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## Welcome

The Proof of Concept (POC) Form consists of the following four critical elements. A discussion about each of the elements must be completed for your proposed credit union to be considered.

1. Purpose and Core Values
2. Field of Membership
3. Capital
4. Subscribers

Once completed, the POC Form is immediately submitted to NCUA.

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### Resource Documents

Below is a list of resources that will assist you with the POC application. Click the URL to open up the resource.

1. [The Federal Credit Union Charter Application Guide](#)
2. [Federal Credit Union Bylaws](#)
3. [The Chartering and Field of Membership Manual](#)
4. [NCUA Form 4012](#)
5. [NCUA Letter to FCU Board of Directors Duties](#)









### Proof of Concept

Are you excited to begin this process? Great! Click the following blue link to start developing the Proof of Concept for your proposed credit union.

## [New Organizing Group Proof of Concept Form](#)

### Proof of Concept Forms Requiring Action

This section displays any POC forms that need to be revised or that have not been submitted yet. Select the button in the "**Action**" column to access it.

| Action                   | Project Title  | Application Date |
|--------------------------|--|------------------|
| <a href="#">Continue</a> | (No Project Title)    | 02/08/2019       |
| <a href="#">Continue</a> | (No Project Title)    | 05/15/2019       |
| <a href="#">Continue</a> | (No Project Title)    | 03/06/2019       |
| <a href="#">Continue</a> | (No Project Title)    | 03/06/2019       |
| <a href="#">Continue</a> | (No Project Title)    | 03/07/2019       |
| <a href="#">Continue</a> | (No Project Title)    | 03/07/2019       |
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| <a href="#">Continue</a> | (No Project Title)    | 03/07/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 03/06/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 03/06/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 04/17/2019       |
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| <a href="#">Continue</a> | (No Project Title)  | 04/17/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 05/15/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 05/15/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 05/15/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 05/15/2019       |
| <a href="#">Continue</a> | (No Project Title)  | 02/08/2019       |

### Helpful Hints

**To save an in-progress application and return to work on it later:** Return to the Welcome Screen, then close your web browser.

**To resume work on an incomplete application:** Log in then click the "Continue" link to the left of the application's Project Title.

**To delete an incomplete or erroneous application:** Click the trash can icon to the right of the application's Project Title.

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## Contact Information

\* indicates required field

Please select one primary AND one secondary contact to be responsible for this Proof of Concept Form. Multiple people are allowed to be associated with the application. But the primary and secondary contacts with a checkbox selected will receive the notifications related to this request.

Match: Check the box to associate this individual with this application.

**Name:** [LAUREN BETHEA](#)  
**Telephone Number:** 1234567890  
**E-mail Address:** lbethea@ncua.gov  
**Contact Type:** Secondary Contact

Match: Check the box to associate this individual with this application.

**Name:** [IK NWANKPA](#)  
**Telephone Number:** 1234567890  
**E-mail Address:** inwankpa@ncua.gov  
**Contact Type:** Primary Contact

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## Introduction

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NCUA's Office of Credit Union Resource and Expansion (CURE) is responsible for chartering new credit unions and issuing a credit union's charter.

By submitting your information through our automated system you demonstrate to NCUA your group has thoroughly evaluated the credit union's operations. This format does not serve as your new charter application, but serves as your ability to document the most critical elements to establishing a new credit union. These four areas are usually the greatest challenge for organizing groups to accomplish.

This data collection process is called providing NCUA your "Proof of Concept". Once NCUA staff reviews your responses to your "Proof of Concept" questions, you'll be advised how to proceed to the next step. The next step is submitting a formal charter application.

NCUA strongly recommends that each organizer group perform its due diligence in advance to obtain a clear understanding of your duties and responsibilities for charter approval and credit union operations. The Federal Credit Union Application Guide is the primary reference for chartering.

