



Advantages of the Ohio 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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Governance from Columbus

Ohio chartered credit unions are subject to state laws and regulations, including the [Ohio State-chartered Credit Union Act \(OSCUA\)](#), found in ORC Chapter 1733, which provides the authorities and responsibilities of the [Ohio Division of Financial Institutions](#) (DFI), as well as the credit unions chartered through it. [ORC Chapter 1181](#), the enabling language for the DFI and its Superintendent, further outline the Department's and Superintendent's authority.

The Superintendent's authority under [ORC Section 1733.32](#) includes broad administrative discretion to administer and interpret the provisions of related state law through administrative rules outlined in [OAC Chapter 1301:9-1](#); [OAC Chapter 1301:9-2](#) and [OAC Chapter 1301:9-3](#). [ORC Section 1733.329](#) creates the Credit Union Council (Council), consisting of 7 members including the Deputy Superintendent for credit unions as chairperson and six governor appointed representatives.

The Council represents the credit union industry with its duties outlined in [ORC Section 1733.3210](#) to consult and advise the Superintendent and Deputy Superintendent, consider and make recommendations about matters addressed in ORC Chapters 1733 and 1761, pass up and determine any matter the Superintendent or Deputy Superintendent submits to the Council, submit to the Governor recommendations concerning amendments to the credit union laws of Ohio or rules adopted pursuant to those laws and consider and determine whether to confirm the supervisory fees proposed by the Superintendent.

Ohio laws have been enacted to meet the needs of citizens of the state. The legislative bodies that approve state laws and oversee the state regulatory authorities are sensitive to local needs and receptive to their citizen concerns. The accessibility to the DFI, Council, state legislators and the governor, allow state-chartered credit unions a greater opportunity to affect credit union policy and generally provide more input into their governance than their federal counterparts.

Local Supervision by the Division of Financial Institutions

Since DFI regulators are local by definition, they have a keen understanding of the interaction between communities and groups within Ohio. The state system allows for a local voice. Legislators and regulators within Ohio can better articulate the need for innovative and competitive financial solutions. They hear the concerns of their Ohio residents firsthand and understand how consumers will benefit from a program or service.

With offices in Columbus, DFIs 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 DFI or DFI Superintendent. 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

Ohio state charters are entitled to a competitive charter to maintain future viability for their members. To ensure this, the Ohio legislature enshrined the purpose of an Ohio credit union in [ORC Section 1733.03](#) to promote thrift among members and provides the DFI Superintendent authority through rulemaking under [ORC Section 1733.412](#) to authorize additional powers to a domestic credit union to await statutory changes by the Ohio Legislature to codify the competitive authority.

Embedded in Ohio administrative rules is a regulatory philosophy to ensure a focus on safety and soundness without institution micro-management while maintaining flexibility for charter evolution. As an example, [OAC 1301:9-2-07\(B\)\(1\)](#) provides Ohio chartered credit unions the reasonable expectation of prompt response, within 15 business days, to requests for approval of investment policies outside of that authorized under [ORC section 1733.30](#).

Private Insurance Availability

Under the Authority of [ORC Section 1733.041](#) an Ohio credit union may obtain insurance from a credit union share guaranty corporation (CUSGC) established under [ORC Chapter 1761](#). CUSGC's are supervised by the [Ohio Department of Insurance](#) and its Superintendent of Insurance with written certification of compliance with Chapter 1761 by the Superintendent of Credit Unions. DFI also issues rules relative to CUSGCs found within [OAC Chapter 1301:9-3](#).

Field of Membership Approval and Flexibility

Field of Membership (FOM) laws under [ORC Section 1733.05](#) and regulation under [OAC 1301:9-2-16](#) outline the ability of an Ohio credit unions to expand a FOM through the submission of an application to the DFI to add select groups having a common bond of occupation or association (SEGs) or groups within a well-defined neighborhood, community, or rural district (Community Groups) based upon the authority provided within its articles of incorporation.

Further, Ohio credit unions may have multiple groups within a FOM groups with no limit as to type including occupational, associational, or other qualified communities provided each has a common bond. The provisions of [ORC Section 1733.05](#) affords membership to eligible consumers through any one of the following options: purchase of a membership

as provided in the bylaws, payment of an entrance fee as established by the board or the purchase of one or more shares in the credit union as provided in the bylaws.

Significantly Lower Operating Fees

Ohio chartered credit unions are pay an operating fee to fund the oversight of their charters under [OAC 1301:9-1-04](#) authorized under [ORC Section 1733.32](#) with review of the Council. Operating fees paid by Ohio state charters are typically much less than those of their federal counterparts.

Higher Limits and Greater Investment Authority

Ohio chartered credit unions may invest in federally impermissible investments with approval of the Superintendent as authorized under [ORC Section 1733.30](#) and [OAC 1301:9-2-07](#) aggregating no more than 5% of shares and undivided earnings or fifty percent of the net worth ratio, whichever is greater.

Ohio chartered credit unions are afforded under [OAC 1301:9-2-32](#) the authority to invest or lend to subsidiaries whose primary purpose is to strengthen, advance or provide services to the credit union industry or its members. Beyond the flexibility afforded by this broad definition of a CUSO, limitations on such investments and loans well exceed the federal limitations at 20% of an institution's net worth with loans not to exceed 10% of net worth, unless otherwise approved by the Superintendent.

Loan Flexibility

Ohio chartered credit unions are permitted significant flexibility in credit terms to design loan products meeting their membership's needs and risk profiles. Moreover, state-chartered credit union lending limits exceed those of federal charter allowing rates up to 25%. Maturity terms limits applicable to federal credit unions also do not apply.

Compensation of Boards of Directors and Supervisory Audit Committee Members

Ohio chartered credit unions may reasonably compensate directors or committee members for his or her services to the credit union under the authority of [ORC Section 1733.22](#) and provide reasonable health, accident, and related types of person insurance protection.

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