Advantages of the Indiana 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.

NASCUS
The National Association of State Credit Union Supervisors

Tom Fite, Director
Chris Dietz, Deputy Director
Around the States: Indiana State System Statistics

Experienced Governance from Indianapolis

Indiana's state-chartered credit unions are subject to state laws and regulations, including the Indiana Financial Institutions Act (Title 28 of the Indiana Code) which outline the authorities and responsibilities of both the Department of Financial Institutions (DFI) and its Director. Indiana chartered credit unions are specifically authorized under IC § 28-7-1 which also enumerates their statutory authorities. DFI's subsidiary, the Depository Division (DD), is charged with the examination and regulation of state chartered credit unions. These laws have been enacted to meet the specific needs of Indiana's citizens. The state legislatures approving these laws oversee the state regulatory authorities and are sensitive to state-wide needs while receptive to their citizens' concerns.

The policy-making power of the Department is vested in a bipartisan board of seven Members who are appointed by the Governor. Indiana law requires that three of the Members must have practical experience at the executive level of a state chartered bank, state chartered savings association, or state chartered savings bank; one Member must have practical experience at the executive level of a lender licensed under IC § 24-4.5; one member must have practical experience at the executive level of a state chartered credit union; and one Member must be appointed with regard to a fair representation of the consumer, agricultural, industrial, and commercial interests of the state. The Director of the Department also serves as an ex officio, voting Member. Not more than three members can be affiliated with the same political party. The Director is the chief executive and administrative officer of the Department and is responsible for the administration of the policies established by the Members and all applicable legislative actions or policies. The Director exercises managerial control over the work of the Department, including its staff of deputies, supervisors, examiners and administrative personnel.

Under IC § 28-11-1-12, the DFI Members may adopt regulations through IC § 4-22-2 necessary to administer the provisions of the general statutes within their jurisdiction. DFI specific rules are found under Indiana Administrative Code Title 750. Credit Union specific rules can be found in Rule 750 IAC Article 3.

DFI also provides important guidance through advisory letters, FAQs and other resources related to its depository institutions on its website.

The DFI has been continuously accredited by the NASCUS since 1990. Accreditation is given to state supervisory agencies who can demonstrate they meet strict standards of comprehensive regulation supported through sound policy and capable examiners.

State-based Supervision: Local, Responsive, and Timely Decision Making

State-based DFI regulators have a first-hand understanding of the interaction between communities and groups within Indiana 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 Indianapolis, credit unions can meet in person with the Director or DFI 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.

DFI and DD personnel are very accessible, with a mission to promote better communication and allow a credit union official to talk directly to a decision maker. The DFI considers and responds to requests in a timely and efficient manner with the industry. With local access to the Director, DFI, state legislators, and the governor, state-chartered credit unions have a greater opportunity to affect credit union policy and provide input into their governance than federally chartered credit unions.

Ensuring Competitiveness and Authorization for New Authorities and Powers

Indiana chartered credit unions are provided the general authorities of a financial institution and necessary incidental powers under IC § 28-7-1-9(a)(17). Section IC § 28-7-1-9.2 explicitly provides Indiana credit unions the process to request to engage in any power authorized federal credit unions upon notice of and approval by the Director, unless the DFI provides notice of disapproval of such authority within 30 days. IC § 28-7-1-9.2(d)(4) outlines the legislative requirement that the Director consider potential competitive disadvantages of the state charter to ensure a viable Indiana credit union charter option.

Field of Membership Flexibility

Indiana state-chartered credit unions have a wide array of field of membership choices and can combine multiple field of membership options. Indiana state-chartered credit unions are not limited to a single community or SEG based fields, but can combine communities, SEG and other professional or church-based organizations into their field of membership. Institutions are not required to limit their membership to one common bond. Section IC § 28-7-1-10(a) defines membership options as one or more qualified groups consisting of (1) persons having a common bond of occupation, trade or professional association; (2) members of a labor organization; (3) members of a church; (4) persons engaged in a common trade or profession within a well defined geographical location; (5) employees of the credit union; (6) persons who are members of a farm bureau cooperative, or other farm bureau organization, and who have subscribed to one or more shares; or (7) persons who reside or are employed within a community.

Director and Committee Member Compensation

Indiana chartered credit unions may reasonably compensate directors for their services to the credit union under the authority of IC § 28-7-1-16(f)(4).

Private Insurance Availability

Credit unions regulated by the state of Indiana are allowed to utilize private deposit insurance to protect their members' funds. This grants the flexibility for institutions to determine if the NCUA's coverage is appropriate for the institution or if there is a different product that better suits the needs of their members.

Greater CUSO Investment Authority

Indiana chartered credit unions may invest more heavily in CUSO-related investments in amounts up to 10% of shares, deposits, and undivided earnings under the authority of Section IC § 28-7-1-9(a)(4).

Broad Incidental Powers

Indiana chartered credit unions are afforded the authority under IC § 28-7-1-9(a)(17) to exercise any incidental powers that are necessary or required to effectively carry out the business for which they are incorporated. Additionally, state-chartered credit unions can receive parity with federal credit unions, assuming the activities are considered safe and sound by the chartering agency.

Significantly Lower Operating Fees

The Department is a dedicated-funds agency whose revenue is derived solely from supervision, examination, and license fees that are assessed to those institutions that are under its supervision. Section IC § 28-11-3-5 grants the Department the authority to adopt a schedule of fees to cover operating costs, which is annually published on the DFI's Policies and Guidance area of the Departments website.

The annual assessment levied on Indiana state-chartered credit unions is significantly lower than the fees charged by the National Credit Union Administration. Despite the low cost, the department provides comprehensive and reasonable regulation to the credit unions under its jurisdiction.

NASCUS

The National Association of State Credit Union Supervisors

NASCUS.org

NASCUS Dual Charter Resource Initiative

NASCUS | National Association of State Credit Union Supervisors
1655 North Fort Myer Drive, Suite 650, Arlington, Virginia 22209
Tel. (703) 528-8351 | NASCUS.org

09-11-2023