

CERTIFICATION OF ENROLLMENT

HOUSE BILL 1247

Chapter 19, Laws of 2019

66th Legislature
2019 Regular Session

STATE CREDIT UNION ACT--VARIOUS PROVISIONS

EFFECTIVE DATE: July 28, 2019

Passed by the House March 1, 2019
Yeas 95 Nays 0

FRANK CHOPP

Speaker of the House of Representatives

Passed by the Senate March 29, 2019
Yeas 46 Nays 0

CYRUS HABIB

President of the Senate

Approved April 8, 2019 2:43 PM

JAY INSLEE

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1247** as passed by House of Representatives and the Senate on the dates hereon set forth.

BERNARD DEAN

Chief Clerk

FILED

April 8, 2019

**Secretary of State
State of Washington**

HOUSE BILL 1247

Passed Legislature - 2019 Regular Session

State of Washington

66th Legislature

2019 Regular Session

By Representatives Reeves and Hoff

Read first time 01/17/19. Referred to Committee on Consumer Protection & Business.

1 AN ACT Relating to the Washington state credit union act; and
2 amending RCW 31.12.185, 31.12.195, 31.12.335, 31.12.382, 31.12.404,
3 and 31.12.436.

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

5 **Sec. 1.** RCW 31.12.185 and 1997 c 397 s 12 are each amended to
6 read as follows:

7 (1) A credit union's annual membership meeting shall be held at
8 such time and ((place)) in such manner as the bylaws prescribe, and
9 shall be conducted according to the rules of procedure approved by
10 the board.

11 (2) Notice of the annual membership meetings of a credit union
12 shall be given as provided in the bylaws of the credit union.

13 **Sec. 2.** RCW 31.12.195 and 2017 c 61 s 4 are each amended to read
14 as follows:

15 (1) A special membership meeting of a credit union may be called
16 by:

17 (a) A majority vote of the board;

18 (b) Written petition signed or similarly authenticated by at
19 least ten percent or two thousand of the members of a credit union,
20 whichever is less;

1 (c) A unanimous vote of the supervisory committee for the purpose
2 of presenting and discussing a special report by the supervisory
3 committee regarding the failure of the board to adequately respond
4 within a reasonable time frame to findings or recommendations
5 previously provided to the board by the supervisory committee
6 pursuant to RCW 31.12.335; or

7 (d) Unanimous vote of the supervisory committee to suspend a
8 director for cause pursuant to RCW 31.12.345 if the supervisory
9 committee has provided the director and the board with written notice
10 of such cause and a statement of reasons why cause was found, and the
11 board and the director have failed to act within a reasonable period
12 to rectify the activity that constitutes cause.

13 (2) A call of a special membership meeting of a credit union
14 shall be in writing submitted to the secretary of the credit union by
15 the board, the petitioners, or the supervisory committee as
16 applicable, and shall state specifically the purpose or purposes for
17 which the meeting is called and the agenda item or items for
18 consideration by the members at the meeting. If the special
19 membership meeting is called for the removal of one or more directors
20 or supervisory committee members, the call shall state the name of
21 each individual whose removal is sought.

22 (3)(a) Upon receipt of a call for a special membership meeting,
23 the secretary of the credit union shall determine whether the call
24 satisfies the requirements of this section. If so, the secretary
25 shall determine the date(~~(,)~~) and time(~~(, and place at)~~) on which the
26 special membership meeting will be held, and provide notice of the
27 special membership meeting in accordance with the requirements of
28 this subsection and the credit union's bylaws. (~~The special~~
29 ~~membership meeting must be held at a reasonable location within the~~
30 ~~county in which the principal place of business of the credit union~~
31 ~~is located, unless provided otherwise by the bylaws.)) The special
32 membership meeting must be held no later than ninety days after the
33 date on which the call is received by the secretary.~~

34 (b) The secretary shall give notice of the special membership
35 meeting at least thirty days before the date of the meeting, or
36 within such other reasonable time period as may be provided by the
37 bylaws. The notice must state the purpose or purposes for which the
38 special membership meeting is called, and the agenda items for the
39 meeting. If the special membership meeting is called for the removal

1 of one or more directors or supervisory committee members, the notice
2 must state the name of each individual whose removal is sought.

3 (4) Except as provided in this subsection, the chairperson of the
4 board shall preside over special membership meetings. If the purpose
5 of the special membership meeting includes the removal of the
6 chairperson, the next highest ranking board officer whose removal is
7 not sought shall preside over the meeting. If the removal of all
8 board officers is sought, the chairperson of the supervisory
9 committee shall preside over the special membership meeting.

