

Advantages of the Massachusetts 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.



Governance from Boston

Massachusetts chartered credit unions are subject to state laws and regulations, including specific credit union provisions found in [Title XXII Chapter 171 of the Massachusetts General Laws](#) (MGL). The Massachusetts General Court (Legislature) established the current structure of the Division of Banks (DOB) under Chapter 204 of the Acts of 1906.

Soon thereafter, Pierre Jay, who had been instrumental in establishing the credit union movement in Massachusetts, was appointed as the first Commissioner of Banks. In 1909, Massachusetts passed the first state credit union law.

The Office of the current Commissioner of Banks (Commissioner) is established by [MGL ch. 26 § 2](#) and authorized powers under [MGL ch. 167 and other provisions of law](#). Under [MGL ch. 167 § 1A](#), the Commissioner is authorized to promulgate rules and regulations found in [Code of Massachusetts Regulations \(CMR\) Title 209](#).

The DOB also issues [Regulatory Bulletins](#) to clarify its position on certain matters and is heavily involved in consumer protection through administration of state

laws regarding depository and non-depository financial institutions. In addition, the DOB provides advisory legal opinions to regulated entities, including credit unions, that may seek a formal interpretation of Massachusetts law. The DOB also periodically issues industry letters/guidance. These laws have been enacted to meet the needs of citizens of Massachusetts. The Legislature, which approves state laws and oversees the state regulatory authorities, is sensitive to local needs and receptive to their constituents' concerns.

Local Supervision by the DOB

Because DOB regulators are local, they have a keen understanding of the interaction between communities and groups within Massachusetts. The state system allows for a local voice.

Problems or questions which arise in the course of a 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 DOB Commissioner and her senior staff. The state system provides for a high level of understanding and responsiveness to the industry.



Shares and Deposits in Massachusetts' Chartered Credit Unions Are 100% Insured

Shares and Deposits in excess of the National Credit Union Association (NCUA) limits are insured by the Massachusetts Share Insurance Corporation (MSIC). MSIC was originally established by the Massachusetts legislature as a primary insurer for credit unions. MSIC now provides deposit insurance for all balances in excess of NCUA limits. Since MSIC's inception in 1961, no depositor has lost money in a credit union chartered by the Massachusetts Division of Banks.

Authorization for New Authorities and Powers

The Massachusetts Legislature established [MGL ch. 171, § 6A](#) to authorize the Division to propose regulations that would grant state-chartered credit unions certain expanded powers enjoyed by federally-chartered credit unions. This provision requires the Commissioner to promulgate a regulation to provide specified powers available to federal credit unions for state-chartered credit unions, as specifically set forth in the regulation at 209 CMR 50.00: Parity with Federal Credit Unions.

Field of Membership Approval and Flexibility

Massachusetts chartered credit unions are afforded the ability to define broad Fields of Membership (FOM) eligibility under [MGL ch. 171 § 9](#) based on any condition of residence, occupation or association approved by the Commissioner.

In addition, there are no specific statutory requirements limiting the authority of the Commissioner, and as such, the Commissioner has wide authority. See [MGL ch. 171, § 10. Regulatory Bulletin 4.1-104](#) also provides guidance on the bylaw amendment application process.

Greater Investment Authority

Massachusetts chartered credit unions are also afforded under [MGL ch. 171 § 67](#) greater authority for investment options beyond the authority of FCUs, including certain stocks under MGL ch. 171 § 67(o), and shares of investment funds under MGL ch. 171 § 67 (p) if approved by commissioner.

Under the authority of [MGL ch. 171 § 67B](#) well managed and capitalized state chartered credit unions may invest in shares of stock registered on a national securities exchange or for which quotations are available through the Financial Industry Regulatory Authority, and appropriate policies and procedures governing the exposure to risks are designed and implemented. Under this authority a credit union may apply to invest up to 20 percent of its assets.

Greater Loan Flexibility

Massachusetts chartered credit unions are permitted significant flexibility in credit terms to design loan products meeting their memberships' needs and risk profiles due to higher statutory limits on interest rates and maturity terms.

Cannabis Banking

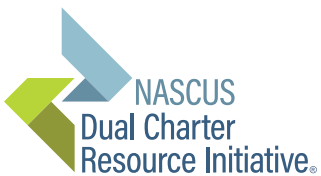
The cannabis industry remains underbanked in Massachusetts. DOB believes the decision to accept cannabis deposits should be made by each state-chartered credit union based on its business objectives and an evaluation of the associated risks.

The DOB will not bring regulatory action against a state chartered financial institution solely for providing financial services for business accounts to lawfully operating cannabis businesses within their fields of membership. All Massachusetts state-chartered financial institutions must comply with FinCEN's BSA expectations. The Department provides [additional resources here](#).

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