

DEPARTMENT OF ADMINISTRATION
DIVISION OF BANKING & FINANCIAL INSTITUTIONS



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FEDERAL TO STATE CREDIT UNION
CONVERSION PROCESS

Process Overview

The Board of Directors (BOD) votes on the conversion proposal at a meeting held in accordance with the federal credit union's bylaws. If approved by a majority vote of the BOD at a meeting at which a quorum is present, the credit union notifies the NCUA and the Montana Division of Banking & Financial Institutions (Division).

The NCUA requires specific reasons for the conversion and will require the converting credit union to pay the entire operating fee for the year of conversion.

If the federal credit union intends to continue federal share insurance after the conversion to a state credit union, it must submit an Application for Insurance of Accounts ([NCUA 9600](#)) to the Regional Director (RD) of the NCUA at the time it requests approval of the conversion proposal. The RD has the authority to approve or disapprove the application.

The Division conducts a pre-conversion examination or may choose to review the most recent NCUA exam. If the Division is willing to accept the credit union for state charter, it issues a preliminary approval of the conversion.

A conversion proposal will be submitted to the RD of the NCUA and will include:

- a current financial report;
- a current delinquent loan schedule;
- an explanation and appropriate documents relative to any changes in insurance of member accounts;
- the resolution of the BOD;
- a proposed Notice of Special Meeting of the Members ([NCUA 4221](#));
- a copy of the ballot to be sent to all members ([NCUA 4506](#));
- if the credit union intends to continue with federal share insurance, an application for

insurance of accounts ([NCUA 9600](#));

- evidence that the state regulator is in agreement with the conversion proposal; and
- a statement of reasons supporting the request to convert.

The RD will review the proposal and may specify special conditions, approve or deny it. The RD will notify the credit union and the Division.

Members may not vote on the proposal until it is approved by the NCUA and the Division.

The Notice of Special Meeting form must be mailed not more than 30 days nor less than seven days in advance of meeting. The form ([NCUA 4221](#)) and a ballot sent to all members ([NCUA 4506](#)).

Members must be given advance notice ([NCUA 4221](#)) of the meeting at which the proposal is to be submitted.

The notice must:

- specify the purpose, time and place of the meeting;
- include a brief, complete, and accurate statement of the reasons for and against the proposed conversion, including any effects it could have upon share holdings, insurance of member accounts, and the policies and practices of the credit union;
- specify the costs of the conversion, i.e., changing the credit union's name, examination and operating fees, attorney and consulting fees, tax liability, etc.;
- inform the members that they have the right to vote on the proposal at the meeting, or by written ballot to be filed not later than the date and time announced for the annual meeting, or at the special meeting called for that purpose;
- be accompanied by a Federal to State Conversion - Ballot for Conversion Proposal ([NCUA 4506](#)); and state in bold face type that the issue will be decided by a majority of members who vote.
- The proposed conversion must be approved by a majority of all of the members who vote on the proposal, a quorum being present, in order for the credit union to proceed further with the proposition, provided federal insurance is maintained. If the proposed state-chartered credit union will not be federally insured, 20 percent of the total membership must participate in the voting, and of those, a majority must vote in favor of the proposal. Ballots cast by members who did not attend the meeting but who submitted their ballots in accordance with instructions above will be counted with votes cast at the meeting. In order to have a suitable record of the vote, the voting at the meeting should be by written ballot as well.

- The BOD shall, within 10 days, certify the results of the membership vote to the RD. The statement shall be verified by affidavits of the Chief Executive Officer and the Recording Officer on [NCUA 4505](#).

The BOD will ensure the state charter is received within 90 days of the date the members approved the conversion.

The credit union submits proposed Articles of Incorporation and bylaws to the Division for review and approval. (See the Division website for [Articles of Incorporation](#) and [instructions](#) and [bylaws](#) and [instructions](#)).

To Convert:

File the Articles of Incorporation with the Division. Assuming there has not been a material change in circumstances since the preliminary approval, the Division will grant the Order allowing the chartering of the credit union as a state chartered institution. The Order and the Articles of Incorporation will be filed with the Montana Secretary of State. (There are fees due to the Montana Secretary of State for [filing](#).)

After the proof of filing is received from the Montana Secretary of State, the BOD will submit a copy of the charter to the NCUA within 10 days of its receipt. This will be accompanied by the federal charter and the federal insurance certificate. A copy of the financial reports as of the preceding month end should be submitted at this time.

The BOD adopts new bylaws as a state chartered credit union.

The credit union shall neither use the words "Federal Credit Union" in its name nor represent itself in any manner as being a federal credit union.

Changing of the credit union's name on all signage, records, accounts, investments, and other documents should be accomplished as soon as possible after conversion. The credit union has 180 days from the effective date of the conversion to change its signage and promotional material. This requires the credit union to discontinue using any remaining stock of "federal credit union" stationery immediately, and discontinue using credit cards, ATM cards, etc., within 180 days after the effective date of the conversion, or the reissue date, whichever is later. The RD has the discretion to extend the timeframe for an additional 180 days. Member share drafts with the federal chartered name can be used by the members until depleted. If the state credit union is not federally insured, it must change its name and must immediately cease using any credit union documents referencing federal insurance.

If the state credit union is to be federally insured, the RD will issue a new insurance certificate.