
HOUSE BILL 1560

State of Washington 55th Legislature 1997 Regular Session

By Representatives L. Thomas, Wolfe, Smith, Benson and Mason

Read first time 01/30/97. Referred to Committee on Financial
Institutions & Insurance.

1 AN ACT Relating to credit unions; amending RCW 31.12.025,
2 31.12.035, 31.12.075, 31.12.085, 31.12.105, 31.12.185, 31.12.225,
3 31.12.235, 31.12.246, 31.12.255, 31.12.265, 31.12.275, 31.12.285,
4 31.12.326, 31.12.345, 31.12.365, 31.12.306, 31.12.145, 31.12.155,
5 31.12.295, 31.12.485, 31.12.317, 31.12.445, 31.12.465, 31.12.705,
6 31.12.715, 31.12.725, 31.12.516, 31.12.545, 31.12.215, 31.12.575,
7 31.12.585, 31.12.595, 31.12.605, 31.12.625, 31.12.655, 31.12.665,
8 31.12.675, 31.12.685, and 31.12.635; reenacting and amending RCW
9 31.12.005, 31.12.015, 31.12.055, 31.12.065, 31.12.115, 31.12.195,
10 31.12.335, 31.12.125, 31.12.136, 31.12.385, 31.12.406, 31.12.425,
11 31.12.435, 31.12.695, 31.12.526, 31.12.555, and 31.12.565; adding new
12 sections to chapter 31.12 RCW; adding a new section to chapter 42.17
13 RCW; creating a new section; recodifying RCW 31.12.005, 31.12.015,
14 31.12.025, 31.12.035, 31.12.055, 31.12.065, 31.12.075, 31.12.085,
15 31.12.105, 31.12.115, 31.12.185, 31.12.195, 31.12.225, 31.12.235,
16 31.12.246, 31.12.255, 31.12.265, 31.12.275, 31.12.285, 31.12.326,
17 31.12.335, 31.12.345, 31.12.365, 31.12.306, 31.12.045, 31.12.145,
18 31.12.155, 31.12.295, 31.12.125, 31.12.136, 31.12.037, 31.12.039,
19 31.12.385, 31.12.485, 31.12.406, 31.12.317, 31.12.425, 31.12.435,
20 31.12.445, 31.12.465, 31.12.695, 31.12.705, 31.12.715, 31.12.526,
21 31.12.725, 31.12.516, 31.12.545, 31.12.555, 31.12.565, 31.12.215,

1 31.12.575, 31.12.585, 31.12.595, 31.12.605, 31.12.615, 31.12.625,
2 31.12.655, 31.12.665, 31.12.675, 31.12.685, 31.12.720, 31.12.740,
3 31.12.735, 31.12.635, and 31.12.902; repealing RCW 31.12.095,
4 31.12.165, 31.12.206, 31.12.315, 31.12.355, 31.12.376, 31.12.395,
5 31.12.415, 31.12.455, 31.12.475, 31.12.495, 31.12.506, 31.12.535,
6 31.12.645, 31.12.903, 31.12.904, 31.12.905, and 43.320.125; prescribing
7 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 existing
17 statutory provisions.

18 Revisions to this act reflect the legislature's intent to
19 modernize, clarify, and reorganize the existing act, and clarify the
20 director's enforcement authority. By enacting the revisions to this
21 act, it is not the intent of the legislature to effect the scope of
22 credit unions field of membership or tax status.

23 **Sec. 2.** RCW 31.12.005 and 1994 c 256 s 68 and 1994 c 92 s 175 are
24 each reenacted and amended to read as follows:

25 Unless the context clearly requires otherwise, as used in this
26 chapter:

27 (1) "Board" means the board of directors of a credit union.

28 (2) "Board officer" means an officer of the board elected under RCW
29 31.12.265(1) (as recodified by this act).

30 (3) "Branch" means any (~~office, other than the principal place of~~
31 ~~business, maintained by a credit union, alone or together with other~~
32 ~~credit unions, for the purpose of accepting deposits or making loans to~~
33 ~~its members.~~ "Branch" does not include a facility that is limited to
34 an electronic funds transferring machine or a similar service facility
35 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 deposits are taken. The term does not include
17 an automated teller machine or a machine permitting members to
18 communicate with credit union employees who are not located at the site
19 of the machine, unless the employees of the credit union at the site of
20 the machine take deposits on a regular basis. A facility is not deemed
21 to be a facility of a credit union, regardless of any affiliation,
22 accommodation arrangement, or other relationship between the
23 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) "Compliance officer" or "compliance committee" means the~~
31 officer or committee appointed under section 27 of this act.

32 ~~(7) "Compliance review documents" means documents prepared by or~~
33 for the compliance officer or compliance committee under section 27 of
34 this act.

35 ~~(8) "Consumer loan" means a loan for consumer, family, or household~~
36 purposes.

37 ~~(9) "Credit union" means a credit union organized and operating~~
38 under this chapter.

1 (10) "Credit union service organization" means an organization that
2 a credit union has invested in pursuant to RCW 31.12.425(8) (as
3 recodified by this act), or a credit union service organization
4 invested in by an out-of-state credit union or federal credit union.

5 (11) "Director" means the director of financial institutions.

6 (12) "Federal credit union" means a credit union organized and
7 operating under the laws of the United States.

8 (13) "Financial institution" means any commercial bank, trust
9 company, savings bank, or savings and loan association, whether state
10 or federally chartered, and any credit union, out-of-state credit
11 union, or federal credit union.

12 (14) "Foreign credit union" means a credit union organized under
13 the laws of another country or other jurisdiction.

14 (15) "Insolvency" means either of the following conditions:

15 (a) If, under generally accepted accounting principles, the
16 recorded value of the credit union's assets are less than its
17 obligations to its depositors, shareholders, creditors, and others; or

18 (b) If it is likely that the credit union will be unable to pay its
19 obligations or meet its shareholders' and depositors' demands in the
20 normal course of business.

21 (16) "Loan" means any loan, overdraft line of credit, extension of
22 credit, or lease, in whole or in part.

23 (17) "Material violation of law" means:

24 (a) If the credit union or person has violated a material provision
25 of:

26 (i) Law;

27 (ii) Any cease and desist order issued by the director;

28 (iii) Any condition imposed in writing by the director in
29 connection with the approval of any application or other request of the
30 credit union; or

31 (iv) Any written agreement entered into with the director;

32 (b) If the credit union or person has concealed any of the credit
33 union's books, papers, records, or assets, or refused to submit the
34 credit union's books, papers, records, or affairs for inspection to any
35 examiner of the state or, as appropriate, to any examiner of the
36 national credit union administration; and

37 (c) If the person has breached his or her fiduciary duty to the
38 credit union.

1 (18) "Membership share" means an initial share required to be
2 purchased in order to establish and maintain membership in a credit
3 union.

4 (19) "Net capital" means a credit union's capital, less the
5 allowance for loan loss.

6 (20) "Operating officer" means an officer of a credit union
7 designated under RCW 31.12.265(2) (as recodified by this act).

8 (21) "Organization" means a corporation, partnership, association,
9 limited liability company, trust, or other organization or entity.

10 (22) "Out-of-state credit union" means a credit union organized and
11 operating under the laws of another state or United States territory.

12 (23) "Person" means a natural person or an organization.

13 (24) "Principally" or "primarily" means more than one-half.

14 (25) "Unsafe or unsound condition" means, without limitation:

15 (a) If the credit union is insolvent;

16 (b) If the credit union has incurred or is likely to incur losses
17 that will deplete all or substantially all of its capital;

18 (c) If the credit union is in imminent danger of losing its share
19 and deposit insurance or guarantee.

20 (26) "Unsafe or unsound practice" means any action, or lack of
21 action, which is contrary to generally accepted standards of prudent
22 operation, the possible consequences of which, if continued, would be
23 abnormal risk of loss or danger to a credit union, its members, or an
24 organization insuring or guaranteeing its shares and deposits.

25 **Sec. 3.** RCW 31.12.015 and 1994 c 256 s 69 and 1994 c 92 s 176 are
26 each reenacted and amended to read as follows:

27 A credit union is a cooperative society organized under this
28 chapter as a nonprofit corporation for the purposes of promoting thrift
29 among its members and creating a source of credit for ((them at fair
30 and reasonable rates of interest)) provident or productive purposes.

31 A credit union is owned and operated by its members according to
32 democratic principles. The director is the state's credit union
33 regulatory authority whose purpose is to protect ((the)) members'
34 financial interests, the integrity of credit unions as cooperative
35 institutions, and the interests of the general public, and to ensure
36 that ((state-chartered)) credit unions remain viable and competitive in
37 this state.

1 **Sec. 4.** RCW 31.12.025 and 1994 c 256 s 70 are each amended to read
2 as follows:

3 (1) A credit union shall include in its name the words "credit
4 union."

5 (2) No person(~~(, partnership, association, corporation, or other~~
6 ~~organization)) may (~~(transact))~~ conduct business or engage in any other
7 activity under a name or title containing the words "credit union", or
8 represent itself as a credit union, unless it is:~~

9 (a) A credit union or out-of-state credit union;

10 (b) An organization (~~(comprised of corporations organized under~~
11 ~~state or federal credit union laws))~~ whose membership or ownership is
12 primarily limited to credit unions, out-of-state credit unions, or
13 federal credit unions, or their trade organizations;

14 (c) A (~~(sole proprietorship, partnership, or corporation))~~ person
15 that is primarily in the business of managing one or more credit
16 unions, out-of-state credit unions, or federal credit unions; or

17 (d) (~~(An organization specifically authorized under the laws of~~
18 ~~this state or under federal law to use the words "credit union" in its~~
19 ~~name-))~~ A credit union service organization.

20 **Sec. 5.** RCW 31.12.035 and 1994 c 92 s 177 are each amended to read
21 as follows:

22 Seven or more natural persons (~~(who reside in this state))~~ may
23 apply to the director for permission to organize a credit union. (~~(The~~
24 ~~director shall approve the application if it is in compliance with this~~
25 ~~chapter-))~~ The application must include copies of the proposed
26 articles of incorporation and bylaws, and such other information as may
27 be required by the director. The director shall approve or deny a
28 complete application within sixty days of receipt.

29 **Sec. 6.** RCW 31.12.055 and 1994 c 256 s 71 and 1994 c 92 s 179 are
30 each reenacted and amended to read as follows:

31 (1) Persons applying for the organization of a credit union shall
32 execute articles of incorporation stating:

33 (a) The initial name and location of the (~~(proposed))~~ credit union
34 (~~(and its location));~~

35 (b) That the duration of the credit union is perpetual;

1 (c) That the purpose of the credit union is to engage in the
2 business of a credit union and any other lawful activities permitted to
3 a credit union by applicable law(~~(s and rules)~~);

4 (d) The number of its directors, which (~~shall~~) must not be less
5 than five nor greater than fifteen, and the names(~~(, occupations, and~~
6 ~~addresses)~~) of the persons who are to serve as the initial directors;

7 (e) The names(~~(, occupations, and addresses)~~) of the (~~(subscribers~~
8 ~~to the articles of incorporation, and a statement of the number of~~
9 ~~shares which each has agreed to take)~~) incorporators;

10 (f) The initial par value, if any, of the shares of the credit
11 union;

12 (g) (~~(Any provision the applicants elect to so set forth which is~~
13 ~~permitted by RCW 23B.17.030; and)~~) The extent, if any, to which
14 personal liability of directors is limited;

15 (h) The extent, if any, to which directors, supervisory committee
16 members, officers, employees, and others will be indemnified by the
17 credit union; and

18 (i) Any other provision (~~(the applicants elect to so set forth)~~)
19 which is not inconsistent with this chapter.

