
SUBSTITUTE HOUSE BILL 1560

State of Washington

55th Legislature

1997 Regular Session

By House Committee on Financial Institutions & Insurance (originally sponsored by Representatives L. Thomas, Wolfe, Smith, Benson and Mason)

Read first time 03/03/97.

1 AN ACT Relating to modernizing, clarifying, and simplifying the
2 Washington state credit union act; amending RCW 31.12.025, 31.12.035,
3 31.12.075, 31.12.085, 31.12.105, 31.12.185, 31.12.225, 31.12.235,
4 31.12.246, 31.12.255, 31.12.265, 31.12.275, 31.12.285, 31.12.326,
5 31.12.345, 31.12.365, 31.12.306, 31.12.145, 31.12.155, 31.12.295,
6 31.12.485, 31.12.317, 31.12.445, 31.12.465, 31.12.705, 31.12.715,
7 31.12.725, 31.12.516, 31.12.545, 31.12.215, 31.12.575, 31.12.585,
8 31.12.595, 31.12.605, 31.12.625, 31.12.655, 31.12.665, 31.12.675,
9 31.12.685, and 31.12.635; reenacting and amending RCW 31.12.005,
10 31.12.015, 31.12.055, 31.12.065, 31.12.115, 31.12.195, 31.12.335,
11 31.12.125, 31.12.136, 31.12.385, 31.12.406, 31.12.425, 31.12.435,
12 31.12.695, 31.12.526, 31.12.555, and 31.12.565; adding new sections to
13 chapter 31.12 RCW; creating a new section; recodifying RCW 31.12.005,
14 31.12.015, 31.12.025, 31.12.035, 31.12.055, 31.12.065, 31.12.075,
15 31.12.085, 31.12.105, 31.12.115, 31.12.185, 31.12.195, 31.12.225,
16 31.12.235, 31.12.246, 31.12.255, 31.12.265, 31.12.275, 31.12.285,
17 31.12.326, 31.12.335, 31.12.345, 31.12.365, 31.12.306, 31.12.045,
18 31.12.145, 31.12.155, 31.12.295, 31.12.125, 31.12.136, 31.12.037,
19 31.12.039, 31.12.385, 31.12.485, 31.12.406, 31.12.317, 31.12.425,
20 31.12.435, 31.12.445, 31.12.465, 31.12.695, 31.12.705, 31.12.715,
21 31.12.526, 31.12.725, 31.12.516, 31.12.545, 31.12.555, 31.12.565,

1 31.12.215, 31.12.575, 31.12.585, 31.12.595, 31.12.605, 31.12.615,
2 31.12.625, 31.12.655, 31.12.665, 31.12.675, 31.12.685, 31.12.720,
3 31.12.740, 31.12.735, 31.12.635, and 31.12.902; repealing RCW
4 31.12.095, 31.12.165, 31.12.206, 31.12.315, 31.12.355, 31.12.376,
5 31.12.395, 31.12.415, 31.12.455, 31.12.475, 31.12.495, 31.12.506,
6 31.12.535, 31.12.645, 31.12.903, 31.12.904, 31.12.905, and 43.320.125;
7 prescribing penalties; and providing effective dates.

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

9 NEW SECTION. **Sec. 1.** The legislature finds that credit unions
10 provide many valuable services to the consumers of this state and will
11 be better prepared to continue providing these services if the
12 Washington state credit union act is modernized, clarified, and
13 reorganized.

14 Furthermore, the legislature finds that credit unions and credit
15 union members will benefit by enacting provisions clearly specifying
16 the director of financial institution's authority to enforce statutory
17 provisions.

18 Revisions to this act reflect the legislature's intent to
19 modernize, clarify, and reorganize the existing act, and specify the
20 director's enforcement authority. By enacting the revisions to this
21 act, it is not the intent of the legislature to affect the scope of
22 credit unions' field of membership or tax status, or impact federal
23 parity provisions.

24 **Sec. 2.** RCW 31.12.005 and 1994 c 256 s 68 and 1994 c 92 s 175 are
25 each reenacted and amended to read as follows:

26 Unless the context clearly requires otherwise, as used in this
27 chapter:

28 (1) "Board" means the board of directors of a credit union.

29 (2) "Board officer" means an officer of the board elected under RCW
30 31.12.265(1) (as recodified by this act).

31 ~~(3) "Branch" means any ((office, other than the principal place of~~
32 ~~business, maintained by a credit union, alone or together with other~~
33 ~~credit unions, for the purpose of accepting deposits or making loans to~~
34 ~~its members. "Branch" does not include a facility that is limited to~~
35 ~~an electronic funds transferring machine or a similar service facility~~
36 ~~that does not involve the approval of loans.~~

1 ~~(3) "Credit union" means a credit union organized and operating~~
2 ~~under this chapter.~~

3 ~~(4) "Director" means the director of financial institutions.~~

4 ~~(5) "Employees" means the principal operating officer and other~~
5 ~~operating personnel of a credit union.~~

6 ~~(6) "Federal credit union" means a credit union organized and~~
7 ~~operating under the laws of the United States.~~

8 ~~(7) "Officers" means the officers of the board of a credit union~~
9 ~~who are elected under RCW 31.12.265.~~

10 ~~(8) "Shares" and "deposits" are synonymous and interchangeable.~~
11 ~~Shares and deposits of a credit union shall be subject to such terms~~
12 ~~and conditions as established by the board of the credit union.~~

13 ~~(9) "Supervisory committee" means a committee having the powers and~~
14 ~~duties set forth in RCW 31.12.326 through 31.12.345. Supervisory~~
15 ~~committees are the statutory successors of auditing committees.)~~
16 physical facility where shares and deposits are taken. The term does
17 not include an automated teller machine or a machine permitting members
18 to communicate with credit union employees who are not located at the
19 site of the machine, unless employees of the credit union at the site
20 of the machine take shares and deposits on a regular basis. A facility
21 is not deemed to be a branch of a credit union, regardless of any
22 affiliation, accommodation arrangement, or other relationship between
23 the organization owning or leasing the facility and the credit union,
24 unless the facility is owned or leased in whole or part, directly or
25 indirectly, by the credit union.

26 (4) "Business loan" means a loan for business, investment,
27 commercial, or agricultural purposes.

28 (5) "Capital" means a credit union's reserves, undivided earnings,
29 and allowances for loan loss.

30 (6) "Consumer loan" means a loan for consumer, family, or household
31 purposes.

32 (7) "Credit union" means a credit union organized and operating
33 under this chapter.

34 (8) "Credit union service organization" means an organization that
35 a credit union has invested in pursuant to RCW 31.12.425(8) (as
36 recodified by this act), or a credit union service organization
37 invested in by an out-of-state credit union or federal credit union.

38 (9) "Director" means the director of financial institutions.

1 (10) "Federal credit union" means a credit union organized and
2 operating under the laws of the United States.

3 (11) "Financial institution" means any commercial bank, trust
4 company, savings bank, or savings and loan association, whether state
5 or federally chartered, and any credit union, out-of-state credit
6 union, or federal credit union.

7 (12) "Foreign credit union" means a credit union organized and
8 operating under the laws of another country or other jurisdiction.

9 (13) "Insolvency" means:

10 (a) If, under generally accepted accounting principles, the
11 recorded value of the credit union's assets are less than its
12 obligations to its share account holders, depositors, creditors, and
13 others; or

14 (b) If it is likely that the credit union will be unable to pay its
15 obligations or meet its share account holders' and depositors' demands
16 in the normal course of business.

17 (14) "Loan" means any loan, overdraft line of credit, extension of
18 credit, or lease, in whole or in part.

19 (15) "Material violation of law" means:

20 (a) If the credit union or person has violated a material provision
21 of:

22 (i) Law;

23 (ii) Any cease and desist order issued by the director;

24 (iii) Any condition imposed in writing by the director in
25 connection with the approval of any application or other request of the
26 credit union; or

27 (iv) Any written agreement entered into with the director;

28 (b) If the credit union or person has concealed any of the credit
29 union's books, papers, records, or assets, or refused to submit the
30 credit union's books, papers, records, or affairs for inspection to any
31 examiner of the state or, as appropriate, to any examiner of the
32 national credit union administration; or

33 (c) If the person has breached his or her fiduciary duty to the
34 credit union.

35 (16) "Membership share" means an initial share required to be
36 purchased in order to establish and maintain membership in a credit
37 union.

38 (17) "Net capital" means a credit union's capital, less the
39 allowance for loan loss.

1 (18) "Operating officer" means an officer of a credit union
2 designated under RCW 31.12.265(2) (as recodified by this act).

3 (19) "Organization" means a corporation, partnership, association,
4 limited liability company, trust, or other organization or entity.

5 (20) "Out-of-state credit union" means a credit union organized and
6 operating under the laws of another state or United States territory.

7 (21) "Person" means an organization or a natural person including,
8 but not limited to, a sole proprietorship.

9 (22) "Principally" or "primarily" means more than one-half.

10 (23) "Unsafe or unsound condition" means, but is not limited to:

11 (a) If the credit union is insolvent;

12 (b) If the credit union has incurred or is likely to incur losses
13 that will deplete all or substantially all of its capital; or

14 (c) If the credit union is in imminent danger of losing its share
15 and deposit insurance or guarantee.

16 (24) "Unsafe or unsound practice" means any action, or lack of
17 action, which is contrary to generally accepted standards of prudent
18 operation, the likely consequences of which, if continued, would be
19 abnormal risk of loss or danger to a credit union, its members, or an
20 organization insuring or guaranteeing its shares and deposits.

21 **Sec. 3.** RCW 31.12.015 and 1994 c 256 s 69 and 1994 c 92 s 176 are
22 each reenacted and amended to read as follows:

23 A credit union is a cooperative society organized under this
24 chapter as a nonprofit corporation for the purposes of promoting thrift
25 among its members and creating a source of credit for them at fair and
26 reasonable rates of interest.

27 The director is the state's credit union regulatory authority whose
28 purpose is to protect ~~((the))~~ members' financial interests, the
29 integrity of credit unions as cooperative institutions, and the
30 interests of the general public, and to ensure that ~~((state-chartered))~~
31 credit unions remain viable and competitive in this state.

32 **Sec. 4.** RCW 31.12.025 and 1994 c 256 s 70 are each amended to read
33 as follows:

34 (1) A credit union shall include ~~((in its name))~~ the words "credit
35 ~~((union.))~~ union" in its name.

36 (2) No person~~((, partnership, association, corporation, or other~~
37 ~~organization))~~ may ~~((transact))~~ conduct business or engage in any other

1 activity under a name or title containing the words "credit union", or
2 represent itself as a credit union, unless it is:

3 (a) A credit union, out-of-state credit union, or a foreign credit
4 union;

5 (b) An organization ((~~comprised of corporations organized under~~
6 state or federal credit union laws)) whose membership or ownership is
7 limited to credit unions, out-of-state credit unions, federal credit
8 unions, or their trade organizations;

9 (c) A ((~~sole proprietorship, partnership, or corporation~~)) person
10 that is primarily in the business of managing one or more credit
11 unions, out-of-state credit unions, or federal credit unions; or

12 (d) ((~~An organization specifically authorized under the laws of~~
13 this state or under federal law to use the words "credit union" in its
14 name.)) A credit union service organization.

15 **Sec. 5.** RCW 31.12.035 and 1994 c 92 s 177 are each amended to read
16 as follows:

17 Seven or more natural persons who reside in this state may apply to
18 the director for permission to organize a credit union. ((The director
19 shall approve the application if it is in compliance with this
20 chapter.)) The application must include copies of the proposed
21 articles of incorporation and bylaws, and such other information as may
22 be required by the director. The director shall approve or deny a
23 complete application within sixty days of receipt.

24 **Sec. 6.** RCW 31.12.055 and 1994 c 256 s 71 and 1994 c 92 s 179 are
25 each reenacted and amended to read as follows:

26 (1) Persons applying for the organization of a credit union shall
27 execute articles of incorporation stating:

28 (a) The initial name and location of the ((~~proposed~~)) credit union
29 ((~~and its location~~));

30 (b) That the duration of the credit union is perpetual;

31 (c) That the purpose of the credit union is to engage in the
32 business of a credit union and any other lawful activities permitted to
33 a credit union by applicable law ((~~s and rules~~));

34 (d) The number of its directors, which ((~~shall~~)) must not be less
35 than five ((~~nor~~)) or greater than fifteen, and the names ((~~or~~
36 occupations, and addresses)) of the persons who are to serve as the
37 initial directors;

1 (e) The names(~~(, occupations, and addresses)~~) of the (~~subscribers~~
2 ~~to the articles of incorporation, and a statement of the number of~~
3 ~~shares which each has agreed to take~~) incorporators;

4 (f) The initial par value, if any, of the shares of the credit
5 union;

6 (g) (~~Any provision the applicants elect to so set forth which is~~
7 ~~permitted by RCW 23B.17.030; and~~) The extent, if any, to which
8 personal liability of directors is limited;

9 (h) The extent, if any, to which directors, supervisory committee
10 members, officers, employees, and others will be indemnified by the
11 credit union; and

12 (i) Any other provision (~~the applicants elect to so set forth~~)
13 which is not inconsistent with this chapter.

14 (2) Applicants shall submit the articles of incorporation in
15 triplicate to the director.

16 **Sec. 7.** RCW 31.12.065 and 1994 c 256 s 72 and 1994 c 92 s 180 are
17 each reenacted and amended to read as follows:

18 (1) Persons applying for the organization of a credit union shall
19 adopt bylaws that (~~are consistent with this chapter and that~~)
20 prescribe the manner in which the business of the credit union shall be
21 conducted. The bylaws shall include:

22 (a) The name of the credit union;

23 (b) The (~~purposes~~) field of membership of the credit union;

24 (c) (~~The~~) Reasonable qualifications for membership in the credit
25 union, including, but not limited to, the minimum number of shares, and
26 the payment of a membership fee, if any, required for membership
27 (~~status~~), and the (~~standards and~~) procedures for expelling a member
28 (~~who has failed to maintain the minimum number of shares~~);

29 (d) The number of directors and supervisory committee members, and
30 the length of terms they serve and the permissible term length of any
31 interim director or supervisory committee member;

32 (e) Any qualification for eligibility to serve on the credit
33 union's board, or supervisory committee;

34 (f) The number of credit union employees that may serve on the
35 board, if any;

36 (g) The frequency of regular meetings of the board and the
37 supervisory committee, and the manner in which members of the board or
38 supervisory committee are to be notified of meetings;

1 ~~((f))~~ (h) The powers and duties of ~~((the))~~ board officers
2 ~~((elected by the board))~~;

3 ~~((g))~~ (i) The timing of the annual membership meeting ~~((and))~~;

4 (j) The manner in which members may call a special membership
5 meeting;

6 (k) The manner in which members are to be notified of membership
7 meetings~~((, including special membership meetings))~~;

8 ~~((h))~~ (l) The number of members constituting a quorum at a
9 membership meeting; ~~((and~~

10 ~~(i) Other matters considered appropriate by the applicants to be~~
11 ~~included in the bylaws))~~

12 (m) Provisions, if any, for the indemnification of directors,
13 supervisory committee members, officers, employees, and others by the
14 credit union, if not included in the articles of incorporation; and

15 (n) Any other provision which is not inconsistent with this
16 chapter.

17 (2) Applicants shall submit the bylaws in duplicate to the
18 director~~((, if requested))~~.

19 **Sec. 8.** RCW 31.12.075 and 1994 c 92 s 181 are each amended to read
20 as follows:

21 (1) When the proposed articles of incorporation and bylaws
22 complying with the requirements of RCW 31.12.055 and 31.12.065 (as
23 recodified by this act) have been filed with the director, the director
24 shall:

25 (a) Determine whether the articles of incorporation and bylaws are
26 consistent with ~~((the purposes and requirements of))~~ this chapter; and

27 (b) Determine the feasibility of the credit union, taking into
28 account surrounding facts and circumstances ~~((pertaining to a))~~
29 influencing the successful operation of ~~((a))~~ the credit union.

