

Advantages of the Virginia 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.



Joe Face, Commissioner

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

Governance from Richmond

Virginia chartered credit unions are subject to state laws and regulations including specific credit union provisions found in [Title 6.2 Chapter 13 of the Code of Virginia](#). The [Virginia State Corporation Commission \(SCC\)](#) derives its authority to charter and regulate credit unions primarily from from [Title 6.2, Chapter 13 of the Code of Virginia](#), and the SCC has adopted regulations governing credit unions in [Title 10, Chapter 40 of the Virginia Administrative Code](#).

The [Bureau of Financial Institutions \(BFI\)](#) is a regulatory division of the SCC. This division is involved in consumer protection through administration of state laws regarding depository and non-depository financial institutions. Under [10VAC5-10-10](#), the SCC has delegated to the BFI Commissioner the authority to exercise its powers and act on its behalf in a variety of matters that are enumerated therein.

These laws have been enacted to meet the needs of citizens of the Commonwealth of Virginia. The legislature that enacts state laws is sensitive to local needs and receptive to their constituents' concerns. The accessibility to the SCC, BFI, 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 BFI

Because BFI regulators are local, they have a keen understanding of the interaction between communities and groups within Virginia. The state system allows for a local voice. Legislators and regulators within Virginia can better respond to the need for innovative and competitive financial solutions.

They hear the concerns of Virginia residents firsthand and understand how consumers will benefit from a program or service. With offices in Richmond, BFI 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 BFI Commissioner. The state system provides for a high level of understanding that may not always be possible at the federal level.



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Authorization for New Authorities and Powers

Virginia's legislature recognizes the importance of state chartered credit union viability by authorizing parity with federal credit unions through [§ 6.2-1302 \(16\)](#). In addition, [§ 6.2-1303 \(B\)](#) also allows the SCC to adopt regulations necessary to permit Virginia chartered credit unions to have powers at least comparable with those of federally chartered credit unions or to effect the purposes of Title 6.2, Chapter 13, regardless of any existing statute, regulation or court decision limiting or denying such powers to state chartered credit unions.



Field of Membership Approval and Flexibility

Virginia chartered credit unions are afforded the ability to serve Fields of Membership (FOM) of (i) a single group having a common bond of occupation or association, (ii) multiple groups each having a common bond of occupation or association and up to 3,000 members (unless the SCC determines that an exception is appropriate under certain grounds in the Credit Union Membership Access Act ([12 U.S.C. § 1759](#)), or (iii) persons or organizations within a well-defined local community, neighborhood or rural district. These broad FOM authorities are outlined under [§ 6.2-1327](#) and [§ 6.2-1328](#), and amendments are submitted to the BFI Commissioner for approval pursuant to [§ 6.2-1323](#).

Additionally, multiple-group state credit unions have the authority to amend their FOMs to include individuals and organizations in one or more underserved areas

under [10 VAC 5-40-40](#). Finally, under [10 VAC 5-40-50](#), Virginia chartered credit unions may provide certain limited financial services to persons within their FOM regardless of their membership status.

Compensation of Boards of Directors

Virginia chartered credit unions may compensate directors and members of the credit and supervisory committees as authorized under [§ 6.2-1352](#) for their services to the credit union, and provide them with certain insurance protection and reimbursement for expenses incurred while on official credit union business (consistent with IRS guidelines).

Significantly Lower Fees

Virginia chartered credit unions pay an annual fee to defray the costs of their examination, supervision, and regulation under [§ 6.2-1310](#) and [10 VAC 5-40-20](#). Fees paid by Virginia chartered credit unions are typically much less than those of their federal counterparts.

Greater Investment Authority

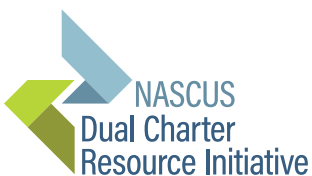
Virginia chartered credit unions are also afforded under [§ 6.2-1376 \(10\)](#) and [10 VAC 5-40-60](#) the authority to invest in or lend to credit union service organizations (CUSOs) whose purpose is to strengthen or advance the development of credit unions or credit union organizations. Beyond the flexibility afforded by the broad definition of a CUSO, limitations on such investments well exceed the limitations applicable to federal credit unions at 5% of an institution's outstanding shares and reserves, and this 5% limit may be exceeded with prior written approval from the BFI Commissioner.

Virginia chartered credit unions may invest in other investments approved by the Commission under [§ 6.2-1376 \(8\)](#), which could potentially include investments that are impermissible for federal credit unions.

NASCUS

The National Association of State Credit Union Supervisors

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