
SUBSTITUTE SENATE BILL 5563

State of Washington

55th Legislature

1997 Regular Session

By Senate Committee on Financial Institutions, Insurance & Housing
(originally sponsored by Senators Winsley, Prentice, Kohl and Kline)

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))~~ and 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 ~~serving 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. Credit unions are encouraged to make charitable
32 contributions within the city or county communities of interest where
33 the credit union does business. Credit unions must work with city or
34 county officials in prioritizing the needs of their jurisdictions in
35 order to assure that credit union contributions work to improve the
36 communities where their members reside;

37 (21) Limit the personal liability of its directors in accordance
38 with provisions of its articles of incorporation that conform with RCW
39 23B.08.320;

1 (22) Indemnify its directors, supervisory committee members,
2 officers, employees, and others in accordance with provisions of its
3 articles of incorporation or bylaws that conform with RCW 23B.08.500
4 through 23B.08.600; and

5 (23) Exercise such incidental powers as are necessary or
6 ((requisite)) convenient to enable it to ((carry on effectively))
7 conduct the business ((for which it is incorporated)) of a credit
8 union.

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

11 (1) Notwithstanding any other provision of law, a credit union may
12 exercise any of the powers and authorities conferred as of December 31,
13 1993, upon ((a)) federal credit unions ((doing business in this
14 state)).

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

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

31 (4) As used in this section, "powers and authorities" include
32 without limitation, powers and authorities in corporate governance
33 matters.

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

36 (1) Shares ((purchased)) held and deposits made in a credit union
37 by ((an individual)) a natural person are governed by chapter 30.22

1 RCW. (~~A member may purchase shares and make deposits in a credit~~
2 ~~union in an amount that does not exceed such amounts as may be~~
3 ~~established by the board from time to time.~~)

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

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

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

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

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

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

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

32 (1) A credit union may make secured and unsecured loans to its
33 members (~~with the approval of a credit committee or loan officer~~)
34 under policies established by the board, subject to the loans to one
35 borrower limits provided for in RCW 31.12.317 (as recodified by this
36 act). (~~All loans shall be documented in writing. Loans may be made~~
37 ~~for (a) consumer, family, or household purposes, referred to in this~~

1 section as "consumer loans", or (b) business, investment, commercial,
2 or agricultural purposes which are)) Each loan must be evidenced by
3 records adequate to support enforcement or collection of the loan and
4 review of the loan by the director. Business loans must be in
5 compliance with rules adopted by the director.

6 (2) ((A credit union may make to members:

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

10 (b) Student loans under student loan programs of this state or the
11 United States;

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

18 (d) Residential real estate loans under RCW 31.12.415;

19 (e) Loans to its members under an act of congress known as the "FHA
20 Title I, National Housing Act of 1934," June 27, 1934 (12 U.S.C. Sec.
21 1701 to 1750, inc.); and

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

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

35 ((4) The director may by rule establish guidelines addressing the
36 issue of unsafe and unsound concentrations of credit and such other
37 related safety and soundness issues.))

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

3 (1) No loan may be made to any ~~((member))~~ borrower if ~~((such))~~ the
4 loan would cause ~~((that member))~~ the borrower to be indebted to the
5 credit union upon consumer and business loans ~~((made to the member))~~ in
6 an aggregated amount exceeding ten thousand dollars or ~~((two and one~~
7 ~~half))~~ twenty-five percent of the ~~((assets))~~ capital of the credit
8 union, whichever is greater, without the approval of the director.

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

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

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

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

25 ~~(b))~~ (1) Loans held by credit unions, out-of-state credit unions,
26 or federal credit unions; and loans to members held by other lenders;

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

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

37 ~~((d))~~ (4) Participations or obligations which have been subjected
38 by one or more government agencies to a trust or trusts for which an

1 executive department, agency, or instrumentality of the United States
2 has been named to act as trustee;

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

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

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

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

36 ~~((i))~~ (9) Loans to ~~((other))~~ credit unions ~~((organized or~~
37 ~~authorized to do business under the laws of this state, other states,~~
38 ~~or the United States))~~, out-of-state credit unions, or federal credit
39 unions. The aggregate of loans issued under this subsection ~~((shall~~

1 be)) ~~is~~ limited to twenty-five percent of the ~~((paid in and unimpaired~~
2 ~~capital))~~ total shares and deposits of the lending credit union; ~~((or~~
3 ~~(j))~~) (10) Key person insurance policies, the proceeds of which
4 inure exclusively to the benefit of the credit union; or
5 (11) Other investments ~~((authorized in accordance with rules~~
6 ~~adopted))~~ approved by the director ~~((consistent with this chapter))~~
7 upon written application.