20 (2) Applicants shall submit the articles of incorporation in
21 triplicate to the director.

22 **Sec. 7.** RCW 31.12.065 and 1994 c 256 s 72 and 1994 c 92 s 180 are
23 each reenacted and amended to read as follows:

24 (1) Persons applying for the organization of a credit union shall
25 adopt bylaws that (~~(are consistent with this chapter and that)~~)
26 prescribe the manner in which the business of the credit union shall be
27 conducted. The bylaws shall include:

28 (a) The name of the credit union;

29 (b) The (~~(purposes)~~) field of membership of the credit union;

30 (c) (~~(The)~~) Reasonable qualifications for membership in the credit
31 union, including without limit the minimum number of shares, and the
32 payment of a membership fee, if any, required for membership
33 (~~(status)~~), and the (~~(standards and)~~) procedures for expelling a member
34 (~~(who has failed to maintain the minimum number of shares)~~);

35 (d) The number of directors and supervisory committee members, and
36 the length of terms they serve and the permissible term length of any
37 interim director or supervisory committee member;

1 (e) Any qualification for eligibility to serve on the credit
2 union's board, or supervisory committee;
3 (f) The number of credit union employees that may serve on the
4 board;
5 (g) The frequency of regular meetings of the board and the
6 supervisory committee, and the manner in which members of the board or
7 supervisory committee are to be notified of meetings;
8 ~~((f))~~ (h) The powers and duties of ~~((the))~~ board officers
9 ~~((elected by the board));~~
10 ~~((g))~~ (i) The timing of the annual membership meeting ~~((and));~~
11 (j) The manner in which members may call a special membership
12 meeting;
13 (k) The manner in which members are to be notified of membership
14 meetings~~((, including special membership meetings));~~
15 ~~((h))~~ (l) The number of members constituting a quorum at a
16 membership meeting; ~~((and~~
17 ~~(i) Other matters considered appropriate by the applicants to be~~
18 ~~included in the bylaws))~~
19 (m) Provisions if any for the indemnification of directors,
20 supervisory committee members, officers, employees, and others by the
21 credit union, if not included in the articles of incorporation; and
22 (n) Any other provision which is not inconsistent with this
23 chapter.
24 (2) Applicants shall submit the bylaws in duplicate to the
25 director~~((, if requested))~~.

26 **Sec. 8.** RCW 31.12.075 and 1994 c 92 s 181 are each amended to read
27 as follows:

28 (1) When the proposed articles of incorporation and bylaws
29 complying with the requirements of RCW 31.12.055 and 31.12.065 (as
30 recodified by this act) have been filed with the director, the director
31 shall:

32 (a) Determine whether the articles of incorporation and bylaws are
33 consistent with ~~((the purposes and requirements of))~~ this chapter; and

34 (b) Determine the feasibility of the credit union, taking into
35 account surrounding facts and circumstances pertaining to a successful
36 operation of ~~((a))~~ the credit union.

1 (~~The director may establish by rule, as a prerequisite to approval~~
2 ~~of a proposed credit union, specific criteria consistent with the~~
3 ~~purposes and policies of this chapter.~~)

4 (2) If the director is satisfied with the determinations made under
5 subsection (1)(a) and (b) of this section, the director shall endorse
6 each of the articles of incorporation "approved" and indicate the date
7 the approval is granted, and return two sets of articles and one set of
8 bylaws to the applicants.

9 (3) If the director is not satisfied with the determinations made
10 under subsection (1)(a) and (b) of this section, the director shall
11 endorse each of the articles of incorporation "~~((refused))~~ denied,"
12 indicate the date of and reasons for the ~~((refusal))~~ denial, and return
13 two copies of the articles of incorporation with one copy of the bylaws
14 to the person from whom they were received. The director shall at the
15 time of returning the copies of the articles of incorporation and
16 bylaws also provide notice to the applicant of the applicant's right to
17 appeal the ~~((refusal))~~ denial under chapter 34.05 RCW. The ~~((refusal))~~
18 denial is conclusive unless the applicant requests a hearing under
19 chapter 34.05 RCW.

20 (~~((4) The director shall accept or refuse the articles of~~
21 ~~incorporation within sixty days of receipt.))~~)

22 **Sec. 9.** RCW 31.12.085 and 1994 c 92 s 182 are each amended to read
23 as follows:

24 (1) Upon ~~((the))~~ approval ~~((of the director))~~ under RCW
25 31.12.075(2) (as recodified by this act), the ~~((applicants))~~ director
26 shall ~~((file))~~ deliver a copy of the articles of incorporation ~~((with))~~
27 to the secretary of state for filing. Upon receipt of the approved
28 articles of incorporation and a twenty dollar filing fee ~~((to be))~~
29 provided by the applicants, the secretary of state shall file ~~((and~~
30 ~~record))~~ the articles of incorporation. ~~((The applicants shall in~~
31 ~~writing promptly notify the director of the exact date of the filing.))~~

32 (2) Upon the filing ~~((and recording))~~ of the approved articles of
33 incorporation ~~((with))~~ by the secretary of state, the persons named in
34 the articles of incorporation and their successors may ~~((operate))~~
35 conduct business as a credit union, which ~~((shall have))~~ has the powers
36 ~~((and be subject to the))~~, duties, and obligations of this chapter. A
37 credit union ~~((shall))~~ may not conduct business until the articles have
38 been ~~((recorded))~~ filed by the secretary of state.

1 (3) A credit union shall organize and begin conducting business
2 within six months of the date that its articles of incorporation are
3 filed (~~(and recorded with)~~) by the secretary of state or its charter
4 (~~(shall become)~~) is void, unless the director for cause grants an
5 extension of the six-month period. The director (~~(shall)~~) may not
6 grant a single extension exceeding three months, but may grant as many
7 extensions to a credit union as circumstances require.

8 **Sec. 10.** RCW 31.12.105 and 1994 c 92 s 184 are each amended to
9 read as follows:

10 The articles of incorporation of a credit union may be amended(~~(7)~~)
11 with the approval of the board and the director(~~(7 by a resolution of~~
12 ~~the board. Amendments to the articles of incorporation shall be filed~~
13 ~~with the director and)~~). Complete applications for amendments to the
14 articles must be approved or denied by the director within sixty days
15 of receipt. Upon approval, the director shall promptly deliver the
16 amendments, including any necessary filing fees paid by the applicant,
17 to the secretary of state for filing.

18 **Sec. 11.** RCW 31.12.115 and 1994 c 256 s 73 and 1994 c 92 s 185 are
19 each reenacted and amended to read as follows:

20 (~~(Except to the extent approval of the director may be required by~~
21 ~~rule,)~~) (1) The bylaws of a credit union, other than field of
22 membership bylaws, may be amended ((by)) with the approval of the board
23 ((of directors at any regular meeting or at a special meeting called
24 for that purpose. An amendment of the bylaws requires the affirmative
25 vote of two thirds of the total members of the board. At least seven
26 days before a meeting at which an amendment to the bylaws is to be
27 voted upon, a copy of the proposed amendment, together with a written
28 notice of the meeting as provided in the bylaws, shall be served upon
29 each member of the board either personally or by mail to the director's
30 last known post office address))).

31 (2) The field of membership bylaws of a credit union may be amended
32 with the approval of the board and the director. Complete applications
33 for amendment to field of membership bylaws must be approved or denied
34 by the director within sixty days of receipt.

35 **Sec. 12.** RCW 31.12.185 and 1987 c 338 s 2 are each amended to read
36 as follows:

1 (1) The regular membership meeting of a credit union shall be held
2 annually, at such time and place as the bylaws prescribe, and shall be
3 conducted according to the ~~((customary))~~ rules of ~~((parliamentary))~~
4 procedure approved by the board.

5 (2) Notice of ~~((regular))~~ annual membership meetings of a credit
6 union shall be given as provided in the bylaws of the credit union.

7 ~~((3) No member may have more than one vote regardless of the
8 number of shares held by the member. A fraternal organization,
9 voluntary association, partnership, or corporation having a membership
10 in a credit union may cast one vote by its authorized agent, who shall
11 be an officer of the organization, association, partnership, or
12 corporation. Voting by mail ballot may be authorized by the board as
13 prescribed in the bylaws.))~~

14 **Sec. 13.** RCW 31.12.195 and 1994 c 256 s 77 and 1994 c 92 s 188 are
15 each reenacted and amended to read as follows:

16 (1) A special meeting of the members of a credit union may be
17 called by a majority of the board, a majority ~~((vote))~~ of the
18 supervisory committee, or ~~((upon written application of))~~ at least ten
19 percent or two thousand, whichever is less, of the ~~((voting))~~ members
20 of a credit union. A request for a special meeting ~~((of a credit union
21 shall))~~ must be in writing and ~~((shall))~~ must state specifically the
22 purpose or purposes for which the meeting is called. If the special
23 meeting is being called for the removal of a director, the ~~((notice
24 shall))~~ request must state the name of the director whose removal is
25 sought.

26 (2) Upon receipt of a request for a special meeting, the secretary
27 of the credit union shall designate the time and place at which the
28 special meeting will be held. The designated place of the meeting
29 ~~((shall))~~ must be a reasonable location within the county in which the
30 principal office of the credit union is located, unless provided
31 otherwise by the bylaws. The designated time of the meeting ~~((shall))~~
32 must be no sooner than twenty nor later than thirty days after the
33 request is received by the secretary. The secretary shall give notice
34 of the meeting within ten days of receipt of the request ~~((give notice
35 of the meeting, including))~~ or within such other reasonable time period
36 as may be provided by the bylaws. The notice must include the purpose
37 or purposes for which the meeting is called, as provided in the bylaws.
38 ~~((A wilful violation of this section constitutes a violation of this~~

1 ~~chapter and constitutes grounds sufficient for the suspension and~~
2 ~~removal of the secretary under RCW 31.12.575.)~~) If the special meeting
3 is being called for the removal of a director, the request must state
4 the name of the director whose removal is sought.

5 (3) Except as provided in this subsection, the ~~((chairman or~~
6 ~~president))~~ chairperson of the board shall preside over special
7 meetings. If the purpose of the special meeting includes the proposed
8 removal of the ~~((chairman or president from the board))~~ chairperson,
9 the next highest ranking officer of the board whose removal is not
10 sought shall preside over the special meeting. If the removal of all
11 ~~((of the))~~ board officers ~~((of the board))~~ is sought, the ~~((chairman))~~
12 chairperson of the supervisory committee shall preside over the special
13 meeting. ~~((After every special meeting, the chairman of the~~
14 ~~supervisory committee shall report to the director the results of the~~
15 ~~special meeting and whether the special meeting was conducted in a fair~~
16 ~~manner in accordance with the bylaws of the credit union and with~~
17 ~~customary rules of parliamentary procedure.))~~

18 **Sec. 14.** RCW 31.12.225 and 1984 c 31 s 24 are each amended to read
19 as follows:

20 (1) The business and affairs of a credit union ~~((shall))~~ must be
21 managed by a board of not less than five nor greater than fifteen
22 directors.

