



GEORGIA DEPARTMENT OF BANKING AND FINANCE

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TO WHOM IT MAY CONCERN:

Following you will find information on organizing a state-chartered credit union in Georgia. You are reminded that the credit union will also have to apply with the National Credit Union Association for deposit insurance. You may contact them at (678) 443-3000 or visit their Internet site at www.ncua.gov.

After your review of this material, if you desire to proceed with the chartering process, contact this office in order for the organizers of the proposed credit union to meet with officials of this Department to discuss the proposed credit union's operation and the application process. An application will be distributed at that time.

Additional information regarding the formation of a credit union can be obtained from the Georgia Credit Union Affiliates. You may contact them at (770) 476-9625 or visit their Internet site at www.gcu.org.

If the Department can be of further assistance, please do not hesitate to contact this office.

Sincerely,

Murali Ramachandran
Corporate Manager
Corporate Division

**DEPARTMENT OF BANKING AND FINANCE
GUIDELINES FOR ORGANIZING A STATE CHARTERED CREDIT UNION**

SECTION I
THE FINANCIAL INSTITUTIONS CODE OF GEORGIA

The Financial Institutions Code of Georgia was enacted to permit the establishment of State Chartered credit unions within groups having a common bond as set out in Section II for the purpose of pooling together their resources, enabling them to make loans to their members at reasonable rates of interest and receiving a fair return on their savings.

The Code provides for the Department to make an appropriate investigation of the Articles and Bylaws for the purpose of determining:

1. Whether the Articles and Bylaws conform to provisions of this Chapter.
2. The general character and qualifications of the subscribers, and the financial stability and future prospects for the sponsoring company, if any.
3. The economic advisability of establishing the proposed credit union as in the opinion of the Department may be relevant.
4. That a common bond exist in accordance with the provisions of the Code.
5. That the subscribers and persons or corporation sponsoring the credit union are in agreement as to the services, if any, that the sponsor will provide.

Definition of Terms:

When used in this manual, the term:

1. "Code" means the Financial Institutions Code of Georgia.
2. "Department" means the Department of Banking and Finance.
3. "Commissioner" means the Commissioner of the Department of Banking and Finance.
4. "Board" means the Board of Directors of a State Chartered credit union.

SECTION II
REQUIREMENT FOR A STATE CREDIT UNION CHARTER

Common Bond

The Code authorizes the Department to determine that a common bond exists in accordance with the Code which describes "common bond" as that specific relationship of occupation, association or interest, or residence within a well defined neighborhood, community, or rural district, employees of a common employer, or members of a bona fide cooperative, educational, fraternal, professional, religious, rural or similar organization, which tends to create a mutual interest between persons sharing the relationship. Persons related by blood, adoption, or marriage to, or living in the same household with, a person within the afore described common bond, and the surviving spouses of deceased members shall also be considered within the common bond.

Economic Advisability

Determining the economic advisability of establishing a proposed State credit union is based on the number of potential members, evidence of group interest, leadership, willingness of persons to serve and participate, and the general characteristics of the sponsor or factors or conditions present in the area.

Minimum Potential Membership Guidelines

Based on experience, the Department has established minimum potential membership guidelines for chartering credit unions in each of the various types of groups. They are as follows:

<u>Type of Group</u>	<u>Minimum Potential Membership</u>
Occupational	500 employees
Associational:	
Cooperative	500 members
Fraternal, Professional and Trade Associations	500 members
Religious	500 families
Labor Unions	500 members
Residential:	
Rural	500 families
Urban	500 families

Occasionally an application for a charter may be submitted by a group having less than the minimum potential guidelines. A group which is close to the minimum and has exceptional prospects for a successful credit union operation may be considered for a State credit union charter.

SECTION III
GROUPS ELIGIBLE FOR A STATE CREDIT UNION CHARTER

Occupational Groups

As applied to State credit union chartering, employment by the same employer and in that employer's related activities, or employment in which the employees are so situated as a consequence of their employment and relationship constitutes a common bond.

In organizing an occupational credit union, early contact with company management is important. Management is often more cooperative in providing payroll deductions, office space, and other assistance if it is consulted before plans for the credit union are commenced.

The following guidelines are offered to help organizers of a credit union:

The organizers should personally contact management in each instance. They should not simply accept the statements of the group's representatives or others, nor rely on an earlier attitude toward credit unions on the part of the employer. A credit union in an occupational group generally should serve all employees of one employer at one location. Successful credit union operation is greatly influenced by accessibility to the members.