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

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

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

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

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

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

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

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

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

35 This section applies to all nonfederally insured credit unions.

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

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

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

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

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

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

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

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

36 (1) The director may(~~(, if deemed necessary,)~~) require a credit
37 union to establish a liquidity reserve of up to five percent of
38 (~~(unimpaired capital)~~) total shares, deposits, and capital. The

1 liquidity reserve (~~shall~~) must be in cash or investments with
2 maturities of one year or less.

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

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

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

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

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

1 obligations of the merging credit union are discharged. Upon merger,
2 the charter of the merging credit union ceases to exist.

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

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

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

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

36 (4) Procedures, similar to those contained in subsections (1)
37 through (3) of this section, prescribed by the director (~~((shall))~~) must
38 be followed when a credit union (~~((chartered under the laws of this~~

1 state)) merges ((with)) or converts ((to a credit union chartered under
2 the laws of another state)) into an out-of-state or foreign credit
3 union.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (2) The director shall ~~((disapprove))~~ deny an application filed
36 under this section or, upon ~~((reasonable))~~ notice and an opportunity
37 for hearing, suspend or revoke the approval of an application, if the
38 director finds that the standards of organization, operation, and
39 regulation of the ~~((credit union))~~ applicant do not reasonably conform

1 with the standards under this chapter (~~or that at least fifty percent~~
2 ~~of the members of the credit union are, or are reasonably expected to~~
3 ~~be, residents of this state~~). In considering the standards of
4 organization, operation, and regulation of the (~~credit union~~)
5 applicant, the director may consider the laws (~~and regulations~~) of
6 the state or jurisdiction in which the (~~credit union~~) applicant is
7 organized. A decision under this subsection may be appealed under
8 chapter 34.05 RCW.

9 (3) In implementing this section, the director may cooperate with
10 (~~the administrators of the~~) credit union (~~laws~~) regulators in other
11 states or jurisdictions and may share with the (~~administrators~~)
12 regulators the information received in the administration of this
13 chapter.

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

22 The agreements may address, but are not limited to, corporate
23 governance and operational matters. The agreements may resolve any
24 conflict of laws, and specify the manner in which the examination,
25 supervision, and application processes must be coordinated with the
26 regulators.

27 The director (~~shall~~) may adopt rules for the periodic examination
28 and investigation of the affairs of an out-of-state or foreign credit
29 union operating in this state. The costs of examination and
30 supervision (~~shall~~) must be fully borne by the out-of-state or
31 foreign credit union.

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

34 (1) At a special board meeting (~~special~~) called for the purpose
35 of liquidation, and upon the recommendation of at least two-thirds of
36 the total members of the board of a credit union, the members of a
37 credit union may elect to liquidate the credit union by a two-thirds

1 majority vote of ~~((the))~~ those members ~~((present elect to liquidate the~~
2 ~~credit union))~~ voting.

3 (2) Upon a vote to liquidate under subsection (1) of this section,
4 a three-person liquidating committee ~~((of three shall))~~ must be elected
5 to liquidate the assets of the credit union. The committee shall act
6 ~~((under the direction))~~ in accordance with any requirements of the
7 director and may be reasonably compensated by the board of the credit
8 union. Each share ~~((of))~~ account holder and depositor at the credit
9 union ~~((shall be))~~ is entitled to his, her, or its proportionate part
10 of the assets in liquidation after all shares, deposits, and debts have
11 been paid. The proportionate allocation shall be based on account
12 balances as of a date determined by the board. For the purposes of
13 liquidation, shares and deposits are equivalent. The assets of the
14 liquidating credit union ~~((shall))~~ are not ~~((be))~~ subject to contingent
15 liabilities. Upon distribution of the assets, the credit union
16 ~~((shall))~~ ceases to exist except for the purpose of discharging
17 existing liabilities and obligations.

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

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

3 (1) The powers of supervision and examination of credit unions and
4 other persons subject to this chapter and chapters 31.12A and 31.13 RCW
5 are vested in the director. The director shall require each credit
6 union to conduct business in compliance with this chapter and other
7 laws that apply to credit unions, and has the power to commence and
8 prosecute actions and proceedings, to enjoin violations, and to collect
9 sums due the state of Washington from a credit union ((authorized to
10 conduct business under this chapter)).

