

**GUIDELINE FOR NCUA'S  
EXPRESS CHARTERING PROCEDURE**

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## **EXPRESS CHARTERING PROCEDURE**

### **To the Organizers of a Prospective Federal Credit Union:**

It is the agency's goal to encourage the formation of credit unions, and make quality credit union service available to all eligible persons. To help achieve this goal, NCUA developed an expedited chartering program called the Express Chartering Procedure (ECP). When followed, ECP will reduce the time needed to process a new federal charter application.

NCUA is available to assist you, as the organizer, in the chartering process. In addition to direct assistance, we also encourage you to establish a mentor relationship with an experienced credit union individual, or an existing, well-operated credit union. Mentors provide guidance and assistance to new credit unions through attendance at meetings and general oversight review.

ECP makes the chartering process easier by providing you with standardized forms and a model business plan. NCUA will also provide assistance in helping you prepare your federal charter application and business plan. This procedure expedites the chartering process by including a:

- Model business plan for limited services;
- Standard member survey template; and
- Standard letter format for sponsor support, grants, and nonmember deposits.

To allow for prompt chartering, however, ECP also places certain restrictions on the initial services a newly chartered credit union can offer. These restrictions can be found in the Letter of Understanding and Agreement (Attachment E). Initially, credit unions using ECP can only offer regular shares, signature loans, vehicle loans, and other basic services outlined in this document. This will enable officials to familiarize themselves with basic credit union operations and cash management skills.

Once a credit union demonstrates it can manage these limited responsibilities, the officials may submit a business plan for expanded services (e.g., share drafts, credit cards, etc.). Further refinement can be accomplished in stages, with increased responsibilities and services after NCUA approves the plan. The requirements for chartering a credit union

with more advanced services are addressed in Chapter 1 of NCUA's *Chartering and Field of Membership Manual* (Chartering Manual).

ECP will assist you by providing a model format for the business plan and all of its elements. All other chartering requirements as outlined below, and more fully discussed in Chapter 1 of the Chartering Manual, still apply.

### **Chartering Requirements**

In all cases, a group must possess:

- 1) An appropriate common bond or be a well-defined local community, neighborhood, or rural district;
- 2) The subscribers must be of good character and fit to represent the credit union; and
- 3) The establishment of the credit union must be economically advisable.

### **Types of Charters**

The Federal Credit Union Act provides for three types of charters: single common bond (occupational or associational), multiple common bond (combination of occupational and/or associational groups), and community.

You, as the applicant for a credit union charter, must demonstrate the requirements for a common bond or a community charter are met. These requirements are described in Chapter 2 of the Chartering Manual, and apply whether the application is submitted using the standard application process or ECP.

You should submit wording, and appropriate documentation, for the proposed field of membership to your NCUA regional office early in the application process for written preliminary approval.

As described in Chapter 3 of the Chartering Manual, there are special rules and programs available for credit unions serving low-income groups, low-income communities, and underserved areas.

## **Chartering Documentation**

The following forms (provided at the end of the Chartering Manual, and as Attachment F of this document) are required for all federal charters:

- NCUA 4001, FCU Investigation Report;
- NCUA 4008, Organization Certificate;
- NCUA 4012, Report of Official and Agreement to Serve (one for each official including board of directors, supervisory committee members, credit committee members, and manager/CEO);
- NCUA 9500, Application and Agreements for Insurance of Accounts; and
- NCUA 9501, Certificate of Resolutions.

## **Fitness of Management and Officials**

Employees and officials must have the necessary skills and commitment to make the proposed credit union a success. They also must be of good character and fitness. To determine management's fitness, NCUA performs both background criminal and credit checks on the proposed officials and employees. Chapter 1, Section IV.B, of the Chartering Manual outlines these requirements in greater detail.

## **Economic Advisability**

To determine whether a proposed credit union would be economically viable, you must submit a business plan. This plan contains a number of elements, including evidence of member support, proposed policies, amount of committed subsidies, amount of non-member deposits, and pro forma financial projections. A model business plan is provided as Attachment B.

