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NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

RIN 3133-AF93

Chartering and Field of Membership for Federal Credit Unions; Associational Common Bonds and Client-Customer Relationships

AGENCY: National Credit Union Administration (NCUA).

ACTION: Final rule.

SUMMARY: The NCUA Board (Board) is issuing a final rule to amend its criteria for determining associational common bonds. The amendments clarify that requiring members to buy a good, product, or service from a group as a condition of membership will no longer automatically bar eligibility as a recognized association. After considering public comments, the Board finalizes the proposed rule with certain modifications. The Board's revisions detail how NCUA assesses client-customer relationships (including relevant examples). These changes also simplify NCUA's process for reviewing pre-approved groups.

DATES: This final rule is effective on [**INSERT DATE 45 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER***].

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SUPPLEMENTARY INFORMATION:

I. Introduction

A. Background

The Federal Credit Union Act (FCU Act) recognizes three types of federal charters—single common bond (occupational and associational), multiple common bond (more than one group each having a common bond of occupation or association), and community. NCUA's Chartering and Field of Membership Manual, incorporated as Appendix B to part 701 of NCUA's regulations (Chartering Manual) implements the FCU Act.[1] For chartering purposes, a common bond is a fundamental requirement for a recognized association.[2]

In the Credit Union Membership Access Act (CUMAA), Congress found that "[a] meaningful affinity and bond among members, manifested by a commonality of routine interaction, shared and related work experiences, interests, or activities, or the maintenance of an otherwise well understood sense of cohesion or identity is essential to the fulfillment of the public mission of credit unions."[3] While the FCU Act does not explicitly define "common bond," the Board clarified its meaning in the Chartering Manual. A common bond is the characteristic or combination of characteristics which

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[1] 12 CFR part 701, app. B (hereinafter cited as Chartering Manual). The Chartering Manual addresses all aspects of chartering FCUs. In that respect, it is similar to the regulations of the Office of the Comptroller of the Currency applicable to the chartering of national banks or federal savings associations. 12 CFR part 5.

[2] *See* 12 U.S.C. 1759(b).

[3] Pub. L. 105–219, 112 Stat. 913, 914 (Aug. 7, 1998).

distinguishes a particular group of persons from the general public.[4] Furthermore, the Chartering Manual defines an associational common bond to include individuals and groups whose members participate in activities developing common loyalties, mutual benefits, and mutual interests.[5]

Within this framework, the Chartering Manual reflects a long-standing policy that associations based primarily on a client-customer relationship do not meet associational common bond requirements.[6] Based on agency experience with particular requests, the members of an association based primarily on a client-customer relationship had only an interest in purchasing a good, product, or service from the group.[7] The group operated in a manner indistinguishable from a vendor providing a good, product, or service to the general public. Its charter and bylaws lacked provisions for membership governance or qualifications beyond paying for a good, product, or service. Membership fees (in terms of amount, timing, and structure) functioned merely as payments for a good, product, or service.

Still, the Chartering Manual does not preclude an association with an incidental client-customer relationship if other associational common bond requirements are met.[8] In such circumstances, NCUA staff generally considered a client-customer relationship as incidental when it served a secondary role in relation to the group's associational common bond and activities. For this purpose, NCUA often considered multiple factors.

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[4] Chartering Manual, App. 1-Glossary "Common bond."
[5] Chartering Manual, App. 1-Glossary "Associational common bond."
[6] *See* IRPS 89-1, 54 FR 31166 (July 27, 1989); IRPS 94-1, 59 FR 29066, 29077 (June 3, 1994).
[7] For a discussion of the Board's evaluation of this client-customer relationship, see NCUA Board Decision, *In The Matter Of Tri-State Federal Credit Union,* Docket BD-18-10, 2010 WL 11814914 (December 1, 2010); https://ncua.gov/regulation-supervision/board-appeals/decision-and-order-appeal-tri-state-federal-credit-union (denying YMCA).
[8] 63 FR 71998, 72008 (Dec. 30, 1998). For an example of such an association, see NCUA Board Decision, *In the Matter of CACL Federal Credit Union*, Docket No. 00-FOM-002 (Apr. 13, 2000), https://ncua.gov/regulation-supervision/board-appeals/decision-and-order-appeal-cacl-federal-credit-union.

For example, past chartering policies mentioned electric cooperatives as groups that could meet associational standards, even though purchasing power was required.[9] These chartering policies noted that an electric cooperative must make a strong showing of common activities. Another important factor was electric cooperatives' distinctive relationship with their members. Unlike other client-customer groups, these members are both the owners and users of the cooperative.

The Chartering Manual also included one example of an incidental client-customer relationship—a fraternal association that offers insurance, which is not a condition of membership. This example led to the conclusion that, if a fraternal benefit association required its members to buy insurance from the group as a condition of membership, the association was automatically disqualified.[10]

On April 8, 2026, the Board announced its proposal to amend the Chartering Manual to clarify that a multifaceted approach remains NCUA's position, even if purchasing a good, product, or service from a group is a condition of membership.[11] In the proposed rule, the Board preserved the long-standing policy that an association based primarily on a client-customer relationship does not qualify as a recognized association. The Board proposed eliminating the fraternal association example of an incidental client-customer relationship that had been interpreted as automatically barring some groups with a mandatory purchase condition from associational eligibility. As proposed, NCUA would evaluate the circumstances as a whole. The comment period ended on June 8, 2026.

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[9] *See* IRPS 89-1, 54 FR 31165, 31169 (July 27, 1989); IRPS 94-1, 59 FR 29066, 29076 (June 3, 1994); NCUA, OGC Legal Op. No. 13-0444, *Electric Cooperatives* (May 2013), https://ncua.gov/regulation-supervision/legal-opinions/2013/electric-cooperatives. In 2015, the Board determined that electric cooperatives are a pre-approved group that automatically meets the associational common bond standards. Final Rule, 80 FR 25924 (May 6, 2015); Chartering Manual, Chapter 2, section III.A.1.b.

[10] For an example of such an association, see NCUA Board Decision, *In The Matter Of [Redacted By Agency] Field of Membership Appeal*, Docket No. BD-03-24, 2024 WL 5245712 at *6-7 (Dec. 1, 2024), *https://ncua.gov/regulation-supervision/board-appeals/decision-and-order-appeal-field-membership-0*.

[11] Proposed Rule, 91 FR 17769 (Apr. 8, 2026). Readers seeking additional information may also consult the proposed rule's preamble for additional background pertaining to this rulemaking.

The final rule adopts the April 8, 2026, proposed rule with certain modifications discussed more fully in the section summarizing the comments. After carefully considering the public comments, the Board is amending the April 8, 2026, proposal to increase transparency into NCUA's process for reviewing client-customer relationships. These changes explain key considerations and provide examples. The Board's other changes aim to make NCUA's pre-approved group reviews more efficient. The final rule amends the associational common bond criteria applicable to single associational charters and multiple common bond federal credit unions (FCUs). Accordingly, the final rule does not apply to occupational common bond charters, community charters, or federally insured state-chartered credit unions.

