If member votes at a special meeting result in the removal of all directors, the supervisory committee immediately becomes the temporary board of directors and must follow the procedures in Article IX, Section 3.

(c) Insert the following sentence after the first sentence of Section 4 of Article VI:

If all director positions become vacant simultaneously, the supervisory committee immediately becomes the temporary board of directors and must follow the procedures in Article IX, Section 3.

(d) Replace the sixth paragraph of the introduction with the following:

Federal credit unions considering an amendment may find it useful to review the bylaws section of the agency Web site, which includes Office of General Counsel opinions about proposed bylaw amendments. Opinions issued after April 2006 will include the language of approved amendments. Even if an amendment has been previously approved, the credit union must submit a proposed amendment to NCUA for review under the procedure listed above to ensure the amendment is identical. Credit unions requesting previously approved amendments will receive notice of the regional office's decision within 15 business days of the receipt of the request.

(e) Replace the last paragraph of the introduction with the following:

NCUA has discretion to take administrative actions when a credit union is not in compliance with its bylaws. If a potential violation is identified, NCUA will carefully consider all of the facts and circumstances in deciding whether to take enforcement action. NCUA will not take action against every minor or technical violation, but emphasizes that it retains discretion to enforce the bylaws in appropriate cases, which may include, but are not limited to, safety and soundness concerns or threats to fundamental, material credit union member rights.

(f) Replace the first paragraph of the introduction with the following:

Effective date: After consideration of public comment, the National Credit Union Administration (NCUA) Board adopted these Bylaws and incorporated them by reference in section 701.2 of NCUA's regulations on [date of final]. Unless a federal credit union has adopted bylaws before [date of final] it must adopt these revised Bylaws.

[FR Doc. E7–10389 Filed 6–4–07; 8:45 am]

BILLING CODE 7535–01–P

NATIONAL CREDIT UNION ADMINISTRATION

12 CFR Part 701

Chartering and Field of Membership for Federal Credit Unions

AGENCY: National Credit Union Administration (NCUA).

ACTION: Proposed rule.

SUMMARY: The NCUA Board is proposing amendments to its chartering and field of membership manual to update community chartering policies in response to NCUA's experience with reviewing applications of credit unions seeking community charters. These changes include clarifying the documentation requirements for a local community and adding a public comment procedure for certain types of multiple political jurisdiction community charter applications.

DATES: Comments must be postmarked or received by August 6, 2007.

ADDRESSES: You may submit comments by any of the following methods (Please send comments by one method only):

- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments.
- *NCUA Web Site: http://www.ncua.gov/RegulationsOpinionsLaws/proposedregs/proposedregs.html.* Follow the instructions for submitting comments.
- *E-mail:* Address to *regcomments@ncua.gov.* Include ''[Your name] Comments on Proposed Rule IRPS 07–1,'' in the e-mail subject line.
- *Fax:* (703) 518–6319. Use the subject line described above for e-mail.
- *Mail:* Address to Mary F. Rupp, Secretary of the Board, National Credit Union Administration, 1775 Duke Street, Alexandria, Virginia 22314–3428.
- *Hand Delivery/Courier:* Same as mail address.

FOR FURTHER INFORMATION CONTACT: Michael J. McKenna, Deputy General Counsel; John K. Ianno, Senior Trial Attorney; Frank Kressman, Staff Attorney, Office of General Counsel, or Robert Leonard, Program Officer, Office of Examination and Insurance, 1775 Duke Street, Alexandria, Virginia 22314 or telephone (703) 518–6540 or (703) 518–6396.

SUPPLEMENTARY INFORMATION:

A. History

NCUA's chartering and field of membership policy is set out in NCUA's Chartering and Field of Membership Manual (Chartering Manual), Interpretive Ruling and Policy Statement (IRPS) 03–1. 68 FR 18333 (Apr. 15, 2003). The policy is set forth in IRPS 03–1 and implements credit union field of membership law under the Federal Credit Union Act. In 2006, NCUA issued amendments to the Chartering Manual chapter on underserved areas. NCUA IRPS 06–1, 71 FR 36667 (Jun. 28, 2006).

The Board issued its last comprehensive rulemaking regarding its chartering policy in the spring of 2003. 68 FR 18333 (Apr. 15, 2003). Over the past four years, NCUA's Field of Membership Taskforce has monitored and reviewed the implementation of IRPS 03–1 and its amendments in an effort to improve consistency and provide a basis for further clarifications and modifications, if necessary. In response to this continued oversight, and requests from the NCUA Board, staff has identified issues that need clarification and are the basis for this proposal.

B. Proposed Chartering Manual Changes

Chapter 2 Field of Membership Requirements for Community Credit Unions: Section V—Community Charter Requirements.

Background

In 1998 Congress passed the Credit Union Membership Access Act (''CUMAA'') and reiterated its longstanding support for credit unions, noting that they ''have the specif[ic] mission of meeting the credit and savings needs of consumers, especially persons of modest means.'' Public Law 105–219, section 2, 112 Stat. 913 (August 7, 1998). The Federal Credit Union Act (''FCUA'') grants the NCUA Board broad general rulemaking authority over federal credit unions. 12 U.S.C. 1766(a). In passing CUMAA Congress amended the FCUA and specifically delegated to the Board the authority to define by regulation the meaning of a ''well-defined local community'' for federal credit union community charters. 12 U.S.C. 1759(g).

In developing a working regulatory definition of a local community the Board has been mindful of the statutory language as well as its important responsibility to ensure that it charters safe and sound credit unions that can provide a broad range of financial services to as many people in the community as possible.

