noted that, for a credit union already serving members nationwide, there should be no geographic limitation. The NCUA Board believes that, initially, a general geographic limitation is necessary for a successful implementation of the TIP policy. However, after considering the commenters' suggestions, the NCUA Board also believes a credit union having a national field of membership or operating in multiple states may request a TIP with no geographic restriction. Accordingly, the NCUA Board has clarified the Chartering Manual to include this concept.

The NCUA Board continues to believe that another fundamental criterion of a TIP common bond is that the group must have a close nexus and a commonality of interests. Because of this requirement, a TIP cannot include third-party vendors and other suppliers and contractors. In this regard, some TIPs might be more limiting than the traditional definition of an occupational common bond. An automobile TIP may include all workers manufacturing automobiles but may not include the steel suppliers or other component suppliers. A healthcare TIP may include all hospital personnel but may not include employees of unaffiliated retail pharmacies. Furthermore, a TIP common bond charter can be similar to, but distinguishable from, a common bond based on a single corporation or employer.

For example, all Army personnel would qualify as a single common bond employer group or TIP, but all nurses would only qualify as a TIP.

One commenter requested that a company that has one large, predominant industry and some smaller industries still be allowed to be included in a single industrial common bond. The NCUA Board believes such a company would not have the close nexus and commonality of interest required of a TIP occupational common bond based on industry. However, this same company could qualify for a traditional single employer occupational common bond.

A few commenters requested information about the scope of the TIP business plan. One commenter also