

SENATE BILL REPORT

SB 6746

As Reported By Senate Committee On:
Financial Institutions & Housing, February 2, 1996

Title: An act relating to the credit unions examination fund.

Brief Description: Examining credit unions.

Sponsors: Senator Prentice.

Brief History:

Committee Activity: Financial Institutions & Housing: 2/1/96, 2/2/96 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & HOUSING

Majority Report: That Substitute Senate Bill No. 6746 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair; Hale, Roach, Sellar, Smith and Sutherland.

Staff: Catherine Mele (786-7470)

Background: The Legislature created the Department of Financial Institutions (DFI) in 1993. The DFI regulates banks, savings banks, savings and loan associations, credit unions, consumer loan companies, escrow companies, mortgage brokers, check cashiers and sellers, trust companies and departments, and securities. The DFI has four operating divisions which include Banking, Credit Unions, Consumer Services, and Securities.

The Division of Credit Unions regulates all state chartered credit unions in Washington State. The division is funded through fees paid by the credit unions into the division's dedicated nonappropriated fund. In 1994, the division's fund was depleted below acceptable levels. This occurred because of significant expenses for tort litigation defense, computers, and additional staffing needs.

Since 1995, the Credit Union Division has worked with the Washington Credit Union League to review the budget and fee structure for the division. The division enacted rules to provide for a schedule of annual automatic fee increases within the limits of Initiative 601.

Initiative 601 prohibits state agencies from increasing fees by an amount greater than the fiscal growth factor without prior legislative approval. The fiscal growth factor is the three-year average rate of population increase and inflation. The fiscal growth factor for fiscal year 1996 is 5.13 percent.

There is concern that the fee increase schedule passed by DFI does not raise sufficient revenue to cover the division's current and anticipated operating costs.

Summary of Substitute Bill: The Director of the Department of Financial Institutions is authorized to charge fees to credit unions. These fees cover the costs of operating the Division of Credit Unions and establish a reserve for the division. The projected revenue to the dedicated nonappropriated examination fund in fiscal year 1997 may not exceed \$1,120,500, plus a one-time special assessment of \$184,000.

Substitute Bill Compared to Original Bill: The substitute bill removes the cite to the Department of Securities, and makes technical changes.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: The Department of Financial Institutions, Division of Credit Unions is funded by fees paid by credit unions into a dedicated, nonappropriated fund. The Division is currently underfunded to satisfy its statutory mission. Since 1995, the department and the industry have been working together to resolve the funding issue. This bill is a result of this work, and will allow the department to increase fees to an acceptable level with Legislative approval.

Testimony Against: None.

Testified: Stacy Augustine, Director of Government Relations, WA Credit Union League; Parker Cann, Assistant Director, Division of Credit Unions; Linda Jekel, Program Manager, Division of Credit Unions.