LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6703 | **DATE PREPARED:** Dec 11, 2001
BILL NUMBER: SB 202 | **BILL AMENDED:**

SUBJECT: Credit union membership and loans.

FISCAL ANALYST: Chris Baker
PHONE NUMBER: 232-9851

FUNDS AFFECTED: **GENERAL**
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill allows persons who reside in or are employed in a community to be considered a qualified group to form a credit union. The bill eliminates existing criteria by which the department of financial institutions determines whether a group seeking to form a credit union is a community. The bill also changes the credit union real estate improvement loan requirements.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The Department of Financial Institutions (DFI) may experience increases in administrative responsibility if new credit unions were to become chartered or existing credit unions were allowed to increase their membership under the bill. If new credit unions are chartered, the DFI would have to insure the safety and soundness of additional credit unions. The precise impact to DFI would depend on the number of new credit unions chartered or increased membership to existing credit unions as a result of the bill.

Under current law, membership of a credit union is currently limited to one or more qualified groups of persons, immediate family members of the persons in the qualified group, and organizations of those persons. If a qualified group includes residents within a community, as the bill would allow, membership of that credit union could increase. Current qualified groups include persons associated with the following: occupational, trade, or professional organizations; labor organizations; churches; trades or professions; employees of a credit union; and farm bureau cooperatives. Under current law, DFI must approve expansion of membership in existing credit unions.

Also under current law, a credit union may be organized by persons living in a neighborhood, community, or rural district as determined by the DFI if they have the following criteria: a total community population of 35,000; the community is politically or geographically well defined; the economic feasibility of serving the community is adequate; support by the community exists; the character and qualifications of the officers of the credit union are satisfactory to the DFI; and other credit unions within the community are excluded. The bill would remove these statutory qualifications, in addition to a requirement in statute that prevents expansion of membership unless such expansion as determined by the DFI would prevent insolvency.

Explanation of State Revenues: If new credit unions are chartered, DFI would receive fee revenue for examinations. Currently, a minimum $600 fee is paid annually for examination of a credit union. The fee may be higher depending on the total amount of assets the credit union holds. Fees collected for credit union examinations are deposited into the Financial Institutions Fund. In FY 2001 the DFI collected $540,285 in credit union fees. Currently, there are 56 state-chartered credit unions.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Financial Institutions.

Local Agencies Affected:

Information Sources: Department of Financial Institutions; Chris Beaumont, Indiana Credit Union League, (317) 594-5335; Office of the Auditor of State, *Revenue Trial Balance 6/30/2001*.