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OLDEN LANE WHITEPAPER SERIES

NCUA Low-Income Designations

An Overview of the 2026 Low-Income Designation Area Workbook Update

On July 13th, the National Credit Union Administration ("NCUA") issued its 2026 update to the Low-Income Designation Area Workbook ("the Workbook"). Below, Table 1 summarizes the changes, state by state. Also, an in-depth discussion of the changes and their implications follows. Overall, the percentage of the U.S. population qualifying as low-income increased from 61.6% to 62.53%, which should result in a slightly lower qualification hurdle for low-income credit union ("LICU") status. How much easier is difficult to say since the Workbook is not a perfect representation of the NCUA internal methodology. There are some caveats:[1]

- This increase in qualifying geographies was not shared evenly among states.
- Last cycle, 10 states and the District of Columbia had overall qualifying populations below 50%. The same ten states are still below 50%, but DC saw a large improvement to go above 50%. Connecticut remains the lowest qualifying state at 42.39%.
- Of the remaining thirty-nine states with over 50% qualification, West Virginia continues to have the highest qualification rate at 85.62% of its population. Puerto Rico has a 100% qualification rate, just as it did in the previous version.
- Like 2025, which saw the addition of new counties to the low-income list and the removal of counties, this update saw both additions and removals. We saw some interesting activity as Luzerne County, PA (325k population) was added last year in 2025, just to be removed this year. Other large removals were Rockdale County, GA (93k) and Vance County, NC (42k). The most significant additions were Richland County, SC (416k), Ector County, TX (162k), Hampshire County, MA (154k), and Chemung County, NY (84k).

Overall, we welcome these changes from the NCUA and believe an update to the Workbook was necessary given the availability of updated Census Bureau data. Historically, credit unions have done a better job of reaching low-income customers than banks. And we believe strongly that credit unions should be incentivized to continue doing so. Our data also suggests that LICUs represent a stronger cohort than the overall credit union industry, in large measure, due to the additional regulatory relief provided by the low-income designation. Therefore, to the extent this update mirrors the changes to the internal NCUA methodology, it represents an important step toward a stronger credit union system.

TABLE 1

	Total Low-Income Population	Gain (Decrease) in Low-Income Population*	% Change in Low-Income Population*	Total Population	% of Population Considered Low-Income
United States of America	209,087,625	3,006,223	0.90%	334,369,975	62.53%
Alabama	3,915,390	10,980	0.22%	5,028,092	77.87%
Alaska	362,034	1,147	0.16%	734,821	49.27%
Arizona	4,507,861	30,923	0.43%	7,172,282	62.85%
Arkansas	2,377,756	7,100	0.24%	3,018,669	78.77%
California	23,373,248	342,725	0.87%	39,356,104	59.39%
Colorado	3,003,955	25,267	0.44%	5,770,790	52.05%
Connecticut	1,530,937	-	0.00%	3,611,317	42.39%
Delaware	587,542	29,438	2.96%	993,635	59.13%
District of Columbia	344,114	10,801	1.61%	670,587	51.32%
Florida	16,391,389	112,432	0.52%	21,634,529	75.76%
Georgia	7,093,766	54,342	0.51%	10,722,325	66.16%
Hawaii	693,389	19,527	1.35%	1,450,589	47.80%
Idaho	1,372,074	2,180	0.12%	1,854,109	74.00%
Illinois	6,902,086	159,574	1.25%	12,757,634	54.10%
Indiana	4,559,020	46,337	0.68%	6,784,403	67.20%
Iowa	1,659,850	46,618	1.46%	3,188,836	52.05%
Kansas	1,584,042	24,768	0.84%	2,935,922	53.95%
Kentucky	3,175,593	54,815	1.22%	4,502,935	70.52%
Louisiana	3,833,353	31,978	0.69%	4,640,546	82.61%
Maine	714,692	35,643	2.61%	1,366,949	52.28%
Maryland	3,681,086	66,323	1.08%	6,161,707	59.74%
Massachusetts	3,746,150	136,008	1.95%	6,984,205	53.64%
Michigan	6,553,879	85,107	0.85%	10,057,921	65.16%
Minnesota	2,689,724	90,728	1.59%	5,695,292	47.23%
Mississippi	2,379,902	22,755	0.77%	2,958,846	80.43%
Missouri	3,890,779	31,290	0.51%	6,154,422	63.22%
Montana	666,027	4,823	0.44%	1,091,840	61.00%
Nebraska	912,977	18,790	0.96%	1,958,939	46.61%
Nevada	1,843,684	18,754	0.60%	3,104,817	59.38%
New Hampshire	706,926	5,969	0.43%	1,379,610	51.24%
New Jersey	4,371,657	69,228	0.75%	9,249,063	47.27%
New Mexico	1,659,086	8,134	0.39%	2,112,463	78.54%
New York	12,119,552	247,274	1.24%	19,994,379	60.61%
North Carolina	7,495,242	93,892	0.90%	10,470,214	71.59%
North Dakota	341,924	6,993	0.90%	776,874	44.01%
Ohio	6,948,667	105,581	0.90%	11,774,683	59.01%
Oklahoma	2,635,576	66,959	1.69%	3,970,497	66.38%
Oregon	2,600,202	30,899	0.73%	4,229,374	61.48%
Pennsylvania	7,177,144	50,084	0.39%	12,989,208	55.25%
Puerto Rico	3,272,382	-	0.00%	3,272,382	100.00%
Rhode Island	540,059	3,925	0.36%	1,094,250	49.35%
South Carolina	4,005,629	140,070	2.72%	5,142,750	77.89%
South Dakota	419,008	3,654	0.41%	890,342	47.06%
Tennessee	4,933,885	88,867	1.28%	6,923,772	71.26%
Texas	19,119,875	354,897	1.21%	29,243,342	65.38%
Utah	2,112,764	24,381	0.74%	3,283,809	64.34%
Vermont	309,856	8,053	1.25%	643,816	48.13%
Virginia	4,935,514	66,340	0.77%	8,624,511	57.23%
Washington	4,180,036	70,427	0.92%	7,688,549	54.37%
West Virginia	1,535,176	5,035	0.28%	1,792,967	85.62%
Wisconsin	2,994,732	21,635	0.37%	5,882,128	50.91%
Wyoming	326,434	12,753	2.21%	577,929	56.48%

