

CHAPTER 2
ORGANIZATION, CHARTERING AND FIELD OF MEMBERSHIP
OF A CREDIT UNION

Chapter exempt from chapter rescission pursuant to Iowa Code section 17A.7

189—2.1(533) Definitions.

“Applicants” means those persons who make application to the credit union division.

“Application” includes the documents required by the credit union division for chartering a credit union or for approval of an employee group to obtain service from an already chartered credit union.

“Chartering” means the approval of the credit union division of the state of Iowa which is required before a credit union may operate and do business in the state of Iowa.

“Common bond” means the relationship between natural or corporate persons required before such persons can be members of a credit union.

“Division” means the credit union division of the department of commerce of the state of Iowa.

“Incorporators” means those persons listed as incorporators in the filed documents of incorporation.

“Membership” means those persons who possess the required common bond and who are approved as eligible for services of a credit union.

“Multiple group” means a combination of an association common bond and an occupation, industry, or employer common bond.

“Organization” means the process of identifying the proposed membership of a credit union and choosing persons to apply for chartering with the division.

189—2.2(533) Purpose. All chartering and approval for the extension of credit union services shall be consistent with Iowa Code chapter 533 and shall promote safety and soundness of all credit unions. The division shall determine that each application has sound economic basis and that approval of the application will not endanger the safety and soundness of other credit unions.

189—2.3(533) Chartering process. The chartering process includes the organization, application, and chartering of a credit union under the laws of the state of Iowa.

189—2.4(533) Organization procedure. When persons wish to obtain a charter for a new credit union, they shall determine that the proposed membership for the credit union has a common bond as required by this chapter and that there exists probable support for the credit union by the proposed membership. The persons shall also choose seven applicants to apply for charter with the division.

189—2.5(533) Field of membership and common bond.

2.5(1) Types of common bond. Common bonds shall include relationships based on association, occupation, industry, or employer, or residence or employment within a specified community.

a. Association common bond shall be based on common loyalties, benefits, interests and activities.

b. Occupation, industry or employer common bond shall be based on common business, employer, or corporate parent.

c. Multiple group shall be based on a combination of “*a*” and “*b*.”

d. Community common bond shall be based on residence, employment or principal place of business in a specific geographic boundary.

2.5(2) Extension of common bond. Common bond may be extended to family members, employees and other persons of close affinity as defined by the credit union’s bylaws and as approved by the superintendent upon request extension.

2.5(3) Changes in common bond. A request for a change in common bond must be approved by the superintendent who shall base such approval on the determination that the change is consistent with the standards for chartering under this chapter.

189—2.6(533) Application for charter.

2.6(1) Applicants' duties. The applicants for charter shall inform the superintendent of the division of the interest and commitment regarding forming a credit union. The applicants shall also obtain from the superintendent the necessary information regarding applying for a charter, as well as an application and any other documents required for chartering. The applicants shall be responsible for filing all documents required for chartering and incorporation with the superintendent.

2.6(2) Application for chartering. The documents contained as part of the application for chartering shall include, but not be limited to, documents requesting the following information: names, addresses and current employment of all applicants; the proposed management staff and the proposed slate of credit union officers; a summary of the plan of business which indicates the economic feasibility of the operation of the credit union; a description of the common bond; and a draft of bylaws and articles of incorporation.

189—2.7(533) Chartering standards. In order to grant a charter, the superintendent shall determine that the purpose of this chapter is met and that each and every one of the following standards is met:

1. The proposed members possess a sufficient common bond;
2. The proposed management has the necessary financial expertise;
3. Chartering the credit union is in the interest of its proposed members;
4. The support of the proposed members indicates that the credit union will succeed; and
5. The applicants' plan of business is based on adequate and well-reasoned consideration of the expected costs and returns from operations.

189—2.8(533) Incorporation and commencement of business.

2.8(1) Organization meeting. Proposed members shall meet and through a majority vote approve the incorporation of the credit union chartered by the division.

2.8(2) Filing of corporate records.

a. Articles of incorporation. Upon the division's grant of a charter, the applicants shall file the credit union's articles of incorporation, with the certificate of approval attached, with the county recorder of the county where the credit union is to have its principal place of business.

b. Oath of office. Within ten days after the meeting to incorporate the new credit union, and within ten days after each annual meeting thereafter, a notarized oath of office including the name, signature, position, and address of each member of the board of directors shall be filed with the superintendent. Within ten days of the appointment or election of any new member of the board of directors, a notarized oath of office shall be filed in the same manner.

2.8(3) Commencement of business. A credit union shall not commence business (which shall include, but not be limited to, the incurring of any obligation or the commitment of any of its assets) until its chartering and incorporation are completed, and deposit insurance is obtained as required by law. A newly chartered credit union must commence business within 60 days after the date its charter is approved, or the credit union's certificate of approval may be revoked by the superintendent.

[ARC 4632C, IAB 8/28/19, effective 10/2/19]

189—2.9(533) Board of directors requirements.