30 ~~((The director may establish by rule, as a prerequisite to approval~~
31 ~~of a proposed credit union, specific criteria consistent with the~~
32 ~~purposes and policies of this chapter.))~~

33 (2) If the director is satisfied with the determinations made under
34 subsection (1)(a) and (b) of this section, the director shall endorse
35 each of the articles of incorporation "approved" ~~((and))~~ l indicate the
36 date the approval ~~((is))~~ was granted, and return two sets of articles
37 and one set of bylaws to the applicants.

1 (3) If the director is not satisfied with the determinations made
2 under subsection (1)(a) and (b) of this section, the director shall
3 endorse each of the articles of incorporation "~~((refused))~~ denied,"
4 indicate the date of, and reasons for, the ~~((refusal))~~ denial, and
5 return two copies of the articles of incorporation with one copy of the
6 bylaws to the person from whom they were received. The director shall
7 at the time of returning the copies of the articles of incorporation
8 and bylaws, also provide notice to the applicant of the applicant's
9 right to appeal the ~~((refusal))~~ denial under chapter 34.05 RCW. The
10 ~~((refusal))~~ denial is conclusive unless the applicant requests a
11 hearing under chapter 34.05 RCW.

12 ~~((4) The director shall accept or refuse the articles of
13 incorporation within sixty days of receipt.))~~

14 **Sec. 9.** RCW 31.12.085 and 1994 c 92 s 182 are each amended to read
15 as follows:

16 (1) Upon ~~((the))~~ approval ~~((of the director))~~ under RCW
17 31.12.075(2) (as recodified by this act), the ~~((applicants))~~ director
18 shall ~~((file))~~ deliver a copy of the articles of incorporation ~~((with))~~
19 to the secretary of state for filing. Upon receipt of the approved
20 articles of incorporation and a twenty dollar filing fee ~~((to be))~~
21 provided by the applicants, the secretary of state shall file ~~((and~~
22 ~~record))~~ the articles of incorporation. ~~((The applicants shall in~~
23 ~~writing promptly notify the director of the exact date of the filing.))~~

24 (2) Upon ~~((the))~~ filing ~~((and recording of))~~ the approved articles
25 of incorporation ~~((with))~~ by the secretary of state, the persons named
26 in the articles of incorporation and their successors may ~~((operate))~~
27 conduct business as a credit union, ~~((which shall have))~~ having the
28 powers ~~((and be subject to the)),~~ duties, and obligations ~~((of))~~ set
29 forth in this chapter. A credit union ~~((shall))~~ may not conduct
30 business until the articles have been ~~((recorded))~~ filed by the
31 secretary of state.

32 (3) A credit union shall organize and begin conducting business
33 within six months of the date that its articles of incorporation are
34 filed ~~((and recorded with))~~ by the secretary of state or its charter
35 ~~((shall become))~~ is void~~((, unless))~~. However, the director ~~((for~~
36 ~~cause))~~ may grant~~((s))~~ an extension of the six-month period. The
37 director ~~((shall))~~ may not grant a single extension exceeding three

1 months, but may grant as many extensions to a credit union as
2 circumstances require.

3 **Sec. 10.** RCW 31.12.105 and 1994 c 92 s 184 are each amended to
4 read as follows:

5 ~~((The))~~ A credit union's articles of incorporation ~~((of a credit
6 union))~~ may be amended~~((,))~~ by the board with the approval of the
7 director~~((, by a resolution of the board. Amendments to the articles
8 of incorporation shall be filed with the director and))~~. Complete
9 applications for amendments to the articles must be approved or denied
10 by the director within sixty days of receipt. Upon approval, the
11 director shall promptly deliver the amendments, including any necessary
12 filing fees paid by the applicant, to the secretary of state for
13 filing. Amendments to a credit union's articles of incorporation must
14 conform with RCW 31.12.055 (as recodified by this act).

15 **Sec. 11.** RCW 31.12.115 and 1994 c 256 s 73 and 1994 c 92 s 185 are
16 each reenacted and amended to read as follows:

17 ~~((Except to the extent approval of the director may be required by
18 rule, the bylaws of))~~ (1) A credit ((union)) union's field of
19 membership bylaws may be amended by the board ~~((of directors at any
20 regular meeting or at a special meeting called for that purpose. An
21 amendment of the bylaws requires the affirmative vote of two-thirds of
22 the total members of the board. At least seven days before a meeting
23 at which an amendment to the bylaws is to be voted upon, a copy of the
24 proposed amendment, together with a written notice of the meeting as
25 provided in the bylaws, shall be served upon each member of the board
26 either personally or by mail to the director's last known post office
27 address))~~ with approval of the director. All complete applications to
28 amend a credit union's field of membership bylaws must be approved or
29 denied by the director within sixty days of receipt.

30 (2) Bylaw amendments, other than those requiring the approval of
31 the director under subsection (1) of this section, may be approved at
32 any regular board meeting, or any special board meeting called for the
33 purpose of amending the credit union's bylaws.

34 (3) Amendments to a credit union's bylaws must conform with RCW
35 31.12.065 (as recodified by this act).

1 **Sec. 12.** RCW 31.12.185 and 1987 c 338 s 2 are each amended to read
2 as follows:

3 (1) ~~((The regular))~~ A credit union's annual membership meeting
4 ~~((of a credit union))~~ shall be held ~~((annually,))~~ at such time and
5 place as the bylaws prescribe, and shall be conducted according to the
6 ~~((customary))~~ rules of ~~((parliamentary))~~ procedure approved by the
7 board.

8 (2) Notice of ~~((regular))~~ the annual membership meetings of a
9 credit union shall be given as provided in the bylaws of the credit
10 union.

11 ~~((3) No member may have more than one vote regardless of the
12 number of shares held by the member. A fraternal organization,
13 voluntary association, partnership, or corporation having a membership
14 in a credit union may cast one vote by its authorized agent, who shall
15 be an officer of the organization, association, partnership, or
16 corporation. Voting by mail ballot may be authorized by the board as
17 prescribed in the bylaws.))~~

18 **Sec. 13.** RCW 31.12.195 and 1994 c 256 s 77 and 1994 c 92 s 188 are
19 each reenacted and amended to read as follows:

20 (1) A special membership meeting of a credit union may be called by
21 a majority of the board, a majority vote of the supervisory committee,
22 or upon written application of at least ten percent or two thousand~~((7~~
23 ~~whichever is less, of the voting))~~ of the members of a credit union,
24 whichever is less.

25 (2) A request for a special membership meeting of a credit union
26 shall be in writing and shall state specifically the purpose or
27 purposes for which the meeting is called. At this meeting, only those
28 agenda items detailed in the written request may be considered. If the
29 special membership meeting is being called for the removal of ~~((a))~~ one
30 or more directors, the ~~((notice))~~ request shall state the name of the
31 director or directors whose removal is sought.

32 ~~((2))~~ (3) Upon receipt of a request for a special membership
33 meeting, the secretary of the credit union shall designate the time and
34 place at which the special membership meeting will be held. The
35 designated place of the meeting ~~((shall))~~ must be a reasonable location
36 within the county in which the principal ~~((office))~~ place of business
37 of the credit union is located, unless provided otherwise by the
38 bylaws. The designated time of the membership meeting ~~((shall))~~ must

1 be no sooner than twenty (~~nor~~), and no later than thirty days after
2 the request is received by the secretary.

3 The secretary shall give notice of the meeting within ten days of
4 receipt of the request (~~(give notice of the meeting, including)~~) or
5 within such other reasonable time period as may be provided by the
6 bylaws. The notice must include the purpose or purposes for which the
7 meeting is called, as provided in the bylaws. (~~(A wilful violation of~~
8 ~~this section constitutes a violation of this chapter and constitutes~~
9 ~~grounds sufficient for the suspension and removal of the secretary~~
10 ~~under RCW 31.12.575.)~~) If the special membership meeting is being
11 called for the removal of one or more directors, the notice must state
12 the name of the director or directors whose removal is sought.

13 (~~(3)~~) (4) Except as provided in this subsection, the (~~chairman~~
14 ~~or president~~) chairperson of the board shall preside over special
15 membership meetings. If the purpose of the special meeting includes
16 the proposed removal of the (~~chairman or president from the board~~)
17 chairperson, the next highest ranking board officer (~~(of the board)~~)
18 whose removal is not sought shall preside over the special meeting. If
19 the removal of all (~~(of the)~~) board officers (~~(of the board)~~) is
20 sought, the (~~chairman~~) chairperson of the supervisory committee shall
21 preside over the special meeting. (~~(After every special meeting, the~~
22 ~~chairman of the supervisory committee shall report to the director the~~
23 ~~results of the special meeting and whether the special meeting was~~
24 ~~conducted in a fair manner in accordance with the bylaws of the credit~~
25 ~~union and with customary rules of parliamentary procedure.)~~)

26 (5) Special membership meetings shall be conducted according to the
27 rules of procedure approved by the board.

28 **Sec. 14.** RCW 31.12.225 and 1984 c 31 s 24 are each amended to read
29 as follows:

30 (1) The business and affairs of a credit union shall be managed by
31 a board of not less than five (~~nor~~) and not greater than fifteen
32 directors.

33 (2) The directors (~~shall~~) must be elected at the credit union's
34 annual membership meeting(~~s~~). (~~(The directors, as well as the~~
35 ~~principal operating officer and committee members of the credit union,~~
36 ~~shall be sworn to the faithful performance of their duties. The~~
37 ~~directors)~~) They shall hold their offices(~~(, unless sooner removed as~~

1 ~~provided in this chapter,))~~ until their successors are qualified
2 ~~((under RCW 31.12.235))~~ and elected or appointed.

3 (3) Directors shall be elected to terms of between one and three
4 years, as provided in the bylaws. If the terms are longer than one
5 year, the ~~((terms shall))~~ directors must be divided into classes, and
6 an equal number of ~~((terms))~~ directors, as near as possible, ~~((shall))~~
7 must be elected each year.

8 (4) Any vacancies on the board must be filled by interim directors
9 appointed by the board, unless the interim director would serve a term
10 of fewer than ninety days. Interim directors will serve out the
11 unexpired term of the former director, unless provided otherwise in the
12 credit union's bylaws.

13 (5) The board will meet as often as necessary, but not less
14 frequently than once each month.

15 **Sec. 15.** RCW 31.12.235 and 1994 c 256 s 78 are each amended to
16 read as follows:

17 (1) A director ~~((shall be))~~ must be a natural person and a member
18 of the credit union. If a director ceases to be a member of the credit
19 union, the director shall no longer serve as a director.

20 (2) Unless reasonably excused by the board, a director shall no
21 longer serve as a director if the director is absent from more than
22 thirty-three percent of the regular board meetings in any twelve-month
23 period ~~((is absent from more than thirty-three percent of the regular~~
24 board meetings required by this chapter)).

25 (3) ~~((The remainder of the term of a director's office that becomes~~
26 ~~vacant under subsection (1) or (2) of this section shall be served by~~
27 ~~an interim director appointed by the board.))~~ A director must meet any
28 qualification requirements set forth in the credit union's bylaws. If
29 a director fails to meet these requirements, the director shall no
30 longer serve as a director.

31 (4) The officers and employees of the credit union may serve as
32 directors of the credit union, but only as permitted by the credit
33 union's bylaws.

34 **Sec. 16.** RCW 31.12.246 and 1984 c 31 s 26 are each amended to read
35 as follows:

36 The members of a credit union may remove a director of the credit
37 union at a special membership meeting held in accordance with RCW

1 31.12.195 (as recodified by this act) and called for that purpose. If
2 the members remove a director, the members may at the same special
3 membership meeting elect an interim director to complete the remainder
4 of the former director's term of office or ((may elect to)) authorize
5 the board to appoint an interim director as provided in RCW
6 ((31.12.235)) 31.12.225 (as recodified by this act).

7 **Sec. 17.** RCW 31.12.255 and 1994 c 256 s 79 are each amended to
8 read as follows:

9 ~~((The board shall have the general direction of the affairs of the~~
10 ~~credit union. The board shall meet as often as necessary, but not less~~
11 ~~than once each month.)) The business and affairs of a credit union
12 shall be managed by the board of the credit union. The duties of the
13 board include, but are not limited to, the duties enumerated in this
14 section. The duties listed in subsection (1) of this section may not
15 be delegated by the credit union's board of directors. The duties
16 listed in subsection (2) of this section may be delegated to a
17 committee, officer, or employee, with appropriate reporting to the
18 board.~~

19 (1) The board shall:

20 ~~((1) Act upon applications for membership with the credit union;~~

21 ~~(2) Expel members for cause as provided in this chapter;~~

22 ~~(3) Borrow and invest money on behalf of the credit union as~~
23 ~~provided by this chapter;~~

24 ~~(4) Determine the maximum amount of shares and deposits that a~~
25 ~~member may hold in the credit union;~~

26 ~~(5) Declare dividends on shares and set the rate of interest on~~
27 ~~deposits;~~

28 ~~(6) Determine the amount which may be loaned to a member and the~~
29 ~~finance charges, including interest, to be charged on the loans;~~

30 ~~(7) Prescribe the conditions and terms under which a loan officer~~
31 ~~or credit committee may approve loans;~~

32 ~~(8) Set the minimum number of shares, if any, required for active~~
33 ~~member status;~~

34 ~~(9) Fill vacancies on all committees except the supervisory~~
35 ~~committee;~~

36 ~~(10) Set the par value of shares, if any, of the credit union;~~

1 ~~(11) Set the fees, if any, to be charged by the credit union to its~~
2 ~~members for the right to be a member of the credit union and for~~
3 ~~services rendered by the credit union;~~

4 ~~(12) Approve the charge-off of credit union losses; or~~

5 ~~(13) Perform such other acts as are required by this chapter. The~~
6 ~~board may authorize a committee, officer, or employee to take the~~
7 ~~actions referenced in subsections (1), (3), (5), and (6) of this~~
8 ~~section.))~~

9 (a) Set the par value of shares, if any, of the credit union;

10 (b) Set the minimum number of shares, if any, required for
11 membership;

12 (c) Establish the loan policies under which loans may be approved,
13 including policies on any automated loan approval programs;

14 (d) Establish the conditions under which a member may be expelled
15 for cause;

16 (e) Fill vacancies on all committees except the supervisory
17 committee;

18 (f) Approve an annual operating budget or financial plan for the
19 credit union;

20 (g) Designate those persons or positions authorized to execute or
21 certify documents or records on behalf of the credit union;

22 (h) Review the supervisory committee's annual report; and

23 (i) Perform such other duties as the members may direct.

24 (2) In addition, the board shall:

25 (a) Act upon applications for membership in the credit union;

26 (b) Determine the maximum amount of shares and deposits that a
27 member may hold in the credit union;

28 (c) Declare dividends on shares and set the rate of interest on
29 deposits;

30 (d) Set the fees, if any, to be charged by the credit union to its
31 members for the right to be a member of the credit union and for
32 services rendered by the credit union;

33 (e) Determine the amount which may be loaned to a member together
34 with the terms and conditions of loans;

35 (f) Establish policies under which the credit union may borrow and
36 invest; and

37 (g) Approve the charge-off of credit union losses.