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

16 (3) The director shall have the power and broad administrative
17 discretion to administer and interpret the provisions of this chapter
18 and chapters 31.12A and 31.13 RCW, to facilitate the delivery of
19 financial services to the citizens of the state of Washington by credit
20 unions.

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

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

28 (1) The director shall make an examination and ((full))
29 investigation into the affairs of each credit union at least once every
30 eighteen months, unless the director determines with respect to a
31 credit union, that a less frequent examination schedule will
32 satisfactorily protect the financial stability of the credit union and
33 will satisfactorily assure compliance with the provisions of this
34 chapter. ((The actual cost of examination and supervision shall be
35 paid by the credit union examined. The director may waive all or a
36 portion of the examination costs payable by the credit union, in light
37 of the time and expense of the examination and the ability of the
38 credit union to pay the costs. The examination costs with respect to

1 ~~the first examination of a credit union with assets under two hundred~~
2 ~~thousand dollars shall not be payable by that credit union.))~~

3 (2) The director may accept in lieu of an examination under
4 subsection (1) of this section the report of an examiner authorized to
5 examine ((a)) an out-of-state, federal, or foreign credit union ~~((under~~
6 ~~the laws of the United States or another state))~~, or the report of an
7 accountant, satisfactory to the director, who has made and submitted a
8 report of the condition of the affairs of a credit union ~~((and, if~~
9 ~~approved))~~. The director may accept such a report in lieu of part or
10 all of an examination. If accepted, the report ~~((shall have))~~ has the
11 same force and effect as an examination under subsection (1) of this
12 section.

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

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

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

24 (a) A credit union service organization in which a credit union has
25 an interest ~~((-))~~ i

26 (b) A person ~~((or an entity))~~ that is not a credit union,
27 out-of-state credit union, federal credit union, or foreign credit
28 union, and that has an interest in a credit union service organization
29 in which a credit union has an interest ~~((is deemed to have consented~~
30 ~~to the examination. For the purposes of this section and RCW~~
31 ~~31.12.565, a sole proprietorship, partnership, or corporation that is~~
32 ~~primarily in the business of managing one or more credit unions shall~~
33 ~~be considered to be a credit union service organization.))~~ i and

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

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

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

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

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

9 (a) Examination reports and information obtained by the
10 ((director's staff)) director in conducting examinations ((of credit
11 unions and credit union service organizations are confidential and
12 privileged information and not subject to public disclosure under
13 chapter 42.17 RCW)) and investigations under this chapter and chapters
14 31.12A and 31.13 RCW;

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

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

20 (2) Notwithstanding subsection (1) of this section, the director
21 may furnish examination reports prepared by the ((director's office))
22 director to:

23 (a) Federal agencies empowered to examine ((state-chartered))
24 credit unions;

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

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

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

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

1 (f) Credit union (~~((administrators))~~) regulators in other states or
2 jurisdictions regarding an out-of-state (~~((chartered))~~) or foreign credit
3 union (~~((doing))~~) conducting business in this state under this chapter,
4 or regarding a credit union (~~((chartered under this chapter doing))~~)
5 conducting business in (~~((another))~~) the other state or jurisdiction;

6 (g) A person (~~((or organization))~~) officially connected with the
7 credit union or other person examined, as officer, director,
8 supervisory committee member, attorney, auditor, accountant,
9 independent attorney, independent auditor, or independent accountant;

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

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

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

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

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

33 (5) This section does not apply to investigation reports prepared
34 by the director (~~((and the director's staff))~~) concerning an application
35 for a new credit union or a notice of intent to establish or relocate
36 a branch of a credit union, except that the director may adopt rules
37 making (~~((confidential))~~) portions of the reports confidential, if in the
38 director's opinion the public disclosure of that portion of the report

1 would impair the ability to obtain information the director considers
2 necessary to fully evaluate the application.

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

5 NEW SECTION. **Sec. 49.** A new section is added to chapter 31.12 RCW
6 to read as follows:

7 A credit union shall make at least two regular reports each year to
8 the director showing the assets and liabilities of the credit union.
9 Each report must be certified by the principal operating officer of the
10 credit union. The director shall designate the form, the due dates of,
11 and the period covered by the reports.

