



STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS

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**DEPOSITORY DIVISION
ADVISORY LETTER 2017-4**

NOVEMBER 30, 2017

TO: Indiana state-chartered credit unions

FROM: Thomas C. Fite, Director
Chris Dietz, Deputy Director, Depository Division

RE: School Credit Union Branches

As a result of various inquiries, the Indiana Department of Financial Institutions (“the Department”) is providing the following advisory to credit unions regarding the creation of school credit union branches. This advisory intends to provide clarity regarding the process and the regulatory expectations of the Department concerning such activity.

Background

School credit union branches are typically established as a financial education partnership between a credit union and school, including an elementary¹ or secondary school², as well as an institution of higher learning such as a college or university. A “school” can be public³ or non-public.⁴ Most, if not all, such programs include a financial education component that encourages and promotes financial capability among youth.

Activity

The Federal Credit Union Act does provide that federal credit unions were organized for, among other things, promoting thrift among its members.⁵ As a general matter, neither federal law nor Indiana law prevents minors from opening savings (or share) accounts. Indiana statute does provide that shares may be issued to minors as is otherwise permitted by the credit union’s by-laws. Ind. Code §28-7-1-201.1 (b) goes on to say:

¹ Ind. Code §20-18-2-4

² Ind. Code §20-18-2-18-2-15

³ Ind. Code § 20-18-20-15

⁴ Ind. Code 20-18-2-12

⁵ 12 U.S.C. 1752(1)

“(b) A credit union may issue shares to and receive deposits from a minor. The minor may withdraw the deposits or shares and any dividends or interest on the deposits or shares. A deposit, investment in a share, or withdrawal under this subsection by a minor is valid and enforceable. The minor is considered an adult with respect to the deposit, investment, or withdrawal.”

A member relationship, however, is generally a product of a contractual agreement between the credit union and the member. In general, minors (ie, in Indiana, defined as those under the age of eighteen) are not considered to have legal capacity to enter into a contract. As a result, credit unions should consider consulting with legal counsel to carefully consider the scope of products and services that are offered to minors.

Branch location

Indiana statute defines a “branch” to include any place of business “at which deposits are received, checks paid, or money lent.”⁶ As a result, the Department does require a credit union to submit a new branch application for consideration. As part of any such application, the Department expects to be provided with the following:

- Written permission to establish and operate a student credit union branch from the governing body of the school corporation (for a public school) or equivalent authority (for a non-public school);
- Written policies and procedures concerning security measures developed to ensure the safety of credit union employees, students and school faculty;
- Written policies and procedures of the safekeeping of assets of the branch while on school premises;
- Written policies and procedures of dual control and processing of deposits from time of acceptance through the delivery to the credit union permanent office; and
- Evidence that the credit union insurance policy will cover the operation of the school credit union branch.

Safety and Soundness

As a general matter, the expectation of the Department is that any such program is conducted in a manner that is consistent with safety and soundness standards, and complies with applicable laws, including but not limited to Ind. Code § 28-7 *et. seq.* Such program will also be subject to routine examination and review by the Department.

Resources:

- [Guidance to Encourage Financial Institutions’ Youth Savings Programs and Address Related Frequently Asked Questions](#) (FFIEC Interagency Guidance, Feb. 24, 2015)

⁶ Ind. Code § 28-2-13-7