1 **Sec. 18.** RCW 31.12.265 and 1994 c 256 s 80 are each amended to
2 read as follows:

3 (1) The board at its first meeting after the annual membership
4 meeting ~~((of the members))~~ shall elect ~~((a chairman or president, and~~
5 ~~one or more vice chairmen or vice presidents, a secretary, a treasurer,~~
6 ~~and other officers that may be))~~ board officers from among its members,
7 as provided in the credit union's bylaws. The board will elect as many
8 board officers as it deems necessary for transacting the business of
9 the board of the credit union. The board officers ~~((of the board of~~
10 ~~the credit union))~~ shall hold office until their successors are
11 qualified and elected ~~((and qualified)),~~ unless sooner removed as
12 provided ~~((by))~~ in this chapter. ~~((The offices of secretary and~~
13 ~~treasurer may be held by the same person.))~~ All board officers ~~((of~~
14 ~~the board of a credit union shall))~~ must be elected members of the
15 board. However, the office of board treasurer and ~~((the))~~ board
16 secretary may be held by the same person and need not be elected
17 members of the board. ~~((The board may designate such employees,~~
18 ~~including a principal operating officer who shall not share the title~~
19 ~~chosen for the chairman or president of the board and who need not be~~
20 ~~a member of the board, as are necessary for the operation of the credit~~
21 ~~union.))~~

22 (2) The board may designate as many operating officers as it deems
23 necessary for conducting the business of the credit union, including,
24 but not limited to, a principal operating officer. Individuals serving
25 as operating officers may also serve as board officers in accordance
26 with subsection (1) of this section and subject to RCW 31.12.235(4) (as
27 recodified by this act).

28 NEW SECTION. **Sec. 19.** A new section is added to chapter 31.12 RCW
29 to read as follows:

30 Directors and board officers are deemed to stand in a fiduciary
31 relationship to the credit union, and must discharge the duties of
32 their respective positions:

33 (1) In good faith;

34 (2) With the care an ordinarily prudent person in a like position
35 would exercise under similar circumstances; and

36 (3) In a manner the director or board officer reasonably believes
37 to be in the best interests of the credit union.

1 **Sec. 20.** RCW 31.12.275 and 1984 c 31 s 29 are each amended to read
2 as follows:

3 The board may, for cause, remove ((an)) a board officer from office
4 or a committee member from a committee, other than the supervisory
5 committee. For the purpose of this section "cause" includes
6 demonstrated financial irresponsibility, a breach of fiduciary duty to
7 the credit union, or activities which, in the judgment of the board,
8 are detrimental to the credit union.

9 **Sec. 21.** RCW 31.12.285 and 1984 c 31 s 30 are each amended to read
10 as follows:

11 The board may(~~(, by a two-thirds vote,)~~) suspend for cause a member
12 of the board or a member of the supervisory committee until a
13 membership meeting is held. The membership meeting ((shall)) must be
14 held within thirty days after the suspension. The members attending
15 ((that)) the meeting shall vote whether to remove ((the)) a suspended
16 party. For purposes of this section, "cause" includes demonstrated
17 financial irresponsibility, a breach of fiduciary duty to the credit
18 union, or activities which, in the judgment of the board, threaten the
19 safety and soundness of the credit union.

20 **Sec. 22.** RCW 31.12.326 and 1984 c 31 s 34 are each amended to read
21 as follows:

22 (1) A supervisory committee of at least three members ((shall))
23 must be elected at the annual membership meeting of the credit union.
24 ((A member)) Members of the supervisory committee shall serve a term of
25 three years, unless sooner removed under this chapter or until ((a))
26 their successors ((commences the performance of the member's duties))
27 are qualified and elected or appointed. The members of the supervisory
28 committee shall be divided into classes so that as equal a number as is
29 possible is elected each year.

30 (2) If a member of the supervisory committee ceases to be a member
31 of the credit union, the member's office ((shall)) become vacant.
32 ((The supervisory committee shall fill vacancies in its membership
33 until successors are elected, except that)) Any vacancy on the
34 committee must be filled by an interim member appointed by the
35 committee, unless the interim member would serve a term of fewer than
36 ninety days. Interim members may serve out the unexpired term of the
37 former member, unless provided otherwise by the credit union's bylaws.

1 However, if all positions on the committee are vacant at the same time,
2 the board may ((fill the vacancies)) appoint interim members to serve
3 until the next annual membership meeting.

4 (3) No operating officer or employee of a credit union may serve on
5 the credit union's supervisory committee ((of that credit union)). No
6 more than one director may be a member of the supervisory committee at
7 the same time, unless provided otherwise by the credit union's bylaws.
8 No member of the supervisory committee may serve on the credit
9 committee or investment committee of the credit union while serving on
10 the supervisory committee.

11 **Sec. 23.** RCW 31.12.335 and 1994 c 256 s 82 and 1994 c 92 s 192 are
12 each reenacted and amended to read as follows:

13 The supervisory committee of a credit union shall:

14 (1) Meet as often as necessary and at least quarterly;

15 (2) Keep fully informed as to the financial condition of the credit
16 union and the decisions of the credit union's board;

17 (3) ~~((Cause to be made))~~ Annually perform or arrange for a complete
18 ((examination)) audit of ((the)) internal controls, loans, investments,
19 cash, ((the credit union)) general ledger accounts, including, but not
20 limited to, income and expense, and the members' share and deposit
21 accounts ((in accordance with rules adopted by the director)); and

22 (4) Report its findings and recommendations to the board and make
23 an annual report to ((the)) members at ((the)) each annual membership
24 meeting.

25 At least one supervisory committee member may attend each regular
26 board meeting.

27 **Sec. 24.** RCW 31.12.345 and 1984 c 31 s 36 are each amended to read
28 as follows:

29 (1) The supervisory committee may, by unanimous vote ((the
30 supervisory committee of a credit union may suspend for cause an
31 officer of the credit union)), for cause, suspend a member of ((a
32 committee)) the board, ((or a member of the board)) until a membership
33 meeting is held. The membership meeting ((shall)) must be held within
34 thirty days after the suspension. The members attending that meeting
35 shall vote whether to remove the suspended party or parties. The
36 supervisory committee may, by unanimous vote, for cause, suspend
37 members of other committees until a membership meeting is held. The

1 meeting must be held within thirty days after the suspension. The
2 members attending that meeting shall vote whether to remove the
3 suspended party or parties.

4 (2) For purposes of this section, "cause" includes demonstrated
5 financial irresponsibility, a breach of fiduciary duty to the credit
6 union, or activities which, in the judgment of the supervisory
7 committee, threaten the safety and soundness of the credit union.

8 **Sec. 25.** RCW 31.12.365 and 1984 c 31 s 38 are each amended to read
9 as follows:

10 (1) Directors and members of committees shall not receive
11 compensation for their service~~((s, except to the extent that an officer~~
12 ~~servng as principal operating officer may receive compensation))~~ as
13 directors and committee members. However, this subsection does not
14 prohibit directors or committee members from receiving incidental
15 services available to employees generally, and gifts of minimal value.

16 (2) Directors and members of committees may receive reimbursement
17 for reasonable expenses incurred ~~((in the performance of their~~
18 ~~duties.))~~ on behalf of themselves and their spouses in the performance
19 of the directors' and committee members' duties.

20 (3) Loans to directors and committee members ~~((shall))~~ may not be
21 made under ~~((no))~~ more favorable terms and conditions ~~((and terms))~~
22 than those ~~((under which loans to general))~~ made to members ~~((are~~
23 ~~made))~~ generally.

24 **Sec. 26.** RCW 31.12.306 and 1994 c 92 s 191 are each amended to
25 read as follows:

26 (1) Each director, officer, committee member, and employee of a
27 credit union ~~((shall))~~ must be bonded in an amount and ~~((with surety~~
28 ~~and))~~ in accordance with conditions established by the director.

29 (2) When the bond coverage under subsection (1) of this section is
30 suspended or terminated, the board of the affected credit union shall
31 notify the director in writing within five days of ~~((having received))~~
32 receipt of the notice of ~~((the))~~ suspension or termination.

33 **Sec. 27.** RCW 31.12.145 and 1984 c 31 s 16 are each amended to read
34 as follows:

35 (1) A credit union may admit to membership those persons qualified
36 for membership as set forth in its bylaws ~~((upon the payment of a~~

1 membership fee, if any, or the purchase of one or more shares, as
2 provided in the bylaws)). ((A fraternal))

3 (2) An organization(~~(, partnership, or corporation having a usual~~
4 ~~place of business in this state and))~~ whose membership, ownership, or
5 employees are comprised principally of persons who are eligible for
6 membership in the credit union may become a member of the credit union.

7 **Sec. 28.** RCW 31.12.155 and 1994 c 256 s 76 are each amended to
8 read as follows:

9 ((A minor under age eighteen does not have the right to vote as a
10 member.)) (1) No member may have more than one vote regardless of the
11 number of shares held by the member. An organization having membership
12 in a credit union may cast one vote through its agent duly authorized
13 in writing.

14 (2) Members may vote, as prescribed in the credit union's bylaws,
15 by mail ballot, absentee ballot, or other method. However, no member
16 may vote by proxy.

17 (3) A member who is not at least eighteen years of age is not
18 eligible to vote as a member unless otherwise provided in the credit
19 union's bylaws.

20 **Sec. 29.** RCW 31.12.295 and 1984 c 31 s 31 are each amended to read
21 as follows:

22 (1) ((The board may, by a two-thirds vote, expel a member for
23 cause. The board shall notify the member)) Members expelled from the
24 credit union will be notified of the expulsion and the reasons upon
25 which it is based. The ((board shall)) credit union will, upon request
26 of the expelled member, allow the member to challenge the expulsion and
27 seek reinstatement as a member.

28 (2) The amounts ((paid)) in ((on shares or deposited by a member
29 who has been expelled shall)) an expelled member's share and deposit
30 accounts must be promptly paid to the ((member)) person following
31 expulsion, and after deducting amounts due from the member(s) to the
32 credit union, including, but not limited to, any applicable penalties
33 for early withdrawal. Expulsion ((shall)) will not operate to relieve
34 ((a member)) the person from outstanding liabilities owed to the credit
35 union.

1 **Sec. 30.** RCW 31.12.125 and 1994 c 256 s 74 and 1994 c 92 s 186 are
2 each reenacted and amended to read as follows:

3 A credit union may:

4 (1) Issue shares to and receive deposits from its members (~~as~~
5 ~~provided in this chapter~~) in accordance with RCW 31.12.385 (as
6 recodified by this act);

7 (2) Make loans to its members (~~as provided in this chapter~~) in
8 accordance with RCW 31.12.317 and 31.12.406 (as recodified by this
9 act);

10 (3) Pay dividends or interest to its members in accordance with RCW
11 31.12.485 (as recodified by this act);

12 (4) Impose reasonable charges for the services it provides to its
13 members;

14 (5) Impose financing charges and reasonable late charges in the
15 event of default on loans, subject to applicable law, and recover
16 reasonable costs and expenses, including, but not limited to,
17 collection costs, and reasonable attorneys' fees incurred both before
18 and after judgment, incurred in the collection of sums due ((it)), if
19 provided for in the note or agreement signed by the borrower;

20 (6) Acquire, lease, hold, assign, pledge, (~~hypothecate,~~) sell, or
21 otherwise dispose of (~~a possessory~~) interests in personal property
22 and(~~, subject to RCW 31.12.435,~~) in real property(~~, so long as the~~
23 ~~property is necessary or incidental to the operation of the credit~~
24 ~~union~~) in accordance with RCW 31.12.435 (as recodified by this act);

25 (7) Deposit and invest funds (~~in excess of the amount approved for~~
26 ~~loans to members as provided in this chapter~~) in accordance with RCW
27 31.12.425 (as recodified by this act);

28 (8) Borrow money, up to a maximum of fifty percent of its (~~paid-in~~
29 ~~and unimpaired~~) total shares, deposits, and net capital ((and
30 surplus));

31 (9) Discount or sell any of its assets, or purchase any or all of
32 the assets of another credit union, out-of-state credit union, or
33 federal credit union. However, a credit union may not discount or sell
34 ((more than ten percent)) all, or substantially all, of its assets
35 without the ((prior written)) approval of the director;

36 (10) Accept deposits of deferred compensation of its members
37 (~~under the terms and conditions of RCW 28A.400.240 and 41.04.250(2))~~);

- 1 (11) Act as fiscal agent for and receive payments on shares and
2 deposits from the federal government or this state, and any agency or
3 political subdivision thereof;
- 4 (12) Engage in activities and programs as requested by the federal
5 government, this state, and any agency or political subdivision
6 thereof, when the activities or programs are not inconsistent with this
7 chapter;
- 8 (13) Hold membership in ~~((other))~~ credit unions ~~((organized under~~
9 ~~this chapter or other laws))~~, out-of-state credit unions, or federal
10 credit unions and in ~~((associations))~~ organizations controlled by or
11 fostering the interests of credit unions, including, but not limited
12 to, a central liquidity facility organized under state or federal law;
13 ~~((and))~~
- 14 (14) Pay additional dividends or interest to members, or an
15 interest rate refund to borrowers;
- 16 (15) Enter into lease agreements, lease contracts, and
17 lease-purchase agreements with members;
- 18 (16) Procure for, or sell to its members group life, accident,
19 health, and credit life and disability insurance;
- 20 (17) Impose a reasonable service charge for the administration and
21 processing of accounts that remain dormant for a period of time
22 specified by the board;
- 23 (18) Establish and operate on-premises or off-premises electronic
24 facilities;
- 25 (19) Enter into formal or informal agreements with another credit
26 union for the purpose of fostering the development of the other credit
27 union;
- 28 (20) Make charitable contributions to organizations that are exempt
29 from taxation pursuant to section 501(c)(3) of the Internal Revenue
30 Code, or that primarily serve either a charitable, social, welfare, or
31 educational purpose;
- 32 (21) Limit the personal liability of its directors in accordance
33 with provisions of its articles of incorporation that conform with RCW
34 23B.08.320;
- 35 (22) Indemnify its directors, supervisory committee members,
36 officers, employees, and others in accordance with provisions of its
37 articles of incorporation or bylaws that conform with RCW 23B.08.500
38 through 23B.08.600; and

1 (23) Exercise such incidental powers as are necessary or
2 (~~requisite~~) convenient to enable it to (~~carry on effectively~~)
3 conduct the business (~~for which it is incorporated~~) of a credit
4 union.

5 **Sec. 31.** RCW 31.12.136 and 1994 c 256 s 75 and 1994 c 92 s 187 are
6 each reenacted and amended to read as follows:

7 (1) Notwithstanding any other provision of law, a credit union may
8 exercise any of the powers and authorities conferred as of December 31,
9 1993, upon (~~a~~) federal credit unions (~~doing business in this~~
10 ~~state~~)).

11 (2) Notwithstanding any other provision of law, and in addition to
12 the powers and authorities conferred under subsection (1) of this
13 section, the director may, by rule, authorize credit unions to exercise
14 any of the powers and authorities conferred at the time of the adoption
15 of the rule upon (~~a~~) federal credit unions (~~doing business in this~~
16 ~~state~~)), if the director finds that the exercise of the power and
17 authority serves the convenience and advantage of (~~depositors and~~
18 ~~borrowers~~) members of (~~state-chartered~~) credit unions, and maintains
19 the fairness of competition and parity between (~~state-chartered~~)
20 credit unions and federal(~~-chartered~~) credit unions.

21 (3) The restrictions, limitations, and requirements applicable to
22 specific powers or authorities of federal credit unions (~~shall~~) apply
23 to credit unions exercising those powers or authorities permitted under
24 this section but only insofar as the restrictions, limitations, and
25 requirements relate to (~~exercising~~) the specific exercise of the
26 powers or authorities granted credit unions solely under this section.

27 (4) As used in this section, "powers and authorities" include
28 without limitation, powers and authorities in corporate governance
29 matters.

30 **Sec. 32.** RCW 31.12.385 and 1994 c 256 s 83 and 1994 c 92 s 194 are
31 each reenacted and amended to read as follows:

32 (1) Shares (~~purchased~~) held and deposits made in a credit union
33 by (~~an individual~~) a natural person are governed by chapter 30.22
34 RCW. (~~A member may purchase shares and make deposits in a credit~~
35 ~~union in an amount that does not exceed such amounts as may be~~
36 ~~established by the board from time to time.~~)

1 (2) A credit union may require (~~from a member~~) ninety days notice
2 of (~~the~~) a member's intention to withdraw shares or deposits. The
3 notice requirement may be extended with the written consent of the
4 director.

