

asked how a credit union will verify an individual as a TIP member. When a credit union is chartered or converts to a TIP it must submit a business plan that addresses how it will serve the TIP and how it will verify an individual is part of that TIP. Verification may include a state license, payroll statements, or any other documentation indicating that an individual is a member of the specified TIP. Some commenters have asked that retirees and corporate accounts be included in a TIP field of membership. The NCUA Board sees no impediment to such a change and has modified the final rule to allow retirees for all TIPs and corporate accounts for industry TIPs.

The NCUA Board requested comment on whether the final rule should contain a preapproved list of TIPs. A few commenters recommended that the final rule should not contain a preapproved list of TIPs. A few commenters supported an initial listing of NCUA preapproved TIPs, if it did not limit possible TIPs. A few commenters suggested other governmental sources a credit union could review to develop a TIP.

The NCUA Board believes that a list of preapproved TIPs would not prove very useful to most credit unions. Instead, the NCUA Board prefers that the agency approve TIPs, on a case-by-case basis, to ensure consistency among the reasons, address operational issues and to ensure the legal underpinnings of the policy are met. The NCUA Board encourages credit unions to review the U.S. Bureau of Labor Statistics' Standard Occupational Classification System (SOCS) and the U.S. Census Bureau's North American Industrial Classification System (NAICS) for guidance in developing a TIP. Although the information contained in the SOCS and NAICS is neither controlling nor binding on NCUA, the systems do contain some useful information for credit unions considering converting to a TIP occupational common bond.

Finally, the NCUA Board is clarifying that if, for safety and soundness reasons, a TIP credit union needs to convert back to its original field of membership, it can obtain the field of membership it had before the conversion. Such a conversion would need to be approved by the regional director. After the conversion, a credit union could continue to serve members of record of the TIP.

5. Economic Advisability and the Process for Select Group Expansions of Less than 3,000

Economic advisability is critically important both in the chartering process

and in the addition of select groups to a multiple common bond credit union. NCUA's responsibility is to ensure that a new credit union has a reasonable likelihood of succeeding in today's financial marketplace.

Based on the historical experience since the promulgation of IRPS 99-1, plus other chartering data since 1990, the NCUA Board proposed to raise the expedited processing threshold for adding groups from 500 to less than 3,000. In conjunction with this proposal, the NCUA Board also proposed raising the number of members in a group requiring an overlap analysis from 500 to less than 3,000.

One hundred and thirty-three commenters supported the proposed change. One commenter requested no economic ability analysis or overlap analysis be conducted on groups of 3,000 or more either. A few commenters opposed the change and some of these commenters stated they believed that it would hurt small credit unions.

The NCUA Board is adopting the proposed amendment in the final rule. NCUA will continue to perform an economic advisability analysis and overlap analysis for a group of 3,000 or more. NCUA's experience supports the view that a primary potential membership of less than 3,000 will rarely be economically advisable. In fact, 3,000 is the same threshold at or above which Congress requires the agency to look at the group more closely to determine if it can form its own credit union. The final rule merely makes consistent the application of the statutory 3,000 figure as the break point for mandatory analysis of a group that chooses to affiliate with an existing credit union, rather than charter its own credit union. In some circumstances, a smaller number of potential members may be economically advisable, and such groups, if they express the desire to form a separate credit union, will be given that opportunity. However, as always, the group's desire and initiative to form a credit union are critical factors in evaluating economic advisability.

6. Community Charters

Over the years, the NCUA Board has approved numerous conversions of credit unions to community charters. The NCUA Board proposed three different definitions of what constitutes a local community. These definitions were based on the Board's experience and authority under the Act to determine what constitutes a local community for purposes of a federal community charter.

First, the NCUA Board proposed that any city, county, or smaller political jurisdiction, regardless of population size, meets the definition of a local community. The NCUA Board stated that this is an irrebuttable presumption, regardless of population size, and that no documentation demonstrating that the political jurisdiction is a community would be required.

Second, the NCUA Board proposed that any area that is a Metropolitan Statistical Area (MSA), or its equivalent, or a portion thereof, where the population of the MSA or its equivalent does not exceed one million, may meet the definition of a local community. The NCUA Board stated that, if the proposed community meets the MSA criteria and population limits, the credit union must submit a letter describing how the area meets the standards for community interaction and/or common interests.

Third, the NCUA Board proposed increasing the presumption of a local community from 200,000 residents to 500,000 residents for multiple political jurisdictions that are not part of a single MSA. The NCUA Board stated that, if the credit union meets this criterion, the credit union must submit a letter describing how the area meets the standards for community interaction and/or common interests.

One hundred and eighty-one commenters supported the new definitions of a local community and the changes to the community section. Seven commenters requested a more expansive definition of a local community. Four commenters did not support the proposal and believe the definition of local community will hurt small credit unions.

The NCUA Board is adopting the proposed definition of a local community in the final rule. As stated in the proposal, this definition of local community comports with the general experience of this Board in determining what constitutes a local community charter.

The NCUA Board clarified in the proposed rule that a community charter can apply to convert to serve a different community area. A couple of commenters specifically approved of the proposal. The NCUA Board is adopting this provision in the final rule without change.

The NCUA Board clarified in the proposal that persons or organizations that regularly do business in a community can be included in a community credit union's charter. A couple of commenters specifically approved of this clarification. The NCUA Board is adopting this clarification in the final rule and is