



**Division of Banking & Financial Institutions**

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## **FEDERAL TO STATE CREDIT UNION CONVERSION PROCESS**

If a federal-chartered credit union is considering converting to a Montana state-chartered credit union, the Montana Division of Banking and Financial Institutions (Division) requests that the credit union contact the Division at the earliest opportunity in order to begin conversion discussions.

The process to convert from a federal-chartered credit union to a state-chartered credit union is as follows.

### **Board of Directors Vote**

The Board of Directors (BOD) must vote on the conversion proposal at a meeting held in accordance with the credit union's current bylaws. If approved by a majority vote of the BOD at a meeting at which a quorum is present, the credit union will submit a conversion proposal to the NCUA and the Division.

### **Conversion Proposals**

The credit union must file a proposal to convert to a state charter to the NCUA and the Division.

#### [NCUA Conversion Proposal](#)

The conversion proposal submitted to the NCUA must 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](#));
  - Note: The NCUA has the authority to approve or disapprove the application.
- evidence that the state regulator is in agreement with the conversion proposal; and
- a statement of reasons supporting the request to convert.
  - Note: 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.

The NCUA will review the conversion proposal and may specify special conditions, approve, or deny the proposal. The NCUA will notify the credit union and the Division of its decision.

### Division Conversion Proposal

The Division conversion proposal must include:

- a cover letter with a description of the credit union's business activities, including all out-of- state operations and the name and contact information for the person at the credit union who will be handling the conversion;
- a copy of all materials filed with the NCUA;
- a copy of the credit union's most recent examination report and the credit union response to it;
- a copy of the credit union's current Articles of Incorporation and bylaws; and
- the proposed Articles of Incorporation and bylaws as a state-chartered credit union.
  - Note: The Division has model Articles of Incorporation and bylaws available on its website at <https://banking.mt.gov/Home/Forms>.

The Division will review and approve the conversion proposal and supporting materials and provide a response within 60 days. The Division reserves the right to conduct a pre-conversion examination prior to approving the application or may choose to accept the most recent NCUA exam. If the Division approves the credit union for state charter, it will issue a preliminary approval of the conversion.

### Member Vote

Members may not vote on the proposal until the NCUA and the Division have approved.

The Notice of Special Meeting form must be mailed not more than 30 days nor less than seven days in advance of meeting.

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 with the conversion.

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

The conversion must be completed within 90 days after the membership vote. The BOD will ensure the state charter is received within 90 days of the date the members approved the conversion.

## Organizational Documents

The BOD will adopt new bylaws as a state-chartered credit union. The credit union must submit two (2) signed copies of its Articles of Incorporation and one (1) signed copy of its bylaws as a state charter to the Division for review and filing with the Secretary of State. 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. Additionally, the credit union must forward a check payable to the Division for filing fees.

The Division will file the Articles of Incorporation with the Montana Secretary of State, and the conversion is effective as of the filing date (or later designated effective date). The Division will forward a copy the filed Articles of Incorporation to the credit union. The Division retains the bylaws for its records.

The credit union must file a copy of the Articles of Incorporation, bearing the date stamp of the Montana Secretary of State, with the NCUA within ten (10) days after they are filed with the Montana Secretary of State, along with the federal charter and the federal insurance certificate. A copy of the financial reports as of the preceding month end should also be submitted at this time. The existence of the federal credit union does not cease until these items are filed/returned to the NCUA.

## Date of Conversion

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 will need to notify other business entities of the new name such as bonding companies, title companies, etc.

### Effective Immediately

The credit union must discontinue using any remaining stock of "federal credit union" stationery immediately.

### Within 180 days

The credit union has 180 days from the effective date of the conversion to change its signage and promotional material.

The credit union must 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 NCUA has the discretion to extend the timeframe for an additional 180 days.

### Until Depleted

Member share drafts with the federal chartered name can be used by the members until depleted.

## Insurance

If the state-chartered credit union is privately insured, it must immediately cease using any documentation referencing federal insurance.

If the state-chartered credit union is federally insured, the NCUA will issue a new insurance certificate reflecting the new name.