5 (3) A credit union will have a lien on all shares and deposits,
6 including, but not limited to, dividends, interest, and any other
7 earnings and accumulations thereon, of any share account holder or
8 depositor, to the extent of any obligation owed to the credit union by
9 the share account holder or depositor.

10 **Sec. 33.** RCW 31.12.485 and 1984 c 31 s 50 are each amended to read
11 as follows:

12 (~~(1) At each annual, semiannual, quarterly, or monthly period the~~
13 ~~board may declare a dividend from net earnings. The dividends shall be~~
14 ~~paid on all eligible shares outstanding at the time of declaration and~~
15 ~~may be paid to members on shares withdrawn during the period. Shares~~
16 ~~which became paid up during the dividend period shall be entitled only~~
17 ~~to a proportional part of the dividend in accordance with a formula~~
18 ~~adopted by the board.~~

19 (2)) Dividends may be declared from the credit union's earnings
20 which remain after the deduction of expenses, interest on deposits, and
21 the amounts required for (~~regular, liquidity, and special~~) reserves,
22 or the dividends may be declared in whole or in part from the undivided
23 earnings that remain from preceding periods.

24 (~~(3) A member shall be given the option to receive declared~~
25 ~~dividends either by cash payment or by a credit to the member's account~~
26 ~~in either shares or deposits.))~~

27 **Sec. 34.** RCW 31.12.406 and 1994 c 256 s 84 and 1994 c 92 s 195 are
28 each reenacted and amended to read as follows:

29 (1) A credit union may make secured and unsecured loans to its
30 members (~~with the approval of a credit committee or loan officer~~)
31 under policies established by the board, subject to the loans to one
32 borrower limits provided for in RCW 31.12.317 (as recodified by this
33 act). (~~All loans shall be documented in writing. Loans may be made~~
34 ~~for (a) consumer, family, or household purposes, referred to in this~~
35 ~~section as "consumer loans", or (b) business, investment, commercial,~~
36 ~~or agricultural purposes which are~~) Each loan must be evidenced by
37 records adequate to support enforcement or collection of the loan and

1 review of the loan by the director. Business loans must be in
2 compliance with rules adopted by the director.

3 (2) ~~((A credit union may make to members:~~

4 ~~(a) Loans secured by the note of the member or other adequate~~
5 ~~security, including, but not limited to, equity interests in real~~
6 ~~estate, automobiles, boats, motorhomes, and travel trailers;~~

7 ~~(b) Student loans under student loan programs of this state or the~~
8 ~~United States;~~

9 ~~(c) Loans for the acquisition of a modular home or mobile home as~~
10 ~~defined by RCW 82.50.010, secured by a security interest in that~~
11 ~~modular home or mobile home, owned by the member. A loan under this~~
12 ~~subsection and any prior indebtedness secured by the home shall not~~
13 ~~exceed eighty five percent of the purchase price or of the appraised~~
14 ~~value of the modular home or mobile home, whichever is less;~~

15 ~~(d) Residential real estate loans under RCW 31.12.415;~~

16 ~~(e) Loans to its members under an act of congress known as the "FHA~~
17 ~~Title I, National Housing Act of 1934," June 27, 1934 (12 U.S.C. Sec.~~
18 ~~1701 to 1750, inc.); and~~

19 ~~(f) Loans to credit union members in participation with other~~
20 ~~credit unions, credit union organizations, or financial organizations.~~
21 ~~The credit union which originates a loan under this subsection shall~~
22 ~~retain an interest of at least ten percent of the face amount of the~~
23 ~~loan unless the loan is a real estate loan in which case there is no~~
24 ~~retention requirement.)) A credit union may obligate itself to purchase~~
25 loans in accordance with RCW 31.12.425(1) (as recodified by this act),
26 if the credit union's underwriting policies would have permitted it to
27 originate the loans.

28 (3) Consumer loans ~~((shall))~~ must be given preference, and in the
29 event there are not sufficient funds available to satisfy all approved
30 consumer loan ~~((applicants))~~ applications, further preference ~~((shall))~~
31 must be given to small loans.

32 ~~((4) The director may by rule establish guidelines addressing the~~
33 ~~issue of unsafe and unsound concentrations of credit and such other~~
34 ~~related safety and soundness issues.))~~

35 **Sec. 35.** RCW 31.12.317 and 1994 c 256 s 92 are each amended to
36 read as follows:

37 (1) No loan may be made to any ~~((member))~~ borrower if ~~((such))~~ the
38 loan would cause ~~((that member))~~ the borrower to be indebted to the

1 credit union upon consumer and business loans (~~made to the member~~) in
2 an aggregated amount exceeding ten thousand dollars or (~~two and one~~
3 ~~half~~) twenty-five percent of the (~~assets~~) capital of the credit
4 union, whichever is greater, without the approval of the director.

5 (2) The director by rule may establish limits on business loans
6 (~~for business, investment, commercial, or agricultural purposes~~) to
7 one (~~member~~) borrower.

8 **Sec. 36.** RCW 31.12.425 and 1994 c 256 s 86 and 1994 c 92 s 197 are
9 each reenacted and amended to read as follows:

10 (~~(1) The capital or surplus funds in excess of the amount for~~
11 ~~which loans are approved may be deposited or invested in any of the~~
12 ~~following ways, so long as the investment has not been in default as to~~
13 ~~principal or interest within five years prior to the date of purchase~~)
14 A credit union may invest its funds in excess of loans in any of the
15 following, as long as they are deemed prudent by the board:

16 (~~(a) Accounts in banks or trust companies, including national~~
17 ~~banks located in this state, or other states, the accounts of which are~~
18 ~~insured by the federal deposit insurance corporation. The deposits~~
19 ~~made by a credit union under this subsection may exceed the insurance~~
20 ~~limits established by the federal deposit insurance corporation;~~

21 ~~(b))~~ (1) Loans held by credit unions, out-of-state credit unions,
22 or federal credit unions; loans to members held by other lenders; and
23 loans to nonmembers held by other lenders, with the approval of the
24 director;

25 (2) Bonds, securities, or other investments that are fully
26 guaranteed as to principal and interest by the United States
27 government, and general obligations of this state and its political
28 subdivisions;

29 (~~(c))~~ (3) Obligations issued by corporations designated under
30 (Section 9101 of Title) 31 U.S.C. Sec. 9101, or obligations,
31 participations or other instruments issued and guaranteed by the
32 federal national mortgage association, federal home loan mortgage
33 corporation, government national mortgage association, or other
34 government-sponsored enterprise;

35 (~~(d))~~ (4) Participations or obligations which have been subjected
36 by one or more government agencies to a trust or trusts for which an
37 executive department, agency, or instrumentality of the United States
38 has been named to act as trustee;

1 ~~((e))~~ (5) Share~~((s, share certificates,))~~ or ~~((share))~~
2 deposit~~((s))~~ accounts of other ~~((credit unions or savings and loan~~
3 ~~associations organized or authorized to do business under the laws of~~
4 ~~this state, other states, or the United States))~~ financial
5 institutions, the accounts of which are federally insured or insured or
6 guaranteed by ~~((the federal savings and loan insurance corporation, the~~
7 ~~national credit union administration, the Washington credit union share~~
8 ~~guaranty association, or))~~ another insurer or guarantor approved by the
9 director. The shares and deposits made by a credit union under this
10 subsection may exceed the insurance or guarantee limits established by
11 the organization insuring or guaranteeing the institution into which
12 the shares or deposits are made;

13 ~~((f))~~ (6) Common trust or mutual funds whose investment
14 portfolios consist of securities issued or guaranteed by the federal
15 government or an agency of the government;

16 ~~((g))~~ (7) Up to ~~((two))~~ five percent of ~~((a corporation))~~ the
17 capital of the credit union, in debt or equity issued by an
18 organization owned by the Washington credit union league;

19 ~~((h))~~ (8) Shares, stocks, loans, or other obligations of an
20 organization ~~((of which the membership or ownership is confined~~
21 ~~primarily to credit unions and the))~~ whose primary purpose ~~((of which))~~
22 is to strengthen, advance, or provide services to the credit union
23 industry and credit union members. Other than investment in an
24 organization that is wholly owned by the credit union and whose
25 activities are limited exclusively to those ~~((determined by the~~
26 ~~director to be))~~ authorized by RCW 31.12.125 ~~((2) through (9) and (12)~~
27 ~~through (14))~~ (as recodified by this act), an investment under this
28 subsection ~~((1)(h) of this section))~~ shall be limited to one percent
29 of the ~~((total paid in and unimpaired capital and surplus))~~ assets of
30 the credit union, but a credit union may, in addition to the
31 investment, lend to the organization an amount not exceeding an
32 additional one percent of the ~~((total paid in and unimpaired capital~~
33 ~~and surplus))~~ assets of the credit union;

34 ~~((i))~~ (9) Loans to ~~((other))~~ credit unions ~~((organized or~~
35 ~~authorized to do business under the laws of this state, other states,~~
36 ~~or the United States))~~, out-of-state credit unions, or federal credit
37 unions. The aggregate of loans issued under this subsection ~~((shall~~
38 ~~be))~~ is limited to twenty-five percent of the ~~((paid in and unimpaired~~
39 ~~capital))~~ total shares and deposits of the lending credit union; ~~((or~~

1 ~~(j))~~ (10) Key person insurance policies, the proceeds of which
2 inure exclusively to the benefit of the credit union; or

3 (11) Other investments ((authorized in accordance with rules
4 adopted)) approved by the director ((consistent with this chapter))
5 upon written application.

6 ~~((2) The board may appoint an investment committee to make and~~
7 ~~manage the investments under this section. An investment committee~~
8 ~~shall remain subject to the supervision of the board.))~~

9 **Sec. 37.** RCW 31.12.435 and 1994 c 256 s 87 and 1994 c 92 s 198 are
10 each reenacted and amended to read as follows:

11 ~~(1) ((Unless otherwise approved by the director,))~~ A credit union
12 may invest ((a reasonable amount of its funds)) in real property or
13 leasehold interests primarily for its own use in conducting business,
14 including, but not limited to, structures and fixtures attached to real
15 property, subject to the following limitations:

16 ~~(a) ((The aggregate of its regular reserve and its undivided~~
17 ~~earnings equals))~~ The credit union's net capital equals at least five
18 percent of the total of its share and deposit accounts;

19 ~~(b) The board approves the investment ((in real property for its~~
20 ~~own use in conducting business by a two-thirds majority vote of the~~
21 ~~total number of directors)); and~~

22 ~~(c) The ((total))~~ aggregate of all such investments ((in the
23 property)) does not exceed seven and one-half percent of the
24 ((aggregate)) total of its share and deposit accounts.

25 (2) If the real property or leasehold interest is acquired for
26 future expansion, the credit union must satisfy the use requirement in
27 subsection (1) of this section within three years after the credit
28 union makes the investment.

29 (3) The director may, upon written application, waive any of the
30 limitations listed in subsection (1) or (2) of this section.

31 **Sec. 38.** RCW 31.12.445 and 1994 c 92 s 199 are each amended to
32 read as follows:

33 This section applies to all nonfederally insured credit unions.

34 (1) At the end of each accounting period and before the payment of
35 dividends to members, a credit union shall set apart as a regular
36 reserve an amount in accordance with subsection (2) of this section.

1 (2)(a) If a credit union has been in operation for four or more
2 years and has assets of at least five hundred thousand dollars, it
3 shall reserve ten percent of gross income until the regular reserve
4 together with the allowance for loan loss equals four percent of
5 outstanding loans and then shall reserve five percent of gross income
6 until the regular reserve together with the allowance for loan loss
7 equals six percent of outstanding loans.

8 (b) If a credit union has been in operation for less than four
9 years or has assets of less than five hundred thousand dollars, it
10 shall reserve ten percent of gross income until the regular reserve
11 together with the allowance for loan loss equals seven and one-half
12 percent of outstanding loans and then shall reserve five percent of
13 gross income until the regular reserve together with the allowance for
14 loan loss equals ten percent of outstanding loans.

15 (c) The director may authorize a credit union falling under
16 subsection (2)(b) of this section to follow the reserving requirements
17 for credit unions falling under subsection (2)(a) of this section.

18 (d) In computing outstanding loans for purposes of reserving, a
19 credit union may exclude loans secured by shares and loans insured or
20 guaranteed by the federal government or the government of this state to
21 the extent of the security, insurance, or guarantee.

22 (3) When the regular reserve falls below the percentage of
23 outstanding loans required under subsection (2) of this section, a
24 credit union shall replenish the regular reserve by again reserving a
25 portion of gross income as set forth in subsection (2) of this section.

26 (4) The regular reserve and the investment(~~s~~) thereof (~~shall~~)
27 must be held to meet contingencies or losses in the business of the
28 credit union and (~~shall~~) may not be distributed to its members except
29 in the case of (~~dissolution~~) liquidation or with the permission of
30 the director.

31 **Sec. 39.** RCW 31.12.465 and 1994 c 92 s 201 are each amended to
32 read as follows:

33 (1) The director may(~~, if deemed necessary,~~) require a credit
34 union to establish a liquidity reserve of up to five percent of
35 (~~unimpaired capital~~) total shares, deposits, and capital. The
36 liquidity reserve (~~shall~~) must be in cash or investments with
37 maturities of one year or less.

1 (2) The director may require a credit union to charge off or set up
2 a special reserve fund for delinquent loans or other assets.

3 **Sec. 40.** RCW 31.12.695 and 1994 c 256 s 91 and 1994 c 92 s 220 are
4 each reenacted and amended to read as follows:

5 (1) For purposes of this section, the merging credit union is the
6 credit union whose charter ceases to exist upon (~~(merging)~~) merger with
7 the continuing credit union. The continuing credit union is the credit
8 union whose charter continues upon (~~(merging)~~) merger with the merging
9 credit union.

10 (2) A credit union may be merged with another credit union with the
11 approval of the director and in accordance with requirements the
12 director may prescribe. The merger (~~(shall)~~) must be approved by a
13 two-thirds majority vote of the board of each credit union and a
14 two-thirds majority vote of those members of the merging credit union
15 voting on the merger at a (~~(special)~~) membership meeting (~~(called by~~
16 ~~the merging credit union board or by mail ballot)~~). The requirement of
17 approval by the members of the merging credit union may be waived by
18 the director if (~~(in the director's opinion)~~) the merging credit union
19 is in imminent danger of insolvency.

20 (3) The property, rights, and interests of the merging credit union
21 transfer to and vest in the continuing credit union without deed,
22 endorsement, or instrument of transfer, although instruments of
23 transfer may be used if their use is deemed appropriate. The debts and
24 obligations of the merging credit union that are known or reasonably
25 should be known are assumed by the continuing credit union. The
26 continuing credit union shall cause to be published notice of merger
27 once a week for three consecutive weeks in a newspaper of general
28 circulation in the county in which the principal place of business of
29 the merging credit union is located. The notice of merger (~~(shall)~~)
30 must also inform creditors of the merging credit union how to make a
31 claim on the continuing credit union, and that if a claim is not made
32 upon the continuing credit union within thirty days of the last date of
33 publication, creditors' claims that are not known by the continuing
34 credit union may be barred. Unless a claim is filed as requested by
35 the notice, or unless the debt or obligation is known or reasonably
36 should be known by the continuing credit union, the debts and
37 obligations of the merging credit union are discharged. Upon merger,
38 the charter of the merging credit union ceases to exist.