Under ECP, the charter application process is facilitated by the use of a model business plan. This model contains a standard format, including a template for the member survey, pro forma projections and budget, and sample confirmation letters of sponsor support, grants, and non-member deposits.

## **Business Plan**

All business plans must be realistic, supportable, and include specific elements. To apply under ECP, you must follow the attached business plan, and submit it with the above chartering documents. The ECP Guideline, with the model business plan, is available on NCUA's website under the *Reference Information Section*. NCUA's website address is [www.NCUA.gov](http://www.NCUA.gov). The business plan is also provided in this document as Attachment B.

By using ECP's model business plan and limiting services offered, it is NCUA's intent to significantly speed up the time it takes you to receive a federal credit union charter.

## Attachment A

*The following is the ECP Chartering Checklist. You can use this list to document the steps you have completed in the chartering process, and submit it with your application.*

<b>ECP CHARTERING CHECKLIST</b>	
√	<b>DESCRIPTION OF DOCUMENTATION</b>
	Preliminary approval from the regional office, with supporting evidence of common bond or community area
	NCUA 4001 Federal Credit Union Investigation Report
	NCUA 4008 Organization Certificate
	NCUA 4012 Report of Official and Agreement to Serve (for each employee or official)
	NCUA 9500 Application and Agreements for Insurance of Accounts
	NCUA 9501 Certificate of Resolutions
	Overlap Documentation (if applicable)
	Completed ECP Model Business Plan
	Copy of Member Support Survey Form used
	Résumés (or description of qualifications) of proposed officials, employees, and if acting in a management capacity, consultants, contractors, etc.
	Evidence of sponsor commitments for space, fixed assets, etc.
	Letters from entities providing assistance (grants, donations, non-member deposits)
	Loan and Collection Policies
	Share and Dividend Policies
	Investment Policy
	Bank Secrecy Act Policy
	Disaster Recovery Policy

## Attachment B

### Model Business Plan

The following business plan is designed for use as a template when you prepare your ECP package. As a minimum, you must address all elements using the format outlined below, or its equivalent. You may download this template from the Reference Information Section of NCUA's website ([www.NCUA.gov](http://www.NCUA.gov)) and use it as model in developing your business plan.

#### 1. Mission Statement

A mission statement provides your reason or purpose for establishing the proposed credit union. You may use the following language found in the Federal Credit Union Act, or you may prepare your own statement:

√	<b>Mission Statement</b>
	<i>It is the purpose of this credit union to promote thrift among its members and create a source of credit for provident and productive purposes.</i>
	<i>(Create your own.)</i>

#### 2. Analysis of Market Conditions

In your business plan, you should provide a brief description of the economic condition of the proposed field of membership by addressing the following items:

- a) What financial services and service providers are available to the proposed field of membership? For example, identify the different types of credit unions, banks, savings and loans, check cashing facilities, pawn shops, and/or other alternative financial institutions available to your group or community. What types of products do they offer (or not offer)?
  
- b) Provide a brief description of the economic condition of your proposed field of membership. For example, is your sponsor company growing or downsizing, or is your proposed community considered affluent or low income?



c) Explain why there is a need for a credit union.

### 3. Overlapping Fields of Membership

You must identify the overlapped credit unions as follows:

- a) For proposed credit unions with a single or multiple common bond field of membership, you must include letters from all overlapped credit unions, excluding community charters, indicating their views on the proposed overlap.
- b) For proposed community charters, you need to include letters from all newly chartered single or multiple common bond credit unions that have been in existence for less than two years, indicating their views on the proposed overlap.

<b>Credit Union</b>	<b>View on the proposed overlap</b>

Your NCUA regional office will assist you in determining the overlapped credit unions.

### 4. Evidence of Member Support

You may use the attached Sample Survey Form (Attachment C), or its equivalent, as a model when performing the survey. The size of the survey should be sufficient to support the assumptions used in the pro forma financial projections, and you should survey at least 250 potential members.