B. Legal Authority

The Board is issuing this final rule pursuant to its authority under the FCU Act. Under the FCU Act, NCUA is the chartering and supervisory authority for FCUs and the federal supervisory authority for federally insured credit unions (FICUs).[12] The FCU Act grants NCUA a broad mandate to issue regulations governing both FCUs and all FICUs. Section 120 of the FCU Act is a general grant of regulatory authority and authorizes the Board to prescribe rules and regulations for the administration of the FCU Act.[13] Section 207 of the FCU Act is a specific grant of authority over share insurance coverage, conservatorships, and liquidations.[14] Section 209 of the FCU Act is a plenary grant of regulatory authority to issue rules and regulations necessary or appropriate to carry out its role as share insurer for all FICUs.[15] Accordingly, the FCU Act grants the Board broad rulemaking authority to ensure that the federally insured credit union industry and the National Credit Union Share Insurance Fund remain safe and sound.

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[12] 12 U.S.C. 1752-1775.
[13] 12 U.S.C. 1766(a).
[14] 12 U.S.C. 1787.
[15] 12 U.S.C. 1789.

The Board is also issuing this final rule pursuant to its rulemaking authority under Section 109 of the FCU Act.[16] Section 109 of the FCU Act establishes the field of membership framework for FCUs.[17] Section 109 also describes the membership criteria for federal charters and grants the Board rulemaking authority with respect to such charters.[18] Section 109(d)(3) further directs the Board to issue guidelines or regulations, after notice and opportunity for comment, setting forth the criteria that the Board will apply in determining whether a group may be added to an FCU's field of membership.[19] Sections 109(a) and 109(f)(2)(E) reference more general rulemaking authority with respect to associational groups and fields of membership.[20] Pursuant to its authority under the FCU Act, the Board implements these statutory requirements through the Chartering Manual.

II. Final Rule

A. Overview

This final rule follows publication of the April 8, 2026, proposed rule, and takes into consideration the comments received on the proposal. By the close of the public comment period on June 8, 2026, the Board received 18 public comments. Comments were submitted by credit union trade associations, credit union leagues, FCUs, one associational group, an individual, and a bankers association. All commenters except one supported the proposal. Most commenters supported considering a group's structure, purpose, and activities rather than automatically excluding the group based on a mandatory purchase condition. Several commenters urged NCUA to clarify certain aspects of the proposal, including definitions, examples, and documentation guidelines. One bankers association opposed the proposal.

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[16] 12 U.S.C. 1759.
[17] 12 U.S.C. 1753(5), 1754, 1759.
[18] 12 U.S.C. 1759(b).
[19] 12 U.S.C. 1759.
[20] 12 U.S.C. 1759.

After carefully considering the issues raised by the commenters, the Board has made the following changes to the proposal: (1) detailing NCUA's criteria in reviewing client-customer relationships, (2) adding relevant examples, and (3) simplifying NCUA's review process for pre-approved groups.

B. Discussion of Public Comments

This section of the preamble discusses the significant issues raised by the commenters, and the Board's responses to the comments.

Comments on NCUA's Statutory Authority

Several commenters observed that the proposal was consistent with NCUA's statutory authority, noting that neither the FCU Act nor CUMAA requires disqualifying associations due to a client-customer relationship. Most commenters agreed that a mandatory purchase condition should not automatically bar eligibility as a recognized association if the client-customer relationship is incidental to the association's mission and activities. Many commenters observed that the proposal provides measured regulatory relief for single associational and multiple common bond FCUs. Two commenters described the categorical exclusion based on a mandatory purchase condition as an unnecessarily restrictive barrier to groups with legitimate common bonds. Another commenter highlighted that eliminating the exclusion would provide additional flexibility for small FCUs when adding associations to their fields of membership. Another commenter noted that imposing eligibility restrictions beyond statutory requirements could reduce consumer access to affordable financial services from FCUs. According to this commenter, such barriers diminish competition in local financial services markets and leave consumers with fewer options, particularly those of modest means.

One bankers association opposed the rule, contending that, contrary to congressional intent, the proposal contributed to the erosion of field of membership restrictions under the FCU Act. Citing concerns regarding competitive equity and

statutory fidelity, the commenter observed that the distinctive legal and tax status of FCUs is justified by their restricted mission and membership. This commenter noted that the proposed amendment, while narrow in isolation, is part of a series of incremental changes that collectively could greatly expand credit union membership beyond congressional intent.

NCUA Response. The Board welcomes the comments submitted on its April 8, 2026, proposed rule. After careful consideration, the Board believes that the regulatory changes are within the broad authority conferred in the FCU Act and consistent with congressional intent.

Section 109 of the FCU Act authorizes the Board to establish regulations for determining which groups meet field of membership requirements for FCUs.[21] Exercising this authority, the Board has periodically amended the Chartering Manual consistent with congressional objectives.[22] When appropriate, the Board has also adopted regulations designed to guard against excessive expansions.[23] The April 8, 2026, proposed rule was designed to address an unintended consequence stemming from the fraternal association example of an incidental client-customer relationship. As discussed in the preambles to the proposed rule and this final rule, the fraternal association example had led to the conclusion that, if a group required its members to buy a good, product, or service from the organization as a condition of membership, the group was automatically disqualified. This final rule clarifies that this example no longer automatically disqualifies such groups as associations that are based primarily on a client-customer relationship. The Board expects this change to enhance access to reliable financial services, especially for those of modest means, while reducing confusion. As discussed in this preamble, the Board notes

[21] Sec. 1(a), Pub. L. 105–219, 112 Stat. 914 (Aug. 7, 1998).
[22] See Final Rule, 85 FR 56498 (Sept. 14, 2020).
[23] A recent example is the amendment instituting the requirement that an association must not have been formed primarily for the purpose of expanding credit union membership. *See* 80 FR 25924 (May 6, 2015).

that this change is distinct from the long-standing policy that associations that are based primarily on a client-customer relationship do not meet associational common bond requirements.

Excluding associations based primarily on a client-customer relationship will continue to serve as an effective gatekeeper to prevent unqualified groups from chartering or joining FCUs. The Board further notes that other provisions, like the threshold purpose requirement and the totality of the circumstances test, are designed to identify unqualified groups.[24] Lastly, NCUA has additional safeguards to protect the integrity of field of membership requirements, such as conducting quality assurance reviews and investigating field of membership complaints.[25]

Accordingly, the Board disagrees with the comment that the proposal could result in eroding statutory field of membership restrictions contrary to congressional intent. Thus, the Board has made no changes in response to this comment.

Comments on Defining a Client-Customer Relationship

Several commenters requested clearer guidance on defining a client-customer relationship, particularly the meaning of "primarily" and "incidental." One commenter recommended defining a client-customer relationship as one in which the organization's sole purpose is selling a good, product, or service to its clients or customers. This commenter suggested a definition focusing on whether a qualifying association would still exist without the client-customer relationship, or whether the common bond is contingent upon the transaction.