1 **Sec. 41.** RCW 31.12.705 and 1994 c 92 s 221 are each amended to
2 read as follows:

3 (1) A credit union (~~((chartered under the laws of this state))~~) may
4 convert (~~((itself))~~) into a federal credit union (~~((chartered under the~~
5 ~~laws of the United States))~~) as authorized by the federal credit union
6 act. The conversion (~~((shall))~~) must be approved by a two-thirds
7 majority vote of (~~((the))~~) those members (~~((present))~~) voting at (~~((any~~
8 ~~regular or special))~~) a membership meeting (~~((called for that purpose by~~
9 ~~the board. The meeting shall be held within thirty days of being~~
10 ~~called and the secretary shall notify the members and the director of~~
11 ~~the meeting and its purpose as provided by the bylaws at least twenty~~
12 ~~days prior to the meeting))~~).

13 (2) If the conversion is approved by the members, a copy of the
14 resolution certified by the board (~~((shall))~~) must be filed with the
15 director within ten days of approval. The board may effect the
16 conversion (~~((from a state-chartered credit union to a federal-chartered~~
17 ~~credit union))~~) upon terms agreed by the board and the (~~((proper))~~)
18 federal (~~((authorities as provided by federal laws, rules, and~~
19 ~~regulations))~~) regulator.

20 (3) A certified copy of the federal credit union charter or
21 authorization issued (~~((to the credit union))~~) by the (~~((proper))~~) federal
22 (~~((authority shall))~~) regulator must be filed (~~((in))~~) with the
23 (~~((director's office))~~) director and thereupon the (~~((state-chartered))~~)
24 credit union ceases to exist except for the purpose of winding up its
25 affairs and prosecuting or defending any litigation by or against the
26 (~~((state-chartered))~~) credit union. For all other purposes, the credit
27 union is converted into a (~~((federal-chartered))~~) federal credit union
28 and the (~~((state-chartered))~~) credit union may execute, acknowledge, and
29 deliver to the successor federal credit union the instruments of
30 transfer, conveyance, and assignment that are necessary or desirable to
31 complete the conversion, and the property, tangible or intangible, and
32 all rights, titles, and interests that are agreed to by the board and
33 the (~~((proper))~~) federal (~~((authorities))~~) regulator.

34 (4) Procedures, similar to those contained in subsections (1)
35 through (3) of this section, prescribed by the director (~~((shall))~~) must
36 be followed when a credit union (~~((chartered under the laws of this~~
37 ~~state))~~) merges (~~((with))~~) or converts (~~((to a credit union chartered under~~
38 ~~the laws of another state))~~) into an out-of-state or foreign credit
39 union.

1 **Sec. 42.** RCW 31.12.715 and 1994 c 92 s 222 are each amended to
2 read as follows:

3 (1) A federal credit union located and conducting business in this
4 state (~~((which becomes inoperative because of a change in the laws under
5 which it is chartered or which is authorized to dissolve or convert to
6 a state chartered credit union in accordance with federal law))~~) may
7 convert into a (~~((state chartered))~~) credit union organized and operating
8 under this chapter.

9 (2) The board of the federal credit union shall file with the
10 director proposed articles of incorporation and (~~((proposed))~~) bylaws, as
11 provided by this chapter for organizing a new (~~((state chartered))~~)
12 credit union. If approved by the director, the (~~((federal chartered))~~)
13 federal credit union (~~((shall))~~) becomes a (~~((state chartered))~~) credit
14 union under the laws of this state, and the assets and liabilities of
15 the federal credit union will vest in and become the property of the
16 successor (~~((state chartered))~~) credit union subject to all existing
17 liabilities against the (~~((federal chartered))~~) federal credit union.
18 (~~((Shareholders and))~~) Members of the federal credit union may become
19 (~~((shareholders and))~~) members of the successor (~~((state chartered))~~)
20 credit union.

21 (3) Procedures, similar to those contained in subsections (1) and
22 (2) of this section, prescribed by the director (~~((shall))~~) must be
23 followed when (~~((a))~~) an out-of-state or foreign credit union (~~((chartered
24 under the laws of another state))~~) wishes to merge (~~((with))~~) or convert
25 (~~((to))~~) into a credit union (~~((chartered under the laws of this state))~~)
26 organized and operating under this chapter.

27 **Sec. 43.** RCW 31.12.526 and 1994 c 256 s 88 and 1994 c 92 s 205 are
28 each reenacted and amended to read as follows:

29 (1) (~~((A))~~) An out-of-state or foreign credit union (~~((organized and
30 qualified as a credit union in another state which has not had its
31 authority to operate in another state suspended or revoked may operate
32 as a credit union under this chapter if))~~) may not operate a branch in
33 Washington unless:

34 (a) The director has approved (~~((an))~~) its application to do business
35 in this state;

36 (b) A credit union (~~((organized under the laws of this state))~~) is
37 permitted to do business in the state or jurisdiction in which the
38 (~~((credit union))~~) applicant is organized;

1 (c) The interest rate charged by the ~~((credit union))~~ applicant on
2 loans made to members residing in this state does not exceed the
3 maximum interest rate permitted in the state or jurisdiction in which
4 the ~~((credit union))~~ applicant is organized, or exceed the maximum
5 interest rate ~~((which))~~ that a credit union ((organized in this state))
6 organized and operating under this chapter is permitted to charge on
7 similar loans, whichever is lower;

8 (d) The ~~((credit union))~~ applicant has secured surety bond and
9 fidelity bond coverages satisfactory to the director;

10 (e) The ~~((credit union has secured for the))~~ applicant's share and
11 deposit accounts ((of its members insurance or other surety
12 satisfactory to the director)) are insured under the federal share
13 insurance program or an equivalent share insurance program in
14 compliance with RCW 31.12.039 (as recodified by this act);

15 (f) The ~~((credit union))~~ applicant submits to the director an
16 annual ~~((audit or))~~ examination report of its most recently completed
17 fiscal year; ~~((and))~~

18 (g) The applicant has not had its authority to operate in another
19 state or jurisdiction suspended or revoked;

20 (h) If the applicant is a foreign credit union:

21 (i) A treaty or agreement between the United States and the
22 jurisdiction where the applicant is organized requires the director to
23 permit the applicant to operate a branch in Washington; and

24 (ii) The director determines that the applicant has substantially
25 the same characteristics as a credit union organized and operating
26 under this chapter; and

27 (i) The ~~((credit union))~~ applicant complies with all other
28 ~~((applicable))~~ provisions of this chapter and rules adopted by the
29 director, except as otherwise permitted by this section.

30 (2) The director shall ~~((disapprove))~~ deny an application filed
31 under this section or, upon ~~((reasonable))~~ notice and an opportunity
32 for hearing, suspend or revoke the approval of an application, if the
33 director finds that the standards of organization, operation, and
34 regulation of the ~~((credit union))~~ applicant do not reasonably conform
35 with the standards under this chapter ~~((or that at least fifty percent~~
36 ~~of the members of the credit union are, or are reasonably expected to~~
37 ~~be, residents of this state)).~~ In considering the standards of
38 organization, operation, and regulation of the ~~((credit union))~~
39 applicant, the director may consider the laws ~~((and regulations))~~ of

1 the state or jurisdiction in which the (~~credit union~~) applicant is
2 organized. A decision under this subsection may be appealed under
3 chapter 34.05 RCW.

4 (3) In implementing this section, the director may cooperate with
5 (~~the administrators of the~~) credit union (~~laws~~) regulators in other
6 states or jurisdictions and may share with the (~~administrators~~)
7 regulators the information received in the administration of this
8 chapter.

9 (4) The director may enter into supervisory agreements with
10 out-of-state and foreign credit unions and their regulators to
11 prescribe the applicable laws governing the powers and authorities of
12 Washington branches of the out-of-state or foreign credit unions. The
13 director may also enter into supervisory agreements with the credit
14 union regulators in other states or jurisdictions to prescribe the
15 applicable laws governing the powers and authorities of out-of-state or
16 foreign branches and other facilities of credit unions.

17 The agreements may address, but are not limited to, corporate
18 governance and operational matters. The agreements may resolve any
19 conflict of laws, and specify the manner in which the examination,
20 supervision, and application processes must be coordinated with the
21 regulators.

22 The director (~~shall~~) may adopt rules for the periodic examination
23 and investigation of the affairs of an out-of-state or foreign credit
24 union operating in this state. The costs of examination and
25 supervision (~~shall~~) must be fully borne by the out-of-state or
26 foreign credit union.

27 **Sec. 44.** RCW 31.12.725 and 1994 c 92 s 223 are each amended to
28 read as follows:

29 (1) At a special board meeting (~~specially~~) called for the purpose
30 of liquidation, and upon the recommendation of at least two-thirds of
31 the total members of the board of a credit union, the members of a
32 credit union may elect to liquidate the credit union by a two-thirds
33 majority vote of (~~the~~) those members (~~present elect to liquidate the~~
34 ~~credit union~~) voting.

35 (2) Upon a vote to liquidate under subsection (1) of this section,
36 a three-person liquidating committee (~~of three shall~~) must be elected
37 to liquidate the assets of the credit union. The committee shall act
38 (~~under the direction~~) in accordance with any requirements of the

1 director and may be reasonably compensated by the board of the credit
2 union. Each share ((of)) account holder and depositor at the credit
3 union ((shall be)) is entitled to his, her, or its proportionate part
4 of the assets in liquidation after all shares, deposits, and debts have
5 been paid. The proportionate allocation shall be based on account
6 balances as of a date determined by the board. For the purposes of
7 liquidation, shares and deposits are equivalent. The assets of the
8 liquidating credit union ((shall)) are not ((be)) subject to contingent
9 liabilities. Upon distribution of the assets, the credit union
10 ((shall)) ceases to exist except for the purpose of discharging
11 existing liabilities and obligations.

12 (3) Funds representing unclaimed dividends in liquidation and
13 remaining in the hands of the liquidating committee for six months
14 after the date of the final dividend ((shall)) must be deposited,
15 together with all the books and papers of the credit union, with the
16 director. The director may, one year after receipt, destroy such
17 records, books, and papers as, in the director's judgment, are obsolete
18 or unnecessary for future reference. The funds may be deposited in one
19 or more ((trust companies, mutual savings banks, savings and loan
20 associations, or national or state banks)) financial institutions to
21 the credit of the director, in trust for the members of the
22 ((liquidating)) credit union entitled to the funds. The director may
23 pay ((to)) a ((person entitled to it that person's)) portion of the
24 funds to a person upon ((the)) receipt of satisfactory evidence that
25 the person is entitled to ((a portion of)) the funds. In case of doubt
26 or ((of)) conflicting claims, the director may require an order of the
27 superior court of the county in which the principal place of business
28 of the credit union was located, authorizing and directing the payment
29 of the funds. The director may apply the interest earned by the funds
30 toward defraying the expenses incurred in the holding and paying of the
31 funds. Five years after the receipt of the funds, the funds still
32 remaining with the director ((shall)) must be ((escheated)) remitted to
33 the state as unclaimed property.

34 **Sec. 45.** RCW 31.12.516 and 1994 c 92 s 204 are each amended to
35 read as follows:

36 (1) The powers of supervision and examination of credit unions and
37 other persons subject to this chapter and chapters 31.12A and 31.13 RCW
38 are vested in the director. The director shall require each credit

1 union to conduct business in compliance with this chapter and other
2 laws that apply to credit unions, and has the power to commence and
3 prosecute actions and proceedings, to enjoin violations, and to collect
4 sums due the state of Washington from a credit union (~~authorized to~~
5 ~~conduct business under this chapter~~)).

6 (2) The director may adopt such rules as are reasonable or
7 necessary to carry out the purposes of this chapter and chapters 31.12A
8 and 31.13 RCW. Chapter 34.05 RCW will, whenever applicable, govern the
9 rights, remedies, and procedures respecting the administration of this
10 chapter.

11 (3) The director shall have the power and broad administrative
12 discretion to administer and interpret the provisions of this chapter
13 and chapters 31.12A and 31.13 RCW, to facilitate the delivery of
14 financial services to the members of a credit union.

15 (4) The director may charge fees to credit unions and other persons
16 subject to this chapter and chapters 31.12A and 31.13 RCW, in order to
17 cover the costs of the operation of the division of credit unions, and
18 to establish a reasonable reserve for the division. The director may
19 waive all or a portion of such fees.

20 **Sec. 46.** RCW 31.12.545 and 1994 c 92 s 207 are each amended to
21 read as follows:

22 (1) The director shall make an examination and ~~((full))~~
23 investigation into the affairs of each credit union at least once every
24 eighteen months, unless the director determines with respect to a
25 credit union, that a less frequent examination schedule will
26 satisfactorily protect the financial stability of the credit union and
27 will satisfactorily assure compliance with the provisions of this
28 chapter. ~~((The actual cost of examination and supervision shall be~~
29 ~~paid by the credit union examined. The director may waive all or a~~
30 ~~portion of the examination costs payable by the credit union, in light~~
31 ~~of the time and expense of the examination and the ability of the~~
32 ~~credit union to pay the costs. The examination costs with respect to~~
33 ~~the first examination of a credit union with assets under two hundred~~
34 ~~thousand dollars shall not be payable by that credit union.))~~

35 (2) The director may accept in lieu of an examination under
36 subsection (1) of this section the report of an examiner authorized to
37 examine ~~((a))~~ an out-of-state, federal, or foreign credit union ~~((under~~
38 ~~the laws of the United States or another state))~~, or the report of an

1 accountant, satisfactory to the director, who has made and submitted a
2 report of the condition of the affairs of a credit union (~~and, if~~
3 ~~approved~~). The director may accept such a report in lieu of part or
4 all of an examination. If accepted, the report (~~shall have~~) has the
5 same force and effect as an examination under subsection (1) of this
6 section.

7 (~~(3) Communications from the director to the board of a credit~~
8 ~~union regarding an examination or report shall be read before the board~~
9 ~~at its first meeting following the receipt of the communication and the~~
10 ~~fact that the communication was read before the board shall be noted in~~
11 ~~the minutes of the meeting. The board shall promptly respond to the~~
12 ~~director either by stating that steps have been taken to comply with~~
13 ~~the communication or by stating that the board objects to the~~
14 ~~communication and stating the reasons for the objection.))~~

15 **Sec. 47.** RCW 31.12.555 and 1994 c 256 s 89 and 1994 c 92 s 208 are
16 each reenacted and amended to read as follows:

17 (1) The director may examine the affairs of:

18 (a) A credit union service organization in which a credit union has
19 an interest(~~-~~);

20 (b) A person (~~or an entity~~) that is not a credit union,
21 out-of-state credit union, federal credit union, or foreign credit
22 union, and that has an interest in a credit union service organization
23 in which a credit union has an interest (~~is deemed to have consented~~
24 to the examination. For the purposes of this section and RCW
25 31.12.565, a sole proprietorship, partnership, or corporation that is
26 primarily in the business of managing one or more credit unions shall
27 be considered to be a credit union service organization.)); and

28 (c) A sole proprietorship or organization primarily in the business
29 of managing one or more credit unions.

30 (2) Persons subject to examination under this section are deemed to
31 have consented to the examination.

32 (3) The director will establish the appropriate frequency of
33 regular examinations under this section, but no more frequently than
34 once every eighteen months. The cost of the examinations will be borne
35 fully by the person examined.

36 **Sec. 48.** RCW 31.12.565 and 1994 c 256 s 90 and 1994 c 92 s 209
37 are each reenacted and amended to read as follows:

1 (1) The following are confidential and privileged and not subject
2 to public disclosure under chapter 42.17 RCW:

3 (a) Examination reports and information obtained by the
4 ((director's staff)) director in conducting examinations ((of credit
5 unions and credit union service organizations are confidential and
6 privileged information and not subject to public disclosure under
7 chapter 42.17 RCW)) and investigations under this chapter and chapters
8 31.12A and 31.13 RCW;

9 (b) Examination reports and related information from other
10 financial institution regulators obtained by the director; and

11 (c) Business plans and other proprietary information obtained by
12 the director in connection with a credit union's application or notice
13 to the director.