2.9(1) The board of directors shall hold at least 12 regular meetings each calendar year. No more than one regular meeting shall be held in one calendar month.

2.9(2) A quorum shall be required to undertake any credit union business and required at any meeting of the board of directors called by the superintendent pursuant to Iowa Code chapter 533.

2.9(3) A director or committee member must be able to read and understand the credit union's balance sheet and income statement, have a working knowledge of basic finance and generally accepted accounting principles (GAAP) utilized in the credit union, be able to understand the risk found in depository institutions and credit union board governance, and understand the internal control structures of the credit union. If a director or committee member does not have the requisite skills when elected or appointed, the director or committee member must obtain these skills in a timely manner, not to exceed 12 months.

This rule is intended to implement Iowa Code sections 533.205(3) "c," 533.205(3) "g," and 533.113A.

[ARC 4632C, IAB 8/28/19, effective 10/2/19; ARC 6094C, IAB 12/15/21, effective 1/19/22]

189—2.10(533) Use of credit union name. After being chartered as a credit union, a credit union shall represent itself as a credit union in the course of obtaining and doing business. Failure to meet this requirement may be grounds for revocation of charter by the superintendent.

189—2.11(533) Employee groups. Upon the application to and approval by the superintendent, an employee group may be served by an already chartered credit union without the requirement of a common bond relationship between the employee group and the chartered credit union effecting service.

2.11(1) Application to serve an employee group. A credit union desiring to serve an employee group shall submit an “Application to Serve an Employee Group” which is available from the division.

2.11(2) Recognition of an employee group. The superintendent may recognize that an employee group exists and approve a credit union’s application to serve the employee group consistent with Iowa Code chapter 533 and the purpose of this chapter.

2.11(3) Inquiry. The superintendent may conduct an inquiry, and may use any of the powers granted to the superintendent under Iowa Code chapter 533, as deemed necessary in connection with an “Application to Serve an Employee Group” to determine:

a. That the credit union making application has the authority in its bylaws to serve an employee group;

b. That the employee group has made application to the credit union for services; and

c. That the quality and management of the credit union making application are sound and that the credit union is capable of and will offer services to members of the proposed employee group equivalent to those offered to its present membership.

2.11(4) Frequency of application. There is no limit to the number of applications a credit union may have pending at any given time.

2.11(5) Ability to spin off from credit union. Any employee group previously authorized by Iowa Code chapter 533 may apply to the division for a charter. The application will be considered on the same basis as an initial chartering under this chapter. Notice of the application shall be given to interested parties including the parent credit union. The order of charter shall include a comprehensive plan for reorganization and reallocation of assets and liabilities.

189—2.12(533) Approval or denial.

2.12(1) Inquiry and review. The superintendent may conduct an inquiry, and use any powers granted to the superintendent under Iowa Code chapter 533, as is deemed necessary in connection with any application under this chapter to determine if granting the application would be consistent with the purpose of this chapter.

2.12(2) Method of notice of decisions on applications. The superintendent shall notify the applicants in writing of the decision of approval or denial of any application made under this chapter and shall send the decision to the applicants. If an application is denied, the superintendent shall provide the applicants with the reasons for the denial.

2.12(3) Time of notice. The superintendent shall provide notification regarding approval or denial of an application for chartering within the time period required by Iowa Code chapter 533 and shall notify regarding approval or denial of employee group applications within 60 days. If it is necessary for an application to be amended, whether by addition, deletion or change, the period of review shall begin anew as of the date of amendment.

2.12(4) Intervention. The period of review will be extended for 14 days if the division receives a written intervention in objection to the approval of the employee group application. Upon the filing of an intervention, the superintendent may request additional information from the applicants.

[ARC 6553C, IAB 10/5/22, effective 11/9/22]

189—2.13(533) Appeal.

2.13(1) *Contested case.* Applicants may appeal the denial of an application by requesting a contested case hearing before the superintendent within 30 days of issuance of the decision. The costs of a contested case hearing shall be paid by a requester if the requester fails to prevail at the contested case hearing.

2.13(2) *Appeal to review board.* The appeal of a ruling of the superintendent in a contested case hearing shall be before the credit union review board.

This chapter is intended to implement Iowa Code chapter 533.

[Filed 8/10/79, Notice 5/30/79—published 9/5/79, effective 10/10/79]

[Filed emergency 12/8/82—published 1/5/83, effective 12/8/82]

[Filed emergency 8/21/86—published 9/10/86, effective 8/21/86]

[Filed 2/2/90, Notice 11/15/89—published 2/21/90, effective 3/28/90]

[Filed 1/31/03, Notice 12/25/02—published 2/19/03, effective 3/26/03]

[Filed ARC 4632C (Notice ARC 4331C, IAB 3/13/19), IAB 8/28/19, effective 10/2/19]

[Filed ARC 6094C (Notice ARC 5880C, IAB 8/25/21), IAB 12/15/21, effective 1/19/22]

[Filed ARC 6553C (Notice ARC 6443C, IAB 8/10/22), IAB 10/5/22, effective 11/9/22]