Since 2000 there has been significant growth in the number of credit unions with community charters. The majority of these have come from conversions of credit unions with single and multiple

common bond fields of membership. In 2000 approximately 8.6% of federal credit union charters were community charters. By the end of 2006 approximately 22.5% of federal charters were community charters. The proportion of federal credit union members that belong to federal community charters increased significantly by the end of 2006 to 32.6%, surpassed only by the proportion of members in multiple common bond credit unions which at the end of 2006 was 52.3%. The increasing number of federal community charters has resulted in an increasing amount of assets concentrated in federal community charters. At the end of 2006 approximately 29.5% of all federal credit union assets were in community charters. As time passes and the membership profiles of these credit unions change from associational or occupational based to community based fields of membership, community charters are likely to enhance the delivery of financial services to individuals at all income levels throughout the communities they serve.

Community charters are playing an increasingly important role in helping credit unions fulfill the longstanding mission envisioned by Congress in passing the FCUA and restated in 1998 with the passage of CUMAA. Given their increasing significance it is critical that NCUA apply its expertise to approve community charter applications for local communities that are conducive to that mission, that are sized and structured in a way that assures the credit union's financial stability and long term viability, and where the applicant's proposal demonstrates the ability to offer credit union service to as many people as possible. Today community charters are collectively in sound financial condition. As of March 2007, over eighty percent of federal community charters have CAMEL composite ratings of one or two. Federal community charters also generally report strong levels of net worth. As of December 31, 2006, federal community charters had an aggregate net worth ratio of 11.48%.

The Board continues to recognize two important characteristics in a local community charter. First, there must be some geographic certainty to the community boundaries, e.g., they must be well-defined; and next, there should be sufficient social and economic activity among enough community members to assure that a viable community exists.

Historically, we have expressed this latter requirement as ''interaction and/or shared common interests.'' Chartering Manual, Chapter 2, V.A.1. This approach is consistent with the longstanding mission of credit unions reiterated by Congress in the findings section of CUMAA, when it noted that, ''to promote thrift and credit extension, a meaningful affinity and bond among members manifested by a commonality of routine interaction, shared and related work experiences, interests, or activities * * * is essential to the fulfillment of the public mission of credit unions.'' Public Law 105–219, section 2, 112 Stat. 913 (August 7, 1998).

The Board has gained broad experience in reviewing what constitutes a well-defined local community through the analysis and approval of numerous community charter conversions and expansions. In this process the Board has exercised its regulatory judgment in determining whether, in a particular case, a well-defined local community exists. This involves the application of its expertise to the question of whether a proposed area has a sufficient level of interaction and/or shared common interests to be considered a well-defined local community in which a credit union can flourish and successfully provide thrift, credit, and other financial services to members of the community.

The Board's experience also indicates that there is ample uncertainty among applicants regarding two important issues, particularly in connection with applications involving large multi-jurisdictional areas. First, how does an applicant best demonstrate interaction and/or shared common interests? Second, what amount of evidence is required in a particular case?

In an attempt to address these concerns the Board is proposing to modify the definition of what constitutes a well-defined local community to utilize objective measurable standards when appropriate, as well as to revise some of the documentation requirements for other types of local community charters. These proposed changes should make it easier for an applicant to determine and demonstrate whether a proposed area is a well-defined local community while at the same time maintaining the use of many of the most significant indicia of interaction and/or shared interests. The Board believes that this proposal will result in more objective application of the standards, less difficulty for applicants, and more efficient use of agency resources. The Board looks forward to public comments on all aspects of these proposed changes.

1. Presumptive Local Communities

a. Single Political Jurisdiction

The Federal Credit Union Act provides that a ''community credit union'' consists of ''persons or organizations within a well-defined local community, neighborhood, or rural district.'' 12 U.S.C. 1759(b)(3). The Act expressly requires the Board to apply its regulatory expertise and define what constitutes a well-defined local community. 12 U.S.C. 1759(g). It has done so in the Chartering Manual, Chapter 2, Section V, Community Charter Requirements. In 2003, the Board, after issuing notice and seeking comments, issued IRPS 03–1 that stated any county, city, or smaller political jurisdiction, regardless of population size, is by definition a local community. 68 FR 18334, 18337 (Apr. 15, 2003). Under this definition, no documentation demonstrating that the political jurisdiction is a well-defined local community is required.

After four years of experience, the Board has reviewed this definition of well-defined local community and still finds it compelling. The Board finds that a single governmental unit below the state level is well-defined and local, consistent with the governmental system in the United States consisting of a local, state, and federal government structure. A single political jurisdiction also has strong indicia of a community, including common interests and interaction among residents. Local governments by their nature generally must provide residents with common services and facilities, such as educational, police, fire, emergency, water, waste, and medical services. Further, a single political jurisdiction frequently has other indicia of a well-defined local community identified in the Chartering Manual as acceptable examples of documentation, such as a major trade area, employment patterns, local organizations and/or a local newspaper. Such examples of commonalities are indicia that single political jurisdictions are well-defined local communities where residents have common interests and/or interact.

b. Statistical Areas

The Board's experience has been that well-defined local communities can come in various population and geographic sizes. While the statutory language 'local community' does imply some limit, Congress has directed NCUA to establish a regulatory definition consistent with the mission of credit unions. While single political jurisdictions below the state level meet the definition of a well-defined local

community, nothing precludes a larger area comprised of multiple political jurisdictions from also meeting the regulatory definition. There is no statutory requirement or economic rationale that compels the Board to charter only the smallest well-defined local community in a particular area.

The Board's experience has been that applicants have the most difficulty in preparing applications involving larger areas with multiple political jurisdictions. This is because, as the population and area increase and multiple jurisdictions are involved, there is often conflicting evidence both for and against interaction and/or shared common interests. This often causes some confusion to the applicant about what evidence is required and what criteria are considered to be most significant under such circumstances.

