

HOUSE BILL REPORT

HB 2140

As Reported by House Committee On:
Business & Financial Services

Title: An act relating to credit unions' mergers.

Brief Description: Concerning credit unions' mergers.

Sponsors: Representatives Ryu, Stanford, Kirby, Moscoso and Vick.

Brief History:

Committee Activity:

Business & Financial Services: 1/14/14, 1/15/14 [DP].

Brief Summary of Bill

- Modifies credit union merger statute so that a simple majority of voting members may approve a merger.

HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

Majority Report: Do pass. Signed by 14 members: Representatives Kirby, Chair; Ryu, Vice Chair; Parker, Ranking Minority Member; Vick, Assistant Ranking Minority Member; Blake, Fagan, Habib, Hawkins, Hudgins, Hurst, Kochmar, MacEwen, Santos and Stanford.

Staff: David Rubenstein (786-7153).

Background:

Credit unions doing business in Washington may be chartered by the state or federal government. The National Credit Union Administration regulates federally chartered credit unions. The Department of Financial Institutions (DFI) regulates state-chartered credit unions.

State-chartered credit unions may merge with approval by directors and members. A merger requires approval by a majority vote of each credit union's board of directors and a two-thirds majority of voting members of the merging credit union.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Senate Bill 5302 (SB 5302), enacted in 2013, modified various aspects of credit unions' corporate governance, including mergers. Before the changes enacted under SB 5302, a merger required approval by a two-thirds majority vote of merging credit unions' boards of directors and a two-thirds majority of voting members of the merging credit union. The 2013 law eliminated the boards of directors' two-thirds majority requirement in favor of a simple majority, but left in place the requirement of a two-thirds majority of voting members.

Under federal law, federally chartered credit unions may merge upon a vote of a simple majority of voting members. Under current law, Washington state-chartered credit unions may follow this procedure with permission of the DFI.

Summary of Bill:

State-chartered credit unions may merge with the approval of a simple majority of voting members of the merging credit union.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This is a parity bill allowing members to have the same rights as board members for the purposes of approving mergers. This bill fixes an omission in a law passed last year, and allows credit unions to follow the federal procedures without prior approval by the DFI. If the Legislature approves this bill, state-chartered credit unions will not be disadvantaged in comparison with federal credit unions. The DFI was provided with language for the bill and supports it.

There were four Washington credit union mergers in 2012, none in 2013, and there is one pending for 2014. Credit unions merge because it allows financially troubled credit unions to survive while healthy credit unions sometimes merge for competitive reasons, such as to increase assets.

(Opposed) None.

Persons Testifying: Representative Ryu, prime sponsor; Mark Minickiello, Northwest Credit Unions Association; and Doug Lacy-Roberts, Department of Financial Institutions.

Persons Signed In To Testify But Not Testifying: None.