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[24] NCUA currently assesses whether a group meets the requirements for an associational common bond through an initial threshold review. This threshold review determines if the association's primary purpose is to expand credit union membership. If NCUA finds that the group was formed mainly for another purpose, NCUA proceeds with a totality of the circumstances test. This test evaluates whether the group meets other associational common bond standards. *See* Chartering Manual, Chapter 2, section III.A.1.a (Threshold Requirement Regarding the Purpose for Which an Associational Group is Formed and the Totality of the Circumstances Criteria).

[25] *See* Chartering Manual, Chapter 2, section IV.H (NCUA Supervisory Action To Remove Groups From the Field of Membership) and section IV.I (NCUA Investigation of Potential Field of Membership Violations).

NCUA Response. The Board acknowledges the concerns raised by the commenters. In the final rule, the Board intends for the terms "primarily," "client," "customer," and "relationship" to be understood according to their common, ordinary meanings. For example, "primarily" means for the most part; chiefly.[26] The plain meaning of "client" includes a person who engages the professional advice or services of another; customer.[27] Additionally, "customer" ordinarily means one that purchases a commodity or service.[28] "Relationship" refers to the way in which two or more things or people are connected.[29] Further, given the definitions for common bond and associational common bond, the Board believes that introducing new regulatory definitions would be overly prescriptive.[30] After carefully considering the comments, the Board views a plain meaning approach as more suitable. Accordingly, the Board has made no changes to the final rule based on these comments.

Comments for Additional Guidance on Client-Customer Relationship Criteria

The Board proposed that NCUA would review the particular details of a group's structure, the scope and degree of its activities, and other factors surrounding its operation to determine whether the association is based primarily on a client-customer relationship. The Board also specifically sought comment on other relevant factors to determine whether an association's relationship with its members is primarily or incidentally a client-customer relationship.

Several commenters requested clarification on how NCUA would weigh these factors, especially mandatory purchase conditions. These commenters also asked how

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[26] "Primarily," *Merriam-Webster.com Dictionary*, https://www.merriam-webster.com/dictionary/primarily (last accessed Aug. 13, 2026).
[27] "Client," *Merriam-Webster.com Dictionary*, https://www.merriam-webster.com/dictionary/client (last accessed Aug. 13, 2026).
[28] "Customer," *Merriam-Webster.com Dictionary*, https://www.merriam-webster.com/dictionary/customer (last accessed Aug. 13, 2026).
[29] "Relationship," *Merriam-Webster.com Dictionary*, https://www.merriam-webster.com/dictionary/relationship (last accessed Aug. 13, 2026).
[30] *See* Chartering Manual, App. 1-Glossary "Associational common bond"; "Common bond."

NCUA would review groups exhibiting both qualifying and disqualifying features. One opposing commenter cautioned that a discretionary inquiry, if not accompanied by objective guardrails, could stretch the common bond requirement over time and invite pressure to reinterpret statutory limits.

NCUA Response. After carefully considering the comments, the Board agrees that the final rule could provide additional transparency. Accordingly, the Board is amending the final rule to reflect the criteria used to evaluate client-customer relationships. These criteria include reviewing the group's mission, purpose, structure, and activities. Member qualifications and engagement beyond paying for services are also considered. Another consideration is how membership dues are structured.

In the final rule, a mandatory purchase condition remains a reasonable factor when evaluating a client-customer relationship. The final rule merely clarifies that such a requirement alone is not conclusive. A group with a mandatory purchase condition may be able to balance this indicator with strong evidence of an associational common bond through its organizational documents and common activities.

The frequency of member meetings, as well as opportunities to participate in furthering the association's goals, are other important indicators. Groups that sponsor a variety of opportunities for members to interact and assist in furthering defined associational goals are more likely to indicate an incidental client-customer relationship. Examples of such opportunities that develop common loyalties, mutual benefits, and mutual interests may include, but are not limited to, newsletters, community service activities, fraternal activities, or access to members-only events. In contrast, if a group's common activities are so insubstantial that it is indistinguishable from a vendor serving the general public (like a health club or an insurance company), this would suggest a strong client-customer relationship.

The Board reiterates that this change is simply a clarification reflecting how NCUA has historically evaluated client-customer relationships. The Board observes that these considerations align with NCUA's current approach. In response to the comments requesting further guidance, the Board is also including more examples of associations based primarily on a client-customer relationship and those with incidental client-customer relationships.

Comments on Pre-Approved Groups

In 2015, the Board automatically approved specific kinds of associations whose structures, practices, and functions routinely met associational common bond requirements.[31] Some associations within these pre-approved groups exhibited features of a client-customer relationship. To provide clarity, the preamble to the April 2026 proposed rule confirmed that pre-approved groups do not require additional NCUA review to demonstrate a valid associational common bond.[32]

Two commenters acknowledged that the proposed rule would reduce review resources by preserving the option for automatically pre-approved groups. Another commenter noted continued confusion regarding the automatic pre-approval of certain fraternal associations and the prohibition against associations based primarily on a client-customer relationship. Additionally, another commenter suggested the Board establish clear, consistent, and expedited pathways for well-qualified expansion requests.

NCUA Response. The Board recognizes that, in this area, the client-customer relationship provisions and other associational common-bond provisions could cause confusion for FCUs. After carefully considering the public comments, the Board has amended Chapter 2, Section III.A.1.b (Pre-Approved Groups) of the Chartering Manual. Drawing from the proposed rule's preamble, the changes reaffirm that, for chartering and

[31] Final Rule, 80 FR 25924 (May 6, 2015).
[32] Proposed Rule, 91 FR at 17770, fn. 25.

expansion purposes, NCUA staff will not reassess a pre-approved group's client-customer relationship or the purpose of its formation.

By regulation, a pre-approved group has a defined purpose other than increasing credit union membership—for example, religious organizations, electric cooperatives, and alumni associations. Since 2015, NCUA has approved 95.62 percent of applications for pre-approved groups. None were denied for failing to meet the threshold purpose requirement. Moreover, the Board observes that electric cooperatives and qualifying fraternal benefit associations have long coexisted with the restriction on associations based primarily on a client-customer relationship. The Board believes the revisions clarify its expectations and will improve NCUA's efficiency in processing applications for pre-approved groups.[33]

Comments on Sample Associations with Incidental Client-Customer Relationships

Several commenters proposed incorporating examples that differentiate an association with an incidental client-customer relationship from an association based primarily on a client-customer relationship. These comments recommended the following as examples of associations with an incidental client-customer relationship: (1) fraternal associations that offer insurance benefits, (2) educational associations, (3) consumer cooperatives, (4) associations offering financial, legal, insurance, and real estate services within a broader membership framework, and (5) associations with required membership benefits. One commenter suggested removing the Knights of Columbus as an example of a recognized association to avoid confusion.

