

# Foundations

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# Brief Overview

- NCUA and Field of Membership Expansion Issues
- Historical SEG Expansion
- New Horizons/New Rules - July 6, 2015
- Foundations 501(c)(3)
  - A positive force in the community
- Fulfill our mission

# The Past, The Present and The Future

- A **single common bond** federal credit union consists of one group having a common bond of occupation or association.
- A **multiple common bond** federal credit union consists of more than one group, each of which has a common bond of occupation or association.

# The Past, The Present and The Future

- The **associational common bond** credit union consists of individuals (natural persons) and/or groups (non-natural persons) whose members participate in activities developing common loyalties, mutual benefits and mutual interests.
  - Separately-chartered associational groups can establish a single common bond relationship with each other if those groups are integrally related and share common goals and purposes.
  - NCUA reviews

# Totality of Circumstances Test

NCUA determines if a “group” satisfies the associational common bond requirements by applying the following factors, commonly referred to as the **totality of circumstances test**.

1. Whether members pay dues;
2. Whether members participate in the furtherance of the goals of the association;
3. Whether the members have voting rights;
4. Whether the association maintains a membership list;
5. Whether the association sponsors other activities;
6. The association’s membership eligibility requirements; and
7. Frequency of meetings.

# The Credit Union's Payment of Member Association Dues

- If the member has given his or her consent – permissible.
- Policy helps to facilitate the appropriate use of qualified associations by providing additional flexibility.
- If association is automatically approved because it satisfies totality of circumstances test practice – permissible but is not mandatory.

# The NEW Rules

All effective: July 6, 2015



# Automatic Associational Membership Approval

1. Religious organizations including churches
2. Homeowner associations
3. Scouting groups
4. Electric cooperatives
5. Alumni associations
6. Labor unions

# Automatic Associational Membership Approval

## New Additions

1. Parent/teacher associations organized at the local level to serve a single school district
2. Chamber of commerce groups (members only, not employees of members)
3. Athletic booster clubs whose members have voting rights
4. Fraternal organizations or civic groups with a mission or community service whose members have voting rights
5. Organizations promoting **social interaction** or **educational initiatives** among members sharing a common occupation or profession

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# One-Year Test

Effective July 6, 2015:

The NCUA Board is “eliminating the one-year requirement from the threshold test so that the one-year requirement is no longer a condition for satisfying the threshold test.”

# 2015 Amendments and Regulatory “Enhancements”

## New Addition – Corporate Separateness

- The credit union and the association’s respective business transactions, accounts and records are not to be intermingled.
- Each observes the formalities of its separate corporate procedures.
- Each is adequately financed as a separate entity in light of normal obligations

# 2015 Amendments and Regulatory “Enhancements”

- Each is held out to the public as a separate enterprise
- The association maintains a separate physical location which does not include a post office box or other mail drop and is not on the premises owned or leased by the federal credit union (exceptions – labor unions and churches)

“The presence or absence of any of these factors is not determinative.”

# “Voting Rights”

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# Geographical Limitation - *NONE*

“The Board reiterates that the chartering manual clearly states that single association common bond federal credit unions do not have a geographic limitation.”

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## The Tricks and the Traps

### The Traps

- Competition
- NCUA Examiners
- Bankers
- Time & Expense
- Governance
- Distractions



# Foundations

## The Tricks and the Traps

### The Tricks

- Bylaw flexibility
  - Members to vote on selections of individuals or groups to receive donations or grants
  - Membership in Credit Union and Foundation
  - Annual Meetings
  - Membership List
  - Periodic volunteer opportunities for donors (social interaction or educational opportunities)
  - No boundaries
  - Watch your bottom line grow

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# Foundations

## 501c(3) Corporate Organizations

- Background
- Name
  - Trademark
  - Logo
  - Domain Name
- Separate Legal Entity
  - Number of directors
  - Succession plan
  - Article of Incorporation and Bylaws
  - Voting Rights

# Foundations

- IRS Form 1023-EZ
  - Good faith belief gross revenue of \$50,000 or less in each of the first 3 years
  - Substantial purpose would not be to provide assistance via credit counseling, financial literacy, mortgage foreclosure assistance or similar programs
  - 3 weeks vs 6 to 9 months
- Fees, costs, expenses
- Name, Timing, Future?

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Giving from the Foundation helps all focus on:

- The Credit Union
- Total member enrichment

# Questions?



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