The current chartering manual provides examples of the types of information an applicant can provide that would normally evidence interaction and/or shared common interests. These include but are not limited to: (1) Defined political jurisdictions; (2) major trade areas; (3) shared common facilities; (4) organizations within the community area; and (5) newspapers or other periodicals about the area.

These examples are helpful but the Board's experience is that very often in situations involving multiple jurisdictions, where it has determined that a well-defined local community exists, interaction or common interests are evidenced by a major trade area that is an economic hub, usually a dominant city, county or equivalent, containing a significant portion of the area's employment and population. This central core often acts as a nucleus drawing a sufficiently large critical mass of area residents into the core area for employment and other social activities such as entertainment, shopping, and educational pursuits. By providing jobs to residents from outside the dominant core area it also provides income that then generates further interaction both in the hub and in outlying areas as those individuals spend their earnings for a wide variety of purposes in outlying counties where they live. This commonality through interaction and/or shared common interests in connection with an economic hub is conducive to a credit union's success and supports a finding that such an area is a local community.

The Board views evidence that an area is anchored by a dominant trade area or economic hub as a strong indication that there is sufficient interaction and/or common interests to support a finding of a local community capable of sustaining a credit union. This type of geographic model greatly increases the likelihood that the residents of the community manifest a ''commonality of routine interaction, shared and related work experiences, interests, or activities * * *'' that are essential to support a strong healthy credit union capable of providing financial services to members throughout the area. Public Law 105–219, section 2(3), 112 Stat. 913 (August 7, 1998).

The Office of Management and Budget (''OMB'') publishes statistics that identify geographic areas that exhibit these important criteria. The Board is familiar with and has utilized these statistics. In the past four years the agency has approved in excess of 50 community charters involving Metropolitan Statistical Areas, usually involving a community based around a dominant core trade area.

The Board believes that when statistics can demonstrate the existence of such relevant characteristics it is appropriate to presume that sufficient interaction and/or common interests exist to support a viable community based credit union. In such situations the area should be entitled to a presumption that it meets the regulatory definition of a local community.

Certain areas do not have one dominant economic hub. Other areas may contain two or more dominant hubs. These situations diminish the persuasiveness of the evidence and make it inappropriate to engage in the presumption. In those instances the Board proposes to seek public comment and require additional evidence in order to assure that its critical analysis considers all relevant evidence.

On December 27, 2000, OMB published Standards for Defining Metropolitan and Micropolitan Statistical Areas. 65 FR 82228. The following definitions established by OMB are relevant here:

Core Based Statistical Area (''CBSA'')—''A statistical geographic entity consisting of the county or counties associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties containing the core. Metropolitan and Micropolitan Statistical Areas are the two categories of Core Based Statistical Areas.'' 65 FR 82238 (Dec. 27, 2000).

Metropolitan Division—''A county or group of counties within a Core Based Statistical Area that contains a core with a population of at least 2.5 million.'' 65 FR 82238 (Dec. 27, 2000). OMB recognizes that Metropolitan Divisions often function as distinct, social, economic, and cultural areas within a larger Metropolitan Statistical Area. *See* OMB Bulletin No. 07–01, December 18, 2006.

Metropolitan Statistical Area (''MSA'')—''A Core Based Statistical Area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.'' 65 FR 82238 (Dec. 27, 2000).

Micropolitan Statistical Area (''MicroSA'')—''A Core Based Statistical Area associated with at least one urban cluster that has a population of at least 10,000, but less than 50,000. The Micropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.'' 65 FR 82238 (Dec. 27, 2000).

Demonstrated commuting patterns supporting a high degree of social and economic integration are a very significant factor in community chartering, particularly in situations involving large areas with multiple political jurisdictions. In a community based model significant interaction through commuting patterns into one central area or urban core strengthens the membership of a credit union and allows a community based credit union to efficiently serve the needs of the membership throughout the area. Such data demonstrates a high degree of interaction through the major life activity of working and activities associated with employment. Large numbers of residents share common interests in the various economic and social activities contained within the core economic area.

Historically, commuting has been an uncomplicated method of demonstrating functional integration. NCUA agrees with OMB's conclusion that ''Commuting to work is an easily understood measure that reflects the social and economic integration of geographic areas.'' 65 FR 82233 (Dec. 27, 2000). The Board also finds compelling OMB's conclusion that commuting patterns within statistical areas demonstrate a high degree of social and economic integration with the central county. OMB's threshold for

qualifying a county as an outlying county eligible for inclusion in either a MSA or MicroSA is a threshold of 25% inter-county commuting. OMB also considers a multiplier effect (a standard method used in economic analysis to determine the impact of new jobs on a local economy) that each commuter would have on the economy of the county in which he or she lives and notes that a multiple of two or three generally is accepted by economic development analysts for most areas. 65 FR 82233 (Dec. 27, 2000). ''Applying such a measure in the case of a county with the minimum 25 percent commuting requirement means that the incomes of at least half of the workers residing in the outlying county are connected either directly (through commuting to jobs located in the central county) or indirectly (by providing services to local residents whose jobs are in the central county) to the economy of the central county or counties of the CBSA within which the county at issue qualifies for inclusion.'' 65 FR 82233 (Dec. 27, 2000).