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

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

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

21 A credit union desiring to establish a branch shall submit to the
22 director a notice of intent to establish a branch (~~on a form provided~~
23 ~~by the director~~) at least thirty days before conducting business at
24 the branch.

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

27 ~~(1) ((The director may suspend a director or the principal~~
28 ~~operating officer of a credit union if, in the opinion of the director,~~
29 ~~the director or principal operating officer is dishonest, inefficient,~~
30 ~~incompetent, is willfully disobeying orders of the director, or is in~~
31 ~~any way violating this chapter or the bylaws of the credit union. The~~
32 ~~director shall give prompt notice of and the reasons for the suspension~~
33 ~~to the board of the affected credit union.~~

34 ~~(2) Unless the director specifically provides otherwise in the~~
35 ~~order of suspension, an order of suspension shall take effect~~

1 immediately. The suspended person shall be prohibited from all aspects
2 of the operation of the credit union. The suspended person shall be
3 barred from the credit union premises and shall surrender the
4 possession of all property and records of the credit union. A person
5 who knowingly violates an order of suspension or who knowingly aids in
6 the violation of an order of suspension shall be guilty of a gross
7 misdemeanor.

8 (3) Upon receipt of the notice of suspension, the board shall
9 within twenty days call a meeting of its members to consider the causes
10 of the suspension. The board shall give at least seven days' notice of
11 the time and place of the meeting to the director unless the director
12 agrees to accept shorter notice. If the board finds the director's
13 objection to be well founded, the board shall remove the suspended
14 person immediately.

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

28 (a) The person has committed a material violation of law or an
29 unsafe or unsound practice;

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

32 (ii) The interests of the credit union's share account holders and
33 depositors could be seriously prejudiced by reason of the violation or
34 practice; and

35 (c) The violation or practice involves personal dishonesty,
36 recklessness, or incompetence.

37 (2) The notice must contain a statement of the facts constituting
38 the alleged violation or practice and must fix a time and place at
39 which a hearing will be held to determine whether a removal or

1 prohibition order should be issued against the person. The hearing
2 must be set not earlier than ten days nor later than thirty days after
3 service of the notice, unless a later date is set by the director at
4 the request of any of the parties.

5 Unless the person appears at the hearing, the person will be deemed
6 to have consented to the issuance of the removal or prohibition order.
7 In the event of this consent, or if upon the record made at the hearing
8 the director finds that any violation or practice specified in the
9 notice of intention has been established, the director may issue and
10 serve upon the person an order removing the person from office at the
11 credit union or an order prohibiting the person from participating in
12 the conduct of the affairs of the credit union.

13 (3) A removal order or prohibition order becomes effective at the
14 expiration of ten days after the service of the order upon the person,
15 except that a removal order or prohibition order issued upon consent
16 becomes effective at the time specified in the order. An order remains
17 effective unless it is stayed, modified, terminated, or set aside by
18 action of the director or a reviewing court.

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

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

24 (a) ~~((Is engaging or has engaged in an unsafe or unsound practice~~
25 ~~in conducting the business of the credit union;))~~ A material violation
26 of law; or

27 (b) ~~((Is violating or has violated a material provision of any law,~~
28 ~~rule, or any condition imposed in writing by the director in connection~~
29 ~~with the granting of any application or other request by the credit~~
30 ~~union or any written agreement made with the director; or~~

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

34 (2) The notice ~~((shall))~~ must contain a statement of the facts
35 constituting the alleged violation or the practice and ~~((shall))~~ must
36 fix a time and place at which a hearing will be held to determine
37 whether an order to cease and desist should issue against the credit
38 union. The hearing ~~((shall))~~ must be set not earlier than ten days nor

1 later than thirty days after service of the notice, unless a later date
2 is set by the director at the request of (~~the credit union~~) any of
3 the parties.

4 Unless the credit union appears at the hearing by a duly authorized
5 representative, it shall be deemed to have consented to the issuance of
6 the cease and desist order. In the event of this consent, or if upon
7 the record made at the hearing the director finds that any violation or
8 practice specified in the notice of charges has been established, the
9 director may issue and serve upon the credit union an order to cease
10 and desist from the violation or practice. The order may require the
11 credit union and its directors, supervisory committee members,
12 officers, employees, and agents to cease and desist from the violation
13 or practice and may require the credit union to take affirmative action
14 to correct the conditions resulting from the violation or practice.