**\* Organizing Group Name** Select a name for your Organizing Group.

Test Organizing Group

**\* Address** 1775 Duke Street

**\* City** Alexandria

**\* State** Virginia

**\* Zip** 22314

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## General Information

\* indicates required field

- \* Proposed Credit Union Names** What are two name choices for your proposed credit union? Select a name which is indicative of the field of membership (FOM) you want to serve. Enter the name and select Add to List.

ADD TO LIST

▲

▼

REMOVE FROM LIST

- Minority Group Type** Would one or a combination of the following groups represent a popular majority of the potential members you plan to serve? Select each group you plan to serve. If none, select N/A.

- African American  
 Asian American  
 Hispanic American  
 Native American  
 N/A

- Financial Service and Product Categories** Select a category of financial services and products that your proposed credit union will offer members. Choose from one of the categories below.

- Basic service – Limited products and services are offered; for example regular shares and signature loans only.
- Intermediate service – The services are more sophisticated than the basic services but are not considered complex. For example, auto loans is one example of an intermediate loan product.
- Complex service – A full-complement of products and services to include; mortgages, home equity loans, member business loans, electronic services, financial education, etc.

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## Definitions

\* indicates required field

For the purposes of chartering and starting a new federal credit union, the following terms shall have the meanings assigned to them in this section.

- **Accounting System** – The credit union’s record keeping system; most credit union accounting systems are computerized.
- **Automated Clearing House (ACH)** – A nationwide network that enables participating financial institutions to distribute and settle electronic payments.
- **Adequately Capitalized** – A credit union is considered adequately capitalized when it has a net worth ratio of at least 6 percent.
- **Assets** – Assets are items the credit union owns such as loans, cash, investments, and fixed assets.
- **Associational Common Bond** – A common bond comprised of members and employees of a recognized association. It includes individuals (natural persons) and/or groups (non-natural persons) whose members participate in activities developing common loyalties, mutual benefits, and mutual interests.
- **Audit** – An official examination and verification of accounts and records, especially financial accounts.
- **Audited Financial Statements** – An organization’s financial statements which have been prepared and certified by a Certified Public Accountant.
- **Balance Sheet** – The Balance Sheet (sometimes referred to as the Statement of Financial Condition) shows the financial condition of the credit union as of the date it represents. The credit unions assets, liabilities and equity (capital) accounts are included on the balance sheet; income and expense accounts are not included.
- **Board of Directors** – The governing group of volunteers charged with the fiduciary responsibility of establishing policies and providing strategic direction of a credit union. As outlined in the Federal Credit Union Act, this group must consist of an odd number of individuals not less than 5 and not more than 15.
- **Break-Even** – The point at which the credit union is neither making a profit nor operating at a loss.
- **Business Model** – The business model describes how the credit union will define and promote itself, produce and distribute its products and services, and build or attract its market.
- **Business Plan** – The Plan prepared by a credit union charter applicant addressing the economic advisability of a proposed charter.
- **Capital** – A credit union’s capital is defined as the total of its regular reserves, allowance for loan and lease losses, special reserves, undivided earnings, accumulated unrealized gains or losses on available-for-sale securities, and that portion of year-to-date net income that has not yet been closed to the appropriate capital account. Capital accounts provide (1) a cushion for anticipated and unidentified losses, (2) a base for future growth, and (3) a means by which the credit union can meet competitive pressures as they arise. Capital also provides the credit union a cost-free source of funds.
- **Charter** – The document which authorizes a group to operate as credit union and defines the fundamental limits of its operating authority, generally including the persons the credit union is permitted to accept for membership. Charters are issued by the National Credit Union Administration for federal credit unions; state charters are issued by the designated state chartering authority.
- **Commitment Letter** – A letter detailing the type of support, subsidies or donations an organization will provide to the proposed credit union.

