

KAHUKU FCU – CHARTER NO. 02275
STATEMENT OF FACTS – LOW INCOME DESIGNATION

Background: Kahuku FCU's field of membership covers Census Tracts 101, 102.01, and 102.02 on the Island of Oahu. The average median household income for the three census tracts is \$35,830 which exceeds the \$34,412 minimum standard for the state of Hawaii. The wage earner income standard is \$22,131 for the state of Hawaii. The credit Union requested to be designated as a low-income credit union, however, because the average household income for the residents in the credit union's census tracts exceeded the minimum amount, their request could not be granted. The following information is presented to provide evidence that the credit union is primarily serving low-income residents in the area.

Charter: The FCU was chartered on July 28, 1937 to serve the employees of the Kahuku Plantation Company, a sugar cane plantation. The plantation ceased operations in 1971. On June 1, 1972 Section 5 of the credit union's charter was amended to base membership on residency near the community post office.

The credit union's field of membership was expanded on April 9, 1987 to include persons who reside or work in that part of the City and County of Honolulu, Hawaii, designated by the U.S. Bureau of Censes as Census Tracts 101, 102.01, and 102.02. This expansion allowed the FCU to provide services to the many so-called "gap" group individuals that found it difficult to receive financial services from the banks and savings banks on the north and northeast areas of the island of Oahu. The three census tracts include the towns of Pupukea, Sunset Beach, Kahuku, Laie, Hauula, Panaluu, and Kaaawa.

Review of Membership Income: A review of the membership's individual loan folders was conducted during the week of October 3, 1994. This task was completed by summarizing the borrower's annualized income from loan applications on file. Of the 760 members in the FCU, 449 members earn less than the \$22,131 standard wages for Hawaii. These members total 59.1% of the membership of the FCU; therefore, the FCU is primarily serving low-income residents in the area.

Structure of Operation: The credit union leases office space from the Kahuku Village Association. Presently, there is only one person, the manager, employed by the credit union. There are five board members who are community leaders of the FCU's geographical area.

The FCU offers regular shares, share drafts, share certificates, and Christmas share accounts to the members. Consumer loans offered include automobile, unsecured, share pledged, and comaker type loans. Travelers cheques and ACH deposits are provided to the membership at no charge.

Employment: The major employers in the Kahuku FCU's geographical area include the state of Hawaii, Turtle Bay Hilton Hotel, Polynesian Cultural Center, Kahuku Hospital, and BYU – Hawaii Campus.

The State of Hawaii employs teachers and staff for the public schools in the FCU's geographical areas. Public schools in this area include Sunset Beach Elementary, Kaaawa Elementary, Hauule Elementary, Laie Elementary, Kahuku Elementary and Kahuku Intermediate and High School. The teachers and staff of the public schools in the FCU's area are eligible for membership with Oahu Educational Employees FCU. However, they may also join the FCU because they work or live in the FCU's area.

The Turtle Bay Hilton Hotel provides primarily service related jobs. The employees of the hotel may join the FCU and the Hotel and Travel FCU.

The Polynesian Cultural Center employees are eligible for credit union membership with Hawaii Central Employees CU, however, approximately 10% to 15% of the employees are served by the FCU. The FCU receives payroll deductions from the State of Hawaii, Polynesian Cultural Center, Kahuku Hospital, Turtle Bay Hilton, and a number of small select employment groups.

There are a number of small farmers in the Kahuku FCU's geographical area who are into diversified agriculture. The Kahuku Village was noted for aqua farms that cultivated prawns and shrimps. Unfortunately, the prawn farms were closed earlier this year after the owners filed for bankruptcy.

Unemployment: The unemployment rate for the State of Hawaii as of July 1994 was 6.0%. The Island of Oahu's unemployment rate was 4.7% in July 1994. Unemployment for the FCU's Census Tracts were above the Island of Oahu's average in July 1994 and they are as follows:

<u>Census Tract</u>	<u>Persons</u>	<u>Percent</u>
101	200	5.80%
102.01	150	7.60%
102.02	250	6.60%

Low Income Similarities: The Kahuku FCU economy is similar to the two recently designated ?? Molokai Community FCU and Hana Community FCU. Hana Community FCU and Kahuku FCU had sugar cane plantations that ceased operations, while Molokai Community FCU has a pineapple plantation that also ceased operations.

All three credit unions have members who depend on service related jobs in the tourism industry. They also have members who are farmers in diversified agriculture. Unemployment is higher than average in the towns which these three credit unions serve.

Public Assistance: The 1990 Census listed 3,742 families in the FCU's geographical area. The State of Hawaii and Department of Human Services currently provides Food Stamps to 947 families or approximately 25.3% of the 1990 census family total in the FCU's area.

The State of Hawaii and Department of Education receives Federal grant monies for children of families that are at or fall below the poverty level. The schools in the FCU's geographical areas receive a higher than average amount of Chapter One Program grant monies. The following information lists the families and the percentage of the total families who are eligible for the Chapter One Program monies by schools in the FCU's geographical area:

<u>School</u>	<u>Families</u>	<u>Percent</u>
Sunset Elementary	6	17.20%
Kaaawa Elementary	24	12.97%
Hauula Elementary	109	26.70%
Laie Elementary	95	10.93%
Kahuku Elementary	52	10.70%
Kahuku Inter/High	177	9.93%

The Kahuku Village area has a 64 unit elderly housing project. The tenants receive rent subsidy from the Section 8 HUD Program. The State of Hawaii developed a 240-unit low-income housing project in the Kahuku area. The price of the homes in this project was below market and a prospective buyer had to qualify based on maximum income levels and the buyer's family size.

The above information supports the conclusion that the FCU is primarily serving the low-income residents in the area.