23 (2) The directors ~~((shall))~~ must be elected at the annual
24 membership meetings of the credit union. ~~((The directors, as well as~~
25 ~~the principal operating officer and committee members of the credit~~
26 ~~union, shall be sworn to the faithful performance of their duties. The~~
27 ~~directors))~~ They shall hold their offices, unless sooner removed as
28 provided in this chapter, until their successors are qualified ~~((under~~
29 ~~RCW 31.12.235))~~ and elected or appointed.

30 (3) Directors ~~((shall))~~ must be elected to terms of between one and
31 three years, as provided in the bylaws. If the terms are longer than
32 one year, the ~~((terms shall))~~ directors must be divided into classes,
33 and an equal number of ~~((terms))~~ directors, as near as possible,
34 ~~((shall))~~ must be elected each year.

35 (4) A vacancy on the board must be filled by an interim director
36 appointed by the board, unless fewer than ninety days remain in the
37 term of office of the former director. Interim directors will serve

1 out the unexpired term of the former director, unless provided
2 otherwise in the credit union's bylaws.

3 (5) The board will meet as often as necessary, but not less
4 frequently than once each month.

5 **Sec. 15.** RCW 31.12.235 and 1994 c 256 s 78 are each amended to
6 read as follows:

7 (1) A director (~~((shall be))~~) must be a natural person and a member
8 of the credit union. If a director ceases to be a member of the credit
9 union, the director shall no longer serve as director.

10 (2) Unless reasonably excused by the board, a director shall no
11 longer serve as director if the director in any twelve-month period is
12 absent from more than thirty-three percent of the regular board
13 meetings (~~((required by this chapter))~~).

14 (3) (~~((The remainder of the term of a director's office that becomes~~
15 ~~vacant under subsection (1) or (2) of this section shall be served by~~
16 ~~an interim director appointed by the board.))~~) A director must meet any
17 qualification requirements set forth in the credit union's bylaws. If
18 a director fails to meet these requirements, the director shall no
19 longer serve as a director.

20 (4) The only employee that may serve as director is the principal
21 operating officer of the credit union, unless provided otherwise in the
22 credit union's bylaws.

23 **Sec. 16.** RCW 31.12.246 and 1984 c 31 s 26 are each amended to read
24 as follows:

25 The members of a credit union may remove a director of the credit
26 union at a special meeting held in accordance with RCW 31.12.195 (as
27 recodified by this act) and called for that purpose. If the members
28 remove a director, the members may at the same special meeting elect an
29 interim director to complete the remainder of the former director's
30 term of office or ((may elect to)) authorize the board to appoint an
31 interim director as provided in RCW ((31.12.235)) 31.12.225 (as
32 recodified by this act).

33 **Sec. 17.** RCW 31.12.255 and 1994 c 256 s 79 are each amended to
34 read as follows:

35 (~~((The board shall have the general direction of the affairs of the~~
36 ~~credit union. The board shall meet as often as necessary, but not less~~

1 ~~than once each month.)) (1) Subsections (2) and (3) of this section~~
2 ~~include, but are not limited to, the duties of the board of a credit~~
3 ~~union. The duties under subsection (2) of this section are not~~
4 ~~delegable. The duties under subsection (3) of this section may be~~
5 ~~delegated to a committee, officer, or employee, with appropriate~~
6 ~~reporting back to the board.~~

7 (2) The board shall:

8 ~~((1) Act upon applications for membership with the credit union;~~

9 ~~(2) Expel members for cause as provided in this chapter;~~

10 ~~(3) Borrow and invest money on behalf of the credit union as~~
11 ~~provided by this chapter;~~

12 ~~(4) Determine the maximum amount of shares and deposits that a~~
13 ~~member may hold in the credit union;~~

14 ~~(5) Declare dividends on shares and set the rate of interest on~~
15 ~~deposits;~~

16 ~~(6) Determine the amount which may be loaned to a member and the~~
17 ~~finance charges, including interest, to be charged on the loans;~~

18 ~~(7) Prescribe the conditions and terms under which a loan officer~~
19 ~~or credit committee may approve loans;~~

20 ~~(8) Set the minimum number of shares, if any, required for active~~
21 ~~member status;~~

22 ~~(9) Fill vacancies on all committees except the supervisory~~
23 ~~committee;~~

24 ~~(10) Set the par value of shares, if any, of the credit union;~~

25 ~~(11) Set the fees, if any, to be charged by the credit union to its~~
26 ~~members for the right to be a member of the credit union and for~~
27 ~~services rendered by the credit union;~~

28 ~~(12) Approve the charge off of credit union losses; or~~

29 ~~(13) Perform such other acts as are required by this chapter. The~~
30 ~~board may authorize a committee, officer, or employee to take the~~
31 ~~actions referenced in subsections (1), (3), (5), and (6) of this~~
32 ~~section.))~~

33 (a) Set the par value of shares, if any, of the credit union;

34 (b) Set the minimum number of shares, if any, required for
35 membership;

36 (c) Establish the loan policies under which loans may be approved,
37 including without limit, policies, if any, on the automated approval of
38 loans;

1 (d) Establish the conditions under which a member may be expelled
2 for cause;

3 (e) Fill vacancies on all committees except the supervisory
4 committee;

5 (f) Approve an annual operating budget for the credit union;

6 (g) Designate those persons or positions authorized to execute or
7 certify documents or records on behalf of the credit union;

8 (h) Review the supervisory committee's annual report; and

9 (i) Perform such other duties as the members may direct.

10 (3) In addition, the board shall:

11 (a) Act upon applications for membership in the credit union;

12 (b) Determine the maximum amount of shares and deposits that a
13 member may hold in the credit union;

14 (c) Declare dividends on shares and set the rate of interest on
15 deposits;

16 (d) Set the fees, if any, to be charged by the credit union to its
17 members for the right to be a member of the credit union and for
18 services rendered by the credit union;

19 (e) Determine the amount which may be loaned to a member together
20 with the terms and conditions of loans;

21 (f) Establish policies for the credit union to borrow and invest;
22 and

23 (g) Approve the charge-off of credit union losses.

24 **Sec. 18.** RCW 31.12.265 and 1994 c 256 s 80 are each amended to
25 read as follows:

26 (1) The board at its first meeting after the annual membership
27 meeting ((of the members)) shall elect ((a chairman or president, and
28 one or more vice chairmen or vice presidents, a secretary, a treasurer,
29 and other officers that may be)) board officers from among its members,
30 as described in the credit union's bylaws. The board will elect as
31 many board officers as it deems necessary for transacting the business
32 of the board of the credit union. The board officers ((of the board of
33 the credit union)) shall hold office until their successors are
34 qualified and elected ((and qualified)), unless sooner removed as
35 provided ((by)) in this chapter. ((The offices of secretary and
36 treasurer may be held by the same person.)) All board officers ((of
37 the board of a credit union shall)) must be elected members of the
38 board. However, the office of treasurer and the secretary may be held

1 by the same person and need not be elected members of the board. ((The
2 board may designate such employees, including a principal operating
3 officer who shall not share the title chosen for the chairman or
4 president of the board and who need not be a member of the board, as
5 are necessary for the operation of the credit union.))

6 (2) The board may designate as many operating officers as it deems
7 necessary for conducting the business of the credit union, including
8 without limit a principal operating officer. Individuals serving as
9 operating officers may also serve as board officers in accordance with
10 subsection (1) of this section and subject to RCW 31.12.235(4) (as
11 recodified by this act).

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

14 Directors and officers are deemed to stand in a fiduciary
15 relationship to the credit union, and must discharge the duties of
16 their respective positions:

17 (1) In good faith;

18 (2) With the care an ordinarily prudent person in a like position
19 would exercise under similar circumstances; and

20 (3) In a manner the director or officer reasonably believes to be
21 in the best interests of the credit union.

22 **Sec. 20.** RCW 31.12.275 and 1984 c 31 s 29 are each amended to read
23 as follows:

24 The board may for cause remove ((an)) a board officer from office
25 or a committee member from a committee, other than the supervisory
26 committee. For the purpose of this section "cause" includes
27 demonstrated financial irresponsibility, a breach of fiduciary duty to
28 the credit union, or activities which, in the judgment of the board,
29 are detrimental to the credit union.

30 **Sec. 21.** RCW 31.12.285 and 1984 c 31 s 30 are each amended to read
31 as follows:

32 The board may((, by a two-thirds vote,)) suspend for cause a member
33 of the board or a member of the supervisory committee until a
34 membership meeting is held. The meeting ((shall)) must be held within
35 thirty days after the suspension. The members attending ((that)) the
36 meeting shall vote whether to remove ((the)) a suspended party. For

1 purposes of this section, "cause" includes demonstrated financial
2 irresponsibility, a breach of fiduciary duty to the credit union, or
3 activities which, in the judgment of the board, threaten the safety and
4 soundness of the credit union.

5 **Sec. 22.** RCW 31.12.326 and 1984 c 31 s 34 are each amended to read
6 as follows:

7 (1) A supervisory committee of at least three members ~~((shall))~~
8 must be elected at the annual meetings of the credit union. ~~((A~~
9 ~~member))~~ Members of the supervisory committee shall serve a term of
10 three years, unless sooner removed under this chapter ~~((or))~~, until
11 ~~((a)) their successors ~~((commences the performance of the member's~~~~
12 ~~duties))~~ are qualified and elected or appointed. The members of the
13 supervisory committee shall be divided into classes so that as equal a
14 number as is possible is elected each year.

15 (2) If a member of the supervisory committee ceases to be a member
16 of the credit union, the member's office ~~((shall))~~ becomes vacant.
17 ~~((The supervisory committee shall fill vacancies in its membership~~
18 ~~until successors are elected, except that))~~ A vacancy on the committee
19 must be filled by an interim member appointed by the committee, unless
20 fewer than ninety days remain in the term of office of the former
21 member. Interim members may serve out the unexpired term of the former
22 member, unless provided otherwise by the credit union's bylaws.
23 However, if all positions on the committee are vacant at the same time,
24 the board may ~~((fill the vacancies))~~ appoint interim members to serve
25 until the next annual meeting.

26 (3) No operating officer or employee of a credit union may serve on
27 the supervisory committee of ~~((that))~~ the credit union. No more than
28 one director may be a member of the supervisory committee at the same
29 time, unless provided otherwise by the credit union's bylaws. No
30 member of the supervisory committee may serve on the credit committee
31 or investment committee of the credit union while serving on the
32 supervisory committee.

33 **Sec. 23.** RCW 31.12.335 and 1994 c 256 s 82 and 1994 c 92 s 192 are
34 each reenacted and amended to read as follows:

35 The supervisory committee of a credit union shall:

36 (1) Meet as often as necessary and at least quarterly;

1 (2) Keep fully informed as to the financial condition of the credit
2 union and the decisions of the credit union's board;

3 (3) ~~((Cause to be made))~~ Annually perform or arrange for a complete
4 ~~((examination))~~ audit of ((the)) internal controls, loans, investments,
5 cash, ((the credit union)) general ledger accounts, including without
6 limit income and expense, and the members' share and deposit accounts
7 ~~((in accordance with rules adopted by the director)); and~~

8 (4) Report its findings and recommendations to the board and make
9 an annual report to ((the)) members at ((the)) each annual meeting.