Using the following format, summarize your membership survey:

Number surveyed	
Number responding to survey	
Number in favor of proposed credit union	
Number against proposed credit union	
Number pledging an initial deposit	
Average initial deposit	
Number pledging monthly deposits	
Average amount of monthly deposits	

### 5. Goals for Shares, Loans, and Members

What are your goals for shares, loans, and members?

Use the following format to report these goals cumulatively. These numbers will support the assumptions and projections used in developing your pro forma financial statements, and are very important in determining the proposed credit union's viability. Your goals should be consistent with the survey's results.

Period	Amt. of Shares	Amt. of Loans	No. of Loans	No. of Members
1 <sup>st</sup> 6 months				
2 <sup>nd</sup> 6 months				
3 <sup>rd</sup> 6 months				
4 <sup>th</sup> 6 months				

### 6. Financial Services to be Provided

Identify using the following format:

- Which services available under the ECP you are planning to implement;
- When you plan to implement these services;
- What the applicable terms are (interest rate, dividend rate, maturity, etc.); and
- What the dollar limitation placed on these services are.

√	Available Services	Date	Terms	Dollar Limits
	Signature Loans			
	Share-Secured Loans			
	Vehicle Loans			
	Regular Shares			
	Money Orders		NA	
	Travelers Checks		NA	
	Cashiers Checks		NA	
	Direct Deposit		NA	
	Savings Bonds		NA	
	Club Accounts			
	Certificates of Deposits			
	Non-Member Deposits			

You can implement no other services until the credit union establishes a track record of successful performance. Any new service requires a modification to your business plan, and the regional director's approval.

### 7. Future Financial Services Needed/Desired

Summarize any future financial services and the target date for implementation.

√	Proposed Services	Date	Terms	Dollar Limits

## 8. Organization/Management Plan

Management of the credit union consists of the board of directors, its committees and the key employees. Your board must have an odd number of members between 5 and 15. The supervisory committee must have between 3 and 5 members, and the credit committee (if applicable) must have an odd number of members between 3 and 7.

List the names of all proposed officials and employees in the following format. Attach a signed copy of their NCUA Form 4012 and include a résumé (or a description of their skills) documenting their ability to effectively perform their assigned duties.

Name	Title(s)	Skills

## 9. Available Assistance

List the names of all credit unions, leagues, trade associations, and other sources providing assistance. You must provide a commitment letter from each source detailing the type of assistance agreed upon in the following format:

Organization Name	Type of Asst.	Comments

## 10. Continuity Plan

Explain how you plan to find and train future credit union officials.

## **11. Operating Facilities**

Answer the following questions when describing the operating facility of the proposed credit union. You must ensure the above costs for the facility are reflected in the pro forma financial projections, and include details of any proposed leases.

- a) Where will the proposed credit union be located?
  
- b) What equipment will be required to begin operations?
  
- c) If any donated equipment will be used, please indicate who will be donating it.
  
- d) What will the proposed facility cost, or if leased or rented, what is the monthly cost (including utilities)?
  
- e) Describe how the facility will effectively serve your proposed membership, and provide any other relevant information concerning its operation.
  
- f) What are your sources of funds to establish the facility?

## **12. Record Keeping**

What type of data processing system have you selected and what is its cost? You must ensure the cost for the record keeping system is reflected in the pro forma financial projections, and include details of any proposed leases.

### 13. Source of Funds

If you receive subsidies, such as grants, non-member deposits, donated equipment, space, etc., the organization committing funds or space should provide you with a commitment letter indicating:

- a) What amount or type of support they are providing;
- b) When it will begin;
- c) When it will end;
- d) If it must be repaid; and
- e) Any other terms or conditions.

(See Attachment D for a model commitment letter.)

