



May 30, 2023

Melane Conyers-Ausbrooks
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314-3428

RE: Proposed Changes to the Chartering and Field of Membership Manual

Dear Board Members:

Thank you for the opportunity to submit comments on the National Credit Union Administration's (NCUA) proposed updates to the Chartering and Field of Membership Manual (the Manual). The proposed changes are well designed to support credit unions in expanding their fields of membership to serve underserved communities, especially low-income communities, rural communities and communities of color that banks fail to serve. We recommend the NCUA make a few modest adjustments to the proposal, detailed below, to further improve confusing or challenging aspects of the NCUA's current field of membership rules and better support credit unions in meeting their communities' needs for credit and financial services.

The credit union movement plays a vital role in advancing financial inclusion, particularly in historically redlined and other disinvested and underserved communities. In contrast to banks and other for-profit financial institutions that have a fiduciary duty to their shareholders rather than their customers, credit unions are not-for-profit institutions that are owned and governed by their members. That means that credit unions are uniquely focused on meeting the needs of their members and have strong incentives to provide affordable, responsible and sustainable credit and financial services. Expanding the number of people credit unions may serve is an effective way to ensure that people who currently lack access to safe and affordable financial services have the opportunity to build assets and financial security. To quote Congresswoman Maxine Waters, "It is time to expand the credit union movement, to grow it and to provide the services that are desperately needed in our communities."¹

About Inclusiv

Inclusiv is the national network of community development credit unions committed to promoting financial inclusion and equity through credit unions. The Inclusiv network represents more than 460 credit unions serving more than 17 million people in predominantly low-income urban, rural, and reservation-based communities across 47 states, Washington DC, the U.S. Virgin Islands and Puerto Rico. Inclusiv channels capital to and the builds capacity of these institutions that are dedicated to serving low-income people and redlined and disinvested communities that mainstream financial institutions fail to serve. We design, implement, and track numerous initiatives aimed at enabling credit union members to use their credit unions to build wealth and assets.

¹ <https://www.cutimes.com/2002/08/20/congresswoman-waters-urges-end-to-predatory-lending/>

Underserved Area Additions

The NCUA's proposed changes regarding underserved areas are largely positive. Relaxing the requirements for where a credit union's headquarters must be located to serve underserved rural areas will allow more credit unions to serve rural areas with significant unmet financial services and credit needs. Similarly, simplifying the Statement of Unmet Needs will also encourage more credit unions to expand their fields of membership to include underserved areas.

The NCUA's proposal to update the Manual to align the Manual's criteria for economic distress with current CDFI Fund definitions and data sources will significantly reduce confusion for credit unions seeking to serve underserved areas. We recommend that the NCUA avoid creating summaries of CDFI Fund criteria in the Manual but instead provide a citation to the CDFI Fund's most up-to-date criteria for economic distress and currently used Census data set.

The NCUA also proposes eliminating the use of Census Block Groups as a permissible geographic unit in determining whether an underserved area qualifies as a CDFI Investment Area. Given that the CDFI Fund is currently in the process of updating its Certification Application and Target Market Verification Methodologies, we recommend that the NCUA continue to allow the use of Census Block Groups and make a final determination about any changes only after the CDFI Fund finalizes its new requirements. Inclusiv and many other CDFI credit union stakeholders have called on the CDFI Fund to permit the use of Census Block Groups for validating CDFI Target Markets and have advocated that the CDFI Fund include Block Groups in its updated Investment Area definitions. Given that the CDFI Fund has not yet finalized these updates, it would be premature for the NCUA to remove Census Block Groups as a permissible geographic unit.

Community Charter Conversions and Expansions

The NCUA's proposed change to the community charter conversion and expansion processes are all positive changes that will support credit unions in converting to or expanding their community charters.

Groups Sharing a Common Bond with Community Areas

The NCUA's proposal to add an affinity of working for a company that is headquartered in a given community is an important change as so many workers now work remotely but still maintain ties with their companies' headquarters.

Eligibility of Immediate Family Members of Decedents

The proposed change to allow immediate family members to remain eligible for credit union membership for 6 months after the death of a member is a compassionate change that will help grieving families better manage their finances. We recommend, however, that the NCUA increase the 6-month eligibility period to 12 months as managing financial affairs after a death in the family can be both emotionally draining and logistically challenging, and 6 months will likely not be enough time for many families.

Application of "well-defined" to underserved areas

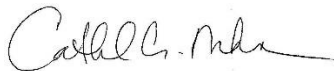
The NCUA should not add a “well-defined” standard when defining the boundaries of an underserved area. The units of geography used to identify the area, for example, Census tracts, are clear and sufficient.

Concentration of facilities

The concentration of facilities test has proven challenging for some credit unions seeking to serve underserved areas. The three test options outlined in the statute should, in theory, provide sufficient flexibility for credit unions to demonstrate that underserved areas they wish to serve are not well-served by other depository institutions. In practice, however, the test often requires significant data analysis outside of the scope of most credit unions’ expertise. To address this issue, the NCUA should provide interactive analysis tools that allow credit unions to easily determine if an underserved area passes the concentration of facilities test. The tool should allow credit unions to select custom geographies down to the Census tract level.

Thank you for the opportunity to comment on these important changes to the NCUA’s to the Chartering and Field of Membership Manual. Please contact Alexis Iwanisziw, SVP Policy and Communications (aiwanisziw@inclusiv.org) with any questions about these comments.

Sincerely,



Cathie Mahon
CEO/President, Inclusiv