Various types of occupational groups are:

1. Industrial and Commercial groups
2. Local Government Employee Groups
3. Federal Civilian Employee Groups
4. Groups at Military Installations
5. School Groups

Associational Groups

As applied to State credit union chartering, association resulting from membership in an organization, participation in whose activities develops common loyalties and mutual interest, usually meets the requirement of the Code for a common bond in associational groups.

In deciding whether a credit union charter may be issued to an associational group, the extent and nature of association derived from membership should be carefully considered. The effect of common loyalties and mutual interests resulting through participation in organization activities should also be considered.

The common bond is usually stronger when an association is firmly established. Therefore, during the early development stage of the new association, the leaders should devote their efforts to the association itself, and apply for a State credit union charter only after stability has been achieved.

Various types of associational groups are:

1. Labor Union Groups
2. Fraternal and Beneficial Groups
3. Professional and Trade Association Groups
4. Religious Groups
5. Cooperative Groups
6. Community Action Program Groups

Residential Groups

As applied to State credit union chartering, the residence of persons within a well defined geographic area who have a community of interests, activities, and objectives usually meets the requirement of the Code for a common bond of residence.

Practicality of operation is given special consideration when the common bond is based on residence. In many residential groups, the credit union treasurer may not be as conveniently located nor have as frequent contact with the members as the treasurer of an occupational credit union. It is desirable that a substantial nucleus of potential members be interested in forming a credit union and willing to use its services.

Types of residential groups are:

1. Urban Community Groups
2. Rural Community Groups

If the principal trading center in the included area has a population of 2,500 or more, it is classified as an "urban community group". A principal trading center having a population of less than 2,500 is classified as a "rural community group".

Urban Community Groups

An urban community should be reasonably compact, and there should be evidence that there are opportunities for commingling among residents. The population of the community should not greatly exceed 25,000.

Residents of heavily populated communities have limited acquaintanceship with one another and quite divergent interest. Community credit unions do not reach as high a percentage of their potential members as occupational or associational credit unions. Before establishing a credit union to serve all residents of an urban area, the possibility of organizing credit unions based on occupation or association should be thoroughly investigated.

Rural Community Groups

Rural groups usually should not cover more than one county. The population of the community should not greatly exceed 25,000. There should be evidence that there are activities which bring residents together with a community of interest. Separate credit unions should be established for separate communities of sufficient size to qualify.

A field of membership may be described on a radius basis, when the area to be served is so situated that no group in nearby areas meets the qualifications for chartering a residential credit union. Where additional residential credit unions may be established in neighboring areas at a future date, the names of roads, natural boundaries, political subdivision limits, or north-south and east-west lines through given points may be used to describe the field of membership. By using such descriptive boundaries, two or more credit unions can be established with adjoining fields of memberships to completely cover a given area.

Ineligible Groups

Final determination of whether or not to grant Articles of Incorporation is reserved to the Department of Banking and Finance. The organizers are responsible for frankly discussing the possibility of disapproval with any group that they believe is ineligible or a borderline case.

It is not within Department policy to approve Articles of Incorporation to any of the following:

1. A group of businessmen without any formal association or organization whose only common bond is the fact that they conduct business in the same general locality.
2. A federation in which members of its subdivisions are not directly members of the federation;
3. A group of persons holding insurance policies in the same company, investors in the stock of a particular corporations, or others whose only bond is a financial one;
4. A group desiring to make general banking service available through the credit union;
5. The members of an association whose common bond is primarily one of race or national origin and who receive no substantial benefits from membership in the association;
6. The members of a cooperative or other association organized primarily for the purpose of providing a field of membership for a state-chartered credit union; and
7. A group of employees already included in the field of membership and receiving adequate service from another credit union. Ordinarily, separate Articles of Incorporation will not be granted to a group of persons who are being served adequately by an existing credit union, regardless of whether it is state or federally chartered. If substantive reasons exist for dividing a large credit union into small, more workable ones, or for realigning geographical limitations, the existing Articles of Incorporation should be amended to exclude the group or groups desiring to organize separate credit unions.

Borderline Groups

After the preliminary meeting with the interested groups, if there is any doubt whether the group qualified for Articles of Incorporation, the organizers will ask the Department of Banking and Finance for advice. In referring such a case to the Department, the organizers should submit full and complete information concerning the reasons why they the group to be eligible.

SECTION IV **INVESTIGATION AND CHARTERING PROCEDURE**

Organizers

The Department welcomes opportunities to cooperate with credit union leaders who are interested in promoting the sound development of the credit union industry through the organization of new credit unions. A credit union organizer may be a representative of a credit union organization or a local person whose training and experience qualify him or her to assist in organizing a State credit union.