The Board is proposing the establishment of a standard statistical definition of a well-defined local community. The Board believes that the application of strictly statistical rules for determining whether a CBSA should be presumed a well-defined local community has the advantage of minimizing ambiguity and making the application process less time consuming. While it finds evidence established in this manner to be compelling, the Board believes that the reasonableness of the presumption is further strengthened when additional factors establishing the dominance of the core area are present. These additional factors are also objective and easily measurable. First, as OMB has noted, Metropolitan Divisions often function as distinct social, economic, and cultural areas. In the Board's view this evidence detracts from the cohesiveness of the CBSA. Accordingly, the proposal will not permit a CBSA to meet the automatic definition of a well-defined local community when it contains a Metropolitan Division. Next, the Board acknowledges that not all areas of the country are the same and there may be a CBSA that does not contain a sufficiently dominant core area or contains several significant core areas. Such situations also dilute the cohesiveness of the CBSA. For these reasons the Board proposes to require that the CBSA contain a dominant core city, county, or equivalent that contains the majority of all jobs and ⅓ of the total population contained in the CBSA before the definition would be met. These additional requirements will assure that the core area dominates any other area within the CBSA with respect to jobs and population. Applicants can find information about an area's population and number of local jobs, based upon an analysis of where people who work in an area reside, at the Bureau of the Census' Internet site (*http://www.census.gov*). Information about the current definitions of CBSAs is available at the Office of Management and Budget's Internet site (*http://www.whitehouse.gov/omb*). Applications for part of a CBSA are acceptable provided they include the dominant core city, county, or equivalent.

Accordingly, the Board proposes establishing a new statistical definition for a well-defined local community in cases involving multiple political jurisdictions when the following three requirements are met:

- The area must be a recognized CBSA or part thereof without a Metropolitan Division; and
- The area must contain a dominant city, county or equivalent with a majority of all jobs in the CBSA; and
- The dominant city, county or equivalent must contain at least ⅓ of the CBSA's total population.

2. **Federal Register** Notice and Request for Public Comment

Although there is no legal requirement to do so, the Board believes that in situations where the CBSA does not exhibit the standards required to meet the new statistical definition for a well-defined local community, or the area does not qualify under the single political jurisdiction definition, public notice and comment will assist it with its analysis of whether the area in question is a well-defined local community capable of supporting a community credit union while also informing the public about the process. The public notice and comments will assist the Board in its critical analysis of the evidence and provide the public with an opportunity to provide timely comments and relevant information to the NCUA on the proposed local community area the credit union is seeking to serve.

Accordingly, for those community charter applications that do not meet the established definitions of a well-defined local community, the Board proposes to publish a notice in the **Federal Register**. The proposed rule contains a new section entitled ''V.A.3 Public Notice and Comment Procedures.'' The notice will solicit comments relevant to the proposed community charter, including whether it meets the well-defined local community requirements. The comments will be considered by the agency before a decision on the application is made. The Board is proposing a 30 calendar day comment period.

3. Documentation Requirements for Certain Community Charter Applicants

Currently under the Chartering Manual, multiple political jurisdictions with populations of up to 500,000 and Metropolitan Statistical Areas (MSAs) with populations of up to one million may qualify as a local community based on a narrative description of the area. The narrative must describe how the area meets the standards for community interaction and/or common interests. The Board is proposing that applications for areas containing multiple political jurisdictions that do not meet the proposed statistical definition be subject to public notice and comment. In those cases applicants will also be required to supplement the narrative with supporting documentation demonstrating how the regulatory requirements of a well-defined local community have been met.

This amendment would assure greater consistency in NCUA's application of chartering requirements for all community charter applicants seeking to serve multiple political jurisdictions. The proposed change would clarify NCUA's expectation and inform applicants that statements in a narrative must be substantiated through documentation.

The Board seeks to expand the well-defined local community documentation section to provide more guidance to credit unions on the type of evidence that demonstrates whether the area is a well-defined local community. To accomplish this the Board is proposing to add language providing more descriptive information and examples relevant to establishing the existence of well-defined local communities in order to clarify the degree of documentation required. For example, the Board finds that population density and geographic size can be useful to consider in determining whether the area is a well-defined local community.

The Board also seeks to emphasize that community charter applicants can provide NCUA with statistical data, such as on employment patterns, in addition to third-party surveys and authoritative letters from government or corporate officials. This type of documentation can be used to support

interaction and/or common interests among residents.

4. Five-Year Limitation

Since 2001, the Chartering Manual has exempted a community charter applicant from submitting a narrative summary or documentation supporting a request of a proposed community charter, amendment, or conversion, with the same exact geographic area as one NCUA had previously approved. The Board is proposing a five-year limitation on a community charter applicant's use of this exemption. NCUA believes that five years is an appropriate time period in which to allow applicants to rely upon the narrative and documentation in past submissions. The Board requests comment regarding whether this or another time period is appropriate.

In some parts of the United States, economic growth and population change can be dramatic over time. This means that documentation supporting a proposed community for some areas may become outdated more quickly than documentation supporting other areas where indicia of community interaction and/or common interests may still be valid. With this change NCUA seeks to strike a balance between requiring an applicant to repeat the exercise of demonstrating a proposed area is a well-defined local community, when NCUA already has made that exact determination, and retaining an exemption based on a previous narrative and documentation that may no longer be accurate. The Board is also proposing adding a new heading ''V.A.5—Previously Approved Communities'' to describe this exemption to make this provision more reader-friendly. This limitation would not apply to applications that meet the single political jurisdiction or statistical area definition of local community.