- **Common Bond** – The characteristic or combination of characteristics distinguishing a particular group of persons from the general public. Two common bonds can serve as a basis for a group forming a federal credit union; occupational – employment by the same company, related companies or in a trade industry, or profession (TIP); and associational – membership in the same association.
- **Community Credit Union** – Credit unions whose field of membership consists of persons who live, work, worship or attend school in the same well-defined local community, neighborhood, or rural district.
- **Contingency Plan** – A specific set of instructions in place to be followed if certain events interrupt normal business operations.
- **Corporate Credit Union** – A credit union for natural person credit unions, providing correspondent services.
- **Credit Committee** – Volunteers selected by the board of directors that assess and make decisions on member loan applications.
- **Credit Union** – A member owned not-for-profit cooperative financial institution formed to provide financial services to a specified group of individuals.
- **Credit Union League** – Leagues are trade associations located in most states and provide a wide variety of services such as education, training, and small credit union counseling. Some Leagues may also provide products and other services such as audits, legal consultation, guidance on consumer regulation, etc.
- **Debit Card** – A debit card is a plastic payment card that provides electronic access to a member's credit union share account.
- **Deposit** – Deposits are funds placed in a member's credit union account that can be withdrawn by the account owner.
- **Disaster Recovery Plan** – A plan developed by the credit union's board of directors for continued business operation in the event of a disaster.
- **Donation** – Money, subsidies, assistance and goods given to the credit union from individuals or organizations which will not be repaid.
- **Economic Advisability** – An overall evaluation of the credit union's or charter applicant's ability to operate successfully.
- **Federal Credit Union Act** – The enabling legislation, passed in 1934, for federal credit unions, federal insurance, the National Credit Union Administration, and the Central Liquidity Facility.
- **Federal Share Insurance** – Insurance coverage provided by the National Credit Union Share Insurance Fund and administered by NCUA. Coverage is provided for qualified accounts in all federal credit unions and participating state credit unions.
- **Field of Membership** – The persons (including organizations and other legal entities) a credit union is permitted to accept for membership.
- **Financial Statements** – A presentation of financial data, including accompanying notes, derived from accounting records of the credit union, and intended to disclose a credit union's economic resources or obligations at a point in time, or the changes therein for a period of time. The balance sheet (or statement of financial condition) and income statement are the most common credit union financial statements.
- **Fixed Assets** – Tangible assets such as land, building, furniture, etc.; also includes lease payments as defined in Part 701.36 of the NCUA Rules and Regulations.
- **Immediate Family Member** – A spouse, child/stepchild, sibling/step-sibling, parent/stepparent, grandparent or grandchild.
- **Internal Controls** – The process established by the credit union's board of directors, officers and employees, designed to provide reasonable assurance of reliable financial reporting and safeguarding of assets against unauthorized acquisition, use, or disposition.
- **Income Statement** – The income statement reflects all income, expenses, gains, and losses of the credit union for the period for which prepared. Asset, liability and equity (capital) accounts are not included on the income statement.
- **Letter of Understanding and Agreement** – An agreement between NCUA and credit union officials establishing reasonable operational goals. These are normally entered into with new charter applicants for a limited time.
- **Liabilities** – Amounts which the credit union owes to others, such as accounts payable and borrowed money.
- **Loan** – Money that is provided to a member that must be repaid by that member.
- **Loan Portfolio** – A loan portfolio consists of all of the loans the credit union owns and manages.
- **Low-Income Designation** – A designation awarded to credit unions who predominately serve low income members.
- **Manager** – The manager is the person responsible for the day-to-day operations of the credit union.
- **Manual Credit Union** – A non-automated credit union; a credit union without an electronic data processing (EDP) system.
- **Mentor** – An individual who provides guidance and assistance to newly chartered, small or low-income credit unions. All new federal credit unions are encouraged to establish a mentor relationship with a trained, experienced credit union individual or an existing credit union.

