

SENATE BILL REPORT

ESHB 1085

**AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,
FEBRUARY 28, 1992**

Brief Description: Defining the fiduciary relationship of credit union personnel.

SPONSORS: House Committee on Financial Institutions & Insurance (originally sponsored by Representatives Winsley, Dellwo, Broback, Dorn, Mielke, Inslee, Schmidt, Zellinsky, Anderson, Paris, R. Johnson, Edmondson, Wynne, Chandler, Wood, Tate and Orr)

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; Moore, Pelz, Rasmussen, Sellar, and Vognild.

Staff: Benson Porter (786-7470)

Hearing Dates: February 28, 1992

BACKGROUND:

State statutes governing banks, savings banks, and savings and loan associations contain standards for management of these institutions. The statutes also prohibit acts and practices that give rise to conflicts of interest between institutional and personal gain. Statutes governing credit unions contain no similar standards or prohibitions.

SUMMARY:

No director, officer, employee, or other agent of a credit union may have an interest in the purchase of credit union assets without the consent of a majority of disinterested directors of the credit union. The credit union must give notice of the sale to the State Supervisor of Credit Unions when the fair market value of the assets to be sold exceeds \$10,000.

No director, officer, employee, or other agent of a credit union may receive any compensation, commission, or other interest from any person or corporation other than the credit union related to loans made by the credit union or securities bought or sold by the credit union.

No credit union may enter into a contract that would adversely affect the safety or soundness of the institution.

No credit union may enter into a contract with a director, officer, or employee of the credit union if the terms and conditions of the contract are less favorable to the credit union than would be offered to others.

A violation of these provisions constitutes a gross misdemeanor.

Appropriation: none

Revenue: none

Fiscal Note: none requested

TESTIMONY FOR:

The proposal imposes appropriate regulation of credit union contracts, including those involving directors, officers, and employees of a credit union.

TESTIMONY AGAINST: None

TESTIFIED: Representative Shirley Winsley, original prime sponsor; John Stanislav, Division of Savings and Loan, Department of General Administration (pro); Gary Gardner, Washington Credit Union League (pro)