NCUA Response. The Board acknowledges the concerns raised by the commenters and appreciates their suggestions. After considering the recommendations,

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[33] This change does not affect NCUA's quality control safeguards that protect the integrity of field of membership requirements, such as quality assurance reviews and investigating field of membership complaints. *See* Chartering Manual, Chapter 2, section IV.H (NCUA Supervisory Action To Remove Groups From the Field of Membership); section IV.I (NCUA Investigation of Potential Field of Membership Violations).

the Board is amending Chapter 2, Section III.A.3 (Sample Single Associational Common Bonds) to include more examples. For the reasons discussed in the preamble, the Board has added relevant examples for an electric cooperative and an organization that promotes educational initiatives among persons with a shared profession. The Board continues to believe that the Knights of Columbus provides a helpful illustration of a qualifying fraternal association. Accordingly, the Board has decided to retain the Chartering Manual's references to the Knights of Columbus. For consistency, the final rule also includes a reference among the sample single associational common bonds.

The Chartering Manual states that certain consumer cooperatives may qualify as an association.[34] Based on agency experience, these groups can differ significantly in their missions, structures, activities, and product offerings. This variation presents challenges for designating other consumer cooperatives as a representative sample for prospective applicants. Due to similar concerns, the Board has also determined not to include the other suggested examples for incidental client-customer relationships.

Comments on Sample Associations Based Primarily on a Client-Customer Relationship

Commenters also suggested adding examples for the following associations based primarily on a client-customer relationship: (1) retail loyalty clubs and affinity programs, (2) health clubs, (3) groups with insurance benefits, (4) subscription relationships, programs, and commercial user bases that exist mainly for purchasing goods, products, or services, and (5) similar customer-facing arrangements in which the client-customer relationship is the core reason for the organization's existence.

NCUA Response. The Board notes that the Chartering Manual lists health clubs (like YMCAs) and an insurance company as examples of associations based primarily on

[34] *See* Chartering Manual at Chapter 2, section III.A.1.c (Additional Information).

a client-customer relationship.[35] The Board identified buyer's clubs in past chartering policies.[36] In the preamble to the proposed rule, the Board also referenced a retail loyalty club as illustrating an association based primarily on a client-customer relationship.[37] After considering the comments, the Board has determined that these and other examples would be useful to potential applicants. The additional examples include paid subscription-based plans for media streaming, ride sharing, and local delivery services. The final rule consolidates these examples in one section.[38]

Comments on Documentation Guidelines

One commenter recommended that the final rule specify the necessary supporting documentation, such as bylaws, membership criteria, evidence of member activity, governance rights, membership dues, purchase requirements, and a concise explanation outlining why the client-customer relationship is incidental rather than primary.

NCUA Response. The Board expects the current requirements to be sufficient to demonstrate how a group meets the associational common bond requirements, including when a client-customer relationship exists. At NCUA's request, applicants must provide a copy of the association's charter, bylaws, or other equivalent documentation.[39] These applications generally include a definition of the group that may be served based on such documentation.[40] When applying for new federal charters, organizers must demonstrate that the group meets the appropriate common bond criteria. For single common bond expansions, applicants must show how the group shares the FCU's common bond.[41] Accordingly, the Board has made no changes based on this comment.

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[35] *See* Chartering Manual at Chapter 2, section III.A.1.c (Additional Information); Chapter 2, section III.A.3 (Sample Single Associational Common Bonds).
[36] *See* IRPS 89-1, 54 FR 31165, 31170 (July 27, 1989).
[37] 91 FR at 17771.
[38] *See* Chartering Manual, Chapter 2, section III.A.3 (Sample Single Associational Common Bonds).
[39] *See* Chartering Manual, Chapter 2, section III.A.1 (General).
[40] *See* Chartering Manual, Chapter 2, section III.A.1 (General).
[41] *See* Chartering Manual, Chapter 2, section III.B.1; Application for Field of Membership Amendment, NCUA Form 4015-EZ, *https://ncua.gov/files/publications/resources-expansion/NCUA_4015EZ.pdf*.

Comments on Charitable Organizations

One FCU requested clarification on charitable or cause-based organizations where donations may fulfill membership requirements. The commenter questioned how the proposed amendments would relate to individuals or honorary members who only make donations to the charitable organizations and foundations.

NCUA Response. The Board proposed no changes to the existing provision that individuals or honorary members who only make donations to an association are not eligible to join the credit union.[42] The final rule has no effect on this restriction. Accordingly, the Board has made no changes to the final rule based on this comment.

Other Comments

Two commenters encouraged broader regulatory relief. One commenter recommended further streamlining the Chartering Manual and field of membership process. This commenter suggested modernizing the definition of association and membership to recognize digital communities, affinity groups, and modern economic relationships. Another commenter suggested redefining common loyalty and a common bond. While the Board appreciates the comments, these further amendments to the Chartering Manual are beyond the scope of this rulemaking. The Board will keep the suggestions for future consideration, as appropriate.

III. Regulatory Procedures

A. Executive Orders 12866, 13563, and 14192

Pursuant to Executive Order 12866 ("Regulatory Planning and Review"), a determination must be made whether a regulatory action is significant and therefore subject to review by the Office of Information and Regulatory Affairs (OIRA), within the Office of Management and Budget (OMB) in accordance with the requirements of the

[42] *See* Chartering Manual, Chapter 2, section III.A.1.c (Additional Information).

Executive Order.[43] Executive Order 13563 ("Improving Regulation and Regulatory Review") supplements and reaffirms the principles, structures, and definitions governing contemporary regulatory review established in Executive Order 12866.[44] This final rule was drafted and reviewed in accordance with Executive Order 12866 and Executive Order 13563. OIRA has determined that this final rule is not a "significant regulatory action" as defined by section 3(f) of Executive Order 12866.

Executive Order 14192 ("Unleashing Prosperity Through Deregulation") requires that any new incremental costs associated with new regulations shall, to the extent permitted by law, be offset by the elimination of existing costs associated with at least 10 prior regulations.[45] This final rule is not an Executive Order 14192 regulatory action because this rule is not significant under Executive Order 12866. This final rule is considered an Executive Order 14192 deregulatory action.

B. Regulatory Flexibility Act

The Regulatory Flexibility Act generally requires an agency to conduct a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities.[46] If the agency makes such a certification, it shall publish the certification at the time of publication of either the proposed rule or the final rule, along with a statement providing the factual basis for such certification.[47] For purposes of this analysis, NCUA considers small credit unions to be those having under $100 million in assets.[48] The Board fully considered the potential economic impacts of the regulatory amendments on small credit unions.

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[43] 58 FR 51735 (Oct. 4, 1993).
[44] 76 FR 3821 (Jan. 21, 2011).
[45] 90 FR 9065 (Feb. 6, 2025).
[46] 5 U.S.C. 601 et seq.
[47] 5 U.S.C. 605(b).
[48] 80 FR 57512 (Sept. 24, 2015).

The final rule is designed to ease a regulatory burden for single associational common bond and multiple common bond FCUs of all sizes. This rule focuses on associational groups for a de novo FCU or who wish to join an existing FCU's field of membership. The Board believes that clarifying the associational common bond standards could provide more flexibility for groups with client-customer relationships. Under the final rule, such groups may no longer be deterred from applying for an FCU charter. Additionally, the amendments will enable such groups to avoid expending unnecessary time and resources to demonstrate eligibility. Only 21 de novo FCUs were chartered by NCUA from 2019 through 2025, of which 11 were either single associational de novo charters or multiple common bond de novo charters that included single associational groups. Given this context, based on its best assessment at this time, the Board expects that the final rule may result in a slight increase in federal charter applications, possibly leading to one or two de novo FCUs each year. To the extent there is any cost to small entities to voluntarily participate in the determination of whether the association is based primarily on a client-customer relationship, those costs are minimal and they are incurred infrequently.