5. Rural District

Since the passage of CUMAA, despite the separate statutory language authorizing local community credit unions comprised of a rural district, NCUA has not defined that term. NCUA's experience is that rural areas often lack the normal indicia that NCUA considers in making a determination that a proposed area is a well-defined local community. Unlike the proposed statistical area definition, the Board is proposing a definition that reflects an area that may lack the traditional characteristics of interaction or shared common interests. Therefore, the proposal does not require an applicant to demonstrate interaction or shared common interests. The Board expects a rural district to be less densely populated and frequently lacking any centralized urban core or cluster. Although the proposed rural district may include contiguous counties the Board also believes such a district should have a relatively small, widely disbursed, population. Therefore, NCUA is proposing to define a rural district as an area that is not in an MSA or MicroSA and has a population density that does not exceed 100 people per square mile where the total population of the rural district does not exceed 100,000. This would exclude the majority of the United States population that lives in and around large urban areas yet, based on census data, still include the vast majority of counties in the United States having fewer than 100,000 persons. Population density also varies widely but many counties also have a density of less than 100 persons per square mile. Together these requirements would assure that an area under consideration as a rural district has both a small total population and a relatively light population density. If the Board adopts a definition it will modify the language throughout the Chartering Manual to assure conformity.

Because the NCUA Board has less experience with rural districts, it seeks public comment on whether it should adopt its proposed definition, a definition used by one of the agencies discussed below, or some other definition. Comment is also requested regarding whether a rural district that consists of a non-metropolitan or rural area should be subject to different analyses or documentation requirements than metropolitan or suburban areas. The Board welcomes comments on what specific indicia may be appropriate to demonstrate the existence of a rural district consistent with the FCU Act.

When developing the proposed definition for rural district, the Board considered the criteria other executive branch agencies use as a framework for defining what is rural in the United States. These agencies are the U.S. Census Bureau, the OMB, and the Economic Research Service (ERS) of the U.S. Department of Agriculture (USDA). The table that follows summarizes each agency's definition of what constitutes a rural area.

Agency	Definition of rural area
U.S. Census Bureau	The Census Bureau defines rural area by exclusion by considering areas *outside* urbanized areas or urban clusters rural. • The Census defines an *urbanized area* as an area consisting of adjacent, densely settled, census block groups and census blocks that meet minimum population density requirements. The urbanized area definition also includes adjacent densely settled census blocks that collectively have a population of at least 50,000 people. • The Census defines *urban clusters* as contiguous, densely settled, census block groups and census blocks that meet minimum population density requirements. This definition also includes adjacent densely settled census blocks that collectively have populations ranging from 2,500 to less than 50,000 people. • The Census Bureau relies upon the standards implemented by the OMB, as discussed below, for classifying areas as metropolitan areas. The Census Bureau considers all other areas rural. [Reference: *http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2002_register&docid=02-6186-filed.pdf*]
OMB	The OMB defines MSAs, or metropolitan areas, as central (core) counties with one or more urbanized areas, and outlying counties that are economically tied to the core counties as measured by work commuting. OMB uses the MicroSA classification to identify a non-metro county with an urban cluster of at least 10,000 persons or more. Non-core counties are neither micro nor metro. Agencies outside of OMB often designate non-metro counties as rural. [Reference: *http://www.whitehouse.gov/omb/bulletins/fy2007/b07-01.pdf*]
ERS of the USDA	ERS of the USDA considers areas rural if the OMB has not designated any part of the area as an MSA or core county. ERS also consider some areas designated by OMB as MSAs rural based on their assessments of Census data and other agency research. ERS has developed several classifications to measure rurality within individual MSAs.

Agency	Definition of rural area
	ERS researchers who discuss conditions in rural America refer to non-MSA areas that include both micropolitan and non-core counties as rural areas. When the OMB classifies an area as a MicroSA, the ERS still considers these areas rural according to their definition. Rurality is a term used by the USDA ERS to explain the rural nature of an area. [Reference: *http://www.ers.usda.gov/Briefing/Rurality/WhatIsRural/*]

The Census Bureau, the OMB (by virtue of no MSA designation in the area), and the ERS all provide definitions of rurality based on their analysis of 2000 Census data.

6. More Descriptive Information Related to Business Plans

The Board is proposing to provide community charter applicants with more consistent guidance regarding NCUA's practices for reviewing the adequacy of business and marketing plans. Under the current Chartering Manual, a credit union converting to or expanding its community charter must provide, ''a marketing plan that addresses how the community will be served.'' The Board is proposing a clarification to the marketing plan requirement to provide credit unions with additional guidance. The proposal explains that the plan should include the financial products, programs, and services to be provided to the entire community.

7. Community Charter Mergers

In general, where both credit unions are community charters, the continuing credit union must meet the criteria for expanding the community boundaries. A community credit union cannot merge into a single occupational/associational, or multiple common bond credit union, except in an emergency merger. However, a single occupational or associational, or multiple common bond credit union can merge into a community charter as long as the merging credit union has a service facility within the community boundaries or a majority of the merging credit union's field of membership would qualify for membership in the community charter. While a community charter may take in an occupational, associational, or multiple common bond credit union in a merger, it will remain a community charter. Groups within the merging credit union's field of membership located outside of the community boundaries may not continue to be served. The merging credit union must notify groups that will be removed from the field of membership as a result of the merger. However, the credit union may continue to serve members of record.

NCUA is unaware of any particular problems in this merger context. We are soliciting comments, however, to determine if there are any concerns in this regard and, if so, what adjustments to NCUA's Chartering Manual may be required.

Chapter 3 Service To Underserved Communities: Section III.A—General.

The FCUA defines an underserved area as a local community, neighborhood, or rural district that is an ''investment area'' as defined in Section 103(16) of the Community Development Banking and Financial Institutions Act of 1994. Currently Chapter 3 of the Chartering Manual provides that for an underserved area, the well-defined local community, neighborhood, or rural district requirement is met when the area meets the definition of local community set forth in Section III.A.