14 (2) Notwithstanding subsection (1) of this section, the director
15 may furnish examination reports prepared by the ((director's office))
16 director to:

17 (a) Federal agencies empowered to examine ((state-chartered))
18 credit unions;

19 (b) Officials empowered to investigate criminal charges. The
20 director may furnish only that part of the report which is necessary
21 and pertinent to the investigation, and only after notifying the
22 affected credit union and members of the credit union who are named in
23 that part of the examination report, or other person examined, that the
24 report is being furnished to the officials, unless the officials
25 requesting the report obtain a waiver of the notice requirement for
26 good cause from a court of competent jurisdiction;

27 (c) The examined credit union or other person examined, solely for
28 its confidential use;

29 (d) The attorney general in his or her role as legal advisor to the
30 director;

31 (e) Prospective merger partners or conservators, receivers, or
32 liquidating agents of a distressed credit union;

33 (f) Credit union ((administrators)) regulators in other states or
34 jurisdictions regarding an out-of-state ((chartered)) or foreign credit
35 union ((doing)) conducting business in this state under this chapter,
36 or regarding a credit union ((chartered under this chapter doing))
37 conducting business in ((another)) the other state or jurisdiction;

38 (g) A person ((or organization)) officially connected with the
39 credit union or other person examined, as officer, director,

1 supervisory committee member, attorney, auditor, accountant,
2 independent attorney, independent auditor, or independent accountant;

3 (h) (~~Companies~~) Organizations that have bonded the credit union
4 to the extent that information is relevant to the renewal of the bond
5 coverage or to a claim under the bond coverage;

6 (i) (~~Companies, associations, or agencies~~) Organizations insuring
7 or guaranteeing the shares of, or deposits in, the credit union; or

8 (j) Other persons (~~or organizations~~) as the director may
9 determine necessary to protect the public interest and confidence.

10 (3) Examination reports furnished under subsection (2) of this
11 section remain the property of the (~~director's office~~) director and
12 no person (~~, agency, or authority~~) to whom reports are furnished or
13 any officer, director, or employee thereof may disclose or make public
14 the reports or information contained in the reports except in published
15 statistical information that does not disclose the affairs of (~~an~~
16 ~~individual or corporation~~) a person, except that nothing prevents the
17 use in a criminal prosecution of reports furnished under subsection
18 (2)(b) of this section.

19 (4) In a civil action in which the reports or information are
20 sought to be discovered or used as evidence, a party upon notice to the
21 director, may petition the court for an in-camera review of the reports
22 or information. The court may permit discovery and introduction of
23 only those portions of the report or information which are relevant and
24 otherwise unobtainable by the requesting party. This subsection does
25 not apply to an action brought or defended by the director.

26 (5) This section does not apply to investigation reports prepared
27 by the director (~~and the director's staff~~) concerning an application
28 for a new credit union or a notice of intent to establish or relocate
29 a branch of a credit union, except that the director may adopt rules
30 making (~~confidential~~) portions of the reports confidential, if in the
31 director's opinion the public disclosure of that portion of the report
32 would impair the ability to obtain information the director considers
33 necessary to fully evaluate the application.

34 (6) Any person who knowingly violates a provision of this section
35 is guilty of a gross misdemeanor.

36 NEW SECTION. Sec. 49. A new section is added to chapter 31.12 RCW
37 to read as follows:

1 A credit union shall make at least two regular reports each year to
2 the director showing the assets and liabilities of the credit union.
3 Each report must be certified by the principal operating officer of the
4 credit union. The director shall designate the form, the due dates of,
5 and the period covered by the reports.

6 NEW SECTION. **Sec. 50.** A new section is added to chapter 31.12 RCW
7 to read as follows:

8 Credit unions will comply with the provisions of generally accepted
9 accounting principles as identified by rule of the director. In
10 adopting rules to implement this section, the director shall consider,
11 among other relevant factors, whether to transition small credit unions
12 to generally accepted accounting principles over a period of time.

13 **Sec. 51.** RCW 31.12.215 and 1994 c 92 s 190 are each amended to
14 read as follows:

15 A credit union desiring to establish a branch shall submit to the
16 director a notice of intent to establish a branch (~~on a form provided~~
17 ~~by the director~~) at least thirty days before conducting business at
18 the branch.

19 **Sec. 52.** RCW 31.12.575 and 1994 c 92 s 210 are each amended to
20 read as follows:

21 ~~(1) ((The director may suspend a director or the principal~~
22 ~~operating officer of a credit union if, in the opinion of the director,~~
23 ~~the director or principal operating officer is dishonest, inefficient,~~
24 ~~incompetent, is willfully disobeying orders of the director, or is in~~
25 ~~any way violating this chapter or the bylaws of the credit union. The~~
26 ~~director shall give prompt notice of and the reasons for the suspension~~
27 ~~to the board of the affected credit union.~~

28 ~~(2) Unless the director specifically provides otherwise in the~~
29 ~~order of suspension, an order of suspension shall take effect~~
30 ~~immediately. The suspended person shall be prohibited from all aspects~~
31 ~~of the operation of the credit union. The suspended person shall be~~
32 ~~barred from the credit union premises and shall surrender the~~
33 ~~possession of all property and records of the credit union. A person~~
34 ~~who knowingly violates an order of suspension or who knowingly aids in~~
35 ~~the violation of an order of suspension shall be guilty of a gross~~
36 ~~misdemeanor.~~

1 ~~(3) Upon receipt of the notice of suspension, the board shall~~
2 ~~within twenty days call a meeting of its members to consider the causes~~
3 ~~of the suspension. The board shall give at least seven days' notice of~~
4 ~~the time and place of the meeting to the director unless the director~~
5 ~~agrees to accept shorter notice. If the board finds the director's~~
6 ~~objection to be well founded, the board shall remove the suspended~~
7 ~~person immediately.~~

8 ~~(4) If the board fails to remove the suspended person as provided~~
9 ~~in subsection (3) of this section, the director may remove that person~~
10 ~~after reasonable notice and an opportunity to be heard under chapter~~
11 ~~34.05 RCW. The suspension shall remain in effect for twenty days after~~
12 ~~the board meeting at which the board considers the suspension, during~~
13 ~~which time the director may call a hearing under this subsection. If~~
14 ~~the director calls a hearing, the suspension shall remain in effect~~
15 ~~until the time of the hearing.)) The director may serve a credit union~~
16 ~~director, supervisory committee member, officer, or employee with~~
17 ~~written notice of the director's intent to remove the person from~~
18 ~~office or to prohibit the person from participating in the conduct of~~
19 ~~the affairs of the credit union whenever, in the opinion of the~~
20 ~~director:~~

21 ~~(a) The person has committed a material violation of law or an~~
22 ~~unsafe or unsound practice;~~

23 ~~(b)(i) The credit union has suffered or is likely to suffer~~
24 ~~substantial financial loss or other damage; or~~

25 ~~(ii) The interests of the credit union's share account holders and~~
26 ~~depositors could be seriously prejudiced by reason of the violation or~~
27 ~~practice; and~~

28 ~~(c) The violation or practice involves personal dishonesty,~~
29 ~~recklessness, or incompetence.~~

30 ~~(2) The notice must contain a statement of the facts constituting~~
31 ~~the alleged violation or practice and must fix a time and place at~~
32 ~~which a hearing will be held to determine whether a removal or~~
33 ~~prohibition order should be issued against the person. The hearing~~
34 ~~must be set not earlier than ten days nor later than thirty days after~~
35 ~~service of the notice, unless a later date is set by the director at~~
36 ~~the request of any of the parties.~~

37 ~~Unless the person appears at the hearing, the person will be deemed~~
38 ~~to have consented to the issuance of the removal or prohibition order.~~
39 ~~In the event of this consent, or if upon the record made at the hearing~~

1 the director finds that any violation or practice specified in the
2 notice of intention has been established, the director may issue and
3 serve upon the person an order removing the person from office at the
4 credit union or an order prohibiting the person from participating in
5 the conduct of the affairs of the credit union.

6 (3) A removal order or prohibition order becomes effective at the
7 expiration of ten days after the service of the order upon the person,
8 except that a removal order or prohibition order issued upon consent
9 becomes effective at the time specified in the order. An order remains
10 effective unless it is stayed, modified, terminated, or set aside by
11 action of the director or a reviewing court.

12 **Sec. 53.** RCW 31.12.585 and 1994 c 92 s 211 are each amended to
13 read as follows:

14 (1) The director may issue and serve ~~((upon))~~ a credit union with
15 a notice of charges if, in the opinion of the director, the credit
16 union has committed or is about to commit:

17 ~~((Is engaging or has engaged in an unsafe or unsound practice~~
18 ~~in conducting the business of the credit union;))~~ A material violation
19 of law; or

20 ~~((Is violating or has violated a material provision of any law,~~
21 ~~rule, or any condition imposed in writing by the director in connection~~
22 ~~with the granting of any application or other request by the credit~~
23 ~~union or any written agreement made with the director; or~~

24 ~~(c) Is about to do the acts prohibited in (a) or (b) of this~~
25 ~~subsection if the opinion that the threat exists is based upon~~
26 ~~reasonable cause))~~ An unsafe or unsound practice.

27 (2) The notice ~~((shall))~~ must contain a statement of the facts
28 constituting the alleged violation or the practice and ~~((shall))~~ must
29 fix a time and place at which a hearing will be held to determine
30 whether an order to cease and desist should issue against the credit
31 union. The hearing ~~((shall))~~ must be set not earlier than ten days nor
32 later than thirty days after service of the notice, unless a later date
33 is set by the director at the request of ~~((the credit union))~~ any of
34 the parties.

35 Unless the credit union appears at the hearing by a duly authorized
36 representative, it shall be deemed to have consented to the issuance of
37 the cease and desist order. In the event of this consent, or if upon
38 the record made at the hearing the director finds that any violation or

1 practice specified in the notice of charges has been established, the
2 director may issue and serve upon the credit union an order to cease
3 and desist from the violation or practice. The order may require the
4 credit union and its directors, supervisory committee members,
5 officers, employees, and agents to cease and desist from the violation
6 or practice and may require the credit union to take affirmative action
7 to correct the conditions resulting from the violation or practice.

8 (3) A cease and desist order (~~((shall))~~) becomes effective at the
9 expiration of ten days after the service of the order upon the credit
10 union (~~((concerned))~~), except that a cease and desist order issued upon
11 consent (~~((shall))~~) becomes effective at the time specified in the order
12 (~~((and shall))~~). The order remains effective (~~((as provided therein))~~)
13 unless it is stayed, modified, terminated, or set aside by action of
14 the director or a reviewing court.

15 **Sec. 54.** RCW 31.12.595 and 1994 c 92 s 212 are each amended to
16 read as follows:

17 If the director determines that the (~~((act))~~) violation or practice
18 specified in RCW 31.12.585 (as recodified by this act) is likely to
19 cause (~~((insolvency or substantial dissipation of assets or earnings of~~
20 ~~the credit union or to otherwise seriously prejudice the interests of~~
21 ~~its depositors, members, or shareholders))~~) an unsafe or unsound
22 condition at the credit union, the director may issue a temporary order
23 requiring the credit union to cease and desist from the violation or
24 practice. The order (~~((shall))~~) becomes effective upon service on the
25 credit union and (~~((shall))~~) remains effective unless set aside, limited,
26 or suspended by a court in proceedings under RCW 31.12.605 (as
27 recodified by this act) pending the completion of the administrative
28 proceedings under the notice, and until the director dismisses the
29 charges specified in the notice or until the effective date of a cease
30 and desist order issued against the credit union under RCW 31.12.585
31 (as recodified by this act).

32 **Sec. 55.** RCW 31.12.605 and 1984 c 31 s 62 are each amended to read
33 as follows:

34 Within ten days after a credit union has been served with a
35 temporary cease and desist order, the credit union may apply to the
36 superior court in the county of its principal place of business for an
37 injunction setting aside, limiting, or suspending the order pending the

1 completion of the administrative proceedings under RCW 31.12.585 (as
2 recodified by this act). The superior court (~~shall have~~) has
3 jurisdiction to issue the injunction.

4 **Sec. 56.** RCW 31.12.625 and 1994 c 92 s 214 are each amended to
5 read as follows:

6 (1) An administrative hearing provided for in RCW 31.12.575 or
7 31.12.585 (~~shall~~) (as recodified by this act) may be held at such
8 place as is designated by the director and must be conducted in
9 accordance with chapter 34.05 RCW. The hearing shall be private unless
10 the director determines that a public hearing is necessary to protect
11 the public interest after fully considering the views of the party
12 afforded the hearing.

13 (2) Within sixty days after the hearing, the director shall render
14 a decision which (~~shall~~) includes findings of fact upon which the
15 decision is based (and). The director shall issue and serve upon
16 each party to the proceeding an order or orders consistent with RCW
17 31.12.575 or 31.12.585 (as recodified by this act).

18 (3) Unless a petition for review is timely filed in the superior
19 court of the county in which the principal place of business of the
20 credit union is located, and until the record in the proceeding has
21 been filed as provided therein, the director may at any time modify,
22 terminate, or set aside any order upon such notice and in such manner
23 as the director may deem proper. Upon filing the record, the director
24 may modify, terminate, or set aside an order only with the permission
25 of the court or the party or parties to the proceeding.

26 The judicial review provided in this section will be exclusive for
27 orders issued under RCW 31.12.575 and 31.12.585 (as recodified by this
28 act).

29 (4) Any party to the proceeding, or any person subject to an order,
30 temporary order, or injunction issued under RCW 31.12.575, 31.12.585,
31 31.12.595, or 31.12.615 (as recodified by this act), may obtain a
32 review of any order issued and served under subsection (1) of this
33 section, other than an order issued upon consent, by filing a written
34 petition requesting that the order be modified, terminated, or set
35 aside, in the superior court of the county in which the principal place
36 of business of the affected credit union is located. The petition must
37 be filed within ten days after the date of service of the order. A
38 copy of the petition must be immediately served upon the director and

1 the director must then file the record of the proceeding in court. The
2 court has jurisdiction, upon the filing of the petition, to affirm,
3 modify, terminate, or set aside, in whole or in part, the order of the
4 director. The jurisdiction of the court becomes exclusive upon the
5 filing of the record. However, the director may modify, terminate, or
6 set aside the order with the permission of the court. The judgment and
7 decree of the court is final subject to appellate review under the
8 rules of the court.

9 (5) The commencement of proceedings for judicial review under
10 subsection (4) of this section may not operate as a stay of any order
11 issued by the director unless specifically ordered by the court.

12 (6) Service of any notice or order required to be served under RCW
13 31.12.575, 31.12.585, or 31.12.595 (as recodified by this act), must be
14 accomplished in the same manner as required for the service of process
15 in civil actions in superior courts of this state.

16 **NEW SECTION. Sec. 57.** A new section is added to chapter 31.12 RCW
17 to read as follows:

18 The director may apply to the superior court of the county in which
19 the principal place of business of the affected credit union is located
20 for the enforcement of any effective and outstanding order issued under
21 RCW 31.12.575, 31.12.585, 31.12.595, and 31.12.615 (as recodified by
22 this act), and the court has jurisdiction to order compliance
23 therewith. No court has jurisdiction to affect by injunction or
24 otherwise the issuance or enforcement of any such order, or to review,
25 modify, suspend, terminate, or set aside any such order, except as
26 provided in RCW 31.12.605, 31.12.615, and 31.12.625 (as recodified by
27 this act).