The Board expects the amendment will offer multiple common bond federal charters greater flexibility in adding associations to their fields of membership. However, the regulatory relief is hard to quantify, as cases involving associations with purchase mandates are rare according to NCUA analyses. Based on its best assessment at this time, the Board does not expect that the amendments will likely cause a surge in associations with purchase mandates seeking FCU affiliation. Accordingly, NCUA certifies the final rule will not have a significant economic impact on a substantial number of small credit unions.

C. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (PRA) generally provides that an agency may not conduct or sponsor, and notwithstanding any other provision of law, a person is not required to respond to a collection of information, unless it displays a currently valid OMB control number. The PRA applies to rulemaking in which an agency creates a new or amends existing information collection requirements. For purposes of the PRA, an information collection requirement may take the form of a reporting, recordkeeping, or a third-party disclosure requirement. NCUA has reviewed this rule and determined that it does not create any new or revise any existing collections of information. Accordingly, no PRA submissions to OMB will be made with respect to this rule.

D. Executive Order 13132 on Federalism

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests.[49] NCUA, an agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order to adhere to fundamental federalism principles. NCUA expects that any effect on states or on the distribution of power and responsibilities among the various levels of government will be minor. This rule applies only to FCUs. It does not apply to state-chartered credit unions, which are subject to the field of membership requirements of their respective states. The rulemaking therefore does not have direct effect on the states, the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government.

E. Assessment of Federal Regulations and Policies on Families

NCUA has determined that this final rule will not affect family well-being within the meaning of Section 654 of the Treasury and General Government Appropriations Act,

[49] 64 FR 43255 (Aug. 4, 1999).

1999.[50] The final rule relates to field of membership requirements for FCUs, and any effect on family well-being is expected to be indirect.

F. Congressional Review Act

Subtitle E of the Small Business Regulatory Enforcement Fairness Act of 1996, also known as the Congressional Review Act (CRA), generally provides for congressional review of agency rules.[51] NCUA must submit a report to Congress and the Comptroller General when it issues a final rule, as defined by the CRA.[52] An agency rule, in addition to being subject to congressional oversight, may also be subject to a delayed effective date if the rule is a "major rule." OIRA has determined that this rule is not a "major rule" within the meaning of the relevant sections of the CRA. NCUA will also file appropriate reports with Congress and the Comptroller General so this rule may be reviewed.

List of Subjects in 12 CFR Part 701

Advertising, Aged, Civil rights, Credit, Credit unions, Fair housing, Individuals with disabilities, Insurance, Marital status discrimination, Mortgages, Religious discrimination, Reporting and recordkeeping requirements, Sex discrimination, Signs and symbols, Surety bonds.

By the National Credit Union Administration Board, this 13th day of November, 2026.

Melane Conyers-Ausbrooks,
Secretary of the Board.

[50] Public Law 105-277, 112 Stat. 2681 (1998).
[51] 5 U.S.C. 801-808.
[52] 5 U.S.C. 804(3).

For the reasons stated in the preamble, the NCUA Board amends 12 CFR part 701, Appendix B as follows:

PART 701 – ORGANIZATION AND OPERATION OF FEDERAL CREDIT UNIONS

1. Revise the authority citation for part 701 to read as follows:

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1758, 1759, 1761, 1761a, 1761b, 1766, 1767, 1782, 1784, 1785, 1786, 1787, 1788, 1789. Section 701.6 is also authorized by 15 U.S.C. 3717. Section 701.35 is also authorized by 12 U.S.C. 4311-4312.

2. In appendix B to part 701, amend Chapter 2 by revising section III. to read as follows:

Appendix B to Part 701 – Chartering and Field of Membership Manual

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Chapter 2 – Field of Membership Requirements for Federal Credit Unions

* * * * *

III – Associational Common Bond

III. A.1—General

A single associational federal credit union may include in its field of membership, regardless of location, all members and employees of a recognized association. A single associational common bond consists of individuals (natural persons) and/or groups (non-

natural persons) whose members participate in activities developing common loyalties, mutual benefits, and mutual interests. Separately chartered associational groups can establish a single common bond relationship if they are integrally related and share common goals and purposes. For example, two or more churches of the same denomination, Knights of Columbus Councils, or locals of the same union can qualify as a single associational common bond. Individuals and groups eligible for membership in a single associational credit union can include the following:

• Natural person members of the association (for example, members of a union or church members);

• Non-natural person members of the association;

• Employees of the association (for example, employees of the labor union or employees of the church); and

• The association.

Generally, a single associational common bond does not include a geographic definition and can operate nationally. However, a proposed or existing federal credit union may limit its field of membership to a single association or geographic area. NCUA may impose a geographic limitation if it is determined that the applicant credit union does not have the ability to serve a larger group or there are other operational concerns. All single associational common bonds should include a definition of the group that may be served based on the association's charter, bylaws, and any other equivalent documentation. Applicants for a single associational common bond federal credit union charter or a field of membership amendment to include an association must provide, at the request of NCUA, a copy of the association's charter, bylaws, or other equivalent documentation, including any legal documents required by the state or other governing authority. The

associational sponsor itself may also be included in the field of membership—*e.g.,* "Sprocket Association"—and will be shown in the last clause of the field of membership.

III.A.1.a—Threshold Requirement Regarding the Purpose for Which an Associational Group Is Formed and the Totality of the Circumstances Criteria

As a threshold matter, when reviewing an application to include an association in a federal credit union's field of membership, NCUA will determine if the association has been formed primarily for the purpose of expanding credit union membership. If NCUA makes such a determination, then the analysis ends and the association is denied inclusion in the federal credit union's field of membership. If NCUA determines that the association was formed to serve some other separate function as an organization, then NCUA will apply the following totality of the circumstances test to determine if the association satisfies the associational common bond requirements. The totality of the circumstances test consists of the following factors:

1. Whether the association provides opportunities for members to participate in the furtherance of the goals of the association;
2. Whether the association maintains a membership list;
3. Whether the association sponsors other activities;
4. Whether the association's membership eligibility requirements are authoritative;
5. Whether members pay dues;
6. Whether the members have voting rights; to meet this requirement, members need not vote directly for an officer, but may vote for a delegate who in turn represents the members' interests;
7. The frequency of meetings; and

8. Separateness—NCUA reviews if there is corporate separateness between the group and the federal credit union. The group and the federal credit union must operate in a way that demonstrates the separate corporate existence of each entity. Specifically, this means the federal credit union's and the group's respective business transactions, accounts, and corporate records are not intermingled.

No one factor alone is determinative of membership eligibility as an association. The totality of the circumstances controls over any individual factor in the test. However, NCUA's primary focus will be on factors 1-4.

