



# NASCUS Dual Charter Resource Initiative

A sponsorship opportunity for credit union system stakeholders who value a vibrant dual-chartering system.

# NASCUS

The National Voice of the State Credit Union System

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*“We are pleased to join other NASCUS members in advocating for policies and regulations that will uphold and improve credit unions’ abilities to serve their members efficiently and effectively. We support NASCUS’ work to positively impact the important industry discussions that are taking place.”*

Mary McDuffie,  
President & CEO,  
Navy Federal Credit Union  
NASCUS Member

# The Charter Fund : Investment in the State-Chartering System

**Credit unions** are cooperative organizations that require enabling laws, operational regulations and prudential oversight to remain vital to their membership. The United States credit union movement has benefited tremendously from the dual-chartering system whose evolution is unique to the US. Most other systems operate with a single federal regulator who is often the same as the banking regulator. In Canada, provincial charters were the only option until recently.

The state-charter option is a source of meaningful benefit to the credit union system. Because state regulators are familiar with the local competitive environment, they recognize real-world challenges and the need for innovation. And their familiarity with the operating environment of banks and non-financial institutions enhances their ability to contemplate creative solutions. This leapfrogging of authorities proves the checks and balances afforded by the dual-chartering system is essential to credit union relevancy.

The propensity of the state credit union system to innovate helps all credit unions succeed. The invention of share draft accounts, flexible CUSO authorities, share insurance options and progressive MBL authorities are just a few examples of how the state-charter option has enhanced the operating environment of all credit unions. In recent decades, states have pioneered membership eligibility solutions that lead to policies of access and inclusion versus exclusion. These advancements have helped credit unions continue to grow and thrive.

Founded by state regulators in 1965, the National Association of State Credit Union Supervisors (NASCUS) is the only organization in the US credit union system with membership open to both state regulators and credit unions. NASCUS has made tremendous contributions to the success of the dual-chartering system. Its support of state regulators, crafting of policy positions (e.g., Statutory Changes to NCUSIF, Enhancing the Value of the Credit Union Charter), opposition to federal overreach, development of premier education conferences and opportunities and the coordination of networking events have all led to great successes in the credit union space.

Today, NASCUS invites state and federal credit unions into its membership ranks. State and federal credit unions support a robust dual-chartering system.

The vitality of the dual-chartering system faces several challenges today. Without focused attention and resources dedicated to mitigating these points of friction, the effectiveness of the charter system will come under severe pressure. Challenges include:

- **Federal-State Oversight Balance:**

- NCUA Board Composition
- NCUA Merger Rules (curtailing state authority)
- NCUSIF Regulations and Administration (including share insurance options)

- **Federal Homogenization vs Federal-State Coordination**

- **State-Charter Competitiveness:**

- Interstate Branching and Interstate Operations
- FOM Modernization & Innovation
- Growing Pressures to Tax Credit Unions at State Level
- Unrelated Business Income Tax (UBIT)

- **State Resource Pressures & Credit Union Complexity:**

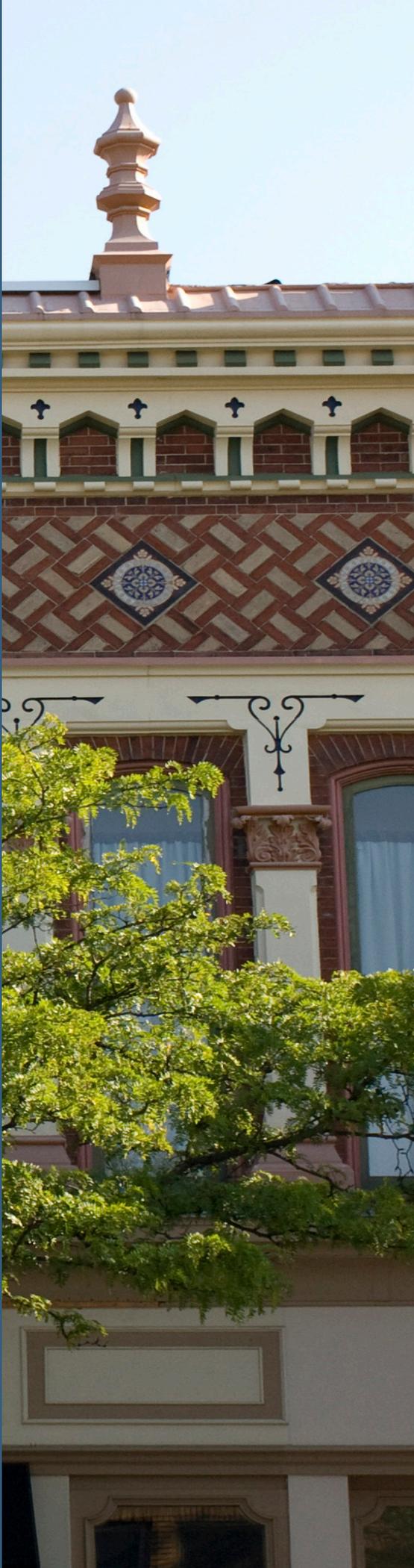
- State Budget Appropriations
- Credit Union Consolidation
- State Agency Access to Shared Resources & Subject Matter Expertise

**The role of NASCUS is critical for supporting the long-term sustainability of the credit union dual chartering framework.** A laser focus on state supervision and leadership of the state charter system enables NASCUS to operate in an efficient and effective manner in today's current environment. Looking ahead, NASCUS is proposing to establish a new source of funding to elevate capacity and support the advancement of the broader credit union system, through preservation of a compelling state option.