10 (5) At the special membership meeting, only those agenda items
11 that are stated in the notice for the meeting may be considered.

12 (6) Special membership meetings shall be conducted according to
13 the rules of procedure approved by the board.

14 **Sec. 3.** RCW 31.12.335 and 2017 c 61 s 8 are each amended to read
15 as follows:

16 (1) The supervisory committee of a credit union shall:

17 (a) Keep informed as to the financial condition of the credit
18 union and the decisions of the credit union's board;

19 (b) Perform or arrange for:

20 (i) A complete annual audit of the credit union; and

21 (ii) A verification of its members' accounts at least once every
22 two years, and shall provide any related findings and recommendations
23 from such audits and verifications to the board;

24 (c) Provide an annual report to members at each annual membership
25 meeting;

26 (d) Perform or arrange for additional audits as requested by the
27 board or management or as deemed necessary by the supervisory
28 committee and provide any related findings and recommendations to
29 management or the board as deemed appropriate by the supervisory
30 committee;

31 (e) Monitor the implementation of management responses to
32 material adverse findings in audits and regulatory examinations;

33 (f) Implement a process for the supervisory committee to receive
34 and respond to whistleblower complaints; and

35 (g) Perform any additional duties as specified by the board or in
36 the credit union's bylaws.

37 (2) The supervisory committee may in its sole discretion retain,
38 at the credit union's expense, independent counsel or other

1 professional advisors or consultants as necessary to perform the
2 duties under this section.

3 **Sec. 4.** RCW 31.12.382 and 1994 c 92 s 178 are each amended to
4 read as follows:

5 (1) Membership in a credit union shall be limited to groups
6 having a common bond of occupation or association, or to groups
7 within a well-defined neighborhood, community, or rural district. The
8 director may adopt rules: (a) Reasonably defining "common bond"; and
9 (b) setting forth standards for the approval of charters.

10 (2) The director may approve the inclusion within the field of
11 membership of a credit union a group having a separate common bond if
12 the director determines that the group is not of sufficient size or
13 resources to support a viable credit union of its own.

14 (3) The director may approve, in accordance with the provisions
15 of this chapter, the inclusion within a credit union's field of
16 membership of groups having a common bond of occupation or
17 association, or groups within a well-defined neighborhood, community,
18 or rural district, notwithstanding the fact that such groups are
19 situated partially or wholly outside this state.

20 **Sec. 5.** RCW 31.12.404 and 2017 c 61 s 10 are each amended to
21 read as follows:

22 (1) Notwithstanding any other provision of law, and in addition
23 to all powers and authorities, express or implied, that a credit
24 union has under the laws of this state, a credit union has the powers
25 and authorities that a federal credit union had on December 31, 1993,
26 or a subsequent date not later than ~~((July 23, 2017))~~ the effective
27 date of this section.

28 (2) Notwithstanding any other provision of law, and in addition
29 to the powers and authorities, express or implied, that a credit
30 union has under subsection (1) of this section, a credit union has
31 the powers and authorities that a federal credit union has ~~((, and an~~
32 ~~out-of-state credit union operating a branch in Washington has,))~~
33 subsequent to ~~((July 23, 2017))~~ the effective date of this section,
34 if the director finds that the exercise of the power and authority
35 serves the convenience and advantage of members of credit unions, and
36 maintains the fairness of competition and parity between credit
37 unions and federal ~~((or out-of-state))~~ credit unions. However, a
38 credit union(~~(÷~~

1 ~~(a))~~ must ~~((still))~~ comply with RCW 31.12.408 ~~((; and~~

2 ~~(b) Is not granted the field of membership powers or authorities~~
3 ~~of any out-of-state credit union operating a branch in Washington)).~~

4 (3) Notwithstanding any other provision of law, and in addition
5 to the powers and authorities, express or implied, that a credit
6 union has under subsections (1) and (2) of this section, a credit
7 union may exercise the powers and authorities that it would have if
8 it were an out-of-state credit union. Any such power or authority is
9 subject to regulation by the director. In exercising such power or
10 authority, a credit union:

11 (a) Must comply with RCW 31.12.408;

12 (b) Is not granted the field of membership powers or authorities
13 of any out-of-state credit union; and

14 (c) Must be able to exercise such power or authority consistent
15 with the purposes of this chapter.