III.A.1.b – Pre-Approved Groups

NCUA automatically approves the below groups as satisfying the associational common bond provisions. For this purpose, NCUA staff will not reassess the associational common bond of a pre-approved group regarding the purpose of the group's formation, the totality of the circumstances test, or a client-customer relationship. All other applicable requirements must be met. NCUA only approves regular members of an approved group. Honorary, affiliate, or non-regular members do not qualify. These groups are:

1. Alumni associations;
2. Religious organizations, including churches or groups of related churches;
3. Electric cooperatives;
4. Homeowner associations;
5. Labor unions;
6. Scouting groups;

7. Parent teacher associations (PTAs) organized at the local level to serve a single school district;

8. Chamber of commerce groups (members only and not employees of members);

9. Athletic booster clubs whose members have voting rights;

10. Fraternal organizations or civic groups with a mission of community service whose members have voting rights;

11. Organizations having a mission based on preserving or furthering the culture of a particular national or ethnic origin; and

12. Organizations promoting social interaction or educational initiatives among persons sharing a common occupational profession.

III.A.1.c – Additional Information

A support group whose members are continually changing or whose duration is temporary may not meet the single associational common bond criteria. Each class of member will be evaluated based on the totality of the circumstances. Individuals or honorary members who only make donations to the association are not eligible to join the credit union.

Student groups (e.g., students enrolled at a public, private, or parochial school) may constitute either an associational or occupational common bond. For example, students enrolled at a church sponsored school could share a single associational common bond with the members of that church and may qualify for a federal credit union charter. Similarly, students enrolled at a university, as a group by itself, or in conjunction with the faculty and employees of the school, could share a single occupational common bond and may qualify for a federal credit union charter.

Tenant groups, consumer groups, and other groups of persons having an "interest in" a particular cause and certain consumer cooperatives may also qualify as an association.

Associations based primarily on a client-customer relationship do not meet associational common bond requirements. Health clubs are an example of a group not meeting associational common bond requirements, including YMCAs. However, having an incidental client-customer relationship does not preclude an associational charter if the associational common bond requirements are met. For example, an association that requires members to buy a good, product, or service from the group may still demonstrate that the client-customer relationship is incidental to the association's common bond, activities, and overall operations.

If a client-customer relationship exists, NCUA will review the particular details of the group's structure, the scope and degree of its activities, and other factors surrounding its operations to determine whether the association is based primarily on a client-customer relationship. In making this determination, NCUA's primary focus will be on the following considerations:

• Whether a client-customer relationship is merely supportive or supplementary to the group's primary mission and goals that further an associational common bond or whether the client-customer relationship is the central purpose for which the group exists,

• Whether the group's membership eligibility requirements and membership dues are principally based on a client-customer relationship, including whether purchasing a good, product, or service from the group is a condition of membership,

• Whether the group provides opportunities for members to participate in activities that further an associational common bond or whether those activities are so insubstantial that

the group is indistinguishable from a vendor providing a good, product, or service to the general public, and

• Whether members connect with one another in the group’s governance, meetings, or other common activities, or whether the members’ connection is only an interest in purchasing a good, product, or service from the group.

No one factor alone is determinative. Examples of associations based primarily on a client-customer relationship and associations where such relationships are incidental appear in Chapter 2, Section III.A.3 (Sample Single Associational Common Bonds).

III.A.2—Subsequent Changes to Association's Bylaws

If the association's membership or geographical definitions in its charter and bylaws are changed subsequent to the effective date stated in the field of membership, the credit union must submit the revised charter or bylaws for NCUA's consideration and approval prior to serving members of the association added as a result of the change.

III.A.3 - Sample Single Associational Common Bonds

Some examples of associational common bonds are:

• Regular members of Locals 10 and 13, IBEW, in Florida, who qualify for membership in accordance with their charter and bylaws in effect on May 20, 2001;

• Members of the Hoosier Farm Bureau in Grant, Logan, or Lee Counties of Indiana, who qualify for membership in accordance with its charter and bylaws in effect on March 7, 1997;

• Members of the Shalom Congregation in Chevy Chase, Maryland;

• Regular members of the Corporate Executives Association, located in Westchester, New York, who qualify for membership in accordance with its charter and bylaws in effect on December 1, 1997;

• Members of the University of Wisconsin Alumni Association, located in Green Bay, Wisconsin;

• Members of the Marine Corps Reserve Officers Association;

• Members of St. John's Methodist Church and St. Luke's Methodist Church, located in Toledo, Ohio (pre-approved group under Chapter 2, Section III.A.1.b);

• Members of the Northern Michigan Electric Cooperative located in Marquette, Michigan (pre-approved group under Chapter 2, Section III.A.1.b with an incidental client-customer relationship);

• Voting members of Knights of Columbus, Lancaster Council 15081 located in Lancaster, Tennessee (pre-approved group under Chapter 2, Section III.A.1.b with an incidental client-customer relationship);

• Voting members of the National Association of XYZ Profession (pre-approved group under Chapter 2, Section III.A.1.b with an incidental client-customer relationship).

Some examples of insufficiently defined single associational common bonds are:

• All Lutherans in the United States (too broadly defined) or

• Veterans of U.S. military service (group is too broadly defined; no formal association of all members of the group).

Some examples of unacceptable single associational common bonds are:

• Alumni of Amos University (no formal association);

• Employees of members of the Reston, Virginia, Chamber of Commerce (not a sufficiently close tie to the associational common bond);

• Members of St. John's Lutheran Church and St. Mary's Catholic Church located in Anniston, Alabama (churches are not of the same denomination);

• Customers of Fleetwood Insurance Company (policyholders or primarily client-customer relationships do not meet associational standards);

• Members of the YMCA of Liverpool, Ohio (primarily client-customer relationships do not meet associational standards);

• Members of PriceCo Wholesale Buyers Club (primarily client-customer relationships do not meet associational standards);

• Members of Airways Frequent Flyer Mileage Rewards program (primarily client-customer relationships do not meet associational standards);

• Members of Supercenter Store Circle Retail Loyalty Club (primarily client-customer relationships do not meet associational standards);

• Members of Flicks Media Streaming Service (primarily client-customer relationships do not meet associational standards);

• Members of U-Drive Ride Sharing Services (primarily client-customer relationships do not meet associational standards); or

• Members of Grub-Cart Delivery Services (primarily client-customer relationships do not meet associational standards).

III.B—Associational Common Bond Amendments

III. B.1—General

Section 5 of every associational federal credit union's charter defines the field of membership the credit union can legally serve. Only those persons who, or legal entities

that, join the credit union and are specified in the field of membership can be served. There are three instances in which Section 5 must be amended by NCUA.

First, a group that shares the credit union's common bond is added to the field of membership. This may occur through various ways including agreement between the group and the credit union directly, or through a merger, purchase and assumption (P&A), or spin-off.

Second, a federal credit union qualifies to change its common bond from:

- A single associational common bond to a single occupational common bond;
- A single associational common bond to a community charter; or
- A single associational common bond to a multiple common bond.