* Compared to 2025 NCUA Workbook. All data retrieved from the NCUA and Census Bureau

Understanding the NCUA Low-Income Area Designation Workbook

The NCUA Low-Income Area Designation Workbook is an incomplete guide to determining the low-income status of your credit union based on geography as defined in 12 CFR § 701.34. While we will not go into detail here on the benefits of the low-income designation, it suffices to say the designation offers substantial regulatory relief and should be responsibly pursued by all credit unions that may qualify. To qualify, your credit union must demonstrate "a majority of its membership qualifies as low-income members." This is often interpreted as "fifty percent of membership, plus one." The Workbook allows your credit union to estimate its low-income qualification without input from the NCUA.[2,3]

First, a disclaimer.

In a perfect world, the Workbook and methodology laid out on the NCUA resources page would allow credit unions to accurately replicate the analysis performed by the NCUA. However, having gone through this process a few dozen times, this is not the case. The NCUA explicitly states (emphasis mine), "[t]he workbook was created to assist credit unions in identifying low-income populations and to increase their outreach efforts to those communities. It is not designed to qualify a credit union for the low-income designation." Note that this language was added with the July 2024 update to the Workbook. Previously, it said the Workbook could be used by credit unions in "at least two ways" and then listed the current version's two uses. It had no disclaimer about not being suitable for determining low-income designation.[4,5]

The NCUA's process is opaque, and we routinely find the numbers calculated via the Workbook and the numbers calculated by the NCUA are different. In fact, sometimes there is a drastic difference, though the NCUA is normally quite amenable to discussing discrepancies and working with credit unions (as much as is possible) to achieve the designation.

> ***"If you want to understand your credit union's relation to the low-income designation, ask the NCUA to run your numbers. This is the only way to get the 'true' percentage."***

That being said, the steps to use the Workbook are as follows:

- **Data Collection —** Gather, for each member, the address of their primary residence. This cannot be a P.O. Box and all foreign addresses are immediately considered non-low income. This data should be derived from the AIRES Share File, though this file may require substantial cleaning prior to use.

Single members with multiple accounts must be consolidated and corrections should be made where possible for improper data entry by members (e.g. a member's address is listed in "Mami" rather than "Miami").

- **Geocoding —** All addresses must then be fed into a "geocoder." There are many of these services available (including one offered by the U.S. Census Bureau) and they take a street address and return a Federal Information Processing Series Code ("FIPS Code") describing the state, county (or equivalent), Census Tract, and Census Block of an address. FIPS Codes are fifteen digit numbers with the first two describing the state, the next three the county (or equivalent), the next six the Census Tract, and the final four the Census Block. The Workbook is concerned only with the left-most 12 digits; the state code, the county code, the tract code, and the block group code. Below, Figure 1 shows the FIPS Code hierarchy and a sample 15-digit FIPS Code for the Olden Lane HQ.
- **Qualification —** The FIPS Codes found in the previous step are then compared to the Workbook, starting with the county. The first five digits of the FIPS Code are compared to the list of qualifying counties found in the Workbook and any member with a primary residence in one of those counties qualifies. We then do the same with the first 11 digits and compare that to the tract list. Finally, the first 12 digits are compared to the block group list. Be wary of leading zeroes! The Workbook has all leading zeroes removed (e.g. Alabama is simply "1" rather than "01") though many geocoders return the code as the Census uses it, zeroes and all. All qualifying members can then be counted and compared to the total number of members to determine qualification.