The NASCUS Dual Charter Resources Initiative will be used for strategic enhancement of the value created by the state charter. Activities enabled by the Initiative would fall in one of four categories:

1. Pursuit of Progressive Legislation and Regulation
2. Building Relationships to foster Charter Innovation
3. Leaning Against Unnecessary Federal Pre-emption
4. Expanding Awareness of Options Available to State-Chartered Credit Unions

The Dual Charter Resource Initiative will solicit support on three levels: Champions, Leaders and Partners. **The benefits of the new funding source will accrue to the entire credit union system by helping to ensure that a healthy, dynamic and lasting state charter option sustains well into the future.**



*“A vibrant dual-charter system benefits all credit unions by providing choice and opportunities for expanding products and services and for adjusting to a rapidly changing financial services world. We encourage and support the 2021 Dual Charter Resources Initiative of NASCUS.”*

**Mike Lord,  
President & CEO,  
State Employees' Credit Union  
NASCUS Member**



# Initiatives and Resources

**The State System Profile:** This is a digital reference that profiles state credit union regulatory agencies—their structure, funding, personnel, examination programs—and outlines key state credit union powers—branching, chartering, field of membership, interstate operations, parity, investment powers, board governance, CUSO powers, supplemental capital, derivatives authority, privacy, usury, tax treatment. Last updated in 2016, this critical resource enables users to view state profiles of individual supervisory agencies or to analyze a specific topic/power state-by-state across all 45 states that charter state credit unions.

**The Part 741 Compendium:** The 741 Compendium aspires to serve as an integrated online roadmap of insurance related NCUA provisions that apply to federally insured state-chartered credit unions (FISCUs). Upon completion, the Compendium will enable users to navigate the maze of more than 40 different rules that are scattered across Part 741, the Code of Federal Regulations (CFR), and the U.S. Code (USC). Beneficiaries include FISCUs compliance professionals as well as state and NCUA examiners.

**Credit Union x State Regulators Exchange Meeting:** The Exchange is an issues-driven annual event that brings CEOs of state and federal credit unions with assets of more than \$10 billion together with regulators from states with the most progressive state credit union charters to illuminate emerging issues and trends that threaten the credit union charter's status as the "charter of choice" whether for state or federal credit unions. NCUA and other federal regulators are invited to participate to foster state-federal regulator collaboration with industry.

**Credit Unions & Regulators Engagement (CURE):** The CURE is a new solutions-driven annual dialogue that will convene CEOs of state-chartered credit unions with assets of \$4 billion - \$10 billion and state regulators from the most forward-thinking state agencies to delve into existing and emerging competitive challenges facing the state credit union system. Federal regulators and standard-setting bodies will be invited, as appropriate, to consider problems and solutions in consultation with state regulators and credit unions.

**At-A-Glance Side-by-Side Comparisons to the Federal Charter:** These side-by-side comparisons between a state's credit union charter and the federal charter will enable users to assess the relative advantages and disadvantages of a given state charter versus the federal charter. The comparisons will arm credit unions with initial information to affirm or question their choice and/or will enable credit unions and state leagues to advocate for changes to either their state charter or the federal charter. These comparisons will also enable state regulators and state legislators to evaluate the relevance and viability of their state's charter compared to the federal charter and other states' charters.

**The State CU Powers & Authorities Modernization Matrix:** This matrix will walk users through an array of key recommendations for state credit union code modernization and the strategic logic and rationale for pursuing selected statutory enhancements. The perspective is future focused with a critical eye towards credit union relevance and viability in a rapidly changing world, as seen through NASCUS' unique state lens.

**The Curated State Credit Union Legislative Digest:** This digest is intended to focus on select state bills critical to strengthening state credit union codes. The Digest will provide state regulators, state legislators, state leagues, credit unions across the nation with a curated repository of state legislative research and bill language to assist in the preparation of legislation. The objective is neither to provide "model" legislation nor a comprehensive digest of all state credit union codes; rather, the focus is on cherry-picking exemplary legislation for a subset of provisions chosen for their strategic relevance.

**NASCUS White Papers:** Original commissioned papers by NASCUS will provide a balanced and objective views on critical issues and challenges relevant to all state and federal credit unions. These solutions-based papers will foster collaboration with other credit union system organizations and will share expertise and thought leadership to advance the credit union system and better position NASCUS as an authority on credit union issues.

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[NASCUS.org](https://www.nascus.org)