10 At least one supervisory committee member may attend each regular
11 board meeting.

12 **Sec. 24.** RCW 31.12.345 and 1984 c 31 s 36 are each amended to read
13 as follows:

14 By unanimous vote, the supervisory committee ~~((of a credit union))~~
15 may suspend for cause ~~((an officer of the credit union,))~~ a member of
16 ~~((a committee))~~ the board, or a member of ~~((the board))~~ a committee,
17 until a membership meeting is held. The meeting ~~((shall))~~ must be held
18 within thirty days after the suspension. The members attending that
19 meeting shall vote whether to remove the suspended party.

20 For purposes of this section, "cause" includes demonstrated
21 financial irresponsibility, a breach of fiduciary duty to the credit
22 union, or activities which, in the judgment of the supervisory
23 committee, threaten the safety and soundness of the credit union.

24 **Sec. 25.** RCW 31.12.365 and 1984 c 31 s 38 are each amended to read
25 as follows:

26 (1) Directors and members of committees shall not receive
27 compensation for their service ~~((s, except to the extent that an officer~~
28 ~~serving as principal operating officer may receive compensation))~~ as
29 directors and committee members. However, this subsection does not
30 prohibit directors or committee members from receiving incidental
31 services available to employees generally, and gifts of minimal value.

32 (2) Directors and members of committees may receive reimbursement
33 for reasonable expenses incurred ~~((in the performance of their~~
34 ~~duties.))~~ on behalf of themselves and their domestic partners during
35 the performance of the directors' and committee members' duties.

36 (3) Loans to directors and committee members ~~((shall))~~ may not be
37 made under ((no)) more favorable terms and conditions ((and terms))

1 than those (~~under which loans to general~~) made to members (~~are~~
2 ~~made~~)).

3 **Sec. 26.** RCW 31.12.306 and 1994 c 92 s 191 are each amended to
4 read as follows:

5 (1) Each director, officer, committee member, and employee of a
6 credit union (~~shall~~) must be bonded in an amount and (~~with surety~~
7 ~~and~~) in accordance with conditions established by the director.

8 (2) When the bond coverage under subsection (1) of this section is
9 suspended or terminated, the board of the affected credit union shall
10 notify the director in writing within five days of (~~having received~~)
11 receipt of the notice of (~~the~~) suspension or termination.

12 NEW SECTION. **Sec. 27.** A new section is added to chapter 31.12 RCW
13 to read as follows:

14 (1) A credit union board may appoint a compliance officer or
15 compliance committee to evaluate and seek to improve:

16 (a) Loan underwriting;

17 (b) Asset quality;

18 (c) Financial reporting to state or federal regulators; and

19 (d) Compliance with state and federal law.

20 (2) Compliance review documents are confidential and are not
21 discoverable or admissible as evidence in any civil action arising out
22 of matters evaluated by the compliance officer or committee. The
23 compliance officer or members of the compliance committee will not be
24 compelled to testify in such actions, regarding compliance review
25 documents or matters evaluated by the officer or committee, except that
26 information, documents, or records otherwise available from original
27 sources are not to be construed as immune from discovery or as
28 inadmissible in evidence merely because the information, documents, or
29 records were evaluated by the compliance officer or committee.

30 (3) Compliance review documents delivered to a state or federal
31 government agency will remain confidential, and are not discoverable or
32 admissible in evidence in civil actions arising out of matters
33 evaluated by the compliance officer or committee.

34 (4) Subsections (2) and (3) of this section will not apply to any
35 information, documents, or records required by state or federal law to
36 be maintained by, or provided to, a state or federal government agency
37 while the information, documents, or records are in the possession of

1 the agency, to the extent applicable law expressly authorizes its
2 disclosure.

3 **Sec. 28.** RCW 31.12.145 and 1984 c 31 s 16 are each amended to read
4 as follows:

5 (1) A credit union may admit to membership those persons qualified
6 for membership as set forth in its bylaws ((upon the payment of a
7 membership fee, if any, or the purchase of one or more shares, as
8 provided in the bylaws. A fraternal)).

9 (2) An organization((, partnership, or corporation having a usual
10 place of business in this state and)) whose membership, ownership, or
11 employees are comprised principally of persons who are eligible for
12 membership in ((the)) a credit union may become a member of the credit
13 union.

14 **Sec. 29.** RCW 31.12.155 and 1994 c 256 s 76 are each amended to
15 read as follows:

16 ~~((A minor under age eighteen does not have the right to vote as a~~
17 ~~member.)) (1) No member may have more than one vote regardless of the
18 number of shares held by the member. An organization having membership
19 in a credit union may cast one vote through its duly authorized agent
20 in writing.~~

21 (2) Members may vote by mail ballot, absentee ballot, or other
22 method prescribed in the credit union's bylaws. However, no member may
23 vote by proxy.

24 (3) A member who is not at least eighteen years of age is not
25 generally eligible to vote as a member. However, a credit union's
26 board may establish a lower minimum age for members to be eligible to
27 vote.

28 **Sec. 30.** RCW 31.12.295 and 1984 c 31 s 31 are each amended to read
29 as follows:

30 ~~((The board may, by a two-thirds vote, expel a member for~~
31 ~~cause. The board shall notify the member of the expulsion and the~~
32 ~~reasons upon which it is based. The board shall, upon request of the~~
33 ~~expelled member, allow the member to challenge the expulsion and seek~~
34 ~~reinstatement as a member.)) A credit union will give a member expelled
35 from the credit union prompt notice of the reasons for the expulsion.~~

1 An expelled member may request in writing that the expulsion be
2 reconsidered by the credit union.

3 (2) The amounts ~~((paid))~~ in ~~((on shares or deposited by a member~~
4 ~~who has been expelled shall))~~ an expelled member's share and deposit
5 accounts must be paid promptly after expulsion to the ((member)) person
6 after deducting amounts ((due from the member(s))) owed to the credit
7 union, including without limit any applicable penalties for early
8 withdrawal. Expulsion ((shall)) will not operate to relieve ((a
9 member)) the person from outstanding liabilities owed to the credit
10 union.

11 **Sec. 31.** RCW 31.12.125 and 1994 c 256 s 74 and 1994 c 92 s 186 are
12 each reenacted and amended to read as follows:

13 A credit union may:

14 (1) Issue shares to and receive deposits from its members ~~((as~~
15 ~~provided in this chapter))~~ in accordance with RCW 31.12.385 (as
16 recodified by this act);

17 (2) Make loans to its members ~~((as provided in this chapter))~~ in
18 accordance with RCW 31.12.317 and 31.12.406 (as recodified by this
19 act);

20 (3) Pay dividends or interest to its members in accordance with RCW
21 31.12.485 (as recodified by this act);

22 (4) Impose reasonable charges for the services it provides to its
23 members;

24 (5) Impose financing charges and reasonable late charges in the
25 event of default on loans, subject to applicable law, and recover
26 reasonable costs and expenses, including without limit reasonable
27 attorneys' fees incurred both before and after judgment, incurred in
28 the collection of sums due it if provided for in the note or agreement
29 signed by the borrower;

30 (6) Acquire, lease, hold, assign, pledge, ~~((hypothecate,))~~ sell, or
31 otherwise dispose of ~~((a possessory))~~ interests in personal property
32 and~~((, subject to RCW 31.12.435,))~~ in real property~~((, so long as the~~
33 ~~property is necessary or incidental to the operation of the credit~~
34 ~~union))~~ in accordance with RCW 31.12.435 (as recodified by this act);

35 (7) Deposit and invest funds ~~((in excess of the amount approved for~~
36 ~~loans to members as provided in this chapter))~~ in accordance with RCW
37 31.12.425 (as recodified by this act);

- 1 (8) Borrow money, up to a maximum of fifty percent of its ~~((paid-in~~
2 ~~and unimpaired))~~ total shares, deposits, and capital ~~((and surplus))~~;
- 3 (9) Discount or sell any of its assets, or purchase any or all of
4 the assets of another credit union, out-of-state credit union, or
5 federal credit union. However, a credit union may not discount or sell
6 ~~((more than ten percent))~~ all, or substantially all, of its assets
7 without the ~~((prior written))~~ approval of the director;
- 8 (10) Accept deposits of deferred compensation of its members
9 ~~((under the terms and conditions of RCW 28A.400.240 and 41.04.250(2)))~~;
- 10 (11) Act as fiscal agent for and receive payments on shares and
11 deposits from the federal government or this state, and any agency or
12 political subdivision thereof;
- 13 (12) Engage in activities and programs as requested by the federal
14 government, this state, and any agency or political subdivision
15 thereof, when the activities or programs are not inconsistent with this
16 chapter;
- 17 (13) Hold membership in ~~((other))~~ credit unions ~~((organized under~~
18 ~~this chapter or other laws))~~, out-of-state credit unions, or federal
19 credit unions and in ~~((associations))~~ organizations controlled by or
20 fostering the interests of credit unions, including without limit a
21 central liquidity facility organized under state or federal law;
22 ~~((and))~~
- 23 (14) Authorize additional dividends or interest to members, or an
24 interest rate refund to borrowers;
- 25 (15) Enter into lease agreements, lease contracts, and
26 lease-purchase agreements with members;
- 27 (16) Insure the lives of members under group policies issued in the
28 name of the credit union, and offer members credit life, disability,
29 accident, and health insurance;
- 30 (17) Impose a reasonable service charge for the administration and
31 processing of accounts that remain dormant for a period of time
32 specified by the board;
- 33 (18) Establish and operate on-premises or off-premises electronic
34 facilities;
- 35 (19) Enter into formal or informal agreements with another credit
36 union for the purpose of fostering the development of the other credit
37 union;
- 38 (20) Make charitable contributions to organizations that are exempt
39 from taxation pursuant to section 501(c)(3) of the Internal Revenue

1 Code, and that primarily serve either a charitable, recreational, or
2 educational purpose or the promotion or development of credit unions;

3 (21) Limit the personal liability of its directors in accordance
4 with provisions of its articles of incorporation that conform with RCW
5 23B.08.320;

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

10 (23) Exercise such incidental powers as are necessary or
11 ((requisite)) convenient to enable it to ((carry on effectively))
12 conduct the business ((for which it is incorporated)) of a credit
13 union.

14 **Sec. 32.** RCW 31.12.136 and 1994 c 256 s 75 and 1994 c 92 s 187 are
15 each reenacted and amended to read as follows:

16 (1) Notwithstanding any other provision of law, a credit union may
17 exercise any of the powers and authorities conferred as of ((December
18 31, 1993)) June 30, 1996, upon ((a)) federal credit unions ((doing
19 business in this state)).

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

30 (3) The restrictions, limitations, and requirements applicable to
31 specific powers or authorities of federal credit unions ((shall)) apply
32 to credit unions exercising those powers or authorities permitted under
33 this section but only insofar as the restrictions, limitations, and
34 requirements relate to exercising the powers or authorities granted
35 credit unions solely under this section.

36 (4) As used in this section, "powers and authorities" include
37 without limitation powers and authorities in corporate governance
38 matters.

1 **Sec. 33.** RCW 31.12.385 and 1994 c 256 s 83 and 1994 c 92 s 194 are
2 each reenacted and amended to read as follows:

3 (1) Shares (~~((purchased))~~) held and deposits made in a credit union
4 by (~~((an individual))~~) a natural person are governed by chapter 30.22
5 RCW. (~~((A member may purchase shares and make deposits in a credit
6 union in an amount that does not exceed such amounts as may be
7 established by the board from time to time.))~~)

8 (2) A credit union may require from a member ninety days notice of
9 the intention to withdraw shares or deposits. The notice requirement
10 may be extended with the written consent of the director.