Third, a federal credit union removes a portion of the group from its field of membership through agreement with the group, a spin-off, or a portion of the group that is no longer in existence.

An existing single associational federal credit union that submits a request to amend its charter must provide documentation to establish that the associational common bond requirement has been met. The Office of Credit Union Resources and Expansion Director must approve all amendments to an associational common bond credit union’s field of membership.

III.B.2—Organizational Restructuring

If the single common bond group that comprises a federal credit union's field of membership undergoes a substantial restructuring, the result is often that portions of the

group are sold or spun off. This is an event requiring a change to the credit union's field of membership. NCUA may not permit a single associational credit union to maintain in its field of membership a sold or spun-off group to which it has been providing service unless the group otherwise qualifies for membership in the credit union or the credit union converts to a multiple common bond credit union.

If the group comprising the single common bond of the credit union merges with, or is acquired by, another group, the credit union can serve the new group resulting from the merger or acquisition after receiving a housekeeping amendment.

III.B.3—Economic Advisability

Prior to granting a common bond expansion, NCUA will examine the amendment's likely impact on the credit union's operations and financial condition. In most cases, the information needed for analyzing the effect of adding a particular group will be available to NCUA through the examination and financial and statistical reports; however, in particular cases, the Office of Credit Union Resources and Expansion Director may require additional information prior to making a decision.

III.B.4—Documentation Requirements

A federal credit union requesting a common bond expansion must submit an Application for Field of Membership Amendment (NCUA 4015-EZ) to the Office of Credit Union Resources and Expansion Director. An authorized credit union representative must sign the request.

III.C—NCUA Procedures for Amending the Field of Membership

III. C.1—General

All requests for approval to amend a federal credit union's charter must be submitted to the Office of Credit Union Resources and Expansion Director.

III.C.2—Office of Credit Union Resources and Expansion Director Decision

NCUA staff will review all amendment requests in order to ensure conformance to NCUA policy.

Before acting on a proposed amendment, the Office of Credit Union Resources and Expansion Director may require an on-site review. In addition, the Office of Credit Union Resources and Expansion Director may, after taking into account the significance of the proposed field of membership amendment, require the applicant to submit a business plan addressing specific issues.

The financial and operational condition of the requesting credit union will be considered in every instance. The economic advisability of expanding the field of membership of a credit union with financial or operational problems must be carefully considered.
In most cases, field of membership amendments will only be approved for credit unions that are operating satisfactorily. Generally, if a federal credit union is having difficulty providing service to its current membership, or is experiencing financial or other operational problems, it may have more difficulty serving an expanded field of membership.

Occasionally, however, an expanded field of membership may provide the basis for reversing current financial problems. In such cases, an amendment to expand the field of membership may be granted notwithstanding the credit union's financial or operational problems. The applicant credit union must clearly establish that the expanded field of membership is in the best interest of the members and will not increase the risk to the NCUSIF.

III.C.3—Office of Credit Union Resources and Expansion Director Approval

If the Office of Credit Union Resources and Expansion Director approves the requested amendment, the credit union will be issued an amendment to Section 5 of its charter.

III.C.4—Office of Credit Union Resources and Expansion Director Disapproval

When the Office of Credit Union Resources and Expansion Director disapproves any application, in whole or in part, to amend the field of membership under this chapter, the applicant will be informed in writing of the:

• Specific reasons for the action;

• Options to consider, if appropriate, for gaining approval; and

• Appeal procedures.

III.C.5—Appeal of Office of Credit Union Resources and Expansion Director Decision

If the Office of Credit Union Resources and Expansion Director denies a field of membership expansion request, merger, or spin-off, that decision may be appealed to the NCUA Board in accordance with the procedures set forth in subpart B to part 746 of this chapter.

Before appealing, the credit union may, within 30 days of the denial, provide supplemental information to the Office of Credit Union Resources and Expansion Director for reconsideration. A request for reconsideration should contain new and material evidence addressing the reasons for the initial denial or explain extenuating circumstances that precluded the inclusion of existing material evidence or information that should have been filed with the request for reconsideration. The Office of Credit Union Resources and Expansion Director will have 30 days from the date of the receipt of the request for reconsideration to make a final decision. If the request is again denied, the applicant may proceed with the appeal process within 60 days of the date of the last denial. A petitioner may seek a second reconsideration based on new material evidence or information or extenuating circumstances that precluded the inclusion of such information in the previous request.

III.D—Mergers, Purchase and Assumptions, and Spin-Offs

In general, other than the addition of common bond groups, there are three additional ways a federal credit union with a single associational common bond can expand its field of membership:

• By taking in the field of membership of another credit union through a common bond or emergency merger;

• By taking in the field of membership of another credit union through a common bond or emergency purchase and assumption (P&A);
or
• By taking a portion of another credit union's field of membership through a common bond spin-off.

III. D.1—Mergers

Generally, the requirements applicable to field of membership expansions found in this section apply to mergers where the continuing credit union is a federal charter. That is, the two credit unions must share a common bond.

Where the merging credit union is state-chartered, the common bond rules applicable to a federal credit union apply.

Mergers must be approved by the NCUA regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union, and, as applicable, the state regulators.

If a single associational credit union wants to merge into a multiple common bond or community credit union, Section IV.D or Section V.D of this Chapter, respectively, should be reviewed.

III.D.2—Emergency Mergers

An emergency merger may be approved by NCUA without regard to common bond or other legal constraints. An emergency merger involves NCUA's direct intervention and approval. The credit union to be merged must either be insolvent or in danger of insolvency, as defined in the Glossary, and NCUA must determine that:

- An emergency requiring expeditious action exists;
- Other alternatives are not reasonably available; and
- The public interest would best be served by approving the merger.

If not corrected, conditions that could lead to insolvency include, but are not limited to:

- Abandonment by management;
- Loss of sponsor;
- Serious and persistent record-keeping problems; or
- Serious and persistent operational concerns.

In an emergency merger situation, NCUA will take an active role in finding a suitable merger partner (continuing credit union). NCUA is primarily concerned that the continuing credit union has the financial strength and management expertise to absorb the troubled credit union without adversely affecting its own financial condition and stability. As a stipulated condition to an emergency merger, the field of membership of the merging credit union may be transferred intact to the continuing federal credit union

without regard to any common bond restrictions. Under this authority, therefore, a single associational common bond federal credit union may take into its field of membership any dissimilar charter type.

The common bond characteristic of the continuing credit union in an emergency merger does not change. That is, even though the merging credit union is a multiple common bond or community, the continuing credit union will remain a single common bond credit union. Similarly, if the merging credit union is an unlike single common bond, the continuing credit union will remain a single common bond credit union. Future common bond expansions will be based on the continuing credit union's single common bond. Emergency mergers involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the merging credit union and, as applicable, the state regulators.

III.D.3—Purchase and Assumption (P&A)

Another alternative for acquiring the field of membership of a failing credit union is through a consolidation known as a P&A. A P&A has limited application because, in most cases, the failing credit union must be placed into involuntary liquidation. In the few instances where a P&A may be appropriate, the assuming federal credit union, as with emergency mergers, may acquire the entire field of membership if the emergency merger criteria are satisfied. However, if the P&A does not meet the emergency merger criteria, it must be processed under the common bond requirements.

