

CREDIT UNION FIELD OF MEMBERSHIP POLICY

June 12, 2002

I. INTRODUCTION

This policy sets forth the field of membership criteria for Arizona state-chartered credit unions.

II. DEFINITION

Arizona Revised Statutes ("ARS") § [6-506 \(C\)\(1\)](#) requires that the bylaws of a state chartered credit union provide for a "field of membership which shall be limited to groups having a common bond of interest, occupation or association or to groups within a well-defined neighborhood, community or rural district consistent with the purposes of the credit union." Once chartered a state credit union can amend its field of membership ("FOM") through bylaw revisions; however, the same common bond or community requirements must be satisfied.

While the National Credit Union Administration ("NCUA") provides for three types of federal credit union charters – single common bond (occupational or associational), multiple common bond (multiple groups), and community, the State of Arizona issues a hybrid certificate that can include all types of common bonds. Federal parity permits the Department to refer to the Federal Credit Union Act and NCUA's Regulations and Chartering and Field of Membership Manual for guidance in areas and circumstances where the ARS is silent. The types of groups or common bonds that comprise a state credit union's field of membership are discussed in the following sections.

III. COMMON BOND OF INTEREST

A FOM may include groups that possess a common bond of interest. Individuals with this common bond share an interest apart from having the same employer or membership in an association. A credit union that wants to add such a group to its FOM would submit an application prepared by a representative of the group, along with the Board of Directors ratification and a copy of the directors' minutes indicating its approval of the addition.

Samples of a common bond of interest:

- 1) Members of the ABC softball team
- 2) Volunteers to re-elect Senator Smith
- 3) Habitat for Humanity volunteers

IV. COMMON BOND OF OCCUPATION

A common bond of occupation includes persons who share the same employer. Groups added under this designation are called SEGs (select employee groups). Provided the employees of a business are not being served by another local credit union, the addition of the group to a FOM is rather simple. The credit union submits an application prepared by the company, ratification by the Board of Directors, and a copy of the Board minutes indicating director approval of the addition. In the event of an overlap, the credit union must include a letter from the group's current credit union indicating that it does not object to the overlap.

Samples of a Common Bond of Occupation:

1. Employees of ABC Stores, Phoenix, Arizona
2. Partners and employees of Smith & Jones, CPAs, Phoenix, Arizona

V. COMMON BOND OF ASSOCIATION

In addition to adding SEGs to its field of membership, a state credit union can also add members of associations. As with SEGs, the association must be within the credit union's service area. Unlike NCUA, the ARS does place a numerical limit on

the size of the association. The Department considers the impact the requested addition will have on the credit union and its ability to service the association's members. When submitting a request to add a large association to its FOM, a state credit union should include a feasibility statement that discusses the anticipated number of new members, where they reside, services they require, and the credit union's ability to service the group.

Qualifying associations must hold meetings open to all members, must sponsor other activities which demonstrate that the members of the group meet to accomplish the objectives of the association, and must have an authoritative definition of who is eligible for membership. Usually, this will be found in the association's charter and bylaws.

In determining whether a group satisfies associational common bond requirements, the Department will consider:

- Whether the members pay dues;
- Whether members participate in the furtherance of the goals of the association;
- Whether the members have voting rights;
- Whether the association maintains a membership list;
- The association's membership eligibility requirements; and
- The frequency of meetings.

Individuals or honorary members who only make donations to the association are not eligible to join the credit union.

VI. COMMUNITY

A state credit union may amend its FOM to include a well-defined local community, neighborhood, or rural district. "Well-defined" means the proposed area has specific geographic boundaries. Geographic boundaries may include a zip code, city, township, county (or its political equivalent), or clearly identifiable neighborhood. The credit union's request should include a map detailing the community to be added and how it intends to service an expanded FOM (marketing, services, staff, and locations). More than one credit union may serve a community.

Samples of communities:

- 1) Individuals who live, work, or worship in zip codes 85044 and 85045
- 2) Persons who live or work in Pinal County, Arizona
- 3) Persons who live, work, or worship in the area bounded by Bell Road on the North, 32nd Street on the east, Shea Blvd. on the South, and 19th Avenue on the West

VII. ADDITIONAL MEMBERSHIP ELIGIBILITY PROVISIONS

Although the ARS is silent, [ARS § 6-517](#), Federal Parity, permits a state credit union to add immediate family members to its FOM. ARS defines immediate family as those persons related by blood or marriage including foster or adopted children. The Federal Credit Union [Act § 1759\(e\)](#) states that "No individual shall be eligible for membership in a credit union on the basis of the relationship of the individual to another person who is eligible for membership in the credit union, unless the individual is a member of the immediate family or household ...of the other person."

Federal parity also permits a person that becomes a member of a credit union to remain a member until they choose to withdraw from the membership of the credit union.