

## Strengthening the State Charter

### Interstate Branching

Most states have signed the NASCUS agreement on interstate branching, which helps facilitate and streamline the process for interstate branching of state credit unions. The agreement assists state credit unions in serving members across state lines.

### Accreditation

State agencies can apply to NASCUS for accreditation. The accreditation process includes a thorough audit of the agency's policies, procedures and performance. Accredited status is a prestigious acknowledgement of an agency's professionalism and ensures that state-chartered credit unions are being served by an agency that is adhering to the highest standards.

### Education/Training and Examiner Certification

State-chartered credit union examiners attend the same NCUA training courses offered to federal examiners. Additionally, state examiners have access to the NASCUS Online University and attend many customized training programs sponsored by NASCUS. These educational opportunities help ensure that state examinations of credit unions are conducted in the most professional and efficient manner. State examiners can also participate in the NASCUS Certified Examiner Program. NASCUS Certification provides professional recognition of superior standards to regulators and examiners and encourages further development through required continuing education hours.

State-chartered credit union CEOs can also attend classes conducted by NASCUS for state examiners. Sitting side-by-side with their state's examination staff, credit union executives and managers gain insight into the issues, policies and procedures that drive the examinations of state credit unions.

### NASCUS Membership

NASCUS is the only national organization dedicated to the preservation of dual chartering and the effective and efficient supervision of state-chartered credit unions. State agencies, hundreds of state-chartered credit unions and credit union partners and affiliates show their commitment to the state charter through membership in NASCUS.

*Quick Guide published by NASCUS, February 2008.*

National Association of  
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# The Advantages of a State Charter

# NASCUS

## Quick Guide

The nation's state-chartered credit unions serve an important role in state economies and communities. Charter choice gives credit unions the option to choose the charter that best fits the unique needs of its members.



# NASCUS Quick Guide: The Advantages of a State Charter

**The dual chartering system has enabled credit unions to thrive for 100 years. Whether your credit union is state or federally chartered, you benefit from a strong dual chartering system. Nonetheless, there are numerous advantages to a state charter.**

One of the strengths of the credit union movement is the versatility and flexibility of the dual chartering system. Credit unions can be chartered by state governments or by the National Credit Union Administration (NCUA). Forty-seven states and Puerto Rico have laws permitting state-chartered credit unions.

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## **State Governance**

State-chartered credit unions are subject to state laws and regulations. Those laws have been enacted to meet the particular needs of citizens of that state. The legislatures that approve state laws and oversee the state regulatory authorities are sensitive to local needs and receptive to their citizen concerns. The accessibility to state legislators, the governor and the state supervisory authority (SSA) allow state-chartered credit unions a greater opportunity to affect credit union policy and provide more input into their governance than their federal counterparts.

## **Local Supervision**

Since state regulators are local by definition, they have a keen understanding of the interaction between communities and groups within their state. The state system allows for a local voice. Legislators and regulators at the local level can better articulate the need for innovative financial solutions. They hear the concerns of their constituents first-hand and understand how consumers will benefit from a program or service. With offices in the state capitol, state regulators have direct access to legislative bodies. The state system provides for a level of understanding that is not always possible at the federal level.

## **Parity Clauses**

Most state credit union acts contain parity (or wild card) provisions that allow state credit unions to exercise any powers permitted to federal credit unions in cases where federal law is more progressive than existing state law.

## **Field of Membership**

In many states, Field of Membership (FOM) laws and regulations allow for the mixing and matching of communities and Select Employee Groups for state-chartered credit unions. State-chartered credit unions enjoy flexible FOM regulations that adhere to the individual state's geography and communities so that credit unions can best serve their state's citizens financial service needs.

## **CUSO Authority**

State law or interpretation by a state credit union regulator determines the type of CUSO investments and activities which are permissible by state-chartered credit unions. From the amount a credit union may invest in CUSOs to the activities in which CUSOs may engage, state-chartered credit unions often enjoy more expansive CUSO regulations than their federal counterparts.

## **Incidental Powers**

State-chartered credit unions are subject to state laws concerning incidental powers rather than the federal regulations. In many states, these incidental powers are more expansive than at the federal level.

## **Member Business Lending**

NCUA rules and regulations for federally insured credit unions allow states to promulgate state specific member business lending (MBL) rules that differ from the NCUA's rules. A number of states have taken advantage of this opportunity to promulgate rules: exempting some MBL loans from aggregate limits, doing away with personal guarantee clauses, streamlining the waiver process and providing for other innovative regulatory approaches. Those innovations have fostered their state-chartered credit unions' ability to provide member business lending services.

## **Investment Authority**

State-chartered credit unions are not bound by NCUA investment limitations. State law controls investment opportunities for state-chartered credit unions, and in many cases those state laws are more progressive than federal powers.