



## Advantages of the Iowa 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.



Efficient, Effective Regulation  
Iowa Division of Credit Unions

**Katie Averill,**

Superintendent, Iowa Division of Credit Unions  
Around the States: [Iowa State System Statistics](#)

---

## Advantages of the Iowa 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 structure allows flexibility, versatility, and fluidity within the entire 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.

---

## Experienced Governance from Des Moines

Iowa's state-chartered credit unions are subject to state laws and regulations, including the [Iowa Credit Union Act](#) (ICUA), Chapter 533 of the Iowa Code, which outline the authorities and responsibilities of both the [Iowa Division of Credit Union](#) (IDCU) and its Superintendent. Iowa chartered credit unions are specifically authorized under Iowa Code [§533.201](#) and [Iowa Code §533.301](#). IDCU, a division of the [Iowa Department of Insurance and Financial Services](#), is charged with the examination and regulation of state-chartered credit unions. These laws have been enacted to meet the specific needs of Iowa'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 Credit Union Review Board (Board) oversees the activities of IDCU and is the primary point of accountability for ensuring that state credit unions function as a system. The seven-member board is created under [Iowa Code §533.107](#). The governor appoints and the senate confirms members

of the Board. Under [Iowa Code §533.107\(6\)](#), the Board may adopt rules through [chapter 17A](#) necessary to administer the provisions of the general statutes within their jurisdiction.

The Superintendent, subject to meeting the requirements found in [Iowa Code §533.104](#) is also appointed by the governor subject to senate confirmation. The Superintendent is responsible for the regulation of credit unions and may adopt rules as appropriate to administer the ICUA.

IDCU's credit union specific rules are found under [Iowa Administrative Code \(IAC\) Title 189](#).

IDCU also provides important [guidance](#) and [additional resources](#) on its website covering a plethora of topics and received accreditation by the National Association of State Credit Union Supervisors (NASCUS) in 2022. Accreditation is earned by state supervisory agencies who 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 IDCU regulators have a first-hand understanding of the interaction between communities and groups within Iowa 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 consumer-facing benefits. With offices in Des Moines, credit unions can meet in person with the Superintendent or IDCU 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.

IDCU 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 IDCU considers and responds to requests in a timely and efficient manner. With local access to the Superintendent, IDCU, 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.

IDCU takes an active role in providing education opportunities and increasing efficiency in the examination process. IDCU examiners host webinars, record instructional videos, and attend industry events to address questions directly. The Superintendent facilitates regular one-on-one discussion with every Iowa credit union CEO as well as small group discussion with credit union board of director members.

## Ensuring Competitiveness and Authorization for New Authorities and Powers

---

Iowa chartered credit unions are provided the general authorities of a financial institution and necessary incidental powers under [Iowa Code §533.301.11](#). IDCU provides specific [guidance on incidental powers](#) on their website. Section [Iowa Code §533.301.25](#) explicitly provides Iowa credit unions authority to engage in any activity authorized by the superintendent which would be permitted if the state credit union were federally chartered and which are consistent with state law.

IDCU regulations include the ability to authorize pilot programs or sandbox efforts in areas not permitted under Iowa law directly. Pilot programs are generally utilized for investment authorities and credit unions must submit a robust application prior to engaging in a pilot program as authorized under [IAC § 189.17.19](#).

## Field of Membership Flexibility

---

Iowa state-chartered credit unions have a broad array of field of membership choices and can combine multiple field of membership options. Iowa state-chartered credit unions are not limited to a single community or SEG based fields, but can combine multiple communities with a common bond of associations such as, but not limited to, occupation, common employer, or residence with specified geographic boundaries under [Iowa Code §533.202](#). [IAC § 189.2.5](#) further defines membership options broadly, including authorizing

the ability to hold multiple common bonds.

## Greater Loan Term Flexibility

---

Iowa state-chartered credit unions are permitted significant flexibility in credit terms to design loan products meeting their membership's needs and risk profiles through Usury rates of up to 21%, higher state loan maturity limits and unique protection against the importation of other state specific interest rates.

[Iowa Code §533.301.15](#) expressly permits Iowa chartered credit unions to purchase the debt obligations of their members. This permits broader indirect lending authority as Iowa law does not require the underlying borrower to be eligible for membership or become a member of the credit union, so long as the originating lender is a member of the credit union.

## Greater Investment Authority

---

Iowa chartered credit unions may invest more heavily in a variety of investments including:

- CUSO-related investments in amounts up to 5% of assets under the authority of [Iowa Code §533.301.5\(f\)](#);
- Allowance for Investment Pilot Programs under [IAC § 189.17.19](#); and
- Investment in certain shares or equity interests in small business and venture capital funds under [Iowa Code §533.304](#);

## Significantly Lower Operating Fees

---

The Division is a dedicated-funds agency whose revenue is derived solely from supervision, examination, and fees that are assessed to those institutions that are under its supervision. [Iowa Code §533.112](#) grants the Division the authority to adopt a schedule of fees to cover operating costs, which is annually provided to credit unions.

The annual assessment levied on Iowa 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.

## Public Funds Depository Qualifications

---

Iowa's public funds statute under [Iowa Code §533.301\(1\)\(d\)](#) and [Iowa Code §533.301\(23\)\(a\)\(3\)](#) clearly authorizes a state-chartered credit union as a financial institution eligible to accept public funds subject to Iowa Code chapter 12C.

# NASCUS<sup>®</sup>

The National Association of State Credit Union Supervisors

[NASCUS.org](https://www.nascus.org)



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

*The information provided in this publication does not, and is not intended to, constitute legal advice; instead, all information, content, and materials are for general informational purposes only. The information presented may not constitute the most up-to-date information. This document contains links to other third-party websites. As such, the links are only for the convenience of the reader. © National Association of State Credit Union Supervisors (NASCUS)*