- **Minority Depository Institution** – A federally insured credit union in which a majority of its current members, a majority of its board of directors (BOD), and a majority of the community it services, as designated in its charter, falls within any of the eligible minority groups described as African American, Asian American, Hispanic American and Native American.
- **Mission Statement** – The articulation of why an organization exists, the “business” it engages in to achieve its purpose, and the values that guide the accomplishment of the mission.
- **Mobile Payment** – A form of transaction that uses mobile devices to make payments from a user’s credit union account or credit card account.
- **Multiple Common Bond** – A field of membership consisting of more than one group, each of which has a common bond of occupation or association.
- **National Credit Union Administration** – NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the United States, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.
- **National Credit Union Share Insurance Fund** – The NCUSIF is the federal fund created by Congress to insure member deposits in federally insured credit unions. The insurance limit was increased from \$100,000 to \$250,000 per individual depositor in 2008. Administered by the NCUA, the NCUSIF is backed by the “full faith and credit” of the U. S. Government.
- **Net Interest Margin** – Credit unions operate by lending and investing cash to generate income, but they also pay interest to their members. A credit union’s ability to make profit depends on how much its interest income exceeds its interest expenses – a value known as net interest. Net interest margin is a percentage calculated from net interest that indicates a credit union’s return on interest-earning assets over a particular period.
- **Net Worth** – Net worth constitutes the reserve of funds available to manage or absorb the risks to the credit union.
- **Occupational Common Bond** – Employment by the same entity or related entities of Trade, Industry, or Profession.
- **Officials** – Credit union officials include members of the board of directors, credit committee or supervisory committee; the President, Chief Executive Officer, Chief Financial Officer, Comptroller, General Manager, Treasurer/Manager, Executive Vice President; and attorneys and accountants of the credit union.
- **Once a Member, Always a Member** – A provision of the Federal Credit Union Act which permits an individual to remain a member of the credit union until he or she chooses to withdraw or is expelled from the membership of the credit union. Under this provision, leaving a group that is named in the credit union’s charter does not terminate an individual’s membership in the credit union.
- **Organizations of Such Persons** – An organization or organizations composed exclusively of persons who are within the field of membership of the credit union.
- **Organizers** – The group of individuals organizing the formation of a credit union.
- **Potential Members** – Individuals within the field of membership who have not joined the credit union.
- **Profitability** – The credit union’s ability to generate earnings as compared to expenses and other incurred costs during a specific period of time.
- **Reserves** – Earnings allocated for use for a specific purpose, such as the Regular Reserve, Undivided Earnings and the Allowance for Loan Losses accounts.
- **Return on Average Assets** – The ROAA is an indicator of how profitable a credit union is relative to its average assets. ROAA gives an idea as to how efficient credit union management is at using its assets to generate earnings. Calculated by dividing the credit union’s annual earnings by its average assets, ROAA is displayed as a percentage.
- **Secondary Capital** – Secondary capital is an uninsured account best described as a “subordinated” loan to the credit union. It can temporarily count as net worth. In the event of liquidation, all other debt owed by the credit union must be repaid before the secondary capital loan is repaid. Only low-income designated credit unions may accept secondary capital in accordance with the requirements in NCUA’s regulations 701.34 (b).
- **Senior Executive Officer** – Senior Executive Officers generally include credit union’s chief executive officer (president, treasurer, manager) assistant executive officer (vice president, assistant treasurer/manager), and/or chief financial officer (controller).
- **Service Area** – The area that can reasonably be served by the service facilities accessible to the groups within the field of membership.
- **Share Account** – Refers to a regular share (savings) account and any other account that is not a share certificate account.
- **Share Draft Account** – An account from which the holder is authorized to withdraw shares by means of a negotiable or transferable instrument. Share drafts are equivalent to a checking account at a bank.
- **Single Associational Common Bond Credit Union** – A credit union whose field of membership includes members and employees of a recognized association.
- **Single Common Bond Credit Union** – A credit union whose field of membership consists of one group which has a common bond of occupation or association.

