



# Advantages of the Texas 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 methodology allows flexibility, versatility, and fluidity within the 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.

**NASCUS**

The National Association of State Credit Union Supervisors

*NASCUS Dual Charter Resource Initiative*



# Advantages of the Texas State Charter

## Governance from Austin

Texas's state-chartered credit unions are subject to state laws and regulations, including the [Texas Credit Union Act](#) (TCUA) cited as Subtitle D, Title 3, Chapters 121 through 149 of the Texas Finance Code (TFC). This Act outlines the authorities and responsibilities of the Credit Union Department (CUD) and the state-chartered credit unions. The enabling legislation creating CUD and its oversight body, the Credit Union Commission (Commission), further outlines the Department's authority.

These laws have been enacted to meet the specific needs of Texas's citizens. The state legislatures approving these laws oversee the state regulatory authorities and are sensitive to state-wide needs and receptive to their citizens' concerns. Under [TFC Sec. 15.4022](#), the Commission issues administrative rules to accomplish the purposes of subtitle D, Title 3. These rules are available under the [Texas Administrative Code \(TAC\)—Title 7, Part 63](#).

State-chartered credit unions have local access to the Commissioner, Commission, state legislators, and the governor. State-chartered credit unions have a greater opportunity to affect credit union policy and provide more input into their governance than federal-chartered credit unions. As a result, decision-makers are familiar with the unique competitive environment that Texas credit unions face.

## State-based Supervision and Local, Responsive and Timely Decision Making

State-based CUD regulators have a first-hand understanding of the interaction between communities and groups within Texas 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 any consumer-facing benefits. With offices in Austin, credit unions can meet in person with the Commissioner, Commission, or CUD in local offices as issues or questions arise, providing a high level of access, and increased understanding of state or local economic conditions that are not always accessible at the federal level.

Top decision-makers can respond timely to questions and concerns from Texas chartered credit unions. Unlike federally chartered credit unions, Texas chartered credit unions do not have to wait for decisions to be made in Washington, D.C. Additionally, state-based offices allow for in-person or virtual collaboration between supervisory, legislative, and credit union engagements on short notice.

## Strong and Independent Credit Union Commission Oversight of Credit Union Powers

Texas credit unions are advantaged by a flexible statutory regime put in place by the Texas legislature through the TCUA, where significant authority is provided to the Commission to establish the authority of the charter. Regulatory authorities and limitations, including Field of Membership (FOM) provisions, are largely instituted as part of the rulemaking process, primarily through [TAC Title 7, Part 6, Chapter 914](#).

Further, under [TFC Chapter 16 Sec. 16.002](#), the CUD is granted Self-Directed and Semi-Independent status, removing CUD from the legislative appropriations process and providing the Commission with efficient oversight of the Department. This type of oversight, particularly in combination with the four-year requirement to review all rules, affords a more responsive regulatory schema better able to evolve to changing environments and ensure a competitive charter.

Finally, the Commission concentrates solely on its duty as a credit union regulator and remains completely independent of the state regulatory bodies overseeing other Texas financial institution charters. This independence helps ensure both the operational and political focus of the regulated industry.

## Ensuring Competitiveness: Authorization for New Authorities and Powers and Broad Incidental Powers

In addition to local access, Texas's Credit Union Act under [TFC Sec. 15.402\(b-1\)](#), explicitly directs the Commission to preserve and promote competitive parity,



Michael Riepen, Commissioner  
Robert Etheridge, Deputy Commissioner  
Around the States: [Texas State System Statistics](#)

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through its rulemaking process, of the state charter relative to other depository institutions consistent with safety and soundness. Further, the [TFC Sec. 123.0037](#) authorizes state-chartered credit unions the ability to exercise or make any loan or investment it could make if it were operating under a federal charter or exercise authorities of a foreign state charter operating a branch within the state with the Commissioner's prior approval. Finally, [TFC Sec. 123.0028](#) authorizes Texas chartered credit unions to exercise any right, privilege, or incidental power necessary or appropriate to accomplish the purposes for which it is organized.

## Field of Membership

CUD allows state-chartered credit unions to have a much broader community field of membership than NCUA would allow under new FOM guidelines. [TFC Sec. 122.051](#) broadly outlines FOM as a definable community of interest, in accordance with the credit union's article of incorporation or bylaws; including a community of interest based on occupation, association, or residence.