FIGURE 1

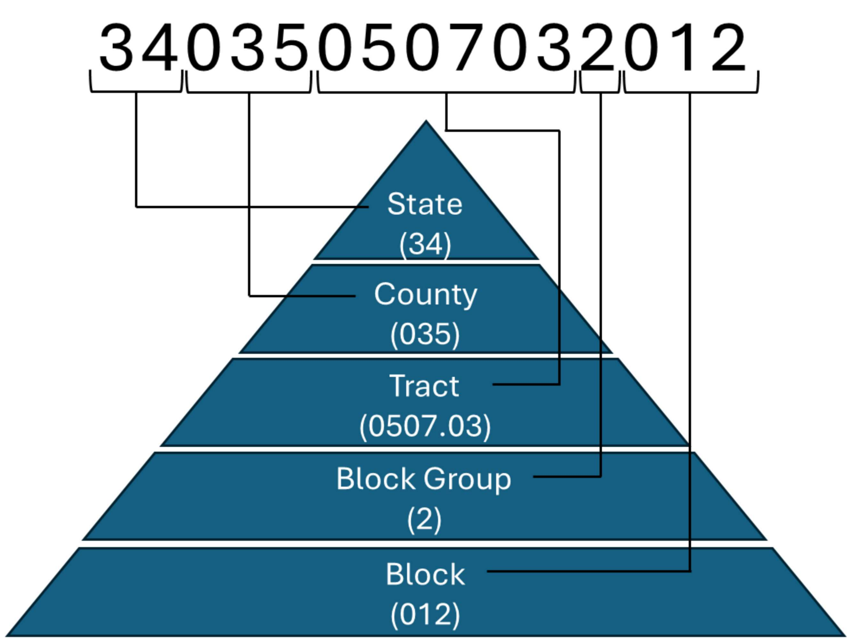

Figure 1. FIPS Code Hierarchy.

Beyond the Workbook

To the final qualifying number found using the Workbook, you can then add any members who failed to qualify geographically but who are also students or active duty military, with some caveats. Note that these caveats are derived from experience and are not stated policy, as the NCUA is not forthcoming with this information.

If the credit union has ages for its members, it can qualify members as high school students between the ages of fourteen and eighteen but can only qualify them at the average rate of enrollment for the United States, normally around 90%. This same treatment does not apply to older members who may attend a college or university. For those members, your credit union must have an explicit indication the member is a student, such as a student account or an occupation listed as student on a loan form.

For active-duty military, the credit union again must have explicit indication via an occupation entry or loan product the member is active-duty military or an address as an APO or FPO (Army or Fleet Post Office). We find it is also helpful to look for the state codes “AA,” “AE,” and “AP,” standing for “Armed Forces America,” “Armed Forces Europe,” and “Armed Forces Pacific”. To these total number of members who are active duty military, the NCUA will then apply a factor that “will vary over time based on changes in median family income and periodic updates to the analysis of the income of military personnel.” Since this analysis is unpublished and apparently regularly updated, we recommend discussing directly with the NCUA Office of Credit Union Resources and Expansion if your credit union expects to rely on this method of qualification.[6]

Additionally, unlike the qualification of students as low-income, the qualification of active-duty military personnel as low-income is not made explicit in the Federal Credit Union Act, but rather comes from guidance issued by Former Chairman Rodney Hood and supported by analysis from the NCUA’s Office of Chief Economist. With the recent overturning of Chevron deference, we expect that an injured party (though we do not know who this would be) could challenge this method of qualification. The NCUA could also simply change its mind if pressured.

How Can Credit Unions Use the Workbook

The NCUA stated purpose for the Workbook is “to assist credit unions in identifying low-income populations and to increase their outreach efforts to those communities.” To the extent the Workbook contributes to this mission, it would be at the county level. The ability to prioritize certain counties for increased marketing, membership drives, or addition to field of membership allows credit unions to better control their low-income designation rate. However, the inclusion of Census tracts and block groups does not greatly contribute to this mission. Tracts are, on average, areas of roughly 4,000 people while block groups contain just 1,300 people. To the extent that Tracts and Block Groups form large, continuous areas of qualifying people, they are targetable. However, when they act as islands of qualification, targeting them becomes infeasible. When people on one side of the street qualify and the other do not, targeted advertising takes on a new level of precision.