11 (3) A credit union will have a lien on all shares and deposits,
12 including without limit dividends, interest, and any other earnings and
13 accumulations thereon, of any shareholder or depositor, to the extent
14 of any obligation owed to the credit union by the shareholder or
15 depositor. The credit union will also have a right of immediate set-
16 off with respect to the shares and deposits, to the extent of any
17 obligation owed to the credit union by the shareholder or depositor.

18 **Sec. 34.** RCW 31.12.485 and 1984 c 31 s 50 are each amended to read
19 as follows:

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

27 (2)) Dividends may be declared from the credit union's earnings
28 which remain after the deduction of expenses, interest on deposits, and
29 the amounts required for regular(~~((, liquidity, and special))~~) or
30 supplemental reserves, or the dividends may be declared in whole or in
31 part from the undivided earnings that remain from preceding periods.

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

35 **Sec. 35.** RCW 31.12.406 and 1994 c 256 s 84 and 1994 c 92 s 195 are
36 each reenacted and amended to read as follows:

1 (1) A credit union may make secured and unsecured loans to its
2 members (~~((with the approval of a credit committee or loan officer))~~)
3 under policies established by the board, subject to the loans to one
4 borrower limits provided for in RCW 31.12.317 (as recodified by this
5 act). (~~((All loans shall be documented in writing. Loans may be made~~
6 ~~for (a) consumer, family, or household purposes, referred to in this~~
7 ~~section as "consumer loans", or (b) business, investment, commercial,~~
8 ~~or agricultural purposes which are))~~) Business loans must be in
9 compliance with rules adopted by the director. Each loan must be
10 evidenced by records adequate to support enforcement or collection of
11 the loan and review of the loan by the director.

12 (2) (~~((A credit union may make to members:~~

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

16 ~~(b) Student loans under student loan programs of this state or the~~
17 ~~United States;~~

18 ~~(c) Loans for the acquisition of a modular home or mobile home as~~
19 ~~defined by RCW 82.50.010, secured by a security interest in that~~
20 ~~modular home or mobile home, owned by the member. A loan under this~~
21 ~~subsection and any prior indebtedness secured by the home shall not~~
22 ~~exceed eighty five percent of the purchase price or of the appraised~~
23 ~~value of the modular home or mobile home, whichever is less;~~

24 ~~(d) Residential real estate loans under RCW 31.12.415;~~

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

28 ~~(f) Loans to credit union members in participation with other~~
29 ~~credit unions, credit union organizations, or financial organizations.~~
30 ~~The credit union which originates a loan under this subsection shall~~
31 ~~retain an interest of at least ten percent of the face amount of the~~
32 ~~loan unless the loan is a real estate loan in which case there is no~~
33 ~~retention requirement.))~~ A credit union may obligate itself to purchase
34 loans if the credit union's policies would have permitted it to
35 originate the loans.

36 (3) Consumer loans (~~((shall))~~) must be given preference, and in the
37 event there are not sufficient funds available to satisfy all approved
38 consumer loan (~~((applicants))~~) applications, further preference (~~((shall))~~)
39 must be given to small loans.

1 (~~((4) The director may by rule establish guidelines addressing the~~
2 ~~issue of unsafe and unsound concentrations of credit and such other~~
3 ~~related safety and soundness issues.))~~)

4 **Sec. 36.** RCW 31.12.317 and 1994 c 256 s 92 are each amended to
5 read as follows:

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

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

15 **Sec. 37.** RCW 31.12.425 and 1994 c 256 s 86 and 1994 c 92 s 197 are
16 each reenacted and amended to read as follows:

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

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

28 ~~((b))~~ (1) Loans held by credit unions, out-of-state credit unions,
29 or federal credit unions; loans to members held by other lenders; and
30 loans to nonmembers held by other lenders, with the approval of the
31 director;

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

36 (~~((c))~~) (3) Obligations issued by corporations designated under
37 ~~((Section 9101 of Title))~~ 31 U.S.C. Sec. 9101, or obligations,

1 participations or other instruments issued and guaranteed by the
2 federal national mortgage association, federal home loan mortgage
3 corporation, government national mortgage association, or other
4 government-sponsored enterprise;

5 ~~((d))~~ (4) Participations or obligations which have been subjected
6 by one or more government agencies to a trust or trusts for which an
7 executive department, agency, or instrumentality of the United States
8 has been named to act as trustee;

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

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

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

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

1 ~~((total paid in and unimpaired capital and surplus))~~ assets of the
2 credit union;

3 ~~((i))~~ (9) Loans to ~~((other))~~ credit unions ~~((organized or~~
4 ~~authorized to do business under the laws of this state, other states,~~
5 ~~or the United States))~~, out-of-state credit unions, or federal credit
6 unions. The aggregate of loans issued under this subsection ~~((shall~~
7 ~~be))~~ is limited to twenty-five percent of the ~~((paid in and unimpaired~~
8 ~~capital))~~ total shares, deposits, and capital of the lending credit
9 union; ~~((or~~

10 ~~(j))~~ (10) Key person insurance policies, the proceeds of which
11 inure exclusively to the benefit of the credit union; or

12 (11) Other investments ~~((authorized in accordance with rules~~
13 ~~adopted))~~ approved by the director ~~((consistent with this chapter))~~
14 upon written application.

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

18 **Sec. 38.** RCW 31.12.435 and 1994 c 256 s 87 and 1994 c 92 s 198 are
19 each reenacted and amended to read as follows:

20 (1) ~~((Unless otherwise approved by the director,))~~ A credit union
21 may invest ~~((a reasonable amount of its funds))~~ in real property or
22 leasehold interests primarily for its own use in conducting business,
23 including, without limit, structures and fixtures attached to real
24 property, subject to the following limitations:

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

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

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

34 (2) If the real property or leasehold interest is for future
35 expansion, the credit union must satisfy the use requirement in
36 subsection (1) of this section within three years after the credit
37 union makes the investment.

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

3 **Sec. 39.** RCW 31.12.445 and 1994 c 92 s 199 are each amended to
4 read as follows:

5 This section applies to all nonfederally insured credit unions.

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

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

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

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

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

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

34 (4) The regular reserve and the investment(~~s~~) thereof (~~shall~~)
35 must be held to meet contingencies or losses in the business of the
36 credit union and (~~shall~~) may not be distributed to its members except
37 in the case of (~~dissolution~~) liquidation or with the permission of
38 the director.

1 **Sec. 40.** RCW 31.12.465 and 1994 c 92 s 201 are each amended to
2 read as follows:

3 (1) The director may(~~(, if deemed necessary,)~~) require a credit
4 union to establish a liquidity reserve of up to five percent of
5 (~~(unimpaired capital)~~) total shares, deposits, and capital. The
6 liquidity reserve (~~(shall)~~) must be in cash or investments with
7 maturities of one year or less.

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

10 **Sec. 41.** RCW 31.12.695 and 1994 c 256 s 91 and 1994 c 92 s 220 are
11 each reenacted and amended to read as follows:

12 (1) For purposes of this section, the merging credit union is the
13 credit union whose charter ceases to exist upon (~~(merging)~~) merger with
14 the continuing credit union. The continuing credit union is the credit
15 union whose charter continues upon (~~(merging)~~) merger with the merging
16 credit union.

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

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

1 upon the continuing credit union within thirty days of the last date of
2 publication, creditors' claims that are not known by the continuing
3 credit union may be barred. Unless a claim is filed as requested by
4 the notice, or unless the debt or obligation is known or reasonably
5 should be known by the continuing credit union, the debts and
6 obligations of the merging credit union are discharged. Upon merger,
7 the charter of the merging credit union ceases to exist.

8 **Sec. 42.** RCW 31.12.705 and 1994 c 92 s 221 are each amended to
9 read as follows:

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

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

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

1 all rights, titles, and interests that are agreed to by the board and
2 the ~~((proper))~~ federal ~~((authorities))~~ regulator.

3 (4) Procedures, similar to those contained in subsections (1)
4 through (3) of this section, prescribed by the director ~~((shall))~~ must
5 be followed when a credit union ~~((chartered under the laws of this~~
6 ~~state))~~ merges ~~((with))~~ or converts ~~((to a credit union chartered under~~
7 ~~the laws of another state))~~ into an out-of-state or foreign credit
8 union.

9 **Sec. 43.** RCW 31.12.715 and 1994 c 92 s 222 are each amended to
10 read as follows:

11 (1) A federal credit union located and conducting business in this
12 state ~~((which becomes inoperative because of a change in the laws under~~
13 ~~which it is chartered or which is authorized to dissolve or convert to~~
14 ~~a state chartered credit union in accordance with federal law))~~ may
15 convert into a ~~((state chartered))~~ credit union.

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

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

33 **Sec. 44.** RCW 31.12.526 and 1994 c 256 s 88 and 1994 c 92 s 205 are
34 each reenacted and amended to read as follows:

35 (1) ~~((A))~~ An out-of-state or foreign credit union ~~((organized and~~
36 ~~qualified as a credit union in another state which has not had its~~
37 ~~authority to operate in another state suspended or revoked may operate~~

1 ~~as a credit union under this chapter if~~) may not operate a branch in
2 Washington unless:

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

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

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

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

16 (e) The ~~((credit union has secured for the))~~ applicant's share and
17 deposit accounts ~~((of its members insurance or other surety~~
18 ~~satisfactory to the director))~~ are insured under the federal share
19 insurance program or an equivalent share insurance program under RCW
20 31.12.039 (as recodified by this act);

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

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

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

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

30 (ii) The applicant has substantially the same characteristics as a
31 credit union; 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~~) regulators of (~~the~~) credit unions (~~laws~~) in
11 other 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 credit unions. The director may also enter
18 into supervisory agreements with credit union regulators in other
19 states or jurisdictions to prescribe the applicable laws governing the
20 powers and authorities of out-of-state or foreign branches or other
21 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. 45.** RCW 31.12.725 and 1994 c 92 s 223 are each amended to
33 read as follows:

34 (1) At a meeting specially called for the purpose of liquidation,
35 upon the recommendation of at least two-thirds of the total members of
36 the board of a credit union, the members of a credit union may, by a
37 two-thirds majority vote of (~~the~~) those members (~~present~~) voting,
38 elect to liquidate the credit union.

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

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

35 **Sec. 46.** RCW 31.12.516 and 1994 c 92 s 204 are each amended to
36 read as follows:

37 (1) The powers of supervision and examination of credit unions and
38 other persons subject to this chapter and chapters 31.12A and 31.13 RCW

1 are vested in the director. The director shall require each credit
2 union to conduct business in compliance with this chapter and other
3 laws that apply to credit unions, and has the power to commence and
4 prosecute actions and proceedings, to enjoin violations, and to collect
5 sums due the state of Washington from a credit union (~~authorized to~~
6 ~~conduct business under this chapter~~)).

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

12 (3) The director may charge fees to credit unions and other persons
13 subject to this chapter and chapters 31.12A and 31.13 RCW, in order to
14 cover the costs of the operation of the division of credit unions, and
15 to establish a reasonable reserve for the division. The director may
16 waive all or a portion of such fees.

