

Low-Income Designations: Qualification of Military Personnel

NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: May 2020 **LETTER NO:** 20-CU-16
TO: Federally Insured Credit Unions
SUBJ: Low-Income Designations: Qualification of Military Personnel

Dear Boards of Directors and Chief Executive Officers:

On May 7, 2020, the [NCUA announced](#) it was updating and improving its approach to determining whether a credit union qualifies for the low-income designation by fully considering military personnel. The new approach will provide full benefit to credit unions with military members as they seek a low-income designation pursuant to the [Federal Credit Union Act](#) and the regulations in [12 CFR 701.34](#).¹

The NCUA's primary methodology for determining low-income status is to geocode members' addresses obtained from AIRES downloads, and assign incomes based on those addresses. However, the geocoding process cannot account for military personnel with Army/Air Post Office (APO) or Fleet Post Office (FPO) mailing addresses. As a result, they were excluded from the analysis as to whether the majority of the credit union's membership are low-income members.²

Methodology Change

Analysis by the NCUA's Office of Chief Economist has determined that the majority of military personnel would qualify as low-income members. Accordingly, the NCUA's low-income-designation process will no longer exclude members with an APO or FPO mailing address. Instead, the NCUA will now total the number of members with an APO or FPO mailing address in the AIRES download file. These members will be included in the total number of members served, and a percentage will be reflected as low-income members, consistent with the Office of Chief Economist's analysis, in determining whether the majority of the credit union's members are low-income.³

This change to the low-income designation methodology will be handled by the NCUA — it does not result in any additional burden or requirements for credit unions. Because the NCUA does not generally retain member address data after analyzing the AIRES download, the new methodology will be applied from this date forward. If your credit union does not want to wait until the next normal cycle for this to occur, please contact the Office of Credit Union Resources and Expansion (CURE) to arrange the submission of a new AIRES download file.

Additional Options for Credit Unions

The change to the NCUA's primary methodology described above may not always fully account for all military personnel served by a credit union. For example, some credit unions may serve many members of the military, many of which may not have an APO or FPO mailing address. Thus, some credit unions serving military members may not qualify for the low-income designation based on the NCUA's primary methodology.

However, credit unions may use the flexibility provided in [§ 701.34\(a\)\(3\)](#) of the NCUA regulations to submit additional information demonstrating that they qualify for a low-income designation.⁴ These more tailored approaches will be processed individually. Options include, but are not limited to, a credit union submitting the following information to CURE:

- A list identifying members who are active-duty military personnel.⁵ For this option, no additional member-specific information (such as incomes, paygrades, ranks, etc.) is necessary. The NCUA will factor these members into the low-income designation analysis similar to members with an APO or FPO mailing address.
- Granular data for military members, including active-duty and members of the Reserve and the National Guard. Data could include actual income, paygrade, years of service, or rank of its military members.
- The credit union can conduct and provide to the agency for evaluation any relevant analysis that demonstrates that all or some portion of its military membership, including active-duty and members of the Reserve and the National Guard, qualify as low-income. To ensure efficiency whenever possible, the NCUA recommends discussing a proposed methodology with CURE before undertaking such an analysis.

The NCUA will work with credit unions on an individual basis to determine what types of additional information would be most helpful in determining whether members qualify as low-income.

Conclusion

The NCUA is always seeking opportunities to foster greater financial inclusion, accessibility, and opportunity for all Americans. To that end, the NCUA's goal in improving the low-income designation methodology is to ensure full financial inclusion for the men and

women serving in our nation's military. They keep us safe, and our commitment is to keep their funds safe.

If you have questions about the low-income designation or the information provided in this letter, please contact CURE at 703.518.1150 or send an email to CURE's field-of-membership expansion team at dcamail@ncua.gov.

Sincerely,

/s/

Rodney E. Hood
Chairman

¹ Low-income designation is a recognition available to credit unions that serve predominantly low-income members. The Federal Credit Union Act authorizes credit unions with a low-income designation to engage in certain activities and to participate in community development programs administered by the NCUA. Activities and programs include accepting non-member deposits, offering secondary capital accounts, participating in the Community Development Revolving Loan Fund program, receiving technical assistance from the agency, and being free of certain member business loan restrictions.

² The NCUA's regulations generally define a low-income member as a member whose family income is 80 percent or less than the median family income. See § 701.34(a)(2).

³ The factor applied to members with APO or FPO mailing addresses will vary over time based on changes in median family income and periodic updates to the analysis of the income of military personnel.

⁴ The regulation provides non-exhaustive examples of the acceptable information.

⁵ This list could be based on various approaches, such as member-provided information or loan files subject to the [Servicemembers Civil Relief Act](#). The credit union should include with its list a narrative explaining how it identified its members that are military personnel.

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