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**Iowa Division of Credit Unions
Regulatory Advisory Bulletin**

Nonmember Deposit Limits/Deposits in Another Credit Union:

An Iowa state-chartered credit union has the power to “receive payments for ownership shares, for other shares, or as deposits from any or all of the following: b. Nonmembers as prescribed by rule where the state credit union is serving predominantly low-income members. Rules adopted allowing nonmember deposits in state credit unions serving predominantly low-income members shall be designed solely to meet the needs of the low-income members. . . . d. Federal, state, county, and city governments.” Iowa Code § 533.301(1) (2019). The corresponding administrative rule expressly authorizes low-income credit unions to receive nonmember shares and deposits from any source; however, nonmember account holders do not have the rights and privileges afforded to members of the credit union and are limited in involvement with the credit union. Iowa Administrative Code § 189—7.4(533) (2019).

Low-Income Designated Credit Union Limitations:

The applicable Iowa administrative code sets forth the maximum aggregate amount of public unit and nonmember accounts a low-income designated credit union may hold. A low-income designated credit union’s public unit and nonmember accounts may not “exceed 20 percent of the total shares and deposits of the credit union or \$1.5 million, whichever is greater.” Iowa Administrative Code § 189—7.4(533) (2019). The rule is ambiguous as to whether public unit and nonmember accounts are included in the total shares and deposits of the credit union. As such, the Iowa Division of Credit Unions interprets “total shares and deposits of the credit union” to only include member shares and deposits.

The limitation set forth in 189—7.4(533) does not prohibit a low-income designated credit union from accepting public unit and nonmember shares in excess of 20 percent of total member shares and deposit or 1.5 million dollars. Rather the rule sets forth an application for additional approval, which must be submitted and approved by the Superintendent prior to the acceptance of additional funds over the 20 percent or 1.5 million dollar maximum. A credit union may submit an application for additional approval to the Iowa Division of Credit Unions via US mail or via email to the IDCU Administrator, Sara Larkin at sara.larkin@iowa.gov. The information required to be included in an application for additional approval is set forth in 189—7.4(533) et seq. The Division will request additional information when necessary. The Division will approve or disapprove the requested maximum level of public unit and nonmembers shares and deposits within 10 business days of a complete application.

Non-Low-Income Designated Credit Unions Limitations:

The limitation set forth in the Iowa administrative rule is only applicable to low-income designated credit unions. Iowa Administrative Code § 189—7.4(533) (2019). Although the 20 percent limit set forth in Iowa’s rule is not applicable to non-low-income designated credit unions, the federal NCUA limitation is applicable to all federally insured Iowa state-chartered credit unions. The federal NCUA limit set forth in 12 C.F.R. § 701.32 is applied to federally insured state-chartered credit unions through 12 C.F.R. § 741.204. The federal rule requires: “Any credit union that is insured, or that makes application for insurance, pursuant to title II of the Act must: (a) Adhere to the requirements of § 701.32 of this chapter regarding public unit and nonmember accounts, provided it has the authority to accept such accounts.” 12 C.F.R. § 741.204. The referenced rule, § 701.32, limits the acceptance of public unit and nonmember shares. NCUA amended the public unit and nonmember shares limit. The federal rule is the controlling rule in Iowa and the amended rule is effective January 29, 2020.

As of January 29, 2020, the applicable limit for non-low-income designated Iowa state-chartered credit unions under the applicable NCUA law is as follows:

- (1) Aggregate limit on public unit and nonmember shares. Except as permitted under paragraph (c) of this section, a federal credit union may not receive public unit and nonmember shares in excess of the greater of:
 - (i) 50 percent of the net amount of paid-in and unimpaired capital and surplus less any public unit and nonmember shares, as measured at the time of acceptance of each public unit or nonmember share . . . ; or
 - (ii) \$3 million.
- (2) Required due diligence. Before receiving public unit or nonmember shares that, taken together with any borrowings, exceed 70 percent of paid in and unimpaired capital and surplus, the board of directors must adopt a specific written plan concerning the intended use of these funds that is consistent with prudent risk management principles.

Public Unit and Nonmember Shares, 84 Fed. Reg. 211 (Oct. 31, 2019) (to be codified at 12 C.F.R. pts. 701 and 741).

Additional Requirements for Public Unit and Nonmember Deposits:

All credit unions must have a policy for use of public unit and nonmember deposits approved by the credit union’s board of directors prior to accepting any public unit or nonmember deposits. The Superintendent may impose a lower public unit and/or nonmember deposit maximum, percentage or cap, on an individual basis, if a safety and soundness concern is found or is reasonably expected to be found. All Iowa state-chartered credit unions must comply with additional rules and laws regarding the acceptance of public unit funds as applicable under Iowa law.

Shares and Deposit Account in Another Credit Union:

Iowa credit unions have the power to receive from “other credit unions” payments on shares or as deposits, and to make deposits or investments “in state and federal credit unions, the accounts

of which are insured by the . . . national credit union share insurance fund.” Iowa Code § 533.301(1)(c), 533.301(4), 533.301(5) (2019).

Iowa Code Section 533.301(14) prohibits certain deposit levels in newly formed credit unions as follows: "Deposit with a credit union that has been in existence for not more than a year, an amount not to exceed twenty-five percent of the assets of the new credit union, but only one credit union may, at any time, make such a deposit." Iowa Code § 533.301(14)(2019). Except as otherwise stated in the Iowa code (see Iowa Code § 533.301(14)(2019)), a credit union may receive funds in share and deposit accounts from another credit union, without limitation as to the number doing so at any one time and without limitation as to the percentage of those funds compared to total assets. However, if deposits are from nonmember credit unions, the nonmember deposit limit remains applicable and prior to receiving funds from another credit union, the board of directors must adopt a written policy. The written policy must address the following:

- The purpose and objectives for accepting investment deposits from other credit unions, including applicable funds management strategies for the matching of these deposits;
- The account types which are eligible to receive these deposits, i.e., share, share certificate, certificate of deposit, etc.;
- The maturity limits and dividend/interest rate(s) applicable to each type of eligible account;
- The minimum and maximum amount which may be deposited in each account and/or maturity type individually and in the aggregate by other credit unions;
- The maximum amount which may be deposited in the credit union individually and in the aggregate by other credit unions; and
- Additional requirements as articulated by the Iowa Division of Credit Unions.



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