17 **Sec. 47.** RCW 31.12.545 and 1994 c 92 s 207 are each amended to
18 read as follows:

19 (1) The director shall make an examination and ~~((full))~~
20 investigation into the affairs of each credit union at least once every
21 eighteen months, unless the director determines with respect to a
22 credit union, that a less frequent examination schedule will
23 satisfactorily protect the financial stability of the credit union and
24 will satisfactorily assure compliance with the provisions of this
25 chapter. ~~((The actual cost of examination and supervision shall be~~
26 ~~paid by the credit union examined. The director may waive all or a~~
27 ~~portion of the examination costs payable by the credit union, in light~~
28 ~~of the time and expense of the examination and the ability of the~~
29 ~~credit union to pay the costs. The examination costs with respect to~~
30 ~~the first examination of a credit union with assets under two hundred~~
31 ~~thousand dollars shall not be payable by that credit union.))~~

32 (2) The director may accept in lieu of an examination under
33 subsection (1) of this section the report of an examiner authorized to
34 examine ~~((a)) an out-of-state, federal, or foreign credit union ((under~~
35 ~~the laws of the United States or another state))~~, or the report of an
36 accountant, satisfactory to the director, who has made and submitted a
37 report of the condition of the affairs of a credit union ~~((and, if~~
38 ~~approved))~~. The director may accept such a report in lieu of part or

1 all of an examination. If accepted, the report ((shall have)) has the
2 same force and effect as an examination under subsection (1) of this
3 section.

4 ~~((3) Communications from the director to the board of a credit~~
5 ~~union regarding an examination or report shall be read before the board~~
6 ~~at its first meeting following the receipt of the communication and the~~
7 ~~fact that the communication was read before the board shall be noted in~~
8 ~~the minutes of the meeting. The board shall promptly respond to the~~
9 ~~director either by stating that steps have been taken to comply with~~
10 ~~the communication or by stating that the board objects to the~~
11 ~~communication and stating the reasons for the objection.))~~

12 **Sec. 48.** RCW 31.12.555 and 1994 c 256 s 89 and 1994 c 92 s 208 are
13 each reenacted and amended to read as follows:

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

15 (a) A credit union service organization in which a credit union has
16 an interest((-))i

17 (b) A person ((or an entity)) that is not a credit union,
18 out-of-state credit union, federal credit union, or foreign credit
19 union, and that has an interest in a credit union service organization
20 in which a credit union has an interest ((is deemed to have consented
21 to the examination. For the purposes of this section and RCW
22 31.12.565, a sole proprietorship, partnership, or corporation that is
23 primarily in the business of managing one or more credit unions shall
24 be considered to be a credit union service organization.))i

25 (c) A person primarily in the business of managing one or more
26 credit unions; and

27 (d) A data processing or automated teller machine provider that has
28 entered into a contractual arrangement with a credit union, if the
29 person's failure to perform may jeopardize the safety and soundness of
30 the credit union.

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

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

1 **Sec. 49.** RCW 31.12.565 and 1994 c 256 s 90 and 1994 c 92 s 209
2 are each reenacted and amended to read as follows:

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

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

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

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

16 (2) Notwithstanding subsection (1) of this section, the director
17 may furnish examination reports prepared by the (~~director's office~~)
18 director to:

19 (a) Federal agencies empowered to examine (~~state-chartered~~)
20 credit unions;

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

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

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

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

35 (f) Credit union administrators in other states or jurisdictions
36 regarding an out-of-state (~~chartered~~) or foreign credit union
37 (~~doing~~) conducting business in this state under this chapter, or
38 regarding a credit union (~~chartered under this chapter doing~~)
39 conducting business in another state or jurisdiction;

1 (g) A person (~~(or organization)~~) officially connected with the
2 credit union or other person examined, as officer, director,
3 supervisory committee member, attorney, auditor, accountant,
4 independent attorney, independent auditor, or independent accountant;

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

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

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

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

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

28 (5) This section does not apply to investigation reports prepared
29 by the director (~~(and the director's staff)~~) concerning an application
30 for a new credit union or a notice of intent to establish or relocate
31 a branch of a credit union, except that the director may adopt rules
32 making confidential portions of the reports if in the director's
33 opinion the public disclosure of that portion of the report would
34 impair the ability to obtain information the director considers
35 necessary to fully evaluate the application.

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

1 NEW SECTION. Sec. 50. A new section is added to chapter 31.12 RCW
2 to read as follows:

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

8 NEW SECTION. Sec. 51. A new section is added to chapter 31.12 RCW
9 to read as follows:

10 Credit unions will comply with the provisions of generally accepted
11 accounting principles as may be specified by rule of the director. In
12 adopting rules to implement this section, the director shall consider,
13 among other relevant factors, whether to transition small credit unions
14 to generally accepted accounting principles over a period of time.

15 **Sec. 52.** RCW 31.12.215 and 1994 c 92 s 190 are each amended to
16 read as follows:

17 A credit union desiring to establish or relocate a branch shall
18 submit to the director a written notice (~~((of intent to establish a~~
19 ~~branch on a form provided by the director at least))~~ no later than
20 thirty days (~~((before conducting business))~~) after commencing business at
21 the branch.

22 **Sec. 53.** RCW 31.12.575 and 1994 c 92 s 210 are each amended to
23 read as follows:

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

31 (2) ~~Unless the director specifically provides otherwise in the~~
32 ~~order of suspension, an order of suspension shall take effect~~
33 ~~immediately. The suspended person shall be prohibited from all aspects~~
34 ~~of the operation of the credit union. The suspended person shall be~~
35 ~~barred from the credit union premises and shall surrender the~~
36 ~~possession of all property and records of the credit union. A person~~

1 who knowingly violates an order of suspension or who knowingly aids in
2 the violation of an order of suspension shall be guilty of a gross
3 misdemeanor.

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

11 (4) If the board fails to remove the suspended person as provided
12 in subsection (3) of this section, the director may remove that person
13 after reasonable notice and an opportunity to be heard under chapter
14 34.05 RCW. The suspension shall remain in effect for twenty days after
15 the board meeting at which the board considers the suspension, during
16 which time the director may call a hearing under this subsection. If
17 the director calls a hearing, the suspension shall remain in effect
18 until the time of the hearing.)) The director may serve upon a
19 director, supervisory committee member, officer, or employee of any
20 credit union written notice of the director's intention to remove the
21 person from office or to prohibit the person from participating in the
22 conduct of the affairs of the credit union whenever, in the opinion of
23 the director:

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

26 (b)(i) The credit union has suffered or may suffer substantial
27 financial loss or other damage; or

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

31 (c) The violation or practice involves personal dishonesty,
32 recklessness, or incompetence.

33 (2) The notice must contain a statement of the facts constituting
34 the alleged violation or practice and must fix a time and place at
35 which a hearing will be held to determine whether a removal or
36 prohibition order should issue against the person. The hearing must be
37 set not earlier than ten days nor later than thirty days after service
38 of the notice, unless a later date is set by the director at the
39 request of the person.

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

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

15 **Sec. 54.** RCW 31.12.585 and 1994 c 92 s 211 are each amended to
16 read as follows:

17 (1) The director may issue and serve upon a credit union a notice
18 of charges if, in the opinion of the director, the credit union has
19 committed or is about to commit:

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

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

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

30 (2) The notice ~~((shall))~~ must contain a statement of the facts
31 constituting the alleged violation or the practice and ~~((shall))~~ must
32 fix a time and place at which a hearing will be held to determine
33 whether an order to cease and desist should issue against the credit
34 union. The hearing ~~((shall))~~ must be set not earlier than ten days nor
35 later than thirty days after service of the notice, unless a later date
36 is set by the director at the request of the credit union.

37 Unless the credit union appears at the hearing by a duly authorized
38 representative, it shall be deemed to have consented to the issuance of

1 the cease and desist order. In the event of this consent, or if upon
2 the record made at the hearing the director finds that any violation or
3 practice specified in the notice of charges has been established, the
4 director may issue and serve upon the credit union an order to cease
5 and desist from the violation or practice. The order may require the
6 credit union and its directors, supervisory committee members,
7 officers, employees, and agents to cease and desist from the violation
8 or practice and may require the credit union to take affirmative action
9 to correct the conditions resulting from the violation or practice.

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

17 **Sec. 55.** RCW 31.12.595 and 1994 c 92 s 212 are each amended to
18 read as follows:

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

34 **Sec. 56.** RCW 31.12.605 and 1984 c 31 s 62 are each amended to read
35 as follows:

36 Within ten days after a credit union has been served with a
37 temporary cease and desist order, the credit union may apply to the

1 superior court in the county of its principal place of business for an
2 injunction setting aside, limiting, or suspending the order pending the
3 completion of the administrative proceedings under RCW 31.12.585 (as
4 recodified by this act). The superior court (~~shall have~~) has
5 jurisdiction to issue the injunction.

6 **Sec. 57.** RCW 31.12.625 and 1994 c 92 s 214 are each amended to
7 read as follows:

8 (1) An administrative hearing provided in RCW 31.12.575 or
9 31.12.585 (~~shall~~) (as recodified by this act) may be held at such
10 place as is designated by the director and must be conducted in
11 accordance with chapter 34.05 RCW. The hearing shall be private unless
12 the director determines that a public hearing is necessary to protect
13 the public interest after fully considering the views of the party
14 afforded the hearing.

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

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

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

31 (4) Any party to the proceeding, or any person subject to an order,
32 temporary order, or injunction issued under RCW 31.12.575, 31.12.585,
33 31.12.595, or 31.12.615 (as recodified by this act), may obtain a
34 review of any order issued and served under subsection (1) of this
35 section, other than an order issued upon consent, by filing in the
36 superior court of the county in which the principal place of business
37 of the affected credit union is located, within ten days after the date
38 of service of the order, a written petition requesting that the order

1 be modified, terminated, or set aside. A copy of the petition must be
2 immediately served upon the director and the director must then file in
3 the court the record of the proceeding. The court has jurisdiction,
4 upon the filing of the petition, to affirm, modify, terminate, or set
5 aside, in whole or in part, the order of the director. The
6 jurisdiction of the court becomes exclusive upon the filing of the
7 record. However, the director may modify, terminate, or set aside the
8 order with the permission of the court. The judgment and decree of the
9 court is final subject to appellate review under the rules of the
10 court.

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

14 (6) Service of any notice or order required to be served under RCW
15 31.12.575, 31.12.585, or 31.12.595 (as recodified by this act), must be
16 accomplished in the same manner as required for the service of process
17 in civil actions in superior courts of this state.

18 NEW SECTION. Sec. 58. A new section is added to chapter 31.12 RCW
19 to read as follows:

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

29 **Sec. 59.** RCW 31.12.655 and 1994 c 92 s 216 are each amended to
30 read as follows:

31 The director may request a special meeting of the board of a credit
32 union if the director believes that a special meeting is necessary for
33 the welfare of the credit union or the purposes of this chapter. The
34 director's request for a special meeting (~~shall~~) must be made in
35 writing to the secretary of the board and the request (~~shall~~) must be
36 handled in the same manner as a call for a special meeting under RCW
37 31.12.195 (as recodified by this act). The director may require the

1 attendance of all of the directors (~~((of the board))~~) at the special
2 meeting, and an absence (~~((of a director))~~) unexcused by the director
3 constitutes a violation of this chapter.