This is, however, a minor criticism. Figure 2 shows the low-income designated areas of New York City and demonstrates how a credit union could use the workbook to increase qualification. The orange areas indicate two low-income counties, Bronx County and Kings County (Brooklyn), where a credit union could open branches and target outreach to boost its low-income designation and could be confident it is reaching qualifying members. The purple areas then show the qualifying Census Tracts and the blue areas the Block Groups. Where they form large groups, credit unions can target those areas, such as upper Manhattan and Queens. However, targeting the small groups of low-income members in Manhattan and on Staten Island would likely dilute low-income membership counts based on the surrounding potential membership. To the extent that credit unions serve low-income members in unhighlighted areas (and there are low-income members everywhere) they do not assist the credit union in qualifying.

FIGURE 2

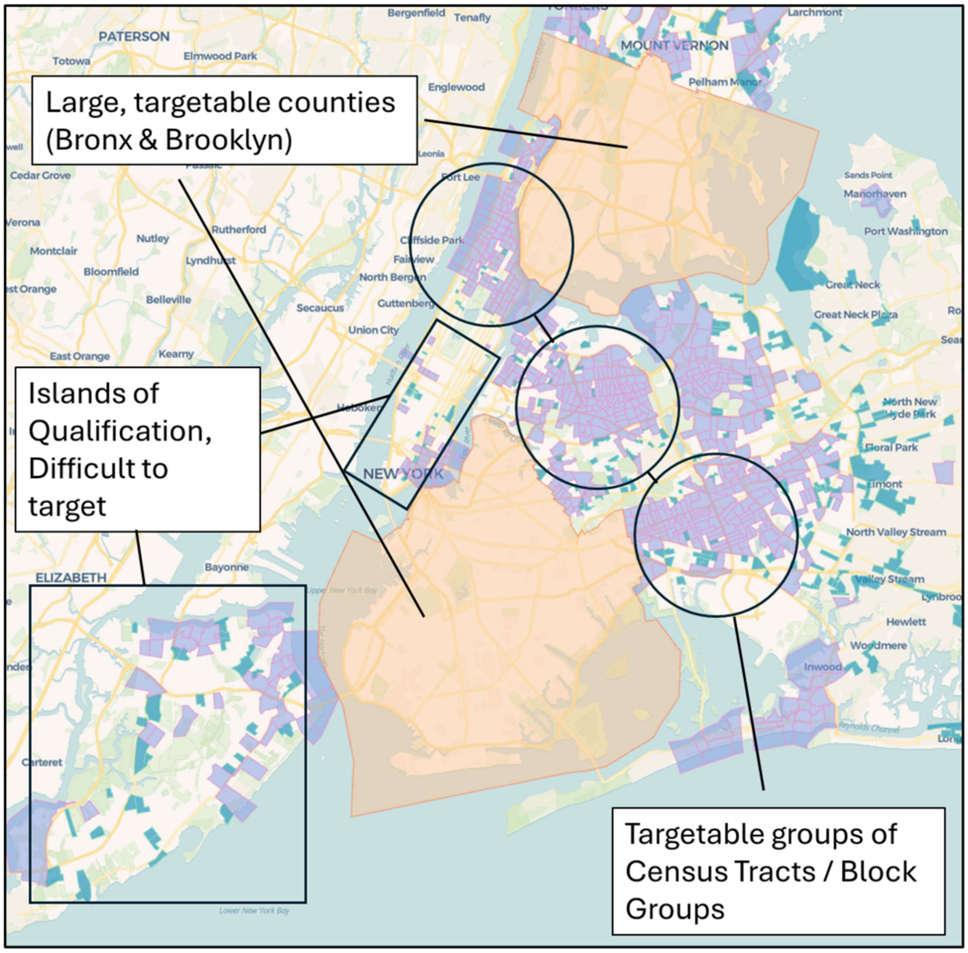

Figure 2. New York City Low-Income Designated Geographies.

What Does it Mean for an Area to be Low-Income?

Within federal statute, low-income is defined as an individual, family, or household making less than 80% of the median individual, family, or household income for the given comparison level, where this comparison level can be the Metropolitan Statistical Area (for urban geographies), the state (for rural geographies), or the country as a whole (if this is greater than either of the other levels). In practice, the Census Bureau does not estimate individual incomes (though the IRS does report on it) and this is rarely used. Instead, median family income and median household income are the two standards, with 12 CFR § 701.34 specifying the use of median family income for the purpose of NCUA low-income designation. If the median income for an area is less than 80% of the threshold for comparison, we can say that at least 50% of the population of that geography earns less than the median comparison amount and therefore there is a better-than-not chance the member living in this geography is low-income. Table 2 shows the low-income threshold for each state and Table 3 shows the thresholds for the fifty largest metropolitan areas in the United States.[7]

Now, the NCUA does not officially publish its methodology for the creation of the Workbook, however, we assume that for a given level of geography (county, tract, or block group) the surveyed median income is compared to appropriate comparison group and a determination is made for each county, tract, and block group in the country. Attempting to recreate the Workbook is fraught with issues unless and until the NCUA publishes its own methodology (trust me, I've tried).

