

# Field of Membership - Underserved Areas

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**Issue:** NAFCU believes that in order for credit unions to compete in a 21<sup>st</sup> century economy, the federal credit union charter must keep pace with changes in state laws, technology, and the financial services industry. Critically, the federal charter must have modern field of membership (FOM) requirements.

NAFCU fundamentally believes that the credit union industry's dual chartering system works best when the state and federal charters keep pace with each other. However, several states have been much more progressive in modernizing their credit union FOM rules to recognize today's dynamic and ubiquitous marketplace. As a result, the industry has seen multiple credit unions convert to state charters in the past couple years because of their inability to grow under the federal charter.

Importantly, all credit unions should be able to serve populations in underserved areas by adding them to their FOM. In 1998, as part of the *Credit Union Membership Access Act*, Congress provided federal credit unions with the ability to add underserved areas to their FOM. However, subsequent legal challenges by the banking industry over the reading of the statute led the National Credit Union Administration (NCUA) to limit this authority to only multiple common bond credit unions in 2006.

As Congress grapples with ways to ensure that underserved and unbanked populations have access to affordable financial services, credit unions want to be able to help. But, many credit unions are limited by the restriction on adding underserved areas to their FOM. We urge Congress to revisit this issue and ensure all credit unions have the ability to serve underserved areas.

**Legislative Outlook:** In the 115<sup>th</sup> Congress, legislation was introduced to help modernize field of membership requirements, specifically pertaining to the ability of credit unions to serve underserved areas. Representatives Gwen Moore (D-WI) and Paul Cook (R-CA) introduced H.R. 4665, the *Financial Services for the Underserved Act of 2017*, which would amend the *Federal Credit Union Act* to establish procedures for federal credit unions to provide financial services to underserved areas. NAFCU supports this bipartisan legislation and continues to advocate for it on Capitol Hill.

**NAFCU Ask:** We ask all members of Congress to support the modernization of credit union field of membership requirements and encourage Representatives to sign on as cosponsors of H.R. 4665.