Record these subsidies, using the following format:

<b>Name</b>	<b>Type of Subsidy</b>	<b>Amount</b>	<b>Terms/Rate</b>	<b>Comments</b>

### 14. Pro Forma Financial Statements

In the following form, prepare detailed pro forma financial statements on a semi-annual basis for the first two years of operation:

**Statement of Financial Condition**

<b>Assets</b>	<b>1<sup>st</sup> 6 months</b>	<b>2<sup>nd</sup> 6 months</b>	<b>3<sup>rd</sup> 6 months</b>	<b>4<sup>th</sup> 6 months</b>
Loans				
(less Allowance for Loan/Lease Losses)				
Net Loans				
Cash				
Investments				
Fixed Assets				
Other Assets				
<b>Total Assets</b>				
<b>Total Liabilities</b>				
Shares				
Non-Member Deposits				
Regular Reserves				
Undivided Earnings				
Net Income				
<b>Total Liabilities and Equity</b>				

### Statement of Income

Account Name	1 <sup>st</sup> 6 months	2 <sup>nd</sup> 6 months	3 <sup>rd</sup> 6 months	4 <sup>th</sup> 6 months
<b>Income</b>				
Loan Income				
Investment Income				
Fee Income				
Other Income				
<b>Total Income</b>				
Operating Expenses				
Compensation and Benefits				
Office Occupancy				
Office Operations				
Professional and Outside Services				
Other Expenses				
<b>Total Operating Expenses</b>				
Dividend Expenses				
Provision for Loan Losses				
<b>Total Expenses</b>				
Non-Operating Income and Expense (grants, etc.)				
<b>Total Net Income</b>				



### Assumptions

Assumption	1 <sup>st</sup> 6 months	2 <sup>nd</sup> 6 months	3 <sup>rd</sup> 6 months	4 <sup>th</sup> 6 months
Loan Rate				
Investment Rate				
Dividend Rate				
Loan Growth				
Share Growth				
No. of New Members				

### 15. Plans for Operating Independently

Provide a brief description of your plans to operate independently by answering the following questions:

a) If the proposed credit union is to operate with sponsor subsidies, donations, grants, etc., during its initial years, what are your plans to eventually operate without support?

b) When will the proposed credit union operate profitably?

As part of your business plan, provide your net worth accumulation goals on a quarterly basis for the first two years of operation using the following format:

1 <sup>st</sup> qtr.	2 <sup>nd</sup> qtr.	3 <sup>rd</sup> qtr.	4 <sup>th</sup> qtr.	5 <sup>th</sup> qtr.	6 <sup>th</sup> qtr.	7 <sup>th</sup> qtr.	8 <sup>th</sup> qtr.

Net worth is computed as:

*All of the credit union's retained earnings, including undivided earnings, regular reserves, uninsured secondary capital (for low income designated credit unions), net income, and other reserves (excluding the allowance for loan and lease losses, and accumulated gains/losses on available for sale securities) divided by total assets.*

### 16. Policies

You must provide, at a minimum, the following written policies customized to the services allowed for under ECP:

- a) Loan/Collection (list the types of loans offered, dollar limitations, terms and interest rates offered, maturity, credit standards, and collection procedures for delinquent loans).
- b) Share/Dividend (list the types of shares, terms and interest rates offered, maturity, and procedures for payment of dividends).
- c) Investment (list the types of investments, terms, and officials/employees with investment authority).
- d) Bank Secrecy Act (provide procedures for reporting large cash transactions).
- e) Disaster Recovery (provide procedures to follow in the event of a disaster).

There are model policies available for sale at a nominal cost through some leagues. NCUA, and many credit unions, leagues, and trade organizations will assist you in the development of policies tailored to your services and operations.

