

Charitable Donation Account (CDA) Requirements

In December 2013, the National Credit Union Administration approved a rule (Part 703 and 721) to allow federal credit unions to fund hybrid charitable and investment vehicles designated as Charitable Donation Accounts (CDA). Iowa Code §533.301(25) allows a state chartered credit union to “[e]ngage in any activity authorized by the Superintendent which would be permitted if the state credit union were federally chartered and which is consistent with state law.”

It is the position of the Division that an Iowa-chartered credit union that desires to take advantage of the federal rules for CDAs may apply to the Superintendent for authorization, before engaging in the proposed investment activity. To be approved, the credit union must submit a request to the Superintendent that addresses the items in [189 IAC 17.19\(2\)](#), (a) through (c) and all conditions in [NCUA Rules and Regulations Part 721.3](#), paragraphs (b)(2)(i) through (vii).

The package submitted to the Iowa Division of Credit Unions must contain the following listed items.

1. Current Net worth ratio:
2. Board approved CDA policy. The policy must contain the following items, at a minimum.
 - Investment limit – Can’t be more than 5% of Net Worth
 - The assets must be held in a separate custodial account of special purpose entity and specifically identified as a CDA
 - If using a trust, the trustee must be regulated by the OCC, SEC, or another federal regulatory agency, or a state financial regulatory agency
 - The CDA manager, if anyone other than the credit union, must be a Registered Investment Adviser (RIA) or regulated by the OCC.
 - Contributions and donations can only be made to organizations that are exempt from taxation under section 501 (c)(3) of the Internal Revenue Code
 - 51% of the total return on the investment must be donated to specified charities at a frequency of no less than five years.
 - Risk tolerance and investment strategies
 - The CDA will be recorded on the credit union books in accordance with generally accepted accounting principles (GAAP)
3. Board minutes containing approval of the CDA policy and CDA investment
4. Copy of the proposed investment agreement that contains a complete description of the activities
 - Type of underlying Investment
 - Listing of Approved Charitable Organizations
 - Frequency of distributions
5. Due diligence documentation should be available for examiner review