

HOUSE BILL REPORT

SB 6355

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to share insurance for credit unions.

Brief Description: Regulating share insurance for credit unions.

Sponsors: Senators Winsley, Prentice, Sellar, Heavey, Benton and Hale; by request of Department of Financial Institutions.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 2/19/98 [DPA].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass as amended. Signed by 11 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser; Sullivan and Wensman.

Staff: Charlie Gavigan (786-7340).

Background: In 1975, the Legislature created the Washington Credit Union Share Guaranty Association (WCUSGA), which is a nonprofit association that guarantees payment to credit union shareholders of losses to their share and deposit accounts because of liquidation and provides services to promote the stability of state chartered credit unions. WCUSGA is managed by a board of directors and officers elected from the credit union membership.

Federally chartered credit unions are legally required to insure their shares through the National Credit Union Share Insurance Fund (NCUSIF). Until 1996, state chartered credit unions had a choice between the NCUSIF and WCUSGA. In 1996, the Legislature required credit unions insured through WCUSGA to convert to the federal insurance fund by December 1, 1998. WCUSGA is repealed December 31, 2000. Provisions were also provided in 1996 to allow for alternative insurance that is equivalent to NCUSIF insurance if certain criteria are met.

Summary of Amended Bill: The expiration of WCUSGA's share/deposit guarantee is reaffirmed to be December 31, 1998. The director is authorized to put a credit union into conservatorship or receivership if it fails to obtain federal insurance or to obtain interim insurance approved by the director by the end of 1998.

The amount of WCUSGA reserves to be maintained by former members is based on the shares of that member as of year-end prior to its conversion to federal insurance. Provisions are added clarifying the dissolution of WCUSGA and the distribution of assets. Dissolution does not affect certain internal corporate governance of WCUSGA.

A method is provided for notifying creditors of dissolution and providing a means of accepting or rejecting claims against the organization. If a claim is not filed within 12 months after the effective date of dissolution, it will be forever barred.

Articles of dissolution must be filed with the director by the officers of WCUSGA after the organization has been dissolved and liquidated.

By the end of 1998, and after that date, credit unions must have federal insurance or interim insurance approved by the director. Credit unions with a high safety and soundness rating which have not been approved for federal insurance by September 30, 1998, can be insured under a program approved by the director until July 1, 2001. At that time, credit unions must obtain federal insurance or an equivalent share insurance program as provided under current law.

Amended Bill Compared to Original Bill: The amendment makes a technical change to an expiration date.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Amended Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Some technical provisions regarding the final dissolution of the guaranty association need to be made. This bill provides additional time for credit unions that are financially sound to meet the conversion requirement while still insuring deposits.

Testimony Against: None.

Testified: Parker Cann, DFI (supports); and Joel Edwards, Washington Credit Union Share Guaranty Association (supports).