**Attachment C**

**Sample Survey**

*(Insert an introduction describing the proposed credit union and plans to serve members.)*

- Would you be interested in joining a credit union serving the *(identify the proposed field of membership)* Yes\_\_\_\_\_ No\_\_\_\_\_
- If so, would you be interested in joining a newly chartered credit union offering savings accounts, personal loans, and other limited services in the beginning?  
Yes\_\_\_\_\_ No\_\_\_\_\_
- What type of future services would you want the proposed credit union to offer?
- Would you be willing to pledge an initial deposit in the credit union? Yes\_\_\_\_\_ No\_\_\_\_\_ If yes, how much would you be willing to deposit? \$\_\_\_\_\_
- Would you be interested in making regular deposits (such as payroll deduction) in the credit union? Yes\_\_\_\_\_ No\_\_\_\_\_ If yes, how much would you deposit monthly? \$\_\_\_\_\_
- Would you be interested in borrowing money from the proposed credit union?  
Yes\_\_\_\_\_ No\_\_\_\_\_ If yes, how much would you borrow? \$\_\_\_\_\_
- Would you be interested in becoming a volunteer at the credit union? Yes\_\_\_\_\_ No\_\_\_\_\_

Please provide your name and address if you would like more information about the proposed credit union and when you can join.

Name \_\_\_\_\_  
Street Address \_\_\_\_\_  
City, State, Zip Code \_\_\_\_\_  
Telephone Number \_\_\_\_\_  
Fax Number \_\_\_\_\_  
E-mail address \_\_\_\_\_

**Attachment D**

**Sample Commitment Letter**

The XXXX Community Trust  
354 Sunset Drives  
Milwaukee, Wisconsin 10054

July 5, 2000

XXXX, CFO  
XXXX Corporation, Inc.  
666 Skyline Drive  
Milwaukee, Wisconsin 10082

Dear Ms. XXXX:

We are pleased to inform you the XXXX Community Trust Company and its affiliates have approved a grant of \$X0,000. The grant is restricted to the formation of the ECP Federal Credit Union and does not require repayment. A check for \$X0,000 will be forth coming upon receiving your charter.

Sincerely,

XXXX  
Project Director

## **Attachment E**

### **SAMPLE** **LETTER OF UNDERSTANDING AND AGREEMENT**

To the Board of Directors and Other Officials  
XXX Federal Credit Union

Since the purposes of credit unions are to promote thrift and to make funds available for loans to credit union members for provident and productive purposes, and since newly chartered credit unions do not generally have sufficient reserves to cover large losses on loans or meet unduly large liquidity requirements, federal insurance coverage of member accounts under the National Credit Union Share Insurance Fund will be granted to the above named credit union subject to the conditions listed in this Letter of Understanding and Agreement and in the Organization Certificate and Application and Agreements for Insurance of Accounts. These terms are listed below and are subject to acceptance by authorized credit union officials.

### **AGREEMENT**

We agree, on behalf of the ECP Federal Credit Union (hereinafter the Credit Union), to the following terms as a condition of receiving a federal credit union charter. These agreements may not be modified or rescinded without prior written approval of the Regional Director.

1. Loans shall be limited to signature loans, vehicle loans, and fully secured share loans. The credit union shall make loans only to natural-person members. No loans will be made to any sponsor organization.
2. Loans shall not be granted in excess of \$5,000 or 10 percent of the credit union's undivided earnings and shares whichever is less, as specified in the Federal Credit Union Act. Loans shall not be granted to a combination of individuals if the proceeds to any one member exceed the aforementioned limits.
3. The credit union shall not make any member business loans -- as defined in §723.1 of the National Credit Union Administration's Rules and Regulations -- or loans secured by real estate property.