15 (3) A cease and desist order (~~shall~~) becomes effective at the
16 expiration of ten days after the service of the order upon the credit
17 union (~~concerned~~), except that a cease and desist order issued upon
18 consent (~~shall~~) becomes effective at the time specified in the order
19 (~~and shall~~). The order remains effective (as provided therein)
20 unless it is stayed, modified, terminated, or set aside by action of
21 the director or a reviewing court.

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

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

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

3 Within ten days after a credit union has been served with a
4 temporary cease and desist order, the credit union may apply to the
5 superior court in the county of its principal place of business for an
6 injunction setting aside, limiting, or suspending the order pending the
7 completion of the administrative proceedings under RCW 31.12.585 (as
8 recodified by this act). The superior court ~~((shall have))~~ has
9 jurisdiction to issue the injunction.

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

12 (1) An administrative hearing provided for in RCW 31.12.575 or
13 31.12.585 ~~((shall))~~ (as recodified by this act) may be held at such
14 place as is designated by the director and must be conducted in
15 accordance with chapter 34.05 RCW. The hearing shall be private unless
16 the director determines that a public hearing is necessary to protect
17 the public interest after fully considering the views of the party
18 afforded the hearing.

19 (2) Within sixty days after the hearing, the director shall render
20 a decision which ~~((shall))~~ includes findings of fact upon which the
21 decision is based ((and)). The director shall issue and serve upon
22 each party to the proceeding an order or orders consistent with RCW
23 31.12.575 or 31.12.585 (as recodified by this act).

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

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

35 (4) Any party to the proceeding, or any person subject to an order,
36 temporary order, or injunction issued under RCW 31.12.575, 31.12.585,
37 31.12.595, or 31.12.615 (as recodified by this act), may obtain a
38 review of any order issued and served under subsection (1) of this

1 section, other than an order issued upon consent, by filing a written
2 petition requesting that the order be modified, terminated, or set
3 aside, in the superior court of the county in which the principal place
4 of business of the affected credit union is located. The petition must
5 be filed within ten days after the date of service of the order. A
6 copy of the petition must be immediately served upon the director and
7 the director must then file the record of the proceeding in court. The
8 court has jurisdiction, upon the filing of the petition, to affirm,
9 modify, terminate, or set aside, in whole or in part, the order of the
10 director. The jurisdiction of the court becomes exclusive upon the
11 filing of the record. However, the director may modify, terminate, or
12 set aside the order with the permission of the court. The judgment and
13 decree of the court is final subject to appellate review under the
14 rules of the court.

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

18 (6) Service of any notice or order required to be served under RCW
19 31.12.575, 31.12.585, or 31.12.595 (as recodified by this act), must be
20 accomplished in the same manner as required for the service of process
21 in civil actions in superior courts of this state.

22 NEW SECTION. Sec. 57. A new section is added to chapter 31.12 RCW
23 to read as follows:

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

34 Sec. 58. RCW 31.12.655 and 1994 c 92 s 216 are each amended to
35 read as follows:

36 The director may request a special meeting of the board of a credit
37 union if the director believes that a special meeting is necessary for

1 the welfare of the credit union or the purposes of this chapter. The
2 director's request for a special board meeting (~~((shall))~~) must be made
3 in writing to the secretary of the board and the request (~~((shall))~~) must
4 be handled in the same manner as a call for a special meeting under RCW
5 31.12.195 (as recodified by this act). The director may require the
6 attendance of all of the directors (~~((of the board))~~) at the special
7 board meeting, and an absence (~~((of a director))~~) unexcused by the
8 director constitutes a violation of this chapter.

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

11 (~~((1))~~) The director may attend a (~~((regular or special))~~) meeting of
12 the board of a credit union if the director believes that attendance at
13 the meeting is necessary for the welfare of the credit union, or the
14 purposes of this chapter, or if the board has requested the director's
15 attendance. The director shall provide reasonable notice to the board
16 before attending a meeting.

