

# FINAL BILL REPORT

## HB 1366

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Synopsis as Enacted

**Brief Description:** Regulating credit unions.

**Sponsors:** By Representatives Hatfield, Benson and Keiser; by request of Department of Financial Institutions.

**House Committee on Financial Institutions & Insurance**  
**Senate Committee on Labor, Commerce & Financial Institutions**

**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 may 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 provides for the organization, regulation, and examination of state credit unions.

**Summary:**

The regulations governing the operation of credit unions are revised, and the regulatory authority of the Department of Financial Institutions (DFI) is expanded and clarified.

Numerous definitions are amended, and new definitions added, to clarify terminology and to implement the acts revisions. Definitions of senior operating officer—and small credit unions—are added, among others, to implement various provisions.

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

The director of the DFI 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, such as acting on membership applications, declaring dividends, and setting membership fees, terms, and conditions of loans.

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

Generally, 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 permit a credit union to offer its members the same types of insurance as other state-chartered financial institutions may sell.

All credit unions are required to maintain adequate risk insurance.

The law giving state chartered credit unions general parity of powers with federally chartered credit unions 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 DFI's authority 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 DFI's powers to regulate and conduct examinations are clarified and 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 must be in accordance with the Administrative Procedures Act, except to the extent that the act explicitly states otherwise.

Several statutes are repealed, as necessary to implement the provisions of the act.

**Votes on Final Passage:**

House 98 0

Senate 49 0

**Effective:** July 22, 2001