

Advantages of the Colorado 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.



COLORADO
Department of
Regulatory Agencies
Division of Financial Services

Patty Salazar, Executive Director, DORA

Mark Valente, Commissioner of Financial Services

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

Governance from Denver

Colorado's state-chartered credit unions are subject to state laws and regulations, including the [Colorado Credit Union Act](#). This Act outlines the authorities and responsibilities of both the [Division of Financial Services \(DFS\)](#), a subsidiary of the [Department of Regulatory Agencies \(DORA\)](#) and the state-chartered credit unions. [C.R.S. 24-1-122](#), the enabling language creating DORA, further outlines the Department's authority and the placement of DFS as created in [C.R.S. 11-44-101](#).

These laws have been enacted to meet the specific needs of Colorado's citizens. The state legislatures approving these laws oversee the state regulatory authorities and are sensitive to state-wide needs and receptive to their citizens' concerns. DORA regulates credit unions through its subsidiary DFS under the oversight of the Financial Services Board (FSB). Under [C.R.S. 11-44-101.7\(1\)\(a\)](#), the FSB Issues administrative rules under Articles 30, 40 to 46, and 49 of title 11 found in [3 CCR 703-3](#).

With local access to the Commissioner, DFS, the FSB, state legislators, and the governor, state-chartered credit unions have a greater opportunity to affect credit union policy and provide more input into their governance than federal-chartered credit unions.

State-based Supervision

State-based DFS regulators have a first-hand understanding of the interaction between communities and groups within Colorado and are personally invested in the state's well-being. This perspective allows legislators

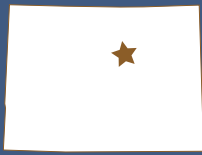
and regulators to articulate the nuanced need for innovative and competitive financial solutions, and to understand any consumer-facing benefits.

With offices in Denver, credit unions can meet in person with the Commissioner, FSB, DFS, or DORA in local offices as issues or questions arise, providing a high level of access, and increased understanding of state or local economic conditions, not always accessible at the federal level. Additionally, state-based offices allow for the collaboration between supervisory, legislative, and credit union engagements.

Ensuring Competitiveness: Authorization for New Authorities and Powers

In addition to local access, Colorado's Credit Union Act explicitly authorizes the Commissioner of the DFS to ensure competitiveness under [C.R.S. 11-30-104\(1\)\(j\)](#), with further guidance provided by [3 CCR 703-3 Section 4.3](#), ensuring Colorado charters parity to exercise any power allowed a federal credit union after written approval by the Commissioner.

Further, [3 CCR 703-3 Section 4.3](#) allows the Commissioner to grant new incidental authorities under [C.R.S. 11-30-104\(1\)\(i\)](#) beyond those authorities of federal credit unions so long as such activity does not adversely impact the credit union.



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Field of Membership

DFS allows state-chartered credit unions to have a much broader community field of membership 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.

Field of Membership (FOM) laws clearly outline the ability of Colorado credit unions to hold FOM under [C.R.S. 11-30-103](#), which hold a common bond of employment, association, or residence within a well-defined neighborhood, community, or rural district.

Broad Incidental Powers

Colorado chartered credit unions are afforded the authority under [C.R.S. 11-30-104\(1\)\(i\)](#), with further guidance provided by [3 CCR 703-3 Section 4.3](#), to exercise any incidental powers that are necessary or required to effectively carry out the business for which they are incorporated.

Cannabis Banking

The cannabis industry remains underbanked in Colorado. DFS 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. The DFS will not bring regulatory action against a Colorado state-chartered financial institution solely for providing financial services for business accounts to lawfully operating cannabis businesses within their fields of membership.

All Colorado state chartered financial institutions must comply with FinCEN's BSA expectations. To assist those state-chartered credit unions considering banking the cannabis industry, DFS released [Guidance — Cannabis Banking](#) and [Roadmap to Cannabis Banking](#) on November 25, 2019, January 2020, and updated [Roadmap 2.0 in 2023](#), respectively, to help ensure service cannabis-related businesses in Colorado.

Compensation of Boards of Directors

Colorado chartered credit unions may reasonably compensate directors for his or her services to the credit union under the authority of [C.R.S. 11-30-109\(3\)](#).

Significantly Lower Operating Fees

Colorado chartered credit unions pay an operating fee to fund the oversight of their charters as outlined under [C.R.S. 11-44-101.7\(3\)\(f\)](#). These fees are typically much less than those of federal credit unions.

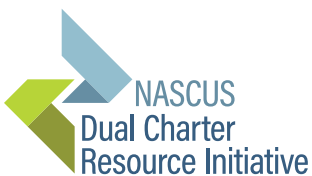
Greater Investment Authority

Colorado chartered credit unions may invest in federally impermissible investments, including more heavily in CUSO-related investments in amounts up to 10% of shares, deposits, and undivided earnings as outlined in [3 CCR 703-3 Section 4.2](#). [C.R.S. 11.30.104\(e\)](#) also provides the Commissioner the authority to approve Investments in any type of organization or Investment.

NASCUS

The National Association of State Credit Union Supervisors

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