FINAL BILL REPORT

SSB 5563

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Synopsis as Enacted

Brief Description: Modernizing, clarifying, and simplifying the Washington state credit union act.

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

Senate Committee on Financial Institutions, Insurance & Housing
House Committee on Financial Institutions & Insurance

Background: A credit union is a not-for-profit financial institution created to serve groups in a field of membership. The field of membership may be one of occupation, association, or a well-defined neighborhood, community, or rural district.

Credit unions doing business in Washington can be chartered by the state or federal government. The National Credit Union Administration regulates federally-chartered credit unions, and the Department of Financial Institutions regulates state-chartered institutions. There are approximately 200 credit unions in Washington. Of this total, the state has approximately 100 state-chartered credit unions.

The Washington Credit Union Act provides for the organization and powers of state credit unions. The act also gives the Department of Financial Institutions examination and supervision authority over state-chartered credit unions.

In 1996, the Washington Credit Union League held meetings to produce suggested revisions to the Washington State Credit Union Act. The group desired to make the act more modern, and to clarify certain sections of the act. In addition, the group wanted to provide the state regulator with more authority to regulate troubled credit unions.

Summary: Several changes are made to the Washington Credit Union Act.

Many definitions are deleted and new definitions are added. Insolvency, material violation of the law, unsafe and unsound condition, and unsafe and unsound practice are specifically defined.

Changes are made that enable credit union boards of directors to have more discretion. Field of membership bylaws may only be amended with the approval of the board and the director.

A statutory fiduciary duty for officers and directors is created. Officers and directors who do not fulfill their fiduciary duties can be removed or suspended. There are specific requirements for the supervisory committee to conduct an annual audit. Directors and

committee members are permitted to be reimbursed for expenses for not only themselves, but for their spouses when they engage in board duties.

A credit union is authorized to borrow money up to a maximum of 50 percent of total shares, deposits, and net capital, instead of limiting borrowing to 50 percent of paid in and unimpaired capital.

Various powers are specifically authorized such as the ability to enter into lease agreements; the ability to insure the lives of members under group policies issued in the name of the credit union; the ability to offer members credit life, disability, accident, and health insurance; and the authority to establish and operate electronic facilities. Credit unions are given authority to provide for indemnification of directors and officers in their bylaws or articles of incorporation. Credit unions may limit the personal liability of directors in their articles of incorporation.

A credit union may work with community leaders to develop and prioritize efforts to improve the communities where their members reside by making investments in those communities through charitable contributions.

A lien for credit unions is created on all shares and deposits of a credit union to the extent of any obligation owed to a credit union by the shareholder or depositor.

Credit unions may make secured and unsecured loans. Credit unions are not permitted to make loans to a single borrower that exceed 25 percent of capital, instead of 2 and one-half percent of assets.

Credit unions can invest in loans held by other credit unions, loans made to members of the credit union held by other lenders, and with the approval of the Director of the Department of Financial Institutions, loans made to nonmembers held by other lenders. In addition, credit unions can lend to other credit unions up to 25 percent of total shares and deposits, instead of 25 percent of paid-in and unimpaired capital.

Credit unions are required to make at least two regular reports each year showing assets and liabilities. Credit unions are required to follow generally accepted accounting principles as specified by rule of the director after January 1, 1999.

The director is given authority to remove officers, employees, directors, and other members of credit union committees for material violations of law or for engaging in unsafe and unsound practices.

Procedures are created for the director to place a credit union under supervisory direction, appoint a conservator, appoint a liquidating agent, or appoint a receiver.

The director has the power and broad administrative discretion to administer and interpret the credit union laws to facilitate the delivery of financial services to members of a credit union.

Votes on Final Passage:

Senate	47	0	
House	98	0	(House amended)
Senate	44	0	(Senate concurred)

Effective: January 1, 1998
July 1, 1998 (Section 35)
January 1, 1999 (Section 50)