4. Except for participation in NCUA's Community Development Revolving Loan Program for Credit Unions, or the receipt of secondary capital accounts in accordance with §701.34(b) of the National Credit Union Administration's Rules and Regulations, the credit union shall not borrow from any source except as approved by the Regional director.
5. The credit union shall refrain from soliciting or accepting brokered fund deposits from any source without the prior written approval of the Regional Director.
6. All books and records must be kept current and in balance.
7. Investments and deposits shall be limited to (a) shares in corporate credit unions; (b) shares or accounts at federally insured credit unions, mutual savings banks, savings and loan associations; or (c) accounts in other banks or institutions which are federally insured; and (d) United States Treasury securities. All investments shall be by direct purchase from federally insured institutions, not through a broker or third party.
8. No investments shall have maturities in excess of 12 months except as approved by the Regional Director.
9. At its first board meeting, management will adopt written policies in the areas of loans, collections, investments, and shares. These policies must conform to the requirements of the model business plan submitted as part of the Express Charter application.
10. The credit union officials will perform and document, on a semi-annual basis, an evaluation of the credit union's progress in meeting projected goals and budget amounts. The credit union will provide the district examiner with a copy of the report on any variance of 20 percent or more between the goals and budgeted amount and actual performance. The written report should discuss the officials' plan to get the credit union back on schedule to meet the projected goals.
11. The credit union officials will attend any necessary training courses to develop the skills needed to successfully operate the credit union.
12. Other than this agreement or loans made to members, the credit union will not enter into any agreement or contract, verbal or written, which exceeds one year in duration except as approved by the Regional Director.
13. The credit union will not acquire, directly or indirectly, the assets, liabilities, or capital of any other financial institution without the prior written approval of the Regional Director.

14. The credit union shall not accept nonmember or public unit funds in excess of the limitations specified in §701.32 (b) of the National Credit Union Administration's Rules and Regulations without the prior written approval of the Regional Director.

15. The credit union must comply with §701.14 of the National Credit Union Administration's Rules and Regulations by giving the Regional Director written notice at least 30 days prior to the effective date of any addition or replacement of a member of the board of directors or committee member, or the employment or change in responsibilities of any individual to a position as a senior executive officer.

16. Any official or senior executive officer agrees to resign his or her position if the background checks performed in conjunction with the charter application disqualifies them.

17. The credit union will notify the Regional Director in writing upon beginning operations.

18. The credit union will prepare and mail to the district examiner financial and statistical reports as required by the Federal Credit Union Act and Bylaws by the 20th of each month following that for which the report is prepared.

19. Shares shall be limited to regular share accounts, club accounts, and certificates of deposits. The credit union shall not offer share drafts, IRAs, Keoghs or any other type of share account.

20. Other services the credit union can offer shall be limited to the sale of money orders, travelers checks, cashiers checks, and savings bonds, and to direct deposit for its members.

21. Requests to modify the agreement by the credit union or to add additional services must be submitted in writing with appropriate supporting documentation and updated business plan to the Regional Director. All modifications, when approved, shall be incorporated herein and become a part of this agreement.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

**NATIONAL CREDIT UNION ADMINISTRATION  
BOARD ON BEHALF OF THE NATIONAL CREDIT  
UNION SHARE INSURANCE FUND**

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Examiner

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Supervisory Examiner

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Regional Director

We the undersigned officials of the ECP Federal Credit Union, as authorized by the Board of Directors, acknowledge receipt of and agree to the attached Letter of Understanding and Agreement.

This Letter of Understanding and Agreement has been voluntarily entered into with the National Credit Union Administration. We agree to comply with all terms and conditions expressed in this Letter of Understanding and Agreement.

Should the NCUA Board determine that these terms and conditions have not been complied with or that the board of directors or other officials have not conducted the affairs of the credit union in a sound and prudent manner, the NCUA Board may terminate insurance coverage of the credit union. If actions by the officials, in violation of this Letter of Understanding and Agreement, cause the credit union to become insolvent, the officials assume such personal liability as may result from their actions.

The term of this Letter of Understanding and Agreement shall be for the period of at least 24 months from the date the credit union is insured. This Letter of Understanding and Agreement may, at the option of the Regional Director, be extended for an additional period of up to 24 months at the end of the initial term of this agreement. The Letter of Understanding and Agreement may be modified at any time upon the agreement of the Officials of the credit union and the Regional Director.



**XXX FEDERAL CREDIT UNION**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Executive Officer (President)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Financial Officer (Treasurer)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Secretary

## **Appendix F**

**NCUA Form 4001 -- FCU Investigation Report**

**NCUA Form 4008 -- Charter**

**NCUA Form 4012 -- Report of Official & Agreement to Serve**

**NCUA Form 9500 -- Application and Agreement for Insurance of Accounts**

**NCUA Form 9501 -- Certification of Resolution**