The most important aspect of the low-income determination is the deference to the greater of either the local median family income or the national median family income. The national median family income is $92,646, making the low-income threshold $74,116. By this measure, we can see that multiple entire states (AR, MS, NM and WV) are by definition low-income, though the NCUA does not make determinations of low-income status at the state level. Referring back to Table 1, these are four of the top six states by level of low-income qualification, which we would expect to see. This is also what allows the NCUA to create the statistical impossibility where over 50% of the country earns less than 80% of the median family income. By taking the more favorable number (which they are required by statute to do), the NCUA can use the high incomes of people in California to qualify people in Mississippi as low-income.

To be clear, the designation is a good system that allows the NCUA to quickly approximate the low-income membership of a credit union with minimal burden on the member. Additionally, the Emergency Capital Investment Program (ECIP) offers evidence credit unions do a better job reaching low-income borrowers than banks in general. The program gave over $8.57 billion to Community Development Financial Institutions (CDFIs) and Minority Depository Institutions (MDIs) as capital with the requirement they report on their lending to disadvantaged groups. The money went to both banks and credit unions. The results for calendar year 2023 show that recipients made 286,568 loans for $3,698,859,847 to low-income individuals, where the income used had to be reported by the borrower. Banks, despite making up over half the ECIP award amounts, made only 9.3% of the number of total loans made to low-income borrowers and only 13.2% by dollar amount. By contrast, credit unions accounted for a staggering 90.7% of the ECIP loans to low-income borrowers by number and 86.7% by dollar amount.[8]

Though many goods have prices set on a national or close to national market, the laws of supply and demand almost necessitate that goods and services will cost more in areas with higher incomes, in particular housing. Table 4 shows the same data as Table 2, however, median yearly housing costs as a percentage of median family income is appended as the last column. Even in higher income states, the housing costs simply rise to make up the same percentage of total income. Additionally, the geographic system fails to take into account family size. What is a comfortable income for a couple with no children can be low-income for a couple with three children.

TABLE 2

	Median Family Income	State Level Low-Income Treshold
Alabama	$ 77,363	$ 61,890
Alaska	$ 104,081	$ 83,265
Arizona	$ 86,737	$ 69,390
Arkansas	$ 71,437	$ 57,150
California	$ 105,010	$ 84,008
Colorado	$ 108,664	$ 86,931
Connecticut	$ 115,539	$ 92,431
Delaware	$ 97,743	$ 78,194
District of Columb	$ 142,328	$ 113,862
Florida	$ 81,514	$ 65,211
Georgia	$ 86,169	$ 68,935
Hawaii	$ 111,678	$ 89,342
Idaho	$ 83,640	$ 66,912
Illinois	$ 99,215	$ 79,372
Indiana	$ 84,657	$ 67,726
Iowa	$ 90,921	$ 72,737
Kansas	$ 89,535	$ 71,628
Kentucky	$ 76,273	$ 61,018
Louisiana	$ 74,911	$ 59,929
Maine	$ 89,012	$ 71,210
Maryland	$ 120,081	$ 96,065
Massachusetts	$ 122,530	$ 98,024
Michigan	$ 87,221	$ 69,777
Minnesota	$ 107,072	$ 85,658
Mississippi	$ 67,731	$ 54,185
Missouri	$ 84,745	$ 67,796
Montana	$ 84,027	$ 67,222
Nebraska	$ 92,614	$ 74,091
Nevada	$ 85,584	$ 68,467
New Hampshire	$ 113,605	$ 90,884
New Jersey	$ 119,240	$ 95,392
New Mexico	$ 72,422	$ 57,938
New York	$ 100,846	$ 80,677
North Carolina	$ 82,890	$ 66,312
North Dakota	$ 100,188	$ 80,150
Ohio	$ 86,508	$ 69,206
Oklahoma	$ 77,160	$ 61,728
Oregon	$ 94,277	$ 75,422
Pennsylvania	$ 93,685	$ 74,948
Rhode Island	$ 104,033	$ 83,226
South Carolina	$ 79,830	$ 63,864
South Dakota	$ 88,996	$ 71,197
Tennessee	$ 80,258	$ 64,206
Texas	$ 87,594	$ 70,075
Utah	$ 100,001	$ 80,001
Vermont	$ 97,153	$ 77,722
Virginia	$ 107,504	$ 86,003
Washington	$ 108,285	$ 86,628
West Virginia	$ 71,678	$ 57,342
Wisconsin	$ 92,974	$ 74,379
Wyoming	$ 92,028	$ 73,622
Puerto Rico	$ 29,240	$ 23,392