16 (4) Before exercising any power or authority afforded under
17 subsection (3) of this section, a credit union must first notify the
18 director of its intent to do so. This notice must be sent to the
19 director by United States mail or by electronic means if the director
20 accepts electronic delivery. If the director takes no action on the
21 request within thirty days of delivery of the notice, the right to
22 exercise the power or authority is deemed granted, subject to the
23 restrictions in subsection (3)(a) and (b) of this section. In order
24 to grant the request, the director must find that:

25 (a) The request complies with subsection (3)(a), (b), and (c) of
26 this section; and

27 (b) The exercise of such power or authority serves the
28 convenience and advantage of members of credit unions and maintains
29 the fairness of competition and parity between credit unions and out-
30 of-state credit unions.

31 (5) The restrictions, limitations, and requirements applicable to
32 specific powers or authorities of federal or out-of-state credit
33 unions apply to credit unions exercising those powers or authorities
34 permitted under this section but only insofar as the restrictions,
35 limitations, and requirements relate to the specific exercise of the
36 powers or authorities granted credit unions solely under this
37 section.

38 ~~((4))~~ (6) As used in this section, "powers and authorities"
39 include, but are not limited to, powers and authorities in corporate
40 governance matters.

1 **Sec. 6.** RCW 31.12.436 and 2017 c 61 s 12 are each amended to
2 read as follows:

3 (1) A credit union may invest its funds in any of the following,
4 as long as the investments are deemed prudent by the board:

5 (a) Loans held by credit unions, out-of-state credit unions, or
6 federal credit unions; loans to members held by other lenders; and
7 loans to nonmembers held by other lenders, with the approval of the
8 director;

9 (b) Bonds, securities, or other investments that are fully
10 guaranteed as to principal and interest by the United States
11 government, and general obligations of this state and its political
12 subdivisions;

13 (c) Obligations issued by corporations designated under 31 U.S.C.
14 Sec. 9101, or obligations, participations or other instruments issued
15 and guaranteed by the federal national mortgage association, federal
16 home loan mortgage corporation, government national mortgage
17 association, or other government-sponsored enterprise;

18 (d) Participations or obligations which have been subjected by
19 one or more government agencies to a trust or trusts for which an
20 executive department, agency, or instrumentality of the United States
21 has been named to act as trustee;

22 (e) Share or deposit accounts of other financial institutions,
23 the accounts of which are federally insured or insured or guaranteed
24 by another insurer or guarantor approved by the director. The shares
25 and deposits made by a credit union under this subsection (1)(e) may
26 exceed the insurance or guarantee limits established by the
27 organization insuring or guaranteeing the institution into which the
28 shares or deposits are made;

29 (f) Common trust or mutual funds whose investment portfolios
30 consist of securities issued or guaranteed by the federal government
31 or an agency of the government;

32 (g) Up to five percent of the capital of the credit union, in
33 debt or equity issued by an organization owned by the Northwest
34 credit union association or its successor credit union association;

35 (h) Shares, stocks, loans, or other obligations of organizations
36 whose primary purpose is to strengthen, advance, or provide services
37 to the credit union industry or credit union members. A credit union
38 may invest in or make loans to organizations under this subsection
39 (1)(h) in an aggregate amount not to exceed (~~five~~) ten percent of

1 its assets. This limit does not apply to investments in, and loans
2 to, an organization:

3 (i) That is wholly owned by one or more credit unions or federal
4 or out-of-state credit unions; and

5 (ii) Whose activities are limited exclusively to those authorized
6 by this chapter for a credit union;

7 (i) Loans to credit unions, out-of-state credit unions, or
8 federal credit unions. However, the aggregate of loans issued under
9 this subsection (1)(i) is limited to twenty-five percent of the total
10 shares and deposits of the credit union making the loans;

11 (j) Key person insurance policies and investment products related
12 to employee benefits, the proceeds of which inure exclusively to the
13 benefit of the credit union;

14 (k) A registered investment company or collective investment
15 fund, as long as the prospectus of the company or fund restricts the
16 investment portfolio to investments and investment transactions that
17 are permissible for credit unions; ((e))

18 (l) For credit unions that are approved public depositaries, any
19 securities listed in RCW 39.58.050 as eligible collateral for public
20 deposits;

21 (m) Investments of the type in which the state treasurer may
22 invest state funds pursuant to RCW 43.84.080; or

23 (n) Other investments approved by the director by rule or upon
24 written application.

25 (2) If a credit union has lawfully made an investment that later
26 becomes impermissible because of a change in circumstances or law,
27 and the director finds that this investment will have an adverse
28 effect on the safety and soundness of the credit union, then the
29 director may require that the credit union develop a reasonable plan
30 for the divestiture of the investment.

Passed by the House March 1, 2019.
Passed by the Senate March 29, 2019.
Approved by the Governor April 8, 2019.
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