

SENATE BILL REPORT

SB 6298

As Reported by Senate Committee On:
Financial Institutions, Housing & Insurance, January 27, 2010

Title: An act relating