- **Single Occupational Common Bond Credit Union** – A credit union whose field of membership consists of employees of the same entity or related entity or part of a Trade, Industry, or Profession.
- **Sponsor** – An entity (i.e., company or organization) within the credit union’s field of membership that provides monetary support and/or subsidies such as free office space, use of company copier or staff in legal department, during the chartering process and continuing after the credit union is chartered.
- **Start-Up Capital** – Subsidies (monetary support in the form of contributions and any donated equipment) to cover all of the start-up costs, as well as the operating costs that cannot be covered from the income generated from normal operations. All verbal or written start-up capital commitments pledged must be identified and include the specific commitment and its terms. All start-up capital sources must prove they have the financial capability to provide the pledged support and provide credit union organizers with a copy of their audited financial statements as evidence.
- **Strategic Plan** – A strategic plan is the framework an organization uses to articulate priorities and goals, and manage results. It includes strategic objectives and a description of how resources will be deployed to accomplish them.
- **Statement of Financial Condition** – The Statement of Financial Condition (sometimes referred to as the Balance Sheet) shows the financial condition of the credit union as of the date it represents. It includes the credit unions asset, liability and equity (capital) accounts; income and expense accounts are not included on the Statement of Financial Condition.
- **Subscribers** – As defined by the Federal Credit Union Act, subscribers are any seven or more natural persons who desire to form a federal credit union. Subscribers are responsible for preparing the charter application.
- **Succession Plan** – A plan for identifying and developing internal people with the potential to fill key positions in the credit union as they become available.
- **Supervisory Committee** – Appointed by the board of directors the main responsibilities of the supervisory committee are to oversee the operations of the credit union and ensure an annual audit and bi-annual verification of accounts is performed.
- **Surety Bond** – Surety bonds provide for the recovery of losses by the dishonesty of an employee or official or by the failure of employees to faithfully perform their duties. The specific losses that will be restored by the bond are listed in the written contract with the surety company.
- **Trade, Industry or Profession (TIP)** – A single occupational common bond credit union based on employment in a trade, industry, or profession including employment at any number of corporations or other legal entities that, while not under common ownership – have a common bond virtue of producing similar products, providing similar services, or participating in the same type of business.
- **Undivided Earnings** – The portion of the accumulated earnings of the credit union which are available for the payment of dividends.

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## Purpose and Core Values

\* indicates required field

A credit union is a member-owned and controlled, not-for-profit, cooperative financial institution formed to permit groups of persons to save, borrow, obtain financial services and participate in its management. Member ownership and control are what make credit unions unique.

Think about the following as you describe the reason your organizing group wishes to form a credit union.

- What is the credit union's purpose?
- What do you want to accomplish by forming a credit union?
- Who will benefit from the credit union?
- How will the members benefit from the credit union?
- What is your vision for the credit union over the next 5, 10, 15 years?
- How will you increase member participation and interest in the credit union?
- How will the credit union survive and thrive into the future?

\* **Purpose and Core Values** What is your purpose in opening a credit union?

(2000 character maximum)

\* Has your group considered joining an existing credit union?

Click the "**Save and Proceed**" link below to continue.

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## Field of Membership

\* indicates required field

Potential credit union members must qualify for membership by belonging to a specific group with a common bond. That common bond is known as the Field of Membership (FOM). The three FOM types are Single Common Bond, Multiple Common Bond, and Community. A brief definition of each FOM type is provided below.

- A Single Common Bond can be occupational based (i.e., employees of an entity or a trade, industry, or profession (TIP), or associational based (i.e., members and employees of an association).
- A Multiple Common Bond serves multiple entities. Each entity has its own common bond but each does not share the same single common bond with the other entities.
- A Community FOM must be based on a single, geographically well-defined local community, neighborhood, or rural district where individuals have common interests and/or interact. More than one credit union may serve the same community. A community is defined as either a single political jurisdiction or a multiple contiguous political jurisdiction.

Each FOM type includes sub-categories with distinctive regulatory requirements. These requirements must be satisfied by your organizing group in order to obtain a federal charter. For a complete description of each FOM type and the respective sub-categories, please refer to the Definitions section.