28 **Sec. 58.** RCW 31.12.655 and 1994 c 92 s 216 are each amended to
29 read as follows:

30 The director may request a special meeting of the board of a credit
31 union if the director believes that a special meeting is necessary for
32 the welfare of the credit union or the purposes of this chapter. The
33 director's request for a special board meeting (~~((shall))~~) must be made
34 in writing to the secretary of the board and the request (~~((shall))~~) must
35 be handled in the same manner as a call for a special meeting under RCW
36 31.12.195 (as recodified by this act). The director may require the
37 attendance of all of the directors (~~((of the board))~~) at the special

1 board meeting, and an absence ~~((of a director))~~ unexcused by the
2 director constitutes a violation of this chapter.

3 **Sec. 59.** RCW 31.12.665 and 1994 c 92 s 217 are each amended to
4 read as follows:

5 ~~((1))~~ The director may attend a ~~((regular or special))~~ meeting of
6 the board of a credit union if the director believes that attendance at
7 the meeting is necessary for the welfare of the credit union, or the
8 purposes of this chapter, or if the board has requested the director's
9 attendance. The director shall provide reasonable notice to the board
10 before attending a meeting.

11 ~~((2) A communication from the director to the board shall upon the
12 request of the director be read to the board at its next meeting and
13 the fact that the communication was read shall be noted in the
14 minutes.))~~

15 NEW SECTION. **Sec. 60.** A new section is added to chapter 31.12 RCW
16 to read as follows:

17 The director may place a credit union under supervisory direction
18 in accordance with sections 61 through 63 of this act, appoint a
19 conservator for a credit union in accordance with sections 64 through
20 67 of this act, appoint a liquidating agent for a credit union in
21 accordance with RCW 31.12.675 and 31.12.685 (as recodified by this
22 act), or appoint a receiver for a credit union in accordance with
23 sections 70 through 86 of this act, if the credit union:

24 (1) Consents to the action;

25 (2) Has failed to comply with the requirements of the director
26 while the credit union is under supervisory direction;

27 (3) Has committed or is about to commit a material violation of law
28 or an unsafe or unsound practice, and such violation or practice has
29 caused or is likely to cause an unsafe or unsound condition at the
30 credit union; or

31 (4) Is in an unsafe or unsound condition.

32 NEW SECTION. **Sec. 61.** A new section is added to chapter 31.12 RCW
33 to read as follows:

34 (1) As authorized by section 60 of this act, the director may
35 determine to place a credit union under supervisory direction. Upon

1 such a determination, the director shall notify the credit union in
2 writing of:

3 (a) The director's determination; and

4 (b) Any requirements that must be satisfied before the director
5 shall terminate the supervisory direction.

6 (2) The credit union must comply with the requirements of the
7 director as provided in the notice. If the credit union fails to
8 comply with the requirements, the director may appoint a conservator,
9 liquidating agent, or receiver for the credit union, in accordance with
10 this chapter. The director may appoint a representative to supervise
11 the credit union during the period of supervisory direction.

12 (3) All costs incident to supervisory direction will be a charge
13 against the assets of the credit union to be allowed and paid as the
14 director may determine.

15 NEW SECTION. Sec. 62. A new section is added to chapter 31.12 RCW
16 to read as follows:

17 During the period of supervisory direction, the director may
18 prohibit the credit union from engaging in any of the following acts
19 without prior approval:

20 (1) Disposing of, conveying, or encumbering any of its assets;

21 (2) Withdrawing any of its accounts at other financial
22 institutions;

23 (3) Lending any of its funds;

24 (4) Investing any of its funds;

25 (5) Transferring any of its property; or

26 (6) Incurring any debt, obligation, or liability.

27 NEW SECTION. Sec. 63. A new section is added to chapter 31.12 RCW
28 to read as follows:

29 During the period of supervisory direction, the credit union may
30 request the director to review an action taken or proposed to be taken
31 by the representative, specifying how the action is not in the best
32 interests of the credit union. The request stays the action, pending
33 the director's review of the request.

34 NEW SECTION. Sec. 64. A new section is added to chapter 31.12 RCW
35 to read as follows:

1 (1) As authorized by section 60 of this act, the director may, upon
2 due notice and hearing, appoint a conservator for a credit union. The
3 director may appoint himself or herself or another qualified party as
4 conservator of the credit union. The conservator shall immediately
5 take charge of the credit union and all of its property, books,
6 records, and effects.

7 (2) The conservator shall conduct the business of the credit union
8 and take such steps toward the removal of the causes and conditions
9 that have necessitated the appointment of a conservator, as the
10 director may direct. The conservator is authorized to, without
11 limitation:

12 (a) Take all necessary measures to preserve, protect, and recover
13 any assets or property of the credit union, including any claim or
14 cause of action belonging to or which may be asserted by the credit
15 union, and administer the same in his or her own name as conservator;
16 and

17 (b) File, prosecute, and defend any suit that has been filed or may
18 be filed by or against the credit union that is deemed by the
19 conservator to be necessary to protect all of the interested parties or
20 a property affected thereby.

21 The conservator shall make such reports to the director from time
22 to time as may be required by the director.

23 (3) All costs incident to conservatorship will be a charge against
24 the assets of the credit union to be allowed and paid as the director
25 may determine.

26 (4) If at any time the director determines that the credit union is
27 not in condition to continue business under the conservator in the
28 interest of its share account holders, depositors, or creditors, and
29 grounds exist under section 60 of this act, the director may proceed
30 with appointment of a liquidating agent or receiver in accordance with
31 this chapter.

32 NEW SECTION. **Sec. 65.** A new section is added to chapter 31.12 RCW
33 to read as follows:

34 During the period of conservatorship, the credit union may request
35 the director to review an action taken or proposed to be taken by the
36 conservator, specifying how the action is not in the best interest of
37 the credit union. The request stays the action, pending the director's
38 review of the request.

1 NEW SECTION. Sec. 66. A new section is added to chapter 31.12 RCW
2 to read as follows:

3 Any suit filed against a credit union or its conservator, during
4 the period of conservatorship, must be brought in the superior court of
5 Thurston county. A conservator for a credit union may file suit in any
6 superior court or other court of competent jurisdiction against any
7 person for the purpose of preserving, protecting, or recovering any
8 asset or property of the credit union, including, but not limited to,
9 any claims or causes of action belonging to or asserted by the credit
10 union.

11 NEW SECTION. Sec. 67. A new section is added to chapter 31.12 RCW
12 to read as follows:

13 The conservator shall serve until the purposes of the
14 conservatorship have been accomplished. If rehabilitated, the credit
15 union must be returned to management or new management under such
16 conditions as the director may determine.

17 **Sec. 68.** RCW 31.12.675 and 1994 c 92 s 218 are each amended to
18 read as follows:

19 ~~((The articles of incorporation of a credit union may be
20 suspended or revoked, the credit union placed in involuntary
21 liquidation, and a liquidating agent appointed upon a finding by the
22 director that the credit union is insolvent.~~

23 ~~((2) Except as otherwise provided in this chapter,)) As authorized
24 by section 60 of this act, the director may appoint a liquidating agent
25 for a credit union. Before appointing a liquidating agent, the
26 director~~((, before suspending or revoking the articles of incorporation
27 of a credit union and placing the credit union in liquidation,)) shall
28 issue and serve notice on the credit union ~~((concerned of the intention
29 to suspend or revoke the articles and))~~ an order directing the credit
30 union to show cause why its articles of incorporation should not be
31 suspended or revoked, in accordance with chapter 34.05 RCW.~~~~

32 ~~((3))~~ (2) If the ~~((director finds that the credit union is
33 insolvent and the))~~ credit union fails to adequately show cause, the
34 ~~((articles of incorporation shall be suspended or revoked and the
35 credit union placed in involuntary liquidation. The))~~ director shall
36 serve ~~((on))~~ the credit union with an order directing the suspension or
37 revocation ~~((and an order directing the))~~ of the articles of

1 incorporation, placing the credit union in involuntary liquidation
2 ((and appointment of)), appointing a liquidating agent under this
3 section and RCW 31.12.685 (as recodified by this act), and providing a
4 statement of the findings on which the order is based.

5 ~~((4))~~ (3) The suspension or revocation ~~((shall))~~ must be
6 immediate and complete. Once the articles of incorporation are
7 suspended or revoked, the credit union shall cease conducting business.
8 The credit union may not accept any payment ~~((on))~~ to share~~((s))~~ or
9 deposit~~((s))~~ accounts, may not grant or pay out any new or previously
10 approved loans, may not invest any of its assets, and may not declare
11 or pay out any previously declared dividends. The liquidating agent of
12 a credit union whose articles have been suspended or revoked may accept
13 payments on loans previously paid out and may accept income from
14 investments already made.

15 **Sec. 69.** RCW 31.12.685 and 1994 c 92 s 219 are each amended to
16 read as follows:

17 (1) ~~((The director shall designate the liquidating agent in the~~
18 ~~order directing the involuntary liquidation of the credit union under~~
19 ~~RCW 31.12.675.))~~ On receipt of the order placing the credit union in
20 involuntary liquidation, the officers and directors of the credit union
21 ~~((concerned))~~ shall deliver to the liquidating agent possession and
22 control of all books, records, assets, and property of the credit
23 union.

24 (2) The liquidating agent shall proceed to convert the assets to
25 cash, collect all debts due to the credit union and wind up its affairs
26 in accordance with ~~((the))~~ any instructions and procedures issued by
27 the director. If a liquidating agent agrees to absorb and serve the
28 membership of ~~((a distressed))~~ the credit union, the director may
29 approve a pooling of assets and liabilities rather than a distribution
30 of assets.

31 (3) Each share account holder and depositor at the credit union is
32 entitled to a proportionate allocation of the assets in liquidation
33 after all shares, deposits, and debts have been paid.

34 The proportionate allocation shall be based on account balances as
35 of a date determined by the board. For the purposes of liquidation,
36 shares and deposits are equivalent.

37 (4) The liquidating agent shall cause a notice of liquidation to be
38 published ~~((notice of liquidation))~~ once a week for three consecutive

1 weeks in a newspaper of general circulation in the county in which the
2 principal place of business of the (~~liquidating~~) credit union is
3 located. The notice of liquidation (~~shall~~) must inform creditors of
4 the (~~liquidating~~) credit union on how to make a claim upon the
5 liquidating agent, and that if a claim is not made upon the liquidating
6 agent within thirty days of the last date of publication, the
7 creditor's claim (~~shall be~~) is barred. The liquidating agent shall
8 provide personal notice of liquidation to the creditors of record,
9 informing them that if they fail to make a claim upon the liquidating
10 agent within thirty days of the service of the notice, the creditor's
11 claim (~~shall be~~) is barred. If a creditor fails to make a claim upon
12 the liquidating agent within the times required to be specified in the
13 notices of liquidation, the creditor's claim (~~shall be~~) is barred.
14 All contingent liabilities of the (~~liquidated~~) credit union (~~shall~~
15 ~~be~~) are discharged upon the director's order to liquidate the credit
16 union. The liquidating agent shall, upon completion, certify to the
17 director that the distribution or pooling of assets of the credit union
18 is complete.

19 NEW SECTION. Sec. 70. A new section is added to chapter 31.12 RCW
20 to read as follows:

21 As authorized by section 60 of this act, the director may without
22 prior notice appoint a receiver to take possession of a credit union.
23 The director may appoint the national credit union administration or
24 other qualified party as receiver. Upon appointment, the receiver is
25 authorized to act without bond. Upon acceptance of the appointment,
26 the receiver shall have and possess all the powers and privileges
27 provided by the laws of this state with respect to the receivership of
28 a credit union, and be subject to all the duties of and restrictions
29 applicable to such a receiver, except insofar as such powers,
30 privileges, duties, or restrictions are in conflict with any applicable
31 provision of the federal credit union act.

32 Upon taking possession of the credit union, the receiver shall give
33 written notice to the directors of the credit union and to all persons
34 having possession of any assets of the credit union. No person with
35 knowledge of the taking of possession by the receiver shall have a lien
36 or charge for any payment advanced, clearance made, or liability
37 incurred against any of the assets of the credit union, after the
38 receiver takes possession, unless approved by the receiver.

1 NEW SECTION. **Sec. 71.** A new section is added to chapter 31.12 RCW
2 to read as follows:

3 Within ten days after the receiver takes possession of a credit
4 union's assets, the credit union may serve notice upon the receiver to
5 appear before the superior court of the county in which the principal
6 place of business of the credit union is located and at a time to be
7 fixed by the court, which may not be less than five or more than
8 fifteen days from the date of the service of the notice, to show cause
9 why the credit union should not be restored to the possession of its
10 assets.

11 The court shall summarily hear and dismiss the complaint if it
12 finds that the receiver was appointed for cause. However, if the court
13 finds that no cause existed for appointment of the receiver, the court
14 shall require the receiver to restore the credit union to possession of
15 its assets and enjoin the director from further appointment of a
16 receiver for the credit union without cause.

17 NEW SECTION. **Sec. 72.** A new section is added to chapter 31.12 RCW
18 to read as follows:

19 Upon taking possession of a credit union, the receiver shall
20 proceed to collect the assets of the credit union and preserve,
21 administer, and liquidate its business and assets.

22 With the approval of the Thurston county superior court or the
23 superior court of the county in which the principal place of business
24 of the credit union is located, the receiver may sell, compound, or
25 compromise bad or doubtful debts, and upon such terms as the court may
26 direct, borrow, mortgage, pledge, or sell all or any part of the real
27 and personal property of the credit union. The receiver may deliver to
28 each purchaser or lender an appropriate deed, mortgage, agreement of
29 pledge, or other instrument of title or security. The receiver may
30 employ an attorney or other assistants to assist in carrying out the
31 receivership, subject to such surety bond as the director may require.
32 The premium for any such bond must be paid out of the assets of the
33 credit union.

34 In carrying out the receivership, the receiver may without
35 limitation arrange for the merger or consolidation of the credit union
36 in receivership with another credit union, out-of-state credit union,
37 or federal credit union, or may arrange for the purchase of the credit
38 union's assets and the assumption of its liabilities by such a credit

1 union, in whole or in part, or may arrange for such a transaction with
2 another type of financial institution as may be otherwise permitted by
3 law. The receiver shall give preference to transactions with a credit
4 union or a federal credit union that has its principal place of
5 business in this state.

6 NEW SECTION. **Sec. 73.** A new section is added to chapter 31.12 RCW
7 to read as follows:

8 The receiver shall publish once a week for four consecutive weeks
9 in a newspaper of general circulation in the county where the credit
10 union's principal place of business is located, a notice requiring all
11 persons having claims against the credit union to file proof of claim
12 not later than ninety days from the date of the first publication of
13 the notice. The receiver shall mail similar notices to all persons
14 whose names appear as creditors upon the books of the credit union.
15 The assets of the credit union are not subject to contingent claims.

16 After the expiration of the time fixed in the notice, the receiver
17 has no power to accept any claim except the claim of a depositor or
18 share account holder, and all other claims are barred. Claims of
19 depositors or share account holders may be presented after the
20 expiration of the time fixed in the notice and may be approved by the
21 receiver. If such a claim is approved, the depositor or share account
22 holder is entitled to its proportion of prior liquidation dividends, if
23 sufficient funds are available for it, and will share in the
24 distribution of the remaining assets.

25 The receiver may approve or reject any claim, but shall serve
26 notice of rejection upon the claimant by mail or personally. An
27 affidavit of service of the notice of rejection will serve as prima
28 facie evidence that notice was given. No action may be brought on any
29 claim after three months from the date of service of the notice of
30 rejection.

31 NEW SECTION. **Sec. 74.** A new section is added to chapter 31.12 RCW
32 to read as follows:

33 Upon taking possession of the credit union, the receiver shall make
34 an inventory of the assets and file the list in the office of the
35 county clerk. Upon the expiration of the time fixed for the
36 presentation of claims, the receiver shall make a list of claims
37 presented, segregating those approved and those rejected, to be filed

1 in the office of the county clerk. The receiver shall also make and
2 file with the office of the county clerk a supplemental list of claims
3 at least fifteen days before the declaration of any liquidation
4 dividend, and in any event at least every six months.