The primary regulation of FOM comes from [Rule §91.301](#)<sup>10</sup> of the TAC which allows approval of multiple communities of interest, in any combination of community types under §91.301(c); the ability to add underserved communities under §91.301(e); and parity with any FCU FOM under §91.301 (f). Further each type of community of interest is defined broadly in [§91.101\(a\)\(7\)](#)<sup>11</sup>, including a defined geographic community as covering persons who live in, worship, attend school, or work in a recognized single political jurisdiction (e.g., a city, county, or a portion thereof).

Section 91.101(a)(7)(D) also allows the Commissioner to authorize other types of community of interest if they sufficiently demonstrate an identifiable affinity among the persons within the proposed group.

## Competent Regulation and Supervision

The philosophy of the CUD is that all credit unions deserve firm, fair, and consistent regulations and supervision. Our agency is nationally accredited

through the National Association of State Credit Union Supervisors. Regulatory activities are conducted in cooperation with the share insurer and other state regulators through joint examinations and interstate agreements.

## Significantly Lower Operating Fees

Texas chartered credit unions pay an operating fee to fund the oversight of their charters as outlined under [Rule §97.113](#)<sup>12</sup>. Aggregately, these fees are much less than those of federal credit unions and are solely utilized to fund the CUD and the CUD Commission. Unspent funds from the prior fiscal year (FY) are refunded to credit unions as part of a reduced second installment of their current FY bi-annual billing. The CUD has been able to effectuate these fee reductions for over ten consecutive years.

## Greater Investment Authority

Texas chartered credit unions may invest in federally impermissible investments, including corporate bonds and commercial paper, under [Rule 91.802\(b\)](#)<sup>13</sup>. Also, with commissioner approval, under Rule 91.803(d), credit unions may be authorized to engage in other types of investments under a pilot program. Furthermore, state-chartered credit unions may make investments in and total loans to CUSOs, in the aggregate, up to 10 percent of the total assets of the credit union as outlined in [Rule 91801\(d\)](#)<sup>14</sup>.

## Commercial Lending Interpretation by CUD

Texas member business lending rules found in [Rule 91.709](#)<sup>15</sup> preempt federal insurance requirements and are strictly under the purview of the CUD and related state law. As such, interpretation and enforcement of the requirements is handled under state law.



The National Association of State Credit Union Supervisors  
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Footnotes:

- [1] Available at <https://cud.texas.gov/credit-union-laws-rules/texas-finance-code>
- [2] Available at <https://statutes.capitol.texas.gov/Docs/FI/htm/FI.15.htm#15.402>
- [3] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac\\_view=3&ti=7&pt=6](https://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=3&ti=7&pt=6)
- [4] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.ViewTAC?tac\\_view=4&ti=7&pt=6&ch=91](https://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=4&ti=7&pt=6&ch=91)
- [5] Available at <https://statutes.capitol.texas.gov/Docs/FI/pdf/FI.16.pdf>
- [6] Available at <https://statutes.capitol.texas.gov/Docs/FI/htm/FI.15.htm#15.402>
- [7] Available at <https://statutes.capitol.texas.gov/Docs/FI/htm/FI.123.htm#123.003>
- [8] Available at <https://statutes.capitol.texas.gov/Docs/FI/htm/FI.123.htm#123.002>
- [9] Available at <https://statutes.capitol.texas.gov/Docs/FI/htm/FI.122.htm#122.051>
- [10] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=7&pt=6&ch=91&rl=301](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=6&ch=91&rl=301)
- [11] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=7&pt=6&ch=91&rl=101](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=6&ch=91&rl=101)
- [12] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=7&pt=6&ch=97&rl=113](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=6&ch=97&rl=113)
- [13] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=7&pt=6&ch=91&rl=802](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=6&ch=91&rl=802)
- [14] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=7&pt=6&ch=91&rl=801](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=6&ch=91&rl=801)
- [15] Available at [https://texreg.sos.state.tx.us/public/readtac\\$ext.TacPage?sl=R&app=9&p\\_dir=&p\\_rloc=&p\\_tloc=&p\\_ploc=&pg=1&p\\_tac=&ti=7&pt=6&ch=91&rl=709](https://texreg.sos.state.tx.us/public/readtac$ext.TacPage?sl=R&app=9&p_dir=&p_rloc=&p_tloc=&p_ploc=&pg=1&p_tac=&ti=7&pt=6&ch=91&rl=709)