



IDAHO

DEPARTMENT OF FINANCE

C.L. "BUTCH" OTTER
Governor

GAVIN M. GEE
Director

TO: Idaho State-Chartered Credit Unions

FROM: Mary E. Hughes, Acting Director
Idaho Department of Finance

SUBJECT: Credit Union Parity Requests
Interpretive Statement 2017-01

DATE: April 10, 2017

The purposes of this Interpretive Statement are to:

1. Provide guidance to Idaho state-chartered credit unions (credit unions) regarding the procedures to be followed when giving a notice/request to the Idaho Department of Finance (Department), pursuant to Idaho Code § 26-2145, that the credit union intends to engage in an activity which it could engage, exercise a power it could exercise, or make a loan or investment which it could make (collectively referred to as "power") if it were operating as a federal credit union or a credit union chartered by another state ("parity request"), and
2. Explain the procedures the Department follows in processing parity requests submitted to it pursuant to Idaho Code § 26-2145.

Generally, the Department believes that Idaho state-chartered credit unions should not be at a competitive disadvantage to federally chartered credit unions and that all credit unions should be in a position of parity when competing in the marketplace, regardless of their chartering authority.

The Department's principal focus in evaluating a parity request is determining whether the power will be safe and sound for the credit union. The Department can address unsafe and unsound practices engaged in by a credit union at any time. Idaho Code § 26-2140.

In evaluating a parity request, the Department also considers whether the request is consistent with the purposes of the Idaho Credit Union Act (Act) (Idaho Code § 26-2145(d)); whether the request is in the interests of the public and the credit union's members; and the extent to which the power requested is consistent with the existing provisions of the Act, Rules Pursuant to the Act (Rules), or other governing Idaho law.

For some parity requests, these factors are clearly and immediately met and the request can be granted without further consideration.

To properly consider other parity requests and determine whether the proposed power will adversely impact the safety and soundness of the credit union, the Department asks that credit unions provide as much detail as possible for the requested power, including, but not limited to:

- A written description of the proposed power;
- Citations to the federal or state law upon which the power is based;
- Citations to any rules or regulations that implement the law, and any related opinions, letters, policies, or other guidance issued by the federal agency or state relied upon;
- Copies of any policies, forms, contracts, or other documents that will be used in implementing the power;
- A projection as to how the power will impact the credit union's net worth, earnings, expenses, or any other significant aspect of the credit union's finances;
- The credit union's opinion as to whether the power will impact the credit union's safety and soundness, the reasons supporting the credit union's opinion, and any actions taken or planned to be taken to mitigate safety and soundness risks created by the requested power; and
- A statement explaining the power's benefits to the credit union's members or the general public.

Upon receiving the above information, the Department may request additional information in order to fully understand and analyze the proposed power. Contacting the Department prior to submitting a parity request can be of assistance to the credit union in ensuring that any required information accompanies the request and, many times, in expediting the parity request process.

If needed, the Department may ask the credit union to waive or extend the Department's twenty (20) day response time set forth in Idaho Code § 26-2145(b).

It is important to note that if a requested power is granted, the credit union will be required to comply with all aspects of the federal or state law, implementing rules or regulations, and related guidance that are the subject of the request.

In its approval of a parity request, the Department may attach restrictions, limitations, or additional requirements to the credit union's new power to ensure that the credit union remains safe and sound; that the power is not inconsistent with the purposes of the Act; that the power serves the interests of the public and the credit union's members; and, if possible, that the power is not inconsistent with existing provisions of the Act, Rules, or other governing Idaho law. If the credit union chooses, it may treat the conditioned approval of the request as a denial in order to request a hearing pursuant to Idaho Code § 26-2145(c).

Parity requests will not be considered regarding fields of membership or to waive the requirements of the Idaho Credit Code.

Idaho State-Chartered Credit Unions

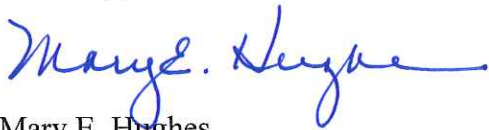
April 10, 2017

Page 3

In the event the Department denies a credit union's parity request, the credit union shall have the right to request a hearing in accordance with Idaho Code § 26-2145(c).

If you have any questions regarding this matter, please contact our office.

Sincerely,



Mary E. Hughes
Acting Director of Finance

This is an agency guidance document within the meaning of Idaho Code § 67-5250(2) and does not have the force and effect of law. It is prepared for the benefit of regulated credit unions and is an agency interpretation of law for the benefit of regulated credit unions so that they will know the proper procedure to be followed.