17 (~~((2) A communication from the director to the board shall upon the
18 request of the director be read to the board at its next meeting and
19 the fact that the communication was read shall be noted in the
20 minutes.))~~)

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

23 The director may place a credit union under supervisory direction
24 in accordance with sections 61 through 63 of this act, appoint a
25 conservator for a credit union in accordance with sections 64 through
26 67 of this act, appoint a liquidating agent for a credit union in
27 accordance with RCW 31.12.675 and 31.12.685 (as recodified by this
28 act), or appoint a receiver for a credit union in accordance with
29 sections 70 through 86 of this act, if the credit union:

30 (1) Consents to the action;

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

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

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

1 NEW SECTION. Sec. 61. A new section is added to chapter 31.12 RCW
2 to read as follows:

3 (1) As authorized by section 60 of this act, the director may
4 determine to place a credit union under supervisory direction. Upon
5 such a determination, the director shall notify the credit union in
6 writing of:

7 (a) The director's determination; and

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

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

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

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

21 During the period of supervisory direction, the director may
22 prohibit the credit union from engaging in any of the following acts
23 without prior approval:

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

25 (2) Withdrawing any of its accounts at other financial
26 institutions;

27 (3) Lending any of its funds;

28 (4) Investing any of its funds;

29 (5) Transferring any of its property; or

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

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

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

1 NEW SECTION. **Sec. 64.** A new section is added to chapter 31.12 RCW
2 to read as follows:

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

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

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

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

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

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

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

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

36 During the period of conservatorship, the credit union may request
37 the director to review an action taken or proposed to be taken by the
38 conservator, specifying how the action is not in the best interest of

1 the credit union. The request stays the action, pending the director's
2 review of the request.

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

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

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

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

19 Sec. 68. RCW 31.12.675 and 1994 c 92 s 218 are each amended to
20 read as follows:

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

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

34 ~~((3))~~ (2) If the ~~((director finds that the credit union is~~
35 ~~insolvent and the))~~ credit union fails to adequately show cause, the
36 ~~((articles of incorporation shall be suspended or revoked and the~~

1 ~~credit union placed in involuntary liquidation. The~~) director shall
2 serve ~~((on))~~ the credit union with an order directing the suspension or
3 revocation ~~((and an order directing the))~~ of the articles of
4 incorporation, placing the credit union in involuntary liquidation
5 ~~((and appointment of))~~, appointing a liquidating agent under this
6 section and RCW 31.12.685 (as recodified by this act), and providing a
7 statement of the findings on which the order is based.

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

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

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

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

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

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

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

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

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

37 Upon taking possession of the credit union, the receiver shall give
38 written notice to the directors of the credit union and to all persons

1 having possession of any assets of the credit union. No person with
2 knowledge of the taking of possession by the receiver shall have a lien
3 or charge for any payment advanced, clearance made, or liability
4 incurred against any of the assets of the credit union, after the
5 receiver takes possession, unless approved by the receiver.

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

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

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

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

24 Upon taking possession of a credit union, the receiver shall
25 proceed to collect the assets of the credit union and preserve,
26 administer, and liquidate its business and assets.

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

1 The premium for any such bond must be paid out of the assets of the
2 credit union.

3 In carrying out the receivership, the receiver may without
4 limitation arrange for the merger or consolidation of the credit union
5 in receivership with another credit union, out-of-state credit union,
6 or federal credit union, or may arrange for the purchase of the credit
7 union's assets and the assumption of its liabilities by such a credit
8 union, in whole or in part, or may arrange for such a transaction with
9 another type of financial institution as may be otherwise permitted by
10 law. The receiver shall give preference to transactions with a credit
11 union or a federal credit union that has its principal place of
12 business in this state.

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

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

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

32 The receiver may approve or reject any claim, but shall serve
33 notice of rejection upon the claimant by mail or personally. An
34 affidavit of service of the notice of rejection will serve as prima
35 facie evidence that notice was given. No action may be brought on any
36 claim after three months from the date of service of the notice of
37 rejection.

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

3 Upon taking possession of the credit union, the receiver shall make
4 an inventory of the assets and file the list in the office of the
5 county clerk. Upon the expiration of the time fixed for the
6 presentation of claims, the receiver shall make a list of claims
7 presented, segregating those approved and those rejected, to be filed
8 in the office of the county clerk. The receiver shall also make and
9 file with the office of the county clerk a supplemental list of claims
10 at least fifteen days before the declaration of any liquidation
11 dividend, and in any event at least every six months.

12 Objection may be made by any interested person to any claim
13 approved by the receiver. Objections to claims approved by the
14 receiver will be resolved by the court after providing notice to both
15 the claimant and objector, as the court may prescribe.

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

18 All expenses incurred by the receiver in relation to the
19 receivership of a credit union, including, but not limited to,
20 reasonable attorneys' fees, become a first charge upon the assets of
21 the credit union. The charges shall be fixed and determined by the
22 receiver, subject to the approval of the court.