4 **Sec. 60.** RCW 31.12.665 and 1994 c 92 s 217 are each amended to
5 read as follows:

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

12 (~~((2) A communication from the director to the board shall upon the
13 request of the director be read to the board at its next meeting and
14 the fact that the communication was read shall be noted in the
15 minutes.))~~)

16 NEW SECTION. **Sec. 61.** A new section is added to chapter 31.12 RCW
17 to read as follows:

18 The director may place a credit union under supervisory direction
19 in accordance with sections 62 through 64 of this act, appoint a
20 conservator for a credit union in accordance with sections 65 through
21 68 of this act, appoint a liquidating agent for a credit union in
22 accordance with RCW 31.12.675 and 31.12.685 (as recodified by this
23 act), or appoint a receiver for a credit union in accordance with
24 sections 71 through 87 of this act, if the credit union:

25 (1) Consents to the action;

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

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

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

33 NEW SECTION. **Sec. 62.** A new section is added to chapter 31.12 RCW
34 to read as follows:

35 (1) As authorized by section 61 of this act, the director may
36 determine to place a credit union under supervisory direction. Upon

1 such a determination, the director shall notify the credit union in
2 writing of:

3 (a) The director's determination; and

4 (b) The director's requirements that must be satisfied before the
5 director shall terminate the supervisory direction.

6 (2) The credit union must comply with the requirements of the
7 director as provided in the notice. If the credit union fails to
8 comply with the requirements, the director may place the credit union
9 under conservatorship or receivership, in accordance with this chapter.
10 The director may appoint a representative to supervise the credit union
11 during the period of supervisory direction.

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

15 NEW SECTION. **Sec. 63.** A new section is added to chapter 31.12 RCW
16 to read as follows:

17 During the period of supervisory direction, the director may
18 prohibit the credit union from doing any of the following without prior
19 approval:

20 (1) Dispose of, convey, or encumber any of its assets;

21 (2) Withdraw any of its accounts at other financial institutions;

22 (3) Lend any of its funds;

23 (4) Invest any of its funds;

24 (5) Transfer any of its property; or

25 (6) Incur any debt, obligation, or liability.

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

28 During the period of supervisory direction, the credit union may
29 request the director to review an action taken or proposed to be taken
30 by the representative, specifying how the action is not in the best
31 interests of the credit union. The request stays the action, pending
32 the director's review of the request.

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

35 (1) As authorized by section 61 of this act, the director may, upon
36 due notice and hearing, appoint a conservator for a credit union. The

1 director may appoint himself or herself or another qualified party as
2 conservator of the credit union. The conservator shall immediately
3 take charge of the credit union and all of its property, books,
4 records, and effects.

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

10 (a) Take all necessary measures to preserve, protect, and recover
11 any assets or property of the credit union, including any claim or
12 cause of action belonging to or which may be asserted by the credit
13 union, and deal with the same in his or her own name as conservator;
14 and

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

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

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

24 (4) If at any time the director determines that the credit union is
25 not in condition to continue business under the conservator in the
26 interest of its depositors or creditors, the director may proceed with
27 appointment of a receiver in accordance with this chapter.

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

30 During the period of conservatorship, the credit union may request
31 the director to review an action taken or proposed to be taken by the
32 conservator, specifying how the action is not in the best interest of
33 the credit union. The request stays the action, pending the director's
34 review of the request.

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

1 Any suit filed against a credit union or its conservator, during
2 the period of conservatorship, must be brought in the superior court of
3 Thurston county. A conservator for a credit union may file suit in any
4 superior court or other court of competent jurisdiction against any
5 person for the purpose of preserving, protecting, or recovering any
6 asset or property of the credit union, including without limit any
7 claims or causes of action belonging to or asserted by the credit
8 union.

9 NEW SECTION. **Sec. 68.** A new section is added to chapter 31.12 RCW
10 to read as follows:

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

15 **Sec. 69.** RCW 31.12.675 and 1994 c 92 s 218 are each amended to
16 read as follows:

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

21 ~~(2) Except as otherwise provided in this chapter,~~) As authorized
22 by section 61 of this act, the director may appoint a liquidating agent
23 for a credit union. Before appointing a liquidating agent, the
24 director~~((, before suspending or revoking the articles of incorporation
25 of a credit union and placing the credit union in liquidation,))~~ shall
26 issue and serve notice on the credit union ~~((concerned of the intention
27 to suspend or revoke the articles and))~~ an order directing the credit
28 union to show cause why its articles of incorporation should not be
29 suspended or revoked, in accordance with chapter 34.05 RCW.

30 ~~((3))~~ (2) If the ~~((director finds that the credit union is
31 insolvent and the))~~ credit union fails to adequately show cause, the
32 ~~((articles of incorporation shall be suspended or revoked and the
33 credit union placed in involuntary liquidation. The))~~ director shall
34 serve ~~((on))~~ the credit union with an order directing the suspension or
35 revocation ~~((and an order directing the))~~ of the articles of
36 incorporation, placing the credit union in involuntary liquidation
37 ~~((and appointment of)),~~ appointing a liquidating agent under this

1 section and RCW 31.12.685 (as recodified by this act), and providing a
2 statement of the findings on which the order is based.

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

13 **Sec. 70.** RCW 31.12.685 and 1994 c 92 s 219 are each amended to
14 read as follows:

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

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

29 (3) The liquidating agent shall cause to be published notice of
30 liquidation once a week for three consecutive weeks in a newspaper of
31 general circulation in the county in which the principal place of
32 business of the ~~((liquidating))~~ credit union is located. The notice of
33 liquidation ~~((shall))~~ must inform creditors of the ~~((liquidating))~~
34 credit union how to make a claim upon the liquidating agent, and that
35 if a claim is not made upon the liquidating agent within thirty days of
36 the last date of publication, the creditor's claim ~~((shall be))~~ is
37 barred. The liquidating agent shall provide personal notice of
38 liquidation to the creditors of record, informing them that if they

1 fail to make a claim upon the liquidating agent within thirty days of
2 the service of the notice, the creditor's claim (~~(shall be)~~) is barred.
3 If a creditor fails to make a claim upon the liquidating agent within
4 the times required to be specified in the notices of liquidation, the
5 creditor's claim (~~(shall be)~~) is barred. All contingent liabilities of
6 the (~~(liquidated)~~) credit union (~~(shall be)~~) are discharged upon the
7 director's order to liquidate the credit union. The liquidating agent
8 shall, upon completion, certify to the director that the distribution
9 or pooling of assets of the credit union is complete.

10 NEW SECTION. Sec. 71. A new section is added to chapter 31.12 RCW
11 to read as follows:

12 As authorized by section 61 of this act, the director may without
13 prior notice appoint a receiver to take possession of a credit union.
14 The director may appoint the national credit union administration or
15 other qualified party as receiver. Upon appointment, the receiver is
16 authorized to act without bond. Upon acceptance of the appointment,
17 the receiver shall have and possess all the powers and privileges
18 provided by the laws of this state with respect to the receivership of
19 a credit union, and be subject to all the duties of and restrictions
20 applicable to such a receiver, except insofar as such powers,
21 privileges, duties, or restrictions are in conflict with any applicable
22 provision of the federal credit union act.

23 Upon taking possession of the credit union, the receiver shall give
24 written notice to the directors of the credit union and to all persons
25 having possession of any assets of the credit union. No person knowing
26 of the taking of possession by the receiver shall have a lien or charge
27 for any payment advanced, clearance made, or liability incurred against
28 any of the assets of the credit union, after the receiver takes
29 possession, unless approved by the receiver.

30 NEW SECTION. Sec. 72. A new section is added to chapter 31.12 RCW
31 to read as follows:

32 Within ten days after the receiver takes possession of a credit
33 union, the credit union may serve notice upon the receiver to appear
34 before the superior court of the county in which the principal place of
35 business of the credit union is located and at a time to be fixed by
36 the court, which may not be less than five nor more than fifteen days
37 from the date of the service of the notice, to show cause why the

1 credit union should not be restored to the possession of its assets.
2 Upon the return day of the notice, or any other day as the matter may
3 be continued to, the court shall summarily hear the cause and dismiss
4 the same if it be found that the receiver was appointed for cause.
5 However, if the court finds that no cause existed for appointment of
6 the receiver, the court shall require the receiver to restore the
7 credit union to possession of its assets and enjoin the director from
8 further appointment of a receiver for the credit union without cause.

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

11 Upon taking possession of a credit union, the receiver shall
12 proceed to collect the assets of the credit union and preserve,
13 administer, and liquidate its business and assets.

14 With the approval of the Thurston county superior court or the
15 superior court of the county in which the principal place of business
16 of the credit union is located, the receiver may sell, compound, or
17 compromise bad or doubtful debts, and upon such terms as the court may
18 direct, borrow, mortgage, pledge, or sell all or any part of the real
19 and personal property of the credit union. The director may deliver to
20 each purchaser or lender an appropriate deed, mortgage, agreement of
21 pledge, or other instrument of title or security. The receiver may
22 employ an attorney or other assistants to assist in carrying out the
23 receivership, subject to such surety bond as the director may require.
24 The premium for any such bond must be paid out of the assets of the
25 credit union.

26 In carrying out the receivership, the receiver may without
27 limitation arrange for the merger or consolidation of the credit union
28 in receivership with another credit union, out-of-state credit union,
29 or federal credit union, or may arrange for the purchase of the credit
30 union's assets and the assumption of its liabilities by such a credit
31 union, in whole or in part, or may arrange for such a transaction with
32 another type of financial institution as may be otherwise permitted by
33 law. The director shall give preference to transactions with a credit
34 union or a federal credit union that has its principal place of
35 business in this state.

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

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

9 After the expiration of the time fixed in the notice, the receiver
10 has no power to accept any claim except the claim of a depositor or
11 share account holder, and all other claims are barred. Claims of
12 depositors or share account holders may be presented after the
13 expiration of the time fixed in the notice and may be approved by the
14 receiver. If such a claim is approved, the depositor or share account
15 holder is entitled to its proportion of prior liquidation dividends, if
16 there are sufficient funds for it, and will share in the distribution
17 of the remaining assets.

18 The receiver may approve or reject any claim, but shall serve
19 notice of rejection upon the claimant by mail or personally. An
20 affidavit of service of the notice of rejection will serve as prima
21 facie evidence that notice was given. No action may be brought on any
22 claim after three months from the date of service of the notice of
23 rejection.

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

26 Upon taking possession of the credit union, the receiver shall make
27 an inventory of the assets and file the list in the office of the
28 county clerk. Upon the expiration of the time fixed for the
29 presentation of claims, the receiver shall make a list of claims
30 presented, segregating those approved and those rejected, to be filed
31 in the office of the county clerk. The receiver shall also make and
32 file with the office of the county clerk a supplemental list of claims
33 at least fifteen days before the declaration of any dividend, and in
34 any event at least every six months.

35 Objection may be made by any interested person to any claim
36 approved by the receiver, which objection is determined by the court
37 upon such notice to the claimant and objector as the court may
38 prescribe.

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

3 All expenses incurred by the receiver in relation to the
4 receivership of a credit union, including without limitation reasonable
5 attorneys' fees, become a first charge upon the assets of the credit
6 union. The charges shall be fixed and determined by the receiver,
7 subject to the approval of the court.

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

10 At any time after the expiration of the date fixed for the
11 presentation of claims, the receiver, subject to the approval of the
12 court, may declare one or more liquidation dividends out of the funds
13 remaining after the payment of expenses.

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

16 When all expenses of the receivership have been paid, as well as
17 all proper claims of depositors and other creditors, and proper
18 provision has been made for unclaimed or unpaid debts and liquidation
19 dividends, and assets of the credit union still remain, the receiver
20 shall wind up the affairs of the credit union and distribute its assets
21 to those entitled to them. Each share account holder at the credit
22 union is entitled to his, her, or its proportionate share of the assets
23 remaining.

