



Advantages of the Oregon State Charter

Whether credit unions are state or federally chartered, the entire industry has thrived from a strong, dual charter system for more than a century. This methodology allows flexibility, versatility, and fluidity within the credit union system.

State charters, those chartered through their state governments as opposed to the National Credit Union Administration (NCUA), hold several advantages, such as local supervision, lower operating fees, and greater investment authority.



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Around the States: [Oregon State System Statistics](#)

Governance from Salem

Oregon's state-chartered credit unions are subject to state laws and regulations, including the [Oregon Credit Union Act](#) (ORS Chapter 723). This Act outlines the authorities and responsibilities of the [Department of Consumer and Business Services \(DCBS\)](#) and the state-chartered credit unions DCBS regulates through the [Division of Financial Regulation \(DFR\)](#). Under [ORS 723.102](#), DCBS issues administrative rules under [Oregon Administrative Rules Chapter 441 Division 710](#) and [Division 720](#) directed toward credit unions. Additionally, [ORS Chapter 705](#) outlines the DCBS's authority to meet the specific needs of Oregon's citizens.

State-based Supervision

State-based regulators' first-hand understanding of community and group interactions is a benefit for both regulators and credit unions, as regulators are personally invested in the state's well-being. This perspective allows stakeholders to articulate the nuanced need for innovative and competitive financial solutions, and to understand any community benefits. Geographically located in the state's capitol, the DFR, state legislators, the governor, and state-chartered credit unions have a greater opportunity to collaborate, influence credit union-based policy, provide greater input on governance, and engage with the communities they serve.

Ensuring Competitiveness: Authorization for New Authorities and Powers

In addition to local access, Oregon's Credit Union Act explicitly authorizes the Director of the DCBS to ensure competitiveness under ORS 723.156(2). ORS 723.156(1). Under these provisions, Oregon state-chartered credit unions are provided parity to exercise any power allowed to a federal credit union prior to January 1, 2022, upon required notice. Furthermore, ORS 723.156(2) allows the Director to grant new authority to Oregon credit unions competing with foreign state or federal credit unions if they find such powers:

- a) Serves the public and members' convenience and advantage; and
- b) Equalizes and maintains the quality of competition among credit unions.

Field of Membership

The DFR allows state-chartered credit unions to have a much broader community field of membership (FOM) than NCUA would allow under new FOM guidelines. Further, select employment group (SEG) credit unions can convert to community charters and maintain their SEG communities of Interest as described in [OAR 441-710-0071](#).



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Field of Membership (FOM) laws clearly outline the ability of Oregon credit unions to request FOM under ORS 723.172. ORS 723.172(1)(b) defines a well-defined local community as one or more adjacent precincts, districts, cities, counties, or other boundaries defined by the state or a unit of local government or by a state or local government agency. ORS 723.172(3) defines common bond as:

- a) One or more groups, each having a common bond of occupation or association; or
- b) Persons who live or work in, or organizations located within, a well-defined local community, neighborhood or rural district.

ORS 723.172(5) provides factors the Director must consider when determining a well-defined local community, which include:

- a) Interactions or shared interests that tie the boundaries,
- b) The size of the population of the proposed community,
- c) The size of the geographic area, and
- d) Any other criteria that the Director considers relevant.

OAR Chapter 441 Division 710 also outlines community, underserved and low-income FOM options under [OAR 441-710-0035](#), [OAR 441-710-0075](#) and [OAR 441-710-0085](#) respectively. These rules also outline the application processes for FOM bylaw amendments.

Compensation of Boards of Directors and Supervisory Committee Members

State-chartered credit unions may reasonably compensate board members and supervisory committee members under the authority of [OAR 441-710-0305](#).

Bylaw Flexibility and Focus

Oregon chartered credit unions are afforded the flexibility to implement bylaw amendments and create customized

bylaws appropriate for each institution so long as proposed amendments do not interfere with related law. State-chartered credit union bylaws are also directly related to the relationship between the Board and the membership and do not generally contain regulatory language.

Loan Flexibility

Oregon chartered credit unions are permitted significant flexibility in credit terms to design loan products meeting their membership's needs and risk profiles. Moreover, state-chartered credit union loans are not statutorily limited in interest rates or maturity terms and can include prepayment penalties if appropriately disclosed. The state's member business lending rules ([OAR 441-720-0300 through -0370](#)) preempt federal Insurance requirements and are strictly under the purview of the DFR and related state law.

Board Meeting Flexibility

Under the [OAR 441-710-0527](#), Oregon credit union boards are authorized greater flexibility in the scheduling of board meetings with the rule establishing a minimum of six meetings per year with at least one meeting per quarter. The credit union must establish meeting requirements in their bylaws, and the Director of the DCBS may require meetings more frequently if reasonably necessary.

Significantly Lower Operating Fees

Oregon chartered credit unions pay an operating fee to fund the oversight of their charters as outlined under ORS 723.114 and [OAR 441-710-0500](#). These fees are typically much less compared to federal credit unions.

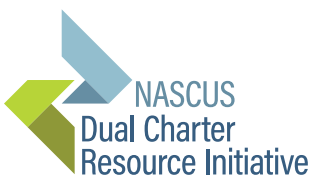
Greater Investment Authority

Lastly, Oregon-chartered credit unions may invest in non-government investments with approval. Furthermore, state-chartered credit unions may invest/lend more heavily in CUSO-related investments in amounts up to an aggregate 5% of total assets as outlined in ORS 723.602(5), with the only requirement that the organization is organized to primarily service or otherwise assist credit union operations.

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The National Association of State Credit Union Supervisors

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