TABLE 3

	Population		Median Family Income		MSA Level Low-Income Threshold
New York-Newark-Jersey City, NY-NJ-PA Metro Area	19,908,595	$	113,844	$	91,075
Los Angeles-Long Beach-Anaheim, CA Metro Area	13,111,917	$	101,056	$	80,845
Chicago-Naperville-Elgin, IL-IN-WI Metro Area	9,566,955	$	106,055	$	84,844
Dallas-Fort Worth-Arlington, TX Metro Area	7,673,379	$	99,957	$	79,966
Houston-The Woodlands-Sugar Land, TX Metro Area	7,142,603	$	92,750	$	74,200
Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	6,346,083	$	144,539	$	115,631
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area	6,232,894	$	108,977	$	87,182
Miami-Fort Lauderdale-Pompano Beach, FL Metro Area	6,123,949	$	80,554	$	64,443
Atlanta-Sandy Springs-Alpharetta, GA Metro Area	6,094,752	$	98,569	$	78,855
Boston-Cambridge-Newton, MA-NH Metro Area	4,912,449	$	134,646	$	107,717
Phoenix-Mesa-Chandler, AZ Metro Area	4,864,209	$	93,191	$	74,553
San Francisco-Oakland-Berkeley, CA Metro Area	4,692,242	$	154,003	$	123,202
Riverside-San Bernardino-Ontario, CA Metro Area	4,610,050	$	90,585	$	72,468
Detroit-Warren-Dearborn, MI Metro Area	4,375,604	$	93,779	$	75,023
Seattle-Tacoma-Bellevue, WA Metro Area	4,001,701	$	127,870	$	102,296
Minneapolis-St. Paul-Bloomington, MN-WI Metro Area	3,678,328	$	119,274	$	95,419
San Diego-Chula Vista-Carlsbad, CA Metro Area	3,289,701	$	111,734	$	89,387
Tampa-St. Petersburg-Clearwater, FL Metro Area	3,194,310	$	84,454	$	67,563
Denver-Aurora-Lakewood, CO Metro Area	2,959,386	$	119,980	$	95,984
Baltimore-Columbia-Towson, MD Metro Area	2,840,005	$	118,479	$	94,783
St. Louis, MO-IL Metro Area	2,813,523	$	97,901	$	78,321
Orlando-Kissimmee-Sanford, FL Metro Area	2,679,298	$	83,343	$	66,674
Charlotte-Concord-Gastonia, NC-SC Metro Area	2,668,688	$	93,744	$	74,995
San Antonio-New Braunfels, TX Metro Area	2,570,862	$	85,469	$	68,375
Portland-Vancouver-Hillsboro, OR-WA Metro Area	2,505,312	$	110,489	$	88,391
Sacramento-Roseville-Folsom, CA Metro Area	2,394,673	$	106,925	$	85,540
Pittsburgh, PA Metro Area	2,365,501	$	96,434	$	77,147
Austin-Round Rock-Georgetown, TX Metro Area	2,296,377	$	115,204	$	92,163
Las Vegas-Henderson-Paradise, NV Metro Area	2,265,926	$	82,358	$	65,886
Cincinnati, OH-KY-IN Metro Area	2,253,528	$	97,826	$	78,261
Kansas City, MO-KS Metro Area	2,190,750	$	99,766	$	79,813
Columbus, OH Metro Area	2,137,223	$	97,262	$	77,810
Indianapolis-Carmel-Anderson, IN Metro Area	2,109,957	$	93,688	$	74,950
Cleveland-Elyria, OH Metro Area	2,079,759	$	90,488	$	72,390
San Juan-Bay-Caguas, PR Metro Area	2,073,546	$	32,322	$	25,858
Nashville-Davidson--Murfreesboro--Franklin, TN Metro Are	1,990,873	$	96,905	$	77,524
San Jose-Sunnyvale-Santa Clara, CA Metro Area	1,981,584	$	172,303	$	137,842
Virginia Beach-Norfolk-Newport News, VA-NC Metro Area	1,798,025	$	95,214	$	76,171
Providence-Warwick, RI-MA Metro Area	1,670,949	$	103,773	$	83,018
Jacksonville, FL Metro Area	1,613,587	$	88,994	$	71,195
Milwaukee-Waukesha, WI Metro Area	1,568,940	$	97,232	$	77,786
Oklahoma City, OK Metro Area	1,428,923	$	84,302	$	67,442
Raleigh-Cary, NC Metro Area	1,420,825	$	113,293	$	90,634
Memphis, TN-MS-AR Metro Area	1,335,804	$	78,701	$	62,961
Richmond, VA Metro Area	1,316,145	$	104,391	$	83,513
Louisville\/Jefferson County, KY-IN Metro Area	1,282,588	$	88,819	$	71,055
New Orleans-Metairie, LA Metro Area	1,264,357	$	81,500	$	65,200
Salt Lake City, UT Metro Area	1,254,675	$	106,248	$	84,998
Hartford-East Hartford-Middletown, CT Metro Area	1,215,703	$	115,967	$	92,774