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

26 Any liquidation dividends to depositors or other creditors of the
27 credit union remaining uncalled for and unpaid in the hands of the
28 receiver for six months after the order of final distribution, must be
29 deposited in a financial institution to each depositor's or creditor's
30 credit. The funds must be held in trust for the benefit of the persons
31 entitled to the funds and, subject to the supervision of the court,
32 must be paid by the receiver to them upon presentation of satisfactory
33 evidence of their right to the funds.

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

1 (1) The receiver shall inventory, package, and seal uncalled for
2 and unclaimed personal property left with the credit union, including
3 without limit property held in safe deposit boxes, and arrange for the
4 packages to be held in safekeeping. The credit union, its directors
5 and officers, and the receiver, shall be relieved of responsibility and
6 liability for the property held in safekeeping. The receiver shall
7 send promptly to each person in whose name the property stood on the
8 books of the credit union, at the person's last known address, a
9 registered letter notifying the person that the property will be held
10 in the person's name for a period of not less than two years.

11 (2) After the expiration of two years from the date of mailing the
12 notice, the receiver shall promptly send to each person in whose name
13 the property stood on the books of the credit union, at the person's
14 last known address, a registered letter providing notice of sale. The
15 letter must indicate that the receiver will sell the property set out
16 in the notice, at a public auction at a specified time and place, not
17 less than thirty days after the date of mailing the letter. The
18 receiver may sell the property unless the person, prior to the sale,
19 presents satisfactory evidence of the person's right to the property.
20 A notice of the time and place of the sale must be published once
21 within ten days prior to the sale in a newspaper of general circulation
22 in the county where the sale is to be held.

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

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

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

35 The proceeds of the sale less any amounts for costs and charges
36 incurred in safekeeping and sale must be deposited by the receiver in
37 a financial institution, in trust for the benefit of the person
38 entitled to the property. The sale proceeds must be paid by the

1 receiver to the person upon presentation of satisfactory evidence of
2 the person's right to the funds.

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

5 Upon the completion of a receivership through merger, purchase of
6 assets and assumption of liabilities, or liquidation, the director
7 shall terminate the credit union's authority to conduct business and
8 certify that fact to the secretary of state. Upon certification, the
9 credit union shall cease to exist and the secretary of state shall note
10 that fact upon his or her records.

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

13 If at any time after a receiver is appointed, the director
14 determines that all material deficiencies at the credit union have been
15 corrected, and that the credit union is in safe and sound condition to
16 resume conducting business, the director may terminate the receivership
17 and permit the credit union to reopen upon such terms and conditions as
18 the director may prescribe. Before being permitted to reopen, the
19 credit union must pay all of the expenses of the receiver.

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

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

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

30 The pendency of any proceedings for judicial review of the
31 appointment of a receiver may not operate to prevent the payment or
32 acquisition of the share and deposit liabilities of the credit union by
33 the national credit union administration or other insurer or guarantor
34 of the share and deposit liabilities of the credit union. During the
35 pendency of the proceedings, the receiver shall make available to the

1 insurer or guarantor such facilities in or of the credit union and such
2 books, records, and other relevant data of the credit union as may be
3 necessary or appropriate to enable the insurer or guarantor to pay out
4 or to acquire the insured or guaranteed share and deposit liabilities
5 of the credit union. The national credit union administration and any
6 other insurer or guarantor of the share and deposit liabilities of the
7 credit union, and their directors, officers, agents, and employees, and
8 the director and receiver and their agents and employees, will be free
9 from liability to the credit union, its directors, members, and
10 creditors, for or on account of any action taken in connection with the
11 receivership.

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

14 No receiver may be appointed by any court for any credit union,
15 except that a court otherwise having jurisdiction may in case of
16 imminent necessity appoint a temporary receiver to take possession of
17 and preserve the assets of the credit union. Immediately upon the
18 appointment, the clerk of the court shall notify the director in
19 writing of the appointment and the director shall appoint a receiver to
20 take possession of the credit union and the temporary receiver shall
21 upon demand surrender possession of the assets of the credit union to
22 the receiver. The receiver may in due course pay the temporary
23 receiver out of the assets of the credit union an amount as the court
24 may allow.

25 NEW SECTION. **Sec. 87.** A new section is added to chapter 31.12 RCW
26 to read as follows:

27 Every transfer of its property or assets by a credit union, and
28 every assignment by a credit union for the benefit of creditors, made
29 in contemplation of insolvency, or after it has become insolvent, to
30 intentionally prefer one creditor over another, or to intentionally
31 prevent the equal distribution of its property and assets among its
32 creditors, is void. Every credit union director, officer, or employee
33 making any such transfer is guilty of a felony.

34 An officer, director, or employee of a credit union who
35 fraudulently receives for it any share or deposit, knowing that the
36 credit union is insolvent, is guilty of a felony.

1 **Sec. 88.** RCW 31.12.635 and 1994 c 92 s 215 are each amended to
2 read as follows:

3 (1) It is unlawful for a director, supervisory committee member,
4 officer, employee, or agent of a credit union to knowingly violate or
5 consent to a violation of this chapter. Unless otherwise provided by
6 law, a violation of this subsection is a misdemeanor under chapter
7 9A.20 RCW.

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

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

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

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

16 (~~(2)~~) A violation of this (~~section~~) subsection is a class C
17 felony under chapter 9A.20 RCW.

18 NEW SECTION. **Sec. 89.** A new section is added to chapter 42.17 RCW
19 to read as follows:

20 Examination reports and information obtained by the director of
21 financial institutions in conducting examinations and in connection
22 with applications and notices to the director under chapters 31.12,
23 31.12A, and 31.13 RCW are confidential and privileged information and
24 not subject to public disclosure under this chapter.

25 NEW SECTION. **Sec. 90.** The following acts or parts of acts are
26 each repealed:

27 (1) RCW 31.12.095 and 1994 c 92 s 183;

28 (2) RCW 31.12.165 and 1984 c 31 s 18;

29 (3) RCW 31.12.206 and 1994 c 92 s 189 & 1984 c 31 s 22;

30 (4) RCW 31.12.315 and 1994 c 256 s 81 & 1984 c 31 s 33;

31 (5) RCW 31.12.355 and 1994 c 92 s 193;

32 (6) RCW 31.12.376 and 1984 c 31 s 39;

33 (7) RCW 31.12.395 and 1984 c 31 s 41;

34 (8) RCW 31.12.415 and 1994 c 256 s 85, 1994 c 92 s 196, & 1984 c 31
35 s 43;

36 (9) RCW 31.12.455 and 1994 c 92 s 200 & 1984 c 31 s 47;

37 (10) RCW 31.12.475 and 1994 c 92 s 202 & 1984 c 31 s 49;

- 1 (11) RCW 31.12.495 and 1984 c 31 s 51;
- 2 (12) RCW 31.12.506 and 1994 c 92 s 203 & 1984 c 31 s 52;
- 3 (13) RCW 31.12.535 and 1994 c 92 s 206 & 1984 c 31 s 55;
- 4 (14) RCW 31.12.645 and 1984 c 31 s 66;
- 5 (15) RCW 31.12.903 and 1984 c 31 s 77;
- 6 (16) RCW 31.12.904 and 1984 c 31 s 80;
- 7 (17) RCW 31.12.905 and 1994 c 92 s 224 & 1984 c 31 s 81; and
- 8 (18) RCW 43.320.125 and 1996 c 274 s 1.

9 NEW SECTION. **Sec. 91.** The following sections are codified or
10 recodified within chapter 31.12 RCW in the following order:

11 RCW 31.12.005.

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

15 RCW 31.12.015;

16 RCW 31.12.025;

17 RCW 31.12.035;

18 RCW 31.12.055;

19 RCW 31.12.065;

20 RCW 31.12.075; and

21 RCW 31.12.085.

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

25 RCW 31.12.105;

26 RCW 31.12.115;

27 RCW 31.12.185;

28 RCW 31.12.195;

29 RCW 31.12.225;

30 RCW 31.12.235;

31 RCW 31.12.246;

32 RCW 31.12.255;

33 RCW 31.12.265;

34 section 19 of this act;

35 RCW 31.12.275;

36 RCW 31.12.285;

37 RCW 31.12.326;

38 RCW 31.12.335;

1 RCW 31.12.345;
2 RCW 31.12.365;
3 RCW 31.12.306; and
4 section 27 of this act.

5 (3) The following sections are recodified and designated as a
6 subchapter of chapter 31.12 RCW under the subchapter designation
7 "Membership":

8 RCW 31.12.045;
9 RCW 31.12.145;
10 RCW 31.12.155; and
11 RCW 31.12.295.

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

15 RCW 31.12.125;
16 RCW 31.12.136;
17 RCW 31.12.037; and
18 RCW 31.12.039.

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

22 RCW 31.12.385; and
23 RCW 31.12.485.

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

27 RCW 31.12.406; and
28 RCW 31.12.317.

29 (7) The following sections are recodified and designated as a
30 subchapter of chapter 31.12 RCW under the subchapter designation
31 "Investments":

32 RCW 31.12.425; and
33 RCW 31.12.435.

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

37 RCW 31.12.445; and
38 RCW 31.12.465.

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

4 RCW 31.12.695;
5 RCW 31.12.705;
6 RCW 31.12.715;
7 RCW 31.12.526; and
8 RCW 31.12.725.

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

12 RCW 31.12.516;
13 RCW 31.12.545;
14 RCW 31.12.555;
15 RCW 31.12.565;
16 section 50 of this act;
17 section 51 of this act;
18 RCW 31.12.215;
19 RCW 31.12.575;
20 RCW 31.12.585;
21 RCW 31.12.595;
22 RCW 31.12.605;
23 RCW 31.12.615;
24 RCW 31.12.625;
25 section 58 of this act;
26 RCW 31.12.655;
27 RCW 31.12.665;
28 section 61 of this act;
29 section 62 of this act;
30 section 63 of this act;
31 section 64 of this act;
32 section 65 of this act;
33 section 66 of this act;
34 section 67 of this act;
35 section 68 of this act;
36 RCW 31.12.675;
37 RCW 31.12.685;
38 section 71 of this act;
39 section 72 of this act;

1 section 73 of this act;
2 section 74 of this act;
3 section 75 of this act;
4 section 76 of this act;
5 section 77 of this act;
6 section 78 of this act;
7 section 79 of this act;
8 section 80 of this act;
9 section 81 of this act;
10 section 82 of this act;
11 section 83 of this act;
12 section 84 of this act;
13 section 85 of this act;
14 section 86 of this act; and
15 section 87 of this act.

16 (11) The following sections are recodified and designated as a
17 subchapter of chapter 31.12 RCW under the subchapter designation
18 "Miscellaneous":

19 RCW 31.12.720;
20 RCW 31.12.740;
21 RCW 31.12.735;
22 RCW 31.12.635;
23 Section 94 of this act; and
24 RCW 31.12.902.

25 NEW SECTION. **Sec. 92.** Section 36 of this act takes effect one
26 year after the effective date of this act.

27 NEW SECTION. **Sec. 93.** Section 51 of this act takes effect January
28 1, 1999.

29 NEW SECTION. **Sec. 94.** If any provision of this act or its
30 application to any person or circumstance is held invalid, the
31 remainder of the act or the application of the provision to other
32 persons or circumstances is not affected.

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