Investigation Prior to Organization Meeting

The preliminary investigation is important because it enables the organizers to learn about a prospective group's needs and problems. It also gives them an opportunity to explain the advantages and objectives of the credit union plan. The more completely the organizers understand the group, the more able they will be to guide its members and lay the foundation for a sound credit union at the organization meeting.

Investigation of Sponsor

The organizers will investigate the organization forming the basis for the field of membership, its future and stability. They should inform company officials about the group's plan before taking a charter application from an employee group, even if the officials are known to be unfavorable toward establishing a credit union. If the credit union is to serve members of an association, the organizers should contact the officials of the association.

The purpose of these contacts are to:

1. Obtain the support and cooperation of the parent company or association in establishing the credit union.
2. Make certain that those who may considerably influence the credit union's success properly understand credit union operations, objectives, and principles.
3. Obtain information concerning the economic advisability of establishing the proposed credit union.

Action to be Taken Prior to Organization Meeting

Any number of persons, not less than eight, shall subscribe to the Articles of Incorporation and the Application for Credit Union Charter which should be filled out completely and forwarded to the Department. The subscribers should be fairly representative of the group to be served by the credit union. All positions on the interim board to serve until the first annual meeting shall be filled by any of the original subscribers. Positions on the Credit and Supervisory Committees may also be filled with any remaining original subscribers, the Chairman of these committees must also be a director. Usually five to eight directors, three Credit Committee members, and three Supervisory Committee members are found to be desirable for new credit unions. All persons selected to these positions should be qualified for the position to be filled and should be willing to serve. One of those selected as a director should have some bookkeeping training and/or experience to qualify him or her to be chief operating officer.

The Confidential Report of Official form shall be completed by each official and forwarded to the Department prior to the organization meeting. Information contained on this report will be confidential and will become a part of the original investigation report to be retained only by the Department.

The Articles of Incorporation are to be filed by the subscribers with the Department in triplicate (including two executed originals), together with the Secretary of State's specified fee. The subscribers shall also file with the Department the following: (1) Application for State Credit Union Charter, along with the \$12,000 investigation fee established by Department Rule 80-5-1-.03(2)(b), (2) a certificate of the Secretary of State attesting that the name of the proposed credit union has been reserved as authorized by the Code; (3) two copies of the proposed bylaws; and (4) an application for deposit insurance with the National Credit Union Administration (NCUA).

REMINDER: After investigation by the Department and upon receipt of the approval of the Department, the Secretary of State shall thereupon issue a certificate attesting to the incorporation of the credit union. The credit union shall, however, confine itself to organizational activities until it receives a permit to do business.

ORGANIZATION MEETING

Subscriber's Organizational Meeting

Upon receipt of the Certificate of Incorporation from the Secretary of State, the initial subscribers shall meet for the purpose of organizing the credit union. Notice of the meeting shall be given at least five days prior to the date of the meeting. At said meeting or adjourned meeting, subscribers shall accept said certificate and bylaws, noting such acceptance in the minutes of the meeting, and proceed to organize by confirming the Board of Directors, to serve until the first annual meeting.

First Director's Meeting

Immediately following the organizational meeting of the subscribers, the Board shall hold its first meeting at which time a Chairman, President, Secretary, shall be elected from its own number to serve until the first annual meeting. The officers shall hold office for one year and until their successors are elected and qualified. An officer elected to fill an unexpired term shall be elected for the balance of said term. The board may elect such other officers as the bylaws may provide.

After the election of the officers, the Board should appoint members to serve on the Credit and Supervisory Committees and any other committee so desired. All Directors, Officers and Committee Members should administer the oath of office and execute same.

Permit to Commence Business

When the organization has been completed and the credit union notified that its deposits will be insured by the NCUA, the credit union shall file with the Department a request to commence business. This form has a series of questions that must be answered before the permit can be issued. The permit shall state the date of your choice for the opening of the credit union books for acceptance of deposits.

SECTION V

AMENDMENT OF ARTICLES AND BYLAWS

A credit union may, upon the affirmative vote of two-thirds of its members present at a duly called meeting, amend Articles or Bylaws to introduce any change which then would be permissible in original Articles of a credit union, including a change in name or extension or limitation of its duration. Every proposed amendment of the Articles or Bylaws shall be filed with the Department.

No amendment of the Articles or of the Bylaws shall become effective until the Department's written approval is received by the credit union.