



Advantages of the Washington 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).

State charters, those chartered through their state governments as opposed to the National Credit Union Administration (NCUA), often hold several advantages such as local supervision, broader membership options, lower operating fees, and more expansive investment and member business lending authorities.



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

Governance from Olympia

Washington chartered credit unions are subject to state laws and regulations, including the [Washington Credit Union Act \(WCUA\)](#), found in RCW Chapter 31.12, which provides the authorities and responsibilities of the [Washington State Department of Financial Institutions \(DFI\)](#), the DFI's [Division of Credit Unions \(DCU\)](#), as well as the credit unions chartered through it. [RCW Chapter 43.320](#), the enabling language for the DFI and its executive director, further outline the Department's and Director's authority. The Director's authority under [RCW 31.12.516](#) includes broad administrative discretion to administer and interpret the provisions of related state law through administrative rules outlined in [Title 208 WAC](#).

These laws have been enacted to meet the needs of citizens of Washington State. The legislatures that approve state laws and oversee the state regulatory authorities are sensitive to local needs and receptive to their constituent's concerns. The accessibility to the DCU, state legislators and the governor, allow state-chartered credit unions greater opportunity to affect credit union policy and generally provide more input into their governance than their federal counterparts.

Local Supervision by the DCU and DFI

Because DCU regulators are local by definition, they have a keen understanding of the interaction between communities and groups within Washington. The state system allows for a local voice. Legislators and regulators within Washington can better respond to the need for innovative and competitive financial solutions. They hear the concerns of their Washington residents firsthand and understand how consumers will benefit from a program or service. With offices in Olympia, DCU has direct access to legislative bodies. Problems or questions which arise

in the course of the credit union's affairs can always be discussed and typically resolved with the examiner or, if that is not successful, in direct communication with the DCU or DFI Director. The state system provides for a high level of understanding that may not always be possible at the federal level.

Authorization for New Authorities and Powers

Washington State's legislature recognizes the importance of state chartered credit unions and mentions DFI's role to ensure that credit unions remain viable and competitive in the state in [RCW 31.12.015](#). In addition to having parity with the powers and authorities of federal credit unions, [RCW 31.12.404](#) also allows parity with out-of-state credit unions if the Director finds such powers serve the convenience and advantage of members of credit unions and maintain the fairness of competition and parity between state credit unions and federally credit unions.

Field of Membership Approval and Flexibility

Washington chartered credit unions are afforded the ability to serve statewide Fields of Membership (FOM). These broad FOM authorities are approved under [RCW 31.12.382](#) and [Chapter 208-472 WAC](#). The RCW and WAC allow Washington credit unions to add qualified occupational groups, association groups, and communities to the membership. Washington state-chartered credit unions may also mix and match the various types of FOM groups with no limit to the types of occupations, associational, and qualified communities. Additionally, credit unions can expand their FOM without DCU written approval in most cases. Credit union FOM amendments are considered approved by the Director with some stipulations, which are outlined in [WAC 208-472-025](#).



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Compensation of Boards of Directors

Washington chartered credit unions may reasonably compensate directors for their services to the credit union under the authority of [RCW 31.12.365](#) and [WAC 208-400-010](#).

Cannabis Banking

DFI believes the decision to accept cannabis deposits should be made by each state-chartered credit union based on its business objectives and an evaluation of the risks associated. All Washington state-chartered financial institutions must comply with FinCEN's BSA expectations. To assist those state-chartered credit unions considering serving the cannabis industry, DCU released [Exam Procedure Update: Cannabis Related Businesses](#).

Significantly Lower Operating Fees

Washington chartered credit unions pay an operating fee to fund the oversight of their charters under [WAC 208-418-020](#). Operating fees paid by Washington state charters are typically much less than those of their federal counterparts. In addition, the DFI quite often gives fee waivers, which further reduce the fees paid.

Greater Investment Authority

To aid in achieving business or operational objectives, Washington chartered credit unions may invest in equity interests of Fintech or other entities under [RCW 31.12.436\(2\)](#) whether or not the principal business of such entities is related to the credit union's business. In summary these investments are allowed so long as liability is limited to the invested amount, the activity of the entity is incidental to or complimentary to the credit union's operations, individual equity investments do not exceed 2.5% of the credit unions net worth and aggregate investments in these entities and CUSOs ([RCW 31.12.436\(1\)\(h\)](#) entities) do not exceed 10 percent of assets.

Washington chartered credit unions are also afforded under [RCW 31.12.436\(1\)\(h\)](#) the authority to invest or lend to subsidiaries (CUSOs) whose primary purpose is to strengthen, advance or provide services to the credit union industry or its members. Beyond the flexibility afforded this broad definition of a CUSO, limitations on such investments well exceed the federal limitations at 10% of an institution's assets and

exclude investments in organizations that are: wholly owned by one more credit union and whose activities are permissible under the WCUA. Further excluded from the aggregate investment limits are loans to credit unions, which are covered by a separate 25% of shares and deposits aggregate investment/lending limit.

Washington chartered credit unions may invest in other federally impermissible investments by application under [WAC 208-436-010](#).

Higher Limits and Greater Member Business Lending Authority

Washington chartered credit unions may apply for expanded authority for member business loans (MBL) under [WAC 208-460-090](#). Washington regulations allow more flexible limits for development and construction loan requirements, loan-to-value ratios, maximum loan amounts to a member or associated members, and appraisal requirements. The rules allow Washington credit unions to develop and grow their MBL programs in a safe and sound manner. The state's member business lending rules found in [WAC Chapter 208-460](#) preempt federal insurance requirements and are strictly under the purview of the DCU and related state law.

Washington state-chartered credit unions may apply for higher aggregate cap limits under WAC 208-460-130. The member business loans (MBL) rule allows for the lesser of one- and three-quarter times the credit union's net worth, or twelve and one quarter percent of the credit union's total assets. NCUA limits credit unions to an aggregate cap of one and three quarters of the credit union's net worth total without exceptions.

The WAC also provides credit unions to apply for expanded authority for loan-to-value limits under WAC 208-460-070; development and construction loan concentration limits under WAC 208-460-030; and loan to value limits under WAC 208-460-060.

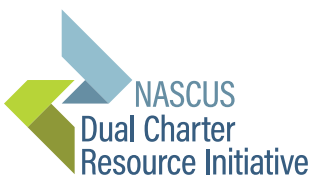
Broad Incidental Powers

Washington chartered credit unions are afforded under [RCW 31.12.402\(25\)](#) the authority to exercise any incidental powers necessary or convenient to enable it to conduct the business of a credit union.

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The National Association of State Credit Union Supervisors

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