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

25 At any time after the expiration of the date fixed for the
26 presentation of claims, the receiver, subject to the approval of the
27 court, may declare one or more liquidation dividends out of the funds
28 remaining after the payment of expenses.

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

31 When all expenses of the receivership have been paid, as well as
32 all proper claims of share account holders, depositors, and other
33 creditors, and proper provision has been made for unclaimed or unpaid
34 debts and liquidation dividends, and assets of the credit union still
35 remain, the receiver shall wind up the affairs of the credit union and
36 distribute its assets to those entitled to them. Each share account

1 holder and depositor at the credit union is entitled to a proportionate
2 share of the assets remaining. The proportionate allocation shall be
3 based on account balances as of a date determined by the board. For
4 the purposes of liquidation, shares and deposits are equivalent.

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

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

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

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

29 (2) After the expiration of two years from the date of mailing the
30 notice, the receiver shall promptly send to each person in whose name
31 the property stood on the books of the credit union, at the person's
32 last known address, a registered letter providing notice of sale. The
33 letter must indicate that the receiver will sell the property set out
34 in the notice, at a public auction at a specified time and place, not
35 less than thirty days after the date of mailing the letter. The
36 receiver may sell the property unless the person, prior to the sale,
37 presents satisfactory evidence of the person's right to the property.

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

4 (3) Any property, for which the address of the owner or owners is
5 not known, may be sold at public auction after it has been held by the
6 receiver for two years. A notice of the time and place of the sale
7 must be published once within ten days prior to the sale in a newspaper
8 of general circulation in the county where the sale is to be held.

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

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

16 The proceeds of the sale less any amounts for costs and charges
17 incurred in safekeeping and sale must be deposited by the receiver in
18 a financial institution, in trust for the benefit of the person
19 entitled to the property. The sale proceeds must be paid by the
20 receiver to the person upon presentation of satisfactory evidence of
21 the person's right to the funds.

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

24 Upon the completion of a receivership through merger, purchase of
25 assets and assumption of liabilities, or liquidation, the director
26 shall terminate the credit union's authority to conduct business and
27 certify that fact to the secretary of state. Upon certification, the
28 credit union shall cease to exist and the secretary of state shall note
29 that fact upon his or her records.

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

32 If at any time after a receiver is appointed, the director
33 determines that all material deficiencies at the credit union have been
34 corrected, and that the credit union is in a safe and sound condition
35 to resume conducting business, the director may terminate the
36 receivership and permit the credit union to reopen upon such terms and

1 conditions as the director may prescribe. Before being permitted to
2 reopen, the credit union must pay all of the expenses of the receiver.

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

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

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

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

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

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

1 writing of the appointment and the director shall appoint a receiver to
2 take possession of the credit union and the temporary receiver shall
3 upon demand surrender possession of the assets of the credit union to
4 the receiver. The receiver may in due course pay the temporary
5 receiver out of the assets of the credit union, subject to the approval
6 of the court.

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

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

16 An officer, director, or employee of a credit union who
17 fraudulently receives any share or deposit on behalf of the credit
18 union, knowing that the credit union is insolvent, is guilty of a
19 felony.

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

22 (1) It is unlawful for a director, supervisory committee member,
23 officer, employee, or agent of a credit union to knowingly violate or
24 consent to a violation of this chapter. Unless otherwise provided by
25 law, a violation of this subsection is a misdemeanor under chapter
26 9A.20 RCW.

