

***Financial Institutions &  
Insurance Committee***

***SSB 5068***

***Brief Description:*** *Regulating credit unions.*

***Sponsors:*** *By Senate Committee on Labor, Commerce & Financial Institutions (originally sponsored by Senators Prentice and Winsley; by request of Department of Financial Institutions).*

***Brief Summary of Substitute Bill***

- *The Washington State Credit Union Act is substantially revised in order to expand and clarify the regulatory authority of the state, redefine the organizational structure and powers of credit unions, and clarify many existing provisions in the act.*

***Hearing Date:*** *3/21/01*

***Staff:*** *Thamas Osborn (786-7129).*

***Background:***

*A credit union is a not-for-profit, cooperative financial institution created to serve members of a defined group, or residents of a defined neighborhood, community, or rural district.*

*Credit unions doing business in Washington can be chartered by the state or federal government. The National Credit Union Administration regulates federally-chartered credit unions, and the Department of Financial Institutions regulates state-chartered institutions.*

*The Washington State Credit Union Act (the act) provides for the organization, regulation and examination of state credit unions. The Department of Financial Institutions (the department) is authorized to regulate credit unions.*

*This bill has been requested by the department to revise the regulations governing the operation credit unions, and to augment and clarify the regulatory authority of the department.*

***Summary of Bill:***

*Numerous definitions are amended, and new definitions added, in order to clarify terminology and to implement the revisions set forth in the bill. Definitions of "senior operating officer" and "small credit unions" have been added, among others, and are necessary in order to implement various provisions of the act.*

*The requirement that the bylaws of a credit union specify the duties of board officers is deleted from the act.*

*The director is given greater discretion with respect to allowing start-up credit unions additional time to begin doing business following the filing of the articles of incorporation..*

*Changes and clarifications are made regarding board membership and termination of directors. Operating officers and employees cannot form a majority of the board. A director must be terminated for failure to attend the requisite number of board meetings.*

*Certain duties of the board may be delegated; e.g., acting on membership applications, declaring dividends, setting membership fees, terms and conditions of loans, etc.*

*Senior operating officers have the same fiduciary duty to the credit union as do directors and board members.*

*Credit unions are authorized to provide insurance coverage to directors and committee members if the coverage is available to employees of the credit union generally.*

*The general powers of a credit union are expanded to allow it to offer members the same types of insurance as may be offered by other state-chartered financial institutions.*

*All credit unions are required to maintain adequate risk insurance.*

*State chartered credit unions currently have general parity of powers with federally chartered credit unions. The parity provision is amended to include out-of-state credit unions operating a branch in Washington. However, Washington credit unions must still have federal share insurance or the equivalent as required under current law.*

*The establishment of a new type of credit union known as a "low income credit" union is allowed. At least 50 percent of the members, or potential members, must have incomes of no more than 80 percent of the state or national median income, whichever is higher. The department may establish other requirements.*

*The requirement that consumer loans be given preference over business loans is eliminated.*

*State and federal credit unions are allowed to "merge", and the rules regarding such mergers and/or conversions are clarified.*

*The authority of the department is expanded to allow it to promulgate rules to provide relief for small credit unions and to require that non-federally insured credit unions comply with safety and soundness requirements.*

*The powers of the department to regulate and conduct examinations are clarified and greatly expanded. The department is given access to credit unions' records and the authority to revalue a credit union's investments, consistent with thrift and bank statutes. The department is given authority to examine out-of-state and foreign credit unions permitted to operate a branch in Washington. The department may compel the production of records and the testimony of witnesses, as necessary, in connection with examinations.*

*The department is empowered to issue temporary cease and desist orders, and may also seek injunctive relief in superior court with respect to specified violations of the requirements of the act.*

*Administrative hearings conducted by the department shall be in accordance with the Administrative Procedures Act, except to the extent that the act explicitly states otherwise.*

*Numerous sections of the act are repealed, as necessary to implement the amendments and additions to the act as set forth in the bill.*

***Appropriation:*** None.

***Fiscal Note:*** Available.

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