



Advantages of the North Carolina 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.



Kristina Ray, Administrator

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Governance from Raleigh

North Carolina's state-chartered credit unions are subject to [Chapter 54](#) Articles 14A through 14N of the North Carolina General Statutes (NCGS), which outline the authorities and responsibilities of the [North Carolina Credit Union Division](#) (NCCUD) and its Administrator. NCCUD is established under [NCGS § 54-109.10](#), and the Administrator's duties are defined in [NCGS § 54-109.11](#). NCCUD is a division of the [Department of Commerce](#) established in [NCGS § 143B-427](#).

North Carolina credit union laws are approved by the state legislature and are enacted to meet the specific needs of its citizens. Local lawmakers, who are familiar with their unique marketplace and competitive environment, provide for a better understanding of both the credit union and membership needs for financial services and products.

Under [NCGS § 54-109.12](#), the Administrator is responsible for the chartering, supervising, and regulating of credit unions within her jurisdiction. The Administrator also exercises managerial control over the work of the NCCUD, including its staff of supervisors, examiners, and administrative personnel.

NCCUD's mission is to advocate and assist in the formation of credit unions, to ensure the safety and soundness of the credit unions and their compliance with applicable laws through examinations and other means, and to fulfill supervisory responsibilities in an

effective and professional manner. Credit union specific rules are found under [North Carolina Administrative Code \(NCAC\) Title 04 Chapter 06](#). NCCUD is accredited by NASCUS. This accreditation is given to state supervisory agencies who meet the strict standards of comprehensive regulation supported through sound policy and capable examiners.

The Credit Union Commission, created in 1971 by [NCGS §143B-439](#), provides oversight of NCCUD. The Governor appoints seven members to the Commission: three industry representatives and four members of the borrowing public for a term of four years.

State-based Experience: Supervision and Examination

With over 20 years of experience in the North Carolina financial institution industry, the Administrator has a first-hand understanding of the unique characteristics of local communities and economies. As a North Carolina native and resident, she is personally invested in the state's well-being. The same holds true for NCCUD examiners who live and work across the state in their regulated credit unions' neighborhoods. This viewpoint allows regulators to better understand the economic and social conditions within North Carolina credit union communities.

NCCUD staff's knowledge of the state credit union system is supported by professional designations, tenured regulatory experience, and intensive training. The Administrator and NCCUD staff are accessible to

credit union management when issues or questions arise. This accessibility is not always available at the federal level.

Additionally, a state-based office allows for collaboration between credit union management, local lawmakers, and regulators. This dynamic provides state-chartered credit unions a greater opportunity to influence credit union policy and governance over federally chartered credit unions.

Ensuring Competitiveness: Authorization for New Activities and Broad Incidental Powers

In addition to a credit union's general powers, [NCGS § 54-109.21\(25\)](#) explicitly provides the Administrator authority to adopt rules allowing North Carolina state-chartered credit unions to engage in any activity in which they could engage if they were federally chartered. Under [NCGS § 54-109.22](#), North Carolina state-chartered credit unions may also exercise such incidental powers necessary or requisite to promote and most effectively carry on their purposes.

NCCUD rules and regulations allow the Administrator to approve fields of membership and permit state-chartered credit unions the same latitude with regards to membership limitations and restrictions as is available to federally chartered credit unions.

Field of Membership Flexibility

Pursuant to [NCGS § 54-109.26](#), potential fields of membership for state-chartered credit unions may include groups having a common bond of similar occupation, association or interest; groups who reside within an identifiable neighborhood, community, or rural district; or employees of a common employer. Immediate family members of such people may also be included in the fields of membership. 04 NCAC 06C .0203 further provides the Administrator the authority to approve fields of membership available to federally chartered credit unions.

Loan Term Advantages

North Carolina state-chartered credit unions can tailor credit terms such as maximum interest rates and late fees for certain loans, most notably loans greater than or equal to \$300,000, business/investment loans, and

credit cards. Having additional flexibility allows state credit unions to design loan products that meet their memberships' needs while ensuring sufficient yields to support operations.

Greater Investment Authority

North Carolina state-chartered credit unions may hold a variety of investments, some of which are detailed below:

- [NCGS § 54-109.82\(2\)](#) provides broad investment authority to invest in subsidiaries or affiliates "provided the membership or stockholdings...are confined or restricted to credit unions or organizations of credit unions, or provided the purpose for which the agency, company, or association is organized or designed is to service or otherwise assist credit union operations." Under [NCGS § 54-109.82\(7\)](#), those investments described in (2), in the aggregate, cannot exceed 25% of the reserve fund. [04 NCAC 06C .0313](#) also provides broad operating authority for credit union service organizations (CUSOs).
- [NCGS § 54-109.82\(9\)](#) allows credit unions the same investment options as are permitted for the State Treasurer under [NCGS § 147-69.1](#).
- [NCGS § 54-109.82\(13\)](#) provides that credit unions may invest in higher education bonds are permissible under [NCGS § 116D-2](#).

Reasonable Operating Fees

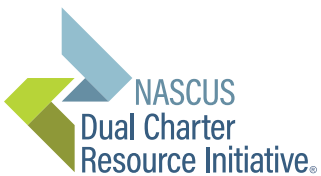
NCCUD is a self-funded agency whose revenue is derived solely from supervisory and examination fees assessed to credit unions under its supervision. [NCGS § 54-109.14](#) authorizes the Administrator, subject to the advice and consent of the Commission, to fix a scale for supervisory and examination fees.

Supervisory fees are calculated as a percentage of the credit union's reported total assets on the December 31 and June 30 Call Reports and billed semi-annually in January and July. The Administrator may discount supervisory fees depending on projected expenditures. Examination fees are due upon receipt of the examination report. Currently, examination fees are assessed at \$25 per examiner hour for credit unions with total assets less than \$1 million and \$40 per examiner hour for credit unions with total assets of \$1 million or greater. All revenue derived from fees are administered solely for the operation of NCCUD.

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