

Chapter 208-444 WAC

MISCELLANEOUS CREDIT UNION RULES

(Formerly chapter 419-44 WAC)

WAC

208-444-010	State chartered credit unions—Acceptance of audit instead of examination.
208-444-020	Prohibited fees.
208-444-030	Nonpreferential loans.
208-444-040	Definitions.
208-444-050	Effective date.

WAC 208-444-010 State chartered credit unions—Acceptance of audit instead of examination. (1) RCW 31.12.545 authorizes the acceptance, in the director's discretion, of independent audit reports in lieu of the examination required thereunder. In order to be considered for acceptance in lieu of an examination, an audit must meet the following conditions:

(a) The audit was performed by accountants who have demonstrated to the director extensive knowledge of the examination procedures and techniques utilized by the division of credit unions;

(b) The scope of the audit follow, but is not limited to, the scope of examinations conducted by the division, including a compliance review;

(c) The audit includes a verification of loan and share accounts;

(d) The audit includes a cash reconciliation, including an adequately documented physical cash count, and also includes an affirmative verification of investments and deposits made by the audited credit union;

(e) Verification of the status of funds borrowed by the audited credit union, including promissory notes and certificates;

(f) The audit sets forth such comments as are appropriate in a positive format specifying corrective action recommended and schedule for completing such corrective action;

(g) The audit was performed not less than nine months after and not more than fifteen months after the last examination by the division or an audit which was accepted in lieu thereof.

(h) All working papers as well as the accountant's report, internal control report, and any other documents associated with the audit are made available to the director.

(2) Select portions of an audit may be utilized by division examiners in conducting a particular examination if:

(a) The date of the audit corresponds reasonably with the date of the examination; and

(b) That portion of the audit being utilized is supported by working papers which substantially correspond to examination work papers utilized by the division.

[Statutory Authority: RCW 42.320.040 [43.320.040] and 31.12.535. WSR 96-17-071, § 208-444-010, filed 8/20/96, effective 9/20/96. WSR 96-06-011, recodified as § 208-444-010, filed 2/23/96, effective 6/1/96. Statutory Authority: RCW 31.12.320. WSR 83-05-022 (Order 83-1), § 419-44-010, filed 2/9/83.]

(11/19/97)

WAC 208-444-020 Prohibited fees. (1) Except as otherwise provided herein, no official or employee of a credit union, or immediate family member of an official or employee of a credit union, may receive, directly or indirectly, any commission, fee, or other compensation in connection with any loan made by the credit union.

(2) This section does not prohibit:

(a) Payment, by a credit union, of salary to employees;

(b) Payment, by a credit union, of an incentive or bonus to an employee based on the credit union's overall financial performance;

(c) Payment, by a credit union, of an incentive or bonus to an employee, other than a senior management employee, in connection with a loan or loans made by the credit union, provided that the board of directors of the credit union establishes written policies and internal controls in connection with such incentive or bonus and monitors compliance with such policies and controls at least annually.

(d) Receipt of compensation from a person outside a credit union by a volunteer official or nonsenior management employee of the credit union, or an immediate family member of a volunteer official or employee of the credit union, for a service or activity performed outside the credit union, provided that no referral has been made by the credit union or the official, employee, or family member.

(3) For purposes of this section, "official" means any member of the board of directors or a volunteer committee.

[Statutory Authority: RCW 31.12.535 and 43.320.040. WSR 97-23-071, § 208-444-020, filed 11/19/97, effective 3/19/98 by letter filed as WSR 98-10-072.]

WAC 208-444-030 Nonpreferential loans. (1) The rates, terms and conditions on any loan either made to, or endorsed or guaranteed by

(a) An official

(b) An immediate family member of an official, or

(c) Any individual having a common ownership, investment or other pecuniary interest in a business enterprise with an official or with an immediate family member of an official

shall not be more favorable than the rates, terms and conditions for comparable loans to other credit union members.

(2) For purposes of this section, "official" means any member of the board of directors, credit committee or supervisory committee.

[Statutory Authority: RCW 31.12.535 and 43.320.040. WSR 97-23-071, § 208-444-030, filed 11/19/97, effective 3/19/98 by letter filed as WSR 98-10-072.]

[Ch. 208-444 WAC p. 1]

WAC 208-444-040 Definitions. Unless the context clearly requires otherwise, as used in this chapter:

(1) "Compensation" includes nonmonetary items, except those of nominal value.

(2) "Immediate family member" means a spouse or other family member living in the same household.

(3) "Loan" includes line of credit.

(4) "Person" means a natural person or an organization.

(5) "Senior management employee" means the credit union's chief executive officer (typically, this individual holds the title of president or treasurer/manager), any assistant chief executive officers (e.g., assistant president, vice president, or assistant treasurer/manager), and the chief financial officer (comptroller).

(6) "Volunteer official" means an official of a credit union who does not receive compensation from the credit union solely for his or her service as an official.

[Statutory Authority: RCW 31.12.535 and 43.320.040. WSR 97-23-071, § 208-444-040, filed 11/19/97, effective 3/19/98 by letter filed as WSR 98-10-072.]

WAC 208-444-050 Effective date. WAC 208-444-020, 208-444-030, and 208-444-040 will take effect on the date that these rules are determined by the Board of the National Credit Union Administration (NCUA) to be substantially equivalent to NCUA rules.

[Statutory Authority: RCW 31.12.535 and 43.320.040. WSR 97-23-071, § 208-444-050, filed 11/19/97, effective 3/19/98 by letter filed as WSR 98-10-072.]