The Board proposes to amend the language in this Section to conform it with the proposed changes to the definition of local community by removing the definitions from Chapter 3 and instead referring the reader to Chapter 2 for the actual text of the definition. This change will avoid confusion and eliminate any need for future changes to this Section should the definitions contained in Chapter 2 change.

Regulatory Procedures

Regulatory Flexibility Act

The Regulatory Flexibility Act requires NCUA to prepare an analysis to describe any significant economic impact a regulation may have on a substantial number of small credit unions, primarily those under ten million dollars in assets. The proposed amendments will not have a significant economic impact on a substantial number of small credit unions and therefore, a regulatory flexibility analysis is not required.

Paperwork Reduction Act

In accordance with the requirements of the Paperwork Reduction Act of 1995 (PRA), NCUA may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The OMB control number assigned to § 701.1 is 3133–0015, and to the forms included in Appendix D is 3133–0116. NCUA has determined that the proposed amendments will not increase paperwork requirements and a paperwork reduction analysis is not required.

Executive Order 13132

Executive Order 13132 encourages independent regulatory agencies to consider the impact of their actions on state and local interests. In adherence to fundamental federalism principles, NCUA, an independent regulatory agency as defined in 44 U.S.C. 3502(5), voluntarily complies with the executive order. The proposed rule would not have substantial direct effects on the states, on the connection between the national government and the states, or on the distribution of power and responsibilities among the various levels of government. NCUA has determined that the proposed rule does not constitute a policy that has federalism implications for purposes of the executive order because it only applies to federal credit unions.

The Treasury and General Government Appropriations Act, 1999—Assessment of Federal Regulations and Policies on Families

The NCUA has determined that the proposed rules would not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act of 1999, Pub. L. 105–277, 112 Stat. 2681 (1998).

List of Subjects in 12 CFR Part 701

Credit, Credit unions, Reporting and recordkeeping requirements.

By the National Credit Union Administration Board on May 24, 2007.

Mary Rupp,

Secretary of the Board.

Accordingly, NCUA proposes to amend 12 CFR part 701 as follows:

PART 701—ORGANIZATION AND OPERATIONS OF FEDERAL CREDIT UNION

1. The authority citation for part 701 continues to read as follows:

Authority: 12 U.S.C. 1752(5), 1755, 1756, 1757, 1759, 1761a, 1761b, 1766, 1767, 1782,

1784, 1787, 1789. Section 701.6 is also authorized by 15 U.S.C. 3717. Section 701.31 is also authorized by 15 U.S.C. 1601, et seq., 42 U.S.C. 1981 and 3601–3610. Section 701.35 is also authorized by 12 U.S.C. 4311–4312.

2. Section 701.1 is revised to read as follows:

§ 701.1 Federal credit union chartering, field of membership modifications, and conversions.

National Credit Union Administration policies concerning chartering, field of membership modifications, and conversions are set forth in the Chartering and Field of Membership Policy, Interpretive Ruling and Policy Statement (IRPS) 03–1, as amended by IRPS 06–1 and IRPS 07–1. Copies may be obtained by contacting NCUA at the address found in Section 792.2(g)(1) of this chapter.

(Approved by the Office of Management and Budget under control numbers 3133–0015 and 3133–0116)

Note: The text of the Interpretive Ruling and Policy Statement (IRPS 07–1) does not appear in the Code of Federal Regulations.

3. Section V of Chapter 2 of IRPS 03–1, as amended by IRPS 06–1 and IRPS 07–1, is revised to read as follows:

Chapter 2

V.A.1—General

Community charters must be based on a single, geographically well-defined local community, neighborhood, or rural district. In a well-defined local community or neighborhood, individuals must have common interests and/or interact. More than one credit union may serve the same community.

NCUA recognizes four types of affinity on which a community charter can be based—persons who live in, worship in, attend school in, or work in the community. Businesses and other legal entities within the community boundaries may also qualify for membership.

NCUA has established the following requirements for community charters:

- The geographic area's boundaries must be clearly defined;
- The area is a ''well-defined local, community, neighborhood, or rural district;'' and
- Individuals must have common interests and/or interact.

V.A.2—Definition of Well-Defined Local Community

In addition to the documentation requirements in Chapter 1 to charter a credit union, a community credit union applicant must provide additional documentation addressing the proposed area to be served and community service policies.

An applicant has the burden of demonstrating to NCUA that the proposed community area meets the statutory requirements of being: (1) Well-defined, and (2) a local community, neighborhood, or rural district.

- ''Well-defined'' means the proposed area has specific geographic boundaries. Geographic boundaries may include a city, township, single, multiple, or portions of counties (or their political equivalent), school districts, or a clearly identifiable neighborhood. Although congressional districts and state boundaries are well-defined areas, they do not meet the requirement that the proposed area be a local community.

The well-defined local community, neighborhood, or rural district requirement is met if:

- Single Political Jurisdiction—The area to be served is in a recognized single political jurisdiction, i.e., a city, county, or their political equivalent, or any contiguous portion thereof.
- Statistical Area—
- The area is a recognized Core Based Statistical Area (CBSA) or part thereof without a Metropolitan Division; and
- The area contains a city, county or equivalent with a majority of all jobs in the CBSA; and
- The city, county or equivalent must contain at least ⅓ of the CBSA's total population.
- Rural District—
- The district has well-defined geographic boundaries;
- The district or any part thereof is not contained in an MSA or MicroSA;
- The district does not have a population density in excess of 100 people per square mile; and
- The total population of the district does not exceed 100,000 people.