In a P&A processed under the emergency criteria, specified loans, shares, and certain other designated assets and liabilities, without regard to common bond restrictions, may also be acquired without changing the character of the continuing federal credit union for purposes of future field of membership amendments.

If the purchased and/or assumed credit union's field of membership does not share a common bond with the purchasing and/or assuming credit union, then the continuing credit union's original common bond will be controlling for future common bond expansions.

P&As involving federally insured credit unions in different NCUA regions must be approved by the regional director or Office of National Examinations and Supervision Director where the continuing credit union is headquartered, with the concurrence of the regional director or Office of National Examinations and Supervision Director of the purchased and/or assumed credit union and, as applicable, the state regulators.

III.D.4—Spin-Offs

A spin-off occurs when, by agreement of the parties, a portion of the field of membership, assets, liabilities, shares, and capital of a credit union are transferred to a new or existing credit union. A spin-off is unique in that usually one credit union has a field of membership expansion and the other loses a portion of its field of membership.

All common bond requirements apply regardless of whether the spun-off group becomes a new credit union or goes to an existing federal charter.

The request for approval of a spin-off must be supported with a plan that addresses, at a minimum:

- Why the spin-off is being requested;
- What part of the field of membership is to be spun off;
- Whether the affected credit unions have the same common bond (applies only to single associational credit unions);
- Which assets, liabilities, shares, and capital are to be transferred;
- The financial impact the spin-off will have on the affected credit unions;
- The ability of the acquiring credit union to effectively serve the new members;
- The proposed spin-off date; and
- Disclosure to the members of the requirements set forth above.

The spin-off request must also include current financial statements from the affected credit unions and the proposed voting ballot.

For federal credit unions spinning off a group, membership notice and voting requirements and procedures are the same as for mergers (see part 708 of the NCUA Rules and Regulations), except that only the members directly affected by the spin-off—those whose shares are to be transferred—are permitted to vote. Members whose shares are not being transferred will not be afforded the opportunity to vote. All members of the group to be spun off (whether they voted in favor, against, or not at all) will be transferred if the spin-off is approved by the voting membership. Voting requirements for federally insured state credit unions are governed by state law.

Spin-offs involving federally insured credit unions in different NCUA regions must be approved by all regional directors and, if applicable, Office of National Examinations and

Supervision Director where the credit unions are headquartered and the state regulators, as applicable. Spin-offs in the same region also require approval by the state regulator, as applicable. Spin-offs involving the creation of a new federally insured credit union require the approval of the Office of Credit Union Resources and Expansion Director. The Office of Credit Union Resources and Expansion also provides advice regarding field of membership compatibility when appropriate.

III.E—Overlaps

III. E.1—General

An overlap exists when a group of persons is eligible for membership in two or more credit unions. NCUA will permit single associational federal credit unions to overlap any other charters without performing an overlap analysis.

III.E.2—Organizational Restructuring

A federal credit union's field of membership will always be governed by the common bond descriptions contained in Section 5 of its charter. Where a sponsor organization expands its operations internally, by acquisition or otherwise, the credit union may serve these new entrants to its field of membership if they are part of the common bond described in Section 5. NCUA will permit a complete overlap of the credit unions' fields of membership. If a sponsor organization sells off a group, new members can no longer be served unless they otherwise qualify for membership in the credit union or it converts to a multiple common bond.

Credit unions must submit documentation explaining the restructuring and providing information regarding the new organizational structure.

III.E.3—Exclusionary Clauses

An exclusionary clause is a limitation precluding the credit union from serving the primary members of a portion of a group otherwise included in its field of membership. NCUA no longer grants exclusionary clauses. Those granted prior to the adoption of this new Chartering and Field of Membership Manual will remain in effect unless the credit unions agree to remove them or one of the affected credit unions submits a housekeeping amendment to have it removed.

III.F—Charter Conversions

A single associational common bond federal credit union may apply to convert to a community charter provided the field of membership requirements of the community charter are met. Groups within the existing charter which cannot qualify in the new charter cannot be served except for members of record, or groups or communities obtained in an emergency merger or P&A. A credit union must notify all groups that will be removed from the field of membership as a result of conversion. Members of record can continue to be served. Also, in order to support a case for a conversion, the applicant federal credit union may be required to develop a detailed business plan as specified in Chapter 2, Section V.A.3.

A single associational common bond federal credit union may apply to convert to a multiple common bond charter by adding a non-common bond group that is within a

reasonable proximity of a service facility. Groups within the existing charter may be retained and continue to be served. However, future amendments, including any expansions of the original single common bond group, must be done in accordance with multiple common bond policy.

III. G—Removal of Groups From the Field of Membership

A credit union may request removal of a portion of the common bond group from its field of membership for various reasons. The most common reasons for this type of amendment are:

• The group is within the field of membership of two credit unions and one wishes to discontinue service;

• The federal credit union cannot continue to provide adequate service to the group;

• The group has ceased to exist;

• The group does not respond to repeated requests to contact the credit union or refuses to provide needed support; or

• The group initiates action to be removed from the field of membership.

When a federal credit union requests an amendment to remove a group from its field of membership, the Office of Credit Union Resources and Expansion Director will determine why the credit union desires to remove the group. If the Office of Credit Union Resources and Expansion Director concurs with the request, membership will continue for those who are already members under the “once a member, always a member” provision of the Federal Credit Union Act.

III.H—Other Persons Eligible for Credit Union Membership

A number of persons by virtue of their close relationship to a common bond group may be included, at the charter applicant's option, in the field of membership. These include the following:

• Spouses of persons who died while within the field of membership of this credit union;

• Employees of this credit union;

• Volunteers;

• Members of the immediate family or household;

• Honorably discharged veterans who served in any of the Armed Services of the United States in this charter;

Organizations of such persons; and

• Corporate or other legal entities in this charter.

Immediate family is defined as spouse, child, sibling, parent, grandparent, or grandchild. This includes stepparents, stepchildren, stepsiblings, and adoptive relationships. Household is defined as persons living in the same residence maintaining a single economic unit.

Membership eligibility is extended only to individuals who are members of an “immediate family or household” of a credit union member. It is not necessary for the primary member to join the credit union in order for the immediate family or household member of the primary member to join, provided the immediate family or household clause is included in the field of membership. However, it is necessary for the immediate family member or household member to first join in order for that person's immediate

family member or household member to join the credit union. A credit union can adopt a more restrictive definition of immediate family or household.

Volunteers, by virtue of their close relationship with a sponsor group, may be included. One example is volunteers working at a church.

Under the Federal Credit Union Act, once a person becomes a member of the credit union, such person may remain a member of the credit union until the person chooses to withdraw or is expelled from the membership of the credit union. This is commonly referred to as “once a member, always a member.” The “once a member, always a member” provision does not prevent a credit union from restricting services to members who are no longer within the field of membership.

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