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

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

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

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

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

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

- 3 (1) RCW 31.12.095 and 1994 c 92 s 183;
- 4 (2) RCW 31.12.165 and 1984 c 31 s 18;
- 5 (3) RCW 31.12.206 and 1994 c 92 s 189 & 1984 c 31 s 22;
- 6 (4) RCW 31.12.315 and 1994 c 256 s 81 & 1984 c 31 s 33;
- 7 (5) RCW 31.12.355 and 1994 c 92 s 193;
- 8 (6) RCW 31.12.376 and 1984 c 31 s 39;
- 9 (7) RCW 31.12.395 and 1984 c 31 s 41;
- 10 (8) RCW 31.12.415 and 1994 c 256 s 85, 1994 c 92 s 196, & 1984 c 31
11 s 43;
- 12 (9) RCW 31.12.455 and 1994 c 92 s 200 & 1984 c 31 s 47;
- 13 (10) RCW 31.12.475 and 1994 c 92 s 202 & 1984 c 31 s 49;
- 14 (11) RCW 31.12.495 and 1984 c 31 s 51;
- 15 (12) RCW 31.12.506 and 1994 c 92 s 203 & 1984 c 31 s 52;
- 16 (13) RCW 31.12.535 and 1994 c 92 s 206 & 1984 c 31 s 55;
- 17 (14) RCW 31.12.645 and 1984 c 31 s 66;
- 18 (15) RCW 31.12.903 and 1984 c 31 s 77;
- 19 (16) RCW 31.12.904 and 1984 c 31 s 80;
- 20 (17) RCW 31.12.905 and 1994 c 92 s 224 & 1984 c 31 s 81; and
- 21 (18) RCW 43.320.125 and 1996 c 274 s 1.

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

24 RCW 31.12.005.

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

28 RCW 31.12.015;

29 RCW 31.12.025;

30 RCW 31.12.035;

31 RCW 31.12.055;

32 RCW 31.12.065;

33 RCW 31.12.075; and

34 RCW 31.12.085.

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

38 RCW 31.12.105;

1 RCW 31.12.115;
2 RCW 31.12.185;
3 RCW 31.12.195;
4 RCW 31.12.225;
5 RCW 31.12.235;
6 RCW 31.12.246;
7 RCW 31.12.255;
8 RCW 31.12.265;
9 section 19 of this act;
10 RCW 31.12.275;
11 RCW 31.12.285;
12 RCW 31.12.326;
13 RCW 31.12.335;
14 RCW 31.12.345;
15 RCW 31.12.365; and
16 RCW 31.12.306.

17 (3) The following sections are recodified and designated as a
18 subchapter of chapter 31.12 RCW under the subchapter designation
19 "Membership":

20 RCW 31.12.045;
21 RCW 31.12.145;
22 RCW 31.12.155; and
23 RCW 31.12.295.

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

27 RCW 31.12.125;
28 RCW 31.12.136;
29 RCW 31.12.037; and
30 RCW 31.12.039.

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

34 RCW 31.12.385; and
35 RCW 31.12.485.

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

39 RCW 31.12.406; and

1 RCW 31.12.317.

2 (7) The following sections are recodified and designated as a
3 subchapter of chapter 31.12 RCW under the subchapter designation
4 "Investments":

5 RCW 31.12.425; and

6 RCW 31.12.435.

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

10 RCW 31.12.445; and

11 RCW 31.12.465.

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

15 RCW 31.12.695;

16 RCW 31.12.705;

17 RCW 31.12.715;

18 RCW 31.12.526; and

19 RCW 31.12.725.

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

23 RCW 31.12.516;

24 RCW 31.12.545;

25 RCW 31.12.555;

26 RCW 31.12.565;

27 section 49 of this act;

28 section 50 of this act;

29 RCW 31.12.215;

30 RCW 31.12.575;

31 RCW 31.12.585;

32 RCW 31.12.595;

33 RCW 31.12.605;

34 RCW 31.12.615;

35 RCW 31.12.625;

36 section 57 of this act;

37 RCW 31.12.655;

38 RCW 31.12.665;

39 section 60 of this act;

1 section 61 of this act;
2 section 62 of this act;
3 section 63 of this act;
4 section 64 of this act;
5 section 65 of this act;
6 section 66 of this act;
7 section 67 of this act;
8 RCW 31.12.675;
9 RCW 31.12.685;
10 section 70 of this act;
11 section 71 of this act;
12 section 72 of this act;
13 section 73 of this act;
14 section 74 of this act;
15 section 75 of this act;
16 section 76 of this act;
17 section 77 of this act;
18 section 78 of this act;
19 section 79 of this act;
20 section 80 of this act;
21 section 81 of this act;
22 section 82 of this act;
23 section 83 of this act;
24 section 84 of this act;
25 section 85 of this act; and
26 section 86 of this act.

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

30 RCW 31.12.720;
31 RCW 31.12.740;
32 RCW 31.12.735;
33 RCW 31.12.635;
34 Section 92 of this act; and
35 RCW 31.12.902.

36 NEW SECTION. **Sec. 90.** Section 35 of this act takes effect July 1,
37 1998.

1 NEW SECTION. **Sec. 91.** Section 50 of this act takes effect January
2 1, 1999.

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

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

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