The OMB definitions of CBSA and Metropolitan Division may be found at 65 FR 82238 (Dec. 27, 2000). They are incorporated herein by reference. Access to these definitions is available through the main page of the **Federal Register** Web site at *http://www.gpoaccess.gov/fr/index.html.*

If the proposed area does not meet the single political jurisdiction, statistical area or rural district definitions, the application will be subject to the public notice and comment procedures contained in V.A.3 and the applicant must submit a narrative description and supporting documentation proving how the area meets the standards for community interaction and/or common interests. See Section V.A.4—Community Documentation Requirements.

V.A.3—Public Notice Procedures

If the proposed area does not meet the single political jurisdiction, statistical area, or rural district definitions cited in Section V.A.2 above, NCUA will publish a notice in the **Federal Register** regarding the community application. The notice will include the name of the credit union and identify the geographic area of the proposed community. The notice will solicit comments in favor of or in opposition to the proposed community charter including whether the proposed area meets the well-defined local community requirements of this manual. The comment period will normally be 30 calendar days but may be extended at NCUA's discretion. Responses to the notice must be sent to the NCUA Board Secretary.

V.A.4—Community Documentation Requirements

For areas not defined as a well-defined local community or rural district, an applicant has the burden of demonstrating the relevance of the documentation provided in support of an application. This must be provided in a narrative format that explains how the documentation demonstrates that the community is a well-defined area and the residents interact and/or share common interests. For example, simply listing newspapers and organizations in the area is not sufficient to demonstrate that the area is a local community.

(a) Well-Defined Area Documentation

To establish that the area is well-defined, an application must include:

- The geographic boundaries and size (square miles) of the community; and
- a local map designating the area to be served and a regional or state map with the proposed community outlined.

(b) Local Community Documentation

To establish the area is a local community, the applicant needs to provide sufficient, persuasive documentation. Examples of criteria that NCUA considers relevant to documenting an application include but are not limited to the criteria set forth below. NCUA suggests that an applicant address these criteria but not every criteria must be met for NCUA to determine the area is a well-defined local community. NCUA will base its determination on the totality of the evidence provided by the applicant. NCUA will consider the following:

Employment

• Identify the major employers, as well as their locations, within the community. Provide data showing the extent that these employers draw employees from throughout the community.

• Provide data on the percentage of individuals who work within the community. Include information on the percentage of individuals who work within their county of residence, as well as those who commute to other counties both within and outside the community.

Major Trade Areas

• Identify the major shopping centers. Provide data showing the extent that residents of the community use these facilities.

• Identify the major sports and entertainment venues (*e.g.*, stadiums, arenas). Provide data showing the extent that residents of the community attend these events.

• Identify the traffic flows and commuting patterns within the community. Provide data showing the extent of interaction and/or common interests in the community.

Population Concentrations

• Identify varying population concentrations (*i.e.*, urban vs. rural) within the community. Provide data showing how the population distribution facilitates interaction and/or common interests in the community.

Shared/Common Facilities

• Healthcare—identify major hospitals, including any special healthcare facilities, such as regional trauma centers. Provide data showing the extent that residents of the community use these facilities.

• Public services and facilities—identify community-wide shared government services, such as police, fire protection, public utilities, park districts, and public transportation. Provide data showing the extent that residents of the community use these services and facilities.

• Education—Identify major colleges and universities, as well as large local school districts within the community. Include enrollment statistics showing the extent the community residents are enrolled at these institutions.

Governmental and Quasi-Governmental Organizations

• Identify organizations such as economic development commissions, regional planning boards, and labor or transportation districts that serve the community.

• Identify the service areas of these organizations, and how the purpose of these organizations promotes interaction and/or common interests in the community, and the extent to which the residents use the services they provide.

Organizations and Clubs Within the Community

• Identify groups such as charitable organizations, chambers of commerce, Girl or Boy Scout Councils, and religious dioceses that serve the community.

• Include statistics that identify the service areas of these organizations, and the extent to which the residents use the services they provide.

Festivals and Community Events

• Identify any major festivals or community events.

• Provide attendance figures that show the degree and extent of participation by residents of the community.

Newspapers, Periodicals, or Other Media

• Identify the major newspapers, television, and radio stations, along with their marketing/service areas. Include subscription and viewer/listening statistics.

Other Documentation

• Include any other documentation that demonstrates that the area is a community where individuals have common interests and/or interact.

Documentation can include statistical data, surveys, and/or letters from government or corporate officials such as:

• Written statements by officials of a shopping mall, hospital, educational establishment, airport, etc. that the individuals using their facilities are from the community requested;

• Surveys completed by an outside firm or the credit union as long as they sufficiently document how the survey was performed and why it is statistically valid.

The applicant has the burden of analyzing the documentation provided and explaining how it satisfies the requirements of interaction and/or common interests required by this manual. The level of documentation must be commensurate with the geographic size and population of the proposed local community.

V.A.5—Previously Approved Communities

An applicant need not submit a narrative summary or documentation to support a proposed community charter, amendment or conversion as a well-defined local community, neighborhood or rural district if the NCUA has previously determined that the same, exact geographic area meets that requirement in connection with consideration of a prior application; provided that the initial application for the area was approved no more than five years before the date of the current application. Applicants may contact the appropriate regional office to find out if the area they are interested in has already been determined to meet the community requirements.

If the area is the same as a previously approved area, an applicant need only include a statement to that effect in the application. Applicants may be required to submit their own summary and documentation regarding the community requirements if NCUA, in its discretion, believes it is appropriate to do so, for example, if there has been a significant change in the population of the area since it was previously approved. This requirement does not apply to applications that meet the single political jurisdiction or statistical area definition of local community.