5 Objection may be made by any interested person to any claim
6 approved by the receiver. Objections to claims approved by the
7 receiver will be resolved by the court after providing notice to both
8 the claimant and objector, as the court may prescribe.

9 NEW SECTION. **Sec. 75.** A new section is added to chapter 31.12 RCW
10 to read as follows:

11 All expenses incurred by the receiver in relation to the
12 receivership of a credit union, including, but not limited to,
13 reasonable attorneys' fees, become a first charge upon the assets of
14 the credit union. The charges shall be fixed and determined by the
15 receiver, subject to the approval of the court.

16 NEW SECTION. **Sec. 76.** A new section is added to chapter 31.12 RCW
17 to read as follows:

18 At any time after the expiration of the date fixed for the
19 presentation of claims, the receiver, subject to the approval of the
20 court, may declare one or more liquidation dividends out of the funds
21 remaining after the payment of expenses.

22 NEW SECTION. **Sec. 77.** A new section is added to chapter 31.12 RCW
23 to read as follows:

24 When all expenses of the receivership have been paid, as well as
25 all proper claims of share account holders, depositors, and other
26 creditors, and proper provision has been made for unclaimed or unpaid
27 debts and liquidation dividends, and assets of the credit union still
28 remain, the receiver shall wind up the affairs of the credit union and
29 distribute its assets to those entitled to them. Each share account
30 holder and depositor at the credit union is entitled to a proportionate
31 share of the assets remaining. The proportionate allocation shall be
32 based on account balances as of a date determined by the board. For
33 the purposes of liquidation, shares and deposits are equivalent.

34 NEW SECTION. **Sec. 78.** A new section is added to chapter 31.12 RCW
35 to read as follows:

1 Any liquidation dividends to share account holders, depositors, or
2 other creditors of the credit union remaining uncalled for and unpaid
3 in the hands of the receiver for six months after the order of final
4 distribution, must be deposited in a financial institution to each
5 share account holder's, depositor's, or creditor's credit. The funds
6 must be held in trust for the benefit of the persons entitled to the
7 funds and, subject to the supervision of the court, must be paid by the
8 receiver to them upon presentation of satisfactory evidence of their
9 right to the funds.

10 NEW SECTION. **Sec. 79.** A new section is added to chapter 31.12 RCW
11 to read as follows:

12 (1) The receiver shall inventory, package, and seal uncalled for
13 and unclaimed personal property left with the credit union, including,
14 but not limited to, property held in safe deposit boxes, and arrange
15 for the packages to be held in safekeeping. The credit union, its
16 directors and officers, and the receiver, shall be relieved of
17 responsibility and liability for the property held in safekeeping. The
18 receiver shall promptly send to each person in whose name the property
19 stood on the books of the credit union, at the person's last known
20 address, a registered letter notifying the person that the property
21 will be held in the person's name for a period of not less than two
22 years.

23 (2) After the expiration of two years from the date of mailing the
24 notice, the receiver shall promptly send to each person in whose name
25 the property stood on the books of the credit union, at the person's
26 last known address, a registered letter providing notice of sale. The
27 letter must indicate that the receiver will sell the property set out
28 in the notice, at a public auction at a specified time and place, not
29 less than thirty days after the date of mailing the letter. The
30 receiver may sell the property unless the person, prior to the sale,
31 presents satisfactory evidence of the person's right to the property.
32 A notice of the time and place of the sale must be published once
33 within ten days prior to the sale in a newspaper of general circulation
34 in the county where the sale is to be held.

35 (3) Any property, for which the address of the owner or owners is
36 not known, may be sold at public auction after it has been held by the
37 receiver for two years. A notice of the time and place of the sale

1 must be published once within ten days prior to the sale in a newspaper
2 of general circulation in the county where the sale is to be held.

3 (4) Whenever the personal property left with the credit union
4 consists either wholly or in part, of documents, letters, or other
5 papers of a private nature, the documents, letters, or papers may not
6 be sold, but must be retained by the receiver and may be destroyed
7 after a period of five years.

8 NEW SECTION. **Sec. 80.** A new section is added to chapter 31.12 RCW
9 to read as follows:

10 The proceeds of the sale less any amounts for costs and charges
11 incurred in safekeeping and sale must be deposited by the receiver in
12 a financial institution, in trust for the benefit of the person
13 entitled to the property. The sale proceeds must be paid by the
14 receiver to the person upon presentation of satisfactory evidence of
15 the person's right to the funds.

16 NEW SECTION. **Sec. 81.** A new section is added to chapter 31.12 RCW
17 to read as follows:

18 Upon the completion of a receivership through merger, purchase of
19 assets and assumption of liabilities, or liquidation, the director
20 shall terminate the credit union's authority to conduct business and
21 certify that fact to the secretary of state. Upon certification, the
22 credit union shall cease to exist and the secretary of state shall note
23 that fact upon his or her records.

24 NEW SECTION. **Sec. 82.** A new section is added to chapter 31.12 RCW
25 to read as follows:

26 If at any time after a receiver is appointed, the director
27 determines that all material deficiencies at the credit union have been
28 corrected, and that the credit union is in a safe and sound condition
29 to resume conducting business, the director may terminate the
30 receivership and permit the credit union to reopen upon such terms and
31 conditions as the director may prescribe. Before being permitted to
32 reopen, the credit union must pay all of the expenses of the receiver.

33 NEW SECTION. **Sec. 83.** A new section is added to chapter 31.12 RCW
34 to read as follows:

1 The receiver or director, as appropriate, may at any time after the
2 expiration of one year from the order of final distribution, or from
3 the date when the receivership has been completed, destroy any of the
4 remaining files, records, documents, books of account, or other papers
5 of the credit union that appear to be obsolete or unnecessary for
6 future reference as part of the receivership files.

7 NEW SECTION. **Sec. 84.** A new section is added to chapter 31.12 RCW
8 to read as follows:

9 The pendency of any proceedings for judicial review of the
10 appointment of a receiver may not operate to prevent the payment or
11 acquisition of the share and deposit liabilities of the credit union by
12 the national credit union administration or other insurer or guarantor
13 of the share and deposit liabilities of the credit union. During the
14 pendency of the proceedings, the receiver shall make credit union
15 facilities, books, records, and other relevant credit union data
16 available to the insurer or guarantor as may be necessary or
17 appropriate to enable the insurer or guarantor to pay out or to acquire
18 the insured or guaranteed share and deposit liabilities of the credit
19 union. The national credit union administration and any other insurer
20 or guarantor of the credit union's share and deposit liabilities,
21 together with their directors, officers, agents, and employees, and the
22 director and receiver and their agents and employees, will be free from
23 liability to the credit union, its directors, members, and creditors,
24 for or on account of any action taken in connection with the
25 receivership.

26 NEW SECTION. **Sec. 85.** A new section is added to chapter 31.12 RCW
27 to read as follows:

28 No receiver may be appointed by any court for any credit union,
29 except that a court otherwise having jurisdiction may in case of
30 imminent necessity appoint a temporary receiver to take possession of
31 and preserve the assets of the credit union. Immediately upon
32 appointment, the clerk of the court shall notify the director in
33 writing of the appointment and the director shall appoint a receiver to
34 take possession of the credit union and the temporary receiver shall
35 upon demand surrender possession of the assets of the credit union to
36 the receiver. The receiver may in due course pay the temporary

1 receiver out of the assets of the credit union, subject to the approval
2 of the court.

3 NEW SECTION. **Sec. 86.** A new section is added to chapter 31.12 RCW
4 to read as follows:

5 Every transfer of a credit union's property or assets, and every
6 assignment by a credit union for the benefit of creditors, made in
7 contemplation of insolvency, or after it has become insolvent, to
8 intentionally prefer one creditor over another, or to intentionally
9 prevent the equal distribution of its property and assets among its
10 creditors, is void. Every credit union director, officer, or employee
11 making any such transfer is guilty of a felony.

12 An officer, director, or employee of a credit union who
13 fraudulently receives any share or deposit on behalf of the credit
14 union, knowing that the credit union is insolvent, is guilty of a
15 felony.

16 **Sec. 87.** RCW 31.12.635 and 1994 c 92 s 215 are each amended to
17 read as follows:

18 (1) It is unlawful for a director, supervisory committee member,
19 officer, employee, or agent of a credit union to knowingly violate or
20 consent to a violation of this chapter. Unless otherwise provided by
21 law, a violation of this subsection is a misdemeanor under chapter
22 9A.20 RCW.

23 (2) It is unlawful for a person to perform any of the following
24 acts:

25 (a) To knowingly subscribe to, make, or cause to be made a false
26 statement or entry in the books of a credit union;

27 (b) To knowingly make a false statement or entry in a report
28 required to be made to the director; or

29 (c) To knowingly exhibit a false or fictitious paper, instrument,
30 or security to a person authorized to examine a credit union.

31 ((+2)) A violation of this ((section)) subsection is a class C
32 felony under chapter 9A.20 RCW.

33 NEW SECTION. **Sec. 88.** The following acts or parts of acts are
34 each repealed:

35 (1) RCW 31.12.095 and 1994 c 92 s 183;

36 (2) RCW 31.12.165 and 1984 c 31 s 18;

- 1 (3) RCW 31.12.206 and 1994 c 92 s 189 & 1984 c 31 s 22;
- 2 (4) RCW 31.12.315 and 1994 c 256 s 81 & 1984 c 31 s 33;
- 3 (5) RCW 31.12.355 and 1994 c 92 s 193;
- 4 (6) RCW 31.12.376 and 1984 c 31 s 39;
- 5 (7) RCW 31.12.395 and 1984 c 31 s 41;
- 6 (8) RCW 31.12.415 and 1994 c 256 s 85, 1994 c 92 s 196, & 1984 c 31
- 7 s 43;
- 8 (9) RCW 31.12.455 and 1994 c 92 s 200 & 1984 c 31 s 47;
- 9 (10) RCW 31.12.475 and 1994 c 92 s 202 & 1984 c 31 s 49;
- 10 (11) RCW 31.12.495 and 1984 c 31 s 51;
- 11 (12) RCW 31.12.506 and 1994 c 92 s 203 & 1984 c 31 s 52;
- 12 (13) RCW 31.12.535 and 1994 c 92 s 206 & 1984 c 31 s 55;
- 13 (14) RCW 31.12.645 and 1984 c 31 s 66;
- 14 (15) RCW 31.12.903 and 1984 c 31 s 77;
- 15 (16) RCW 31.12.904 and 1984 c 31 s 80;
- 16 (17) RCW 31.12.905 and 1994 c 92 s 224 & 1984 c 31 s 81; and
- 17 (18) RCW 43.320.125 and 1996 c 274 s 1.

18 NEW SECTION. **Sec. 89.** The following sections are codified or
19 recodified within chapter 31.12 RCW in the following order:

20 RCW 31.12.005.

21 (1) The following sections are recodified and designated as a
22 subchapter of chapter 31.12 RCW under the subchapter designation
23 "Credit Union Organization":

24 RCW 31.12.015;

25 RCW 31.12.025;

26 RCW 31.12.035;

27 RCW 31.12.055;

28 RCW 31.12.065;

29 RCW 31.12.075; and

30 RCW 31.12.085.

31 (2) The following sections are recodified and designated as a
32 subchapter of chapter 31.12 RCW under the subchapter designation
33 "Corporate Governance":

34 RCW 31.12.105;

35 RCW 31.12.115;

36 RCW 31.12.185;

37 RCW 31.12.195;

38 RCW 31.12.225;

1 RCW 31.12.235;
2 RCW 31.12.246;
3 RCW 31.12.255;
4 RCW 31.12.265;
5 section 19 of this act;
6 RCW 31.12.275;
7 RCW 31.12.285;
8 RCW 31.12.326;
9 RCW 31.12.335;
10 RCW 31.12.345;
11 RCW 31.12.365; and
12 RCW 31.12.306.

13 (3) The following sections are recodified and designated as a
14 subchapter of chapter 31.12 RCW under the subchapter designation
15 "Membership":

16 RCW 31.12.045;
17 RCW 31.12.145;
18 RCW 31.12.155; and
19 RCW 31.12.295.

20 (4) The following sections are recodified and designated as a
21 subchapter of chapter 31.12 RCW under the subchapter designation
22 "Powers of Credit Unions":

23 RCW 31.12.125;
24 RCW 31.12.136;
25 RCW 31.12.037; and
26 RCW 31.12.039.

27 (5) The following sections are recodified and designated as a
28 subchapter of chapter 31.12 RCW under the subchapter designation
29 "Members' Accounts":

30 RCW 31.12.385; and
31 RCW 31.12.485.

32 (6) The following sections are recodified and designated as a
33 subchapter of chapter 31.12 RCW under the subchapter designation "Loans
34 to Members":

35 RCW 31.12.406; and
36 RCW 31.12.317.

37 (7) The following sections are recodified and designated as a
38 subchapter of chapter 31.12 RCW under the subchapter designation
39 "Investments":

1 RCW 31.12.425; and

2 RCW 31.12.435.

3 (8) The following sections are recodified and designated as a
4 subchapter of chapter 31.12 RCW under the subchapter designation
5 "Reserves":

6 RCW 31.12.445; and

7 RCW 31.12.465.

8 (9) The following sections are recodified and designated as a
9 subchapter of chapter 31.12 RCW under the subchapter designation
10 "Mergers, Conversions, and Voluntary Liquidations":

11 RCW 31.12.695;

12 RCW 31.12.705;

13 RCW 31.12.715;

14 RCW 31.12.526; and

15 RCW 31.12.725.

16 (10) The following sections are recodified and designated as a
17 subchapter of chapter 31.12 RCW under the subchapter designation
18 "Examination and Supervision":

19 RCW 31.12.516;

20 RCW 31.12.545;

21 RCW 31.12.555;

22 RCW 31.12.565;

23 section 49 of this act;

24 section 50 of this act;

25 RCW 31.12.215;

26 RCW 31.12.575;

27 RCW 31.12.585;

28 RCW 31.12.595;

29 RCW 31.12.605;

30 RCW 31.12.615;

31 RCW 31.12.625;

32 section 57 of this act;

33 RCW 31.12.655;

34 RCW 31.12.665;

35 section 60 of this act;

36 section 61 of this act;

37 section 62 of this act;

38 section 63 of this act;

39 section 64 of this act;

1 section 65 of this act;
2 section 66 of this act;
3 section 67 of this act;
4 RCW 31.12.675;
5 RCW 31.12.685;
6 section 70 of this act;
7 section 71 of this act;
8 section 72 of this act;
9 section 73 of this act;
10 section 74 of this act;
11 section 75 of this act;
12 section 76 of this act;
13 section 77 of this act;
14 section 78 of this act;
15 section 79 of this act;
16 section 80 of this act;
17 section 81 of this act;
18 section 82 of this act;
19 section 83 of this act;
20 section 84 of this act;
21 section 85 of this act; and
22 section 86 of this act.

23 (11) The following sections are recodified and designated as a
24 subchapter of chapter 31.12 RCW under the subchapter designation
25 "Miscellaneous":

26 RCW 31.12.720;
27 RCW 31.12.740;
28 RCW 31.12.735;
29 RCW 31.12.635;
30 Section 92 of this act; and
31 RCW 31.12.902.

32 NEW SECTION. **Sec. 90.** Section 35 of this act takes effect July 1,
33 1998.

34 NEW SECTION. **Sec. 91.** Section 50 of this act takes effect January
35 1, 1999.

1 NEW SECTION. **Sec. 92.** Except for sections 35 and 50 of this act,
2 this act takes effect January 1, 1998.

3 NEW SECTION. **Sec. 93.** If any provision of this act or its
4 application to any person or circumstance is held invalid, the
5 remainder of the act or the application of the provision to other
6 persons or circumstances is not affected.

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