UNDERSERVED AREAS – BANKING DESERTS

In order for credit unions to best serve Main Street America and everyday Americans in the 21st century, 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 that allow credit unions to meet the needs of communities in today's financial services marketplace.

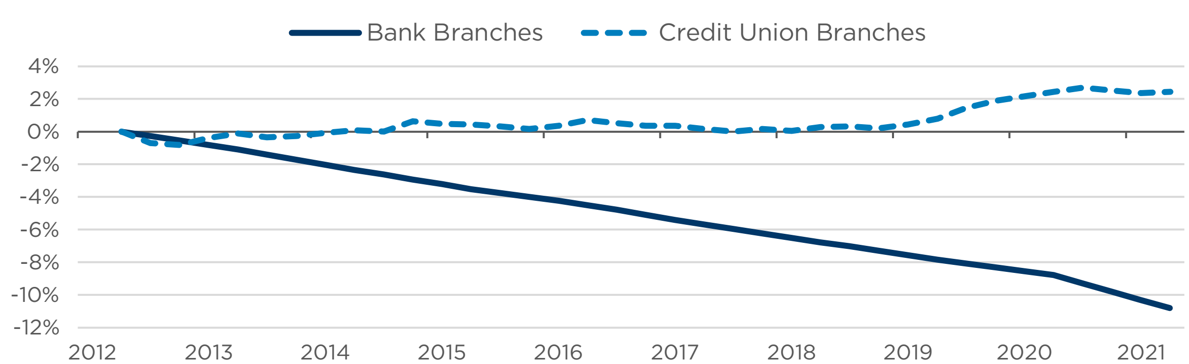
An important element of meeting this marketplace need is that all credit unions should have the ability to serve populations in underserved areas and banking deserts by applying to the National Credit Union Administration (NCUA) to add them to their FOM. In 1998, as part of the Credit Union Membership 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 NCUA to limit this authority to only multiple common bond credit unions in 2006.

Since the 2008 financial crisis, the financial services sector has seen increased consolidation. This has led to a rise in areas without easily accessible bank branches as many banks have closed unprofitable branches creating new "banking deserts." These banking deserts have negative effects on the communities. As banks continue to close branches, NAFCU shares Congress's concern and believes that credit unions can be part of the solution. Allowing all credit unions to take on underserved areas in their field of membership is a commonsense solution to the lack of financial services in banking deserts, and it comes at no cost to the federal government.

We urge Congress to amend the FCU Act to allow all credit unions the ability to add underserved areas to their fields of membership. The need for this authority has never been higher when you consider the following:

- Banks closed 6,764 branches between 2012 and 2017 according to the Federal Reserve (report)
- Branch closure by banks only accelerated during the pandemic, with banks closing more than 4,000 branches since March of 2020 according to an independent NCRC study. This is a pace of over 200 bank branch closures a month in the last 2 years. (report)
- When merging banks closed a branch, the number of small-business loans made in the area fell by 13% for more than eight years afterward, a study by an economist at the University of California at Berkeley found.
- As the chart below shows, the number of bank branches in rural & underserved areas have declined by 10.8% since 2012 while the number of credit union branches in those areas have grown by 2.4%

Branches in Rural & Underserved Areas: % Chg since 2012



Note: Bank data based on FDIC Summary of Deposits branch types 11 & 12 Sources: FDIC, NCUA, NAFCU calculations