TABLE 4

	Median Family Income		State Level Low-Income Treshold		Median Monthly Housing Cost % of Median Family Income
Alabama	$	77,363	$	61,890	13.79%
Alaska	$	104,081	$	83,265	16.64%
Arizona	$	86,737	$	69,390	17.31%
Arkansas	$	71,437	$	57,150	13.94%
California	$	105,010	$	84,008	22.25%
Colorado	$	108,664	$	86,931	17.97%
Connecticut	$	115,539	$	92,431	17.02%
Delaware	$	97,743	$	78,194	15.96%
District of Columt	$	142,328	$	113,862	16.90%
Florida	$	81,514	$	65,211	19.34%
Georgia	$	86,169	$	68,935	16.91%
Hawaii	$	111,678	$	89,342	20.23%
Idaho	$	83,640	$	66,912	15.71%
Illinois	$	99,215	$	79,372	15.53%
Indiana	$	84,657	$	67,726	13.88%
Iowa	$	90,921	$	72,737	12.97%
Kansas	$	89,535	$	71,628	13.89%
Kentucky	$	76,273	$	61,018	14.18%
Louisiana	$	74,911	$	59,929	15.06%
Maine	$	89,012	$	71,210	14.59%
Maryland	$	120,081	$	96,065	17.07%
Massachusetts	$	122,530	$	98,024	17.75%
Michigan	$	87,221	$	69,777	14.32%
Minnesota	$	107,072	$	85,658	14.51%
Mississippi	$	67,731	$	54,185	14.51%
Missouri	$	84,745	$	67,796	14.06%
Montana	$	84,027	$	67,222	14.35%
Nebraska	$	92,614	$	74,091	13.88%
Nevada	$	85,584	$	68,467	19.43%
New Hampshire	$	113,605	$	90,884	16.49%
New Jersey	$	119,240	$	95,392	18.30%
New Mexico	$	72,422	$	57,938	15.28%
New York	$	100,846	$	80,677	18.53%
North Carolina	$	82,890	$	66,312	15.64%
North Dakota	$	100,188	$	80,150	11.25%
Ohio	$	86,508	$	69,206	13.87%
Oklahoma	$	77,160	$	61,728	14.37%
Oregon	$	94,277	$	75,422	18.30%
Pennsylvania	$	93,685	$	74,948	14.55%
Rhode Island	$	104,033	$	83,226	16.74%
South Carolina	$	79,830	$	63,864	14.97%
South Dakota	$	88,996	$	71,197	12.84%
Tennessee	$	80,258	$	64,206	15.03%
Texas	$	87,594	$	70,075	17.33%
Utah	$	100,001	$	80,001	16.87%
Vermont	$	97,153	$	77,722	15.95%
Virginia	$	107,504	$	86,003	16.38%
Washington	$	108,285	$	86,628	18.33%
West Virginia	$	71,678	$	57,342	11.82%
Wisconsin	$	92,974	$	74,379	14.11%
Wyoming	$	92,028	$	73,622	13.35%
Puerto Rico	$	29,240	$	23,392	16.05%

An Alternative Methodology — 12 CFR § 701.34 (a)(3)

These are not new critiques of the low-income designation; however, we rarely see discussion (and the NCUA includes no discussion on their website) of the statutory alternative offered to federal credit unions: a member survey. 12 CFR § 701.34 (a)(3) reads,

> "(3) Federal credit unions that do not receive notification that they qualify for a low-income credit union designation but believe they qualify may submit information to NCUA to demonstrate they qualify for a low-income credit union designation. For example, federal credit unions may provide actual member income from loan applications or surveys to demonstrate a majority of their membership is low-income members. Actual member income data must be compared to a like category of statistical data, for example, actual individual member income may only be compared to total median earnings for individuals for the metropolitan area where they live or national metropolitan area, whichever is greater. A Federal credit union may rely on a sample of membership income data drawn from loan files or a member survey provided the Federal credit union can demonstrate the sample is a statistically valid, random sample by submitting with its data a narrative describing its sampling technique and evidence supporting the validity of the analysis, including the actual data set used in the analysis. The random sample must be representative of the membership, must be sufficient in both number and scope on which to base conclusions, and must have a minimum confidence level of 95% and a confidence interval of 5%. A Federal credit union must draw the sample either entirely from loan files or entirely from the survey, and must not combine a loan file review with a survey. NCUA will provide a response to the Federal credit union within 60 days of its submission."

