

## **ADVANTAGES OF A 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).

The dual chartering system has enabled credit unions to thrive for 100 years. Whether your credit union is state or federally chartered, you benefit from a strong dual chartering system. Nonetheless, there are numerous advantages to a state charter.

### **State Governance:**

State-chartered credit unions are subject to state laws and regulations. Those laws have been enacted to meet the particular needs of citizens of that state. The legislatures 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 state supervisory authority (SSA), 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:**

Since state regulators are local by definition, they have a keen understanding of the interaction between communities and groups within their state. The state system allows for a local voice. Legislators and regulators at the local level can better articulate the need for innovative financial solutions. They hear the concerns of their constituents first-hand and understand how consumers will benefit from a program or service. With offices in the state capitol, state regulators have 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 Bureau Chief. The state system provides for a high level of understanding that may not always be possible at the federal level.

### **Parity Clauses:**

Florida state charters are entitled to "competitive equality" with federally chartered credit unions or banks. Under this principle, state charters, subject to Florida Office of Financial Regulation approval, are entitled to engage in any activity in which they could engage if they were operating in this state as a federal charter of the same type, and are entitled to "all privileges and protections" enjoyed by such institutions. Accordingly, as a state charter, you are entitled to apply for an administrative order or rule which would correct any competitive disadvantage you suffer because you are not a federal charter.

### Field of Membership:

Field of Membership (FOM) laws and regulations allow for the mixing and matching of communities and Select Employee Groups for state-chartered credit unions. State-chartered credit unions enjoy flexible FOM regulations that adhere to Florida's individual geography and communities so that credit unions can best serve their citizens financial service needs. Florida law usually permits more rapid field of membership expansion than for a federally chartered credit union. A credit union can continue to grow, assuming of course that the credit union has the capitalization, administrative ability, and infrastructure to support the increased customer base.

### Incidental Powers:

Florida state-chartered credit unions are subject to state laws concerning incidental powers rather than the federal regulations. In many cases, these incidental powers are more expansive than at the federal level.