V.A.6—Business Plan Requirements for a Community Credit Union

A community credit union is frequently more susceptible to competition from other local financial institutions and generally does not have substantial support from any single sponsoring company or association. As a result, a community credit union will often encounter financial and operational factors that differ from an occupational or associational charter. Its diverse membership may require special marketing programs targeted to different segments of the community. For example, the lack of payroll deduction creates special challenges in the development and promotion of savings programs and in the collection of loans.

If the local community requested does not meet the requirements of V.A.2 then the documentation requirements in Section V.A.4 of this Chapter must be met before a community charter can be approved.

In all cases, in order to support a case for a conversion to community charter, an applicant federal credit union must develop a business plan incorporating the following data:

• Pro forma financial statements for a minimum of 24 months after the proposed conversion, including the underlying assumptions and rationale for projected member, share, loan, and asset growth;

• Anticipated financial impact on the credit union, including the need for

additional employees and fixed assets, and the associated costs;

• A description of the current and proposed office/branch structure, including a general description of the location(s); parking availability, public transportation availability, drive-through service, lobby capacity, or any other service feature illustrating community access;

• Marketing plan addressing how the community will be served for the 24-month period after the proposed conversion to a community charter, including the projected marketing budget, promotions, and time line;

• Details, terms and conditions of the credit union's financial products, programs, and services to be provided to the entire community; and

• Maps showing the current and proposed service facilities, ATMs, political boundaries, major roads, and other pertinent information.

An existing federal credit union may apply to convert to a community charter. Groups currently in the credit union's field of membership, but outside the new community credit union's boundaries, may not be included in the new community charter. Therefore, the credit union must notify groups that will be removed from the field of membership as a result of the conversion. Members of record can continue to be served.

Before approval of an application to convert to a community credit union, NCUA must be satisfied that the credit union will be viable and capable of providing services to its members.

Community credit unions will be expected to regularly review and to follow, to the fullest extent economically possible, the marketing and business plans submitted with their applications.

V.A.7—Community Boundaries

The geographic boundaries of a community federal credit union are the areas defined in its charter. The boundaries can usually be defined using political borders, streets, rivers, railroad tracks, etc.

A community that is a recognized legal entity may be stated in the field of membership—for example, ''Gus Township, Texas,'' ''Isabella City, Georgia,'' or ''Fairfax County, Virginia.''

A community that is a recognized MSA must state in the field of membership the political jurisdiction(s) that comprise the MSA.

V.A.8—Special Community

Charters

A community field of membership may include persons who work or attend school in a particular industrial park, shopping mall, office complex, or similar development. The proposed field of membership must have clearly defined geographic boundaries.

V.A.9—Sample Community

Fields of Membership

A community charter does not have to include all four affinities (i.e., live, work, worship, or attend school in a community). Some examples of community fields of membership are:

• nPersons who live, work, worship, or attend school in, and businesses located in the area of Johnson City, Tennessee, bounded by Fern Street on the north, Long Street on the east, Fourth Street on the south, and Elm Avenue on the west;

• Persons who live or work in Green County, Maine;

• Persons who live, worship, or work in and businesses and other legal entities located in Independent School District No. 1, DuPage County, Illinois;

• Persons who live, worship, work (or regularly conduct business in), or attend school on the University of Dayton campus, in Dayton, Ohio;

• Persons who work for businesses located in Clifton Country Mall, in Clifton Park, New York; or

• Persons who live, work, or worship in the Binghamton, New York, MSA, consisting of Broome and Tioga Counties, New York.

Some Examples of insufficiently defined local communities, neighborhoods, or rural districts are:

• Persons who live or work within and businesses located within a ten-mile radius of Washington, DC (using a radius does not establish a well-defined area);

• Persons who live or work in the industrial section of New York, New York. (not a well-defined neighborhood, community, or rural district); or

• Persons who live or work in the greater Boston area. (not a well-defined neighborhood, community, or rural district).

Some examples of unacceptable local communities, neighborhoods, or rural districts are:

• Persons who live or work in the State of California. (does not meet the definition of local community, neighborhood, or rural district).

• Persons who live in the first congressional district of Florida. (does not meet the definition of local community, neighborhood, or rural district).

4. Section III.A of Chapter 3 of IRPS 03–1, as amended by IRPS 06–1 and IRPS 07–1, is revised by removing the second and third full paragraphs and the bulleted paragraphs in between them and adding in their place two paragraphs to read as follows:

For an underserved area, the well-defined local community, neighborhood, or rural district requirement is met if the area to be served meets the definition of a local community contained in Chapter 2 V.A.2.

If the area to be served does not meet the single political jurisdiction or statistical definition contained in Chapter 2 V.A.2, the application must include documentation to support that it is a well-defined local community, neighborhood, or rural district.

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DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2007–28348; Directorate Identifier 2007–NM–060–AD]

RIN 2120–AA64

Airworthiness Directives; Boeing Model 737–600, –700, –700C, –800 and –900 Series Airplanes

AGENCY: Federal Aviation Administration (FAA), Department of Transportation (DOT).

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: The FAA proposes to adopt a new airworthiness directive (AD) for certain Boeing Model 737–600, –700, –700C, –800 and –900 series airplanes. This proposed AD would require sealing the fasteners on the front and rear spar inside the main fuel tank and on the lower panel of the center fuel tank, inspecting the wire bundle support installation in the equipment cooling system bays to identify the type of clamp installed and determine whether the Teflon sleeve is installed, and doing related corrective actions if necessary. This proposed AD results from a design review of the fuel tank systems. We are proposing this AD to prevent arcing at certain fuel tank fasteners, in the event of a lightning strike or fault current event, which, in combination with flammable fuel vapors, could result in a fuel tank explosion and consequent loss of the airplane.

DATES: We must receive comments on this proposed AD by July 20, 2007.