

SENATE BILL REPORT

HB 1165

As Reported by Senate Committee On:
Business, Financial Services & Trade, March 18, 2021

Title: An act relating to the Washington credit union act.

Brief Description: Concerning the Washington credit union act.

Sponsors: Representatives Ryu, Vick, Santos, Hoff and Harris-Talley.

Brief History: Passed House: 2/3/21, 93-2.

Committee Activity: Business, Financial Services & Trade: 3/16/21, 3/18/21 [DPA].

Brief Summary of Amended Bill

- Allows credit unions to acquire real property without occupying the property within a designated period of time.
- Modifies certain powers and authorities of state-chartered credit unions.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Majority Report: Do pass as amended.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Dozier, Ranking Member; Brown, Frockt, Hobbs and Wilson, L.

Staff: Clinton McCarthy (786-7319)

Background: Credit unions are cooperative, nonprofit organizations created for promoting thrift among their members and providing a source of credit to them. Credit unions may be chartered under state or federal law. The National Credit Union Administration regulates federally chartered credit unions.

The Department of Financial Institutions (DFI) regulates state-chartered credit unions.

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

State law provides for the organization, regulation, and examination of state-chartered credit unions. The director of the DFI (director) may, by rule, provide relief from certain state laws and rules to small credit unions, which are defined as credit unions with up to \$10 million in total assets. There are no credit unions with less than \$10 million in total assets.

Credit Union Authority. State-chartered credit unions have all of the powers and authorities held by federal credit unions on December 31, 1993, or a subsequent date not later than July 28, 2019. State credit unions may have all of the powers and authorities held by federal credit unions after that date, if the director finds the exercise of the power and authority serves the convenience and advantage of credit union members and maintains the fairness of competition and parity between state credit unions and federal credit unions. State credit unions also have all powers and authorities of out-of-state credit unions, except membership, so long as insurance and other requirements are met.

Credit Union Services and Charges. Credit unions may provide a variety of financial services to members, including accepting deposits, making loans, and paying interest or dividends. Credit unions may impose reasonable charges for services provided to members.

Real Property Interests. With some limitations, credit unions may invest in real property or leasehold interests if used in conducting its business or the business of a credit union services organization. Credit unions must partially occupy real property acquired for future expansion within three years of the investment if property improvements are made at the time of acquisition, or within six years if no improvements are made.

Summary of Amended Bill: Credit Union Authority. DFI is provided rule making authority to establish a definition for the term small credit union.

Credit unions may impose reasonable charges for the services it provides to both members and non-members. The list of services that a credit union can provide is expanded to include cashing checks, money orders, and other payment instruments for members and persons who are eligible for membership in the credit union.

State-chartered credit unions may have all of the powers and authorities held by federal credit unions as of December 31, 1993, or a subsequent date not later than the effective date of this act.

Real Property Interests. The requirement that credit unions partially occupy property acquired for future expansion within a designated amount of time from acquisition is removed.

EFFECT OF BUSINESS, FINANCIAL SERVICES & TRADE COMMITTEE AMENDMENT(S):

Removes the section of the bill that amends RCW 31.12.436. The provisions that would

permit credit unions, under certain circumstances, to invest an equity interest in an entity engaged in a planning or developing activity, incidental or complementary to a credit union's operations, are removed.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: This bill expands the services that credit unions can provide. DFI is given flexibility to provide relief to small credit unions. This bill provides more flexibility to credit unions on how to deal with its property interests. Check cashing for non-members is important and credit unions would like to help people that are in need. The definition of small credit unions needs to be changed in order to provide meaningful regulatory relief for smaller credit unions. Credit unions service organizations must primarily serve credit unions and be owned by credit unions. With the rise of fintech, there are lots of businesses that could provide important tools for credit unions that do not want to be limited to working with credit unions. Credit unions want a seat at the table with these entities at the forefront of providing personalized financial services. Investing in entities could also result in better terms for transactions with members. The bill provides tools to the DFI director to provide oversight. The financial well being of members is paramount to BECU. Section 4 of this bill would provide BECU the ability to invest in fintech. This is important because of how members are interfacing with the credit union is trending towards the use of technology. Equity investment would enable credit unions to be early adapters to emerging technology and procure savings through favorable terms with vendors. BECU wants to keep pace with global digital demand and continue to serve their members.

CON: Opposition from banks is limited to section 4 of the bill. Bank regulation on equity investment is regulated at the federal level and is very prescriptive. Credit unions would have much greater flexibility to invest in equities than banks do. The state's largest credit union would have the ability to invest \$1.3 billion. The largest investment by a bank in this space was approximately \$3 million.

OTHER: This is a very complicated issue. DFI pledges to work with all parties over the interim to reach a compromise over the bill that will allow for equity investments.

Persons Testifying: PRO: Representative Cindy Ryu, Prime Sponsor; Joe Adamack, Northwest Credit Union Association; Alison Phelan, BECU.

CON: Trent House, Washington Bankers Association.

OTHER: Drew Bouton, Washington State Department of Financial Institutions.

Persons Signed In To Testify But Not Testifying: No one.