\* **Field of Membership Types** What field of membership (FOM) type do you want to serve? Select one.

\* **Question 1** How many potential members do you expect will participate in the credit union? Enter a number.

\* **Question 2** How did you determine the number of individuals for your potential members? Describe the method used to determine the number of potential members you expect to join the credit union.

(2000 character maximum)

**Question 3** Why do you believe a credit union is needed to serve the proposed FOM? Provide a narrative that describes your proposed FOM.

(2000 character maximum)

\* **Low-Income Designation** The NCUA's low-income designation (LID) is a classification for credit unions that meet certain membership criteria. To qualify, a majority (greater than 50%) of your

membership must the criteria set forth by the NCUA. A full description of the low-income designation is located in the Definitions section.

Is your organizing group interested in the NCUA's low-income designation? Select Yes or No.

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## Capital

\* indicates required field

The greatest challenge for organizing groups is identifying start up capital. A newly established credit union is similar to a newly formed business, as it usually takes several years to report a profit. From past experience, newly chartered credit unions require approximately \$1 million in start up capital or more depending on the complexity of the financial services offered. Donated equity or start up capital is needed to cover operating losses in its infancy stages. Think of start up capital or donated equity as a gift to the credit union. The funds are not a deposit, investment or loan, meaning the funds will never be repaid to the organization or individuals pledging the money. If an organizing group is unable to identify the required start up capital, the charter cannot be approved.

Share the adequacy of your proposed capital structure in relation to internal and external risks, planned operational and financial assumptions, including technology, branch location, and projected organizational and operating expense. Discuss any noncash contributions to capital, and provide supporting documents. Present a thorough justification to support the proposed capital.

In this section, please explain how much capital you have identified, the source of capital and any other information you believe is helpful to NCUA for making a decision about your "Proof of Concept". Discuss your capital structure relative to risks, financial assumptions and operating expenses and if your sponsors are willing to provide continued long term (more than 5 years) support.

**\* Funding Sources** What are your funding sources? Tell us about the sponsor for the proposed credit union (company, individual, or organization).

(4000 character maximum)

**\* Amount of Capital Pledged** How much will the sponsor pledge for the start-up of the credit union?

**\* Years of Sponsor Support** How many years do you anticipate your sponsor's support?

(4000 character maximum)

**\* Operating Independently** Will the credit union operate profitably after the financial support is exhausted?

(4000 character maximum)

**\* Formal Sponsor Support** Do you have formal commitment letters from the sponsor or other organizations providing start-up capital?

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## Subscribers

\* indicates required field

You are required to have at least seven subscribers. The individuals who are involved in the chartering process must submit to a credit check and criminal background investigation. Each subscriber is required to complete NCUA form 4012 for submission of the background and credit investigation. In addition, the proposed subscribers, board members, and employees should have the education and experience needed to successfully operate the credit union. If the charter application is approved, many of the original subscribers will serve as board or committee members. It is recommended that you seek subscribers with backgrounds in accounting, finance, banking, etc. Generally, individuals with the above backgrounds will understand the presentation of the credit union's financial statements.

Please enter the names, phone numbers, and email addresses of the subscribers for your organizing group (at least seven are required).

\* Subscriber 1 Name

\* Subscriber 1 Telephone

\* Subscriber 1 Email Address

\* Subscriber 2 Name

\* Subscriber 2 Telephone

Subscriber 2 Email Address

\* Subscriber 3 Name

\* Subscriber 3 Telephone

\* Subscriber 3 Email Address

\* Subscriber 4 Name

\* Subscriber 4 Telephone

\* Subscriber 4 Email Address

\* Subscriber 5 Name

\* Subscriber 5 Telephone

\* Subscriber 5 Email Address

\* Subscriber 6 Name

**\* Subscriber 6 Telephone**

**\* Subscriber 6 Email Address**

**\* Subscriber 7 Name**

**\* Subscriber 7 Telephone**

**\* Subscriber 7 Email Address**

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