In our experience, the methodology using incomes from loan files is simply a non-starter. First, it would likely rely on comparison to individual incomes, rather than family incomes, and the data for individual incomes is sparse at best. The Census Bureau does not report on individual incomes and the IRS does not parse its data by geography. Second, it would likely not be considered a random sample of all credit union members. It makes it impossible to sample those members who have no loan products, despite the fact that use of depository products is what actually grants membership (and ownership) of a credit union.

A member survey, distributed randomly, would be the best way to both gather useful information from members and determine a credit union's low-income designation status. It would allow credit unions to gather the following information:

- Household income
- Number of members in household

- Primary address
- Status as a student
- Status as active duty military

The credit union could also gather further information it deems important to the credit union's mission of serving members. Incentives could likely be offered to encourage completion of the survey. This allows the best like-for-like comparison for every member's income.

While the NCUA Low-Income Designation information page contains no information on a member survey, the NCUA guide to chartering a new FCU does contain a guide to conducting a membership survey. It describes, in detail, both methodologies to obtain a random sample and the proper structure for a survey. Additionally, the page lays out the number of responses required to obtain the required "minimum confidence level of 95% and a confidence interval of 5%." Those levels are presented in Table 5 below (consider "Population Size" to be the credit union's total membership). Note that past 10,000 members, the math states that number of samples required stops growing.[9]

TABLE 5

Population Size	Number of Responses Needed
Up to 1,000	278
1,001 to 3,000	341
3,001 to 5,000	357
5,001 to 10,000	370
Over 10,000	384

Table 5. Sample Sizes Required for 95% confidence level and 5% confidence interval.

The 95% confidence level and confidence interval of 5% means that, if we found the proportion of members that are low-income to be 50% in our survey, we would be 95% confident the true portion of members who are low-income is between 45% and 55%, with a 5% chance the true proportion is less than 45% or greater than 55%. Note that we cannot say which value within this range is most likely; based on this sample, the true value is as likely to be 46.2% as it is 52.6%.

This approach seems to allow a rather large room for error. What is the NCUA meant to do if a credit union performs a survey of 384 members and finds their low-income percentage is 45.1% ± 5%? The real proportion of low-income members could be over the 50% threshold, or it could be far below it, and the statistics are of no help ascertaining whether this credit union should receive the benefits of the low-income designation. As they say: lies, damn lies, and statistics.

As stated, the NCUA does not seem fond of this methodology, and we have heard through clients that they actively discourage it. Through discussion with ex-NCUA examiners, we have learned a lot of this dislike stems from this ambiguity as well as the ambiguity that arises from the rounding of incomes people naturally do. Members rarely report exact numbers and the rounding can make a large difference for these results. The geographic test produces one exact number. Here, the approach results in a possible range that can be narrowed, but never fully eliminated. However, the statute gives FCU's the right to apply this methodology and requires an NCUA response in sixty days, nonetheless.

Notes

1. Note that these numbers are based on the estimated populations reported in the 2022 American Community Survey 5-Year Results. All percentages in this paper should be treated as estimates.
2. I will refer to the Federal Credit Union Act in this discussion as most state-chartered credit unions are bound by the same rules via parity provisions.
3. See 12 CFR § 701.34 (a)(1).
4. See Low-Income Credit Union Designation, National Credit Union Administration (visited Jul. 17, 2024), available at ncua.gov.
5. See Low-Income Credit Union Designation, National Credit Union Administration (visited Feb. 24, 2024), available via the Internet Archive (web.archive.org).
6. See Low-Income Designations: Qualification of Military Personnel, National Credit Union Administration, Letter to Credit Unions 20-CU-16 (May 2020), available at ncua.gov.
7. A family is defined as at least two people (one of whom is the householder) living together, related by birth, marriage, or adoption.
8. Emergency Capital Investment Program, U.S. Department of the Treasury, available at home.treasury.gov.
9. Conduct a Membership Survey, NCUA Federal Credit Union Charter Application Guide, Phase 2, available at ncua.gov.

About Olden Lane

OLDEN LANE

Olden Lane is a boutique investment bank dedicated exclusively to credit unions. The firm provides M&A advisory services, subordinated debt placement, valuation, and strategic advisory services to credit unions across the United States. Olden Lane's team combines deep institutional expertise with a genuine commitment to the cooperative financial services model.

Readers interested in discussing the low-income designation, member surveys, or independent advisory services are encouraged to contact Olden Lane directly.

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