New Charter Modernization
For Federally Chartered Credit Unions

June 22, 2023
Statutory and Regulatory Framework for New Charters

The Federal Credit Union Act, Section 1753
- Defines subscribers who seek to form a federal credit union and their responsibilities

NCUA Regulations
12 CFR Part 701, Organization and Operation of Federal Credit Unions
- Defines organization and operational aspects of the credit union

12 CFR Part 701, Appendix B, Chartering and Field of Membership Manual
- Defines the new charter process and specifics on fields of membership
Approval process through State Supervisory Authority (SSA)
Submit to NCUA application for federal insurance
  • Insurance application
  • Business and Marketing Plan
Review for insurability
Background and credit review of officials and senior management staff if SSA does not provide this information
Updates to the New Charter Process
### Three Phases of Chartering

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<th>Phase 3</th>
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<td>• Proof of Concept</td>
<td>• Charter Application</td>
<td>• NCUA Final Approval</td>
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<td>• Field of Membership</td>
<td>• Member Survey</td>
<td>• Submit All Remaining Forms</td>
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<td>• Identify Subscribers</td>
<td>• Analyze Market Conditions</td>
<td>• Sign All Required Documents</td>
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<td>• Name of Credit Union</td>
<td>• Develop a Business Plan</td>
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<td>• Capital Funding Plans</td>
<td>• Pro-forma Financial Statements</td>
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<td>• Secure Donated Capital</td>
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**60-Day CURE Review Goal***

**180-Day CURE Review Goal from receipt of complete application in Phase 2 to charter issuance***

*Times for review begin when CURE receives all required information.*
Additional Assistance

Updated New Charter Webpage

Templates and Forms

• Pro-forma financial statement projections template
• Document with pro-forma financial statement projection assumptions
• Sample member survey
• New charter application checklist
• Sample commitment letter
New Federal Charters by Year

Source: ReportDatabase, CU030, 5/4/2023
Average Days to Charter from Receipt of a Complete Application

Source: ReportDatabase, DOIMain, 5/4/2023
New Charters by Designation Type

Source: ReportDatabase, EDP_CU030View, 5/4/2023
New Charters by Field of Membership Type

2018-2023

Source: ReportDatabase, CU030, 5/4/2023

New Charter Modernization
Organizing groups that submitted applications: 29
How many approved: 14
  Still operational: 13
  Asset ranges: $0.5M to $6.6M
Applications currently under review by CURE: 5
Number of denials: 2
Number of withdraws: 1
New Management Tool
New Management System

Office of Credit Union Resources and Expansion
Consumer Access Charter Report

Proposed Charters By Phase

Phase 1
- Active: 3
- Completed: 29
- Deferred: 23
- Total: 55

Phase 2
- Active: 4
- Completed: 8
- Deferred: 13

Proposed Charters by State

New FCU Charter Applications (Average Days vs. Goal)

Source: New Charters Database and CAPRIS (June 20, 2023)
Organizing groups require more time to complete the application requirements and to retain capital.

Once CURE receives a complete application and required capital, the final approval begins.

Source: ReportDatabase, DOIMain, 5/4/2023
Provisional Charter
A provisional charter: the credit union organizing group becomes a legal entity before being authorized to commence full operations in order to obtain required capital.

Provisional Charter Requirements

- Must have submitted a full application
- Must meet all other requirements except for the start-up capital

Provisional Charter Process

- Submit capital funding plan
- Agree to a 12-month period to secure funding
Next Steps for Provisional Charter

Prior to 2023 Year End:

- Federal Register Notice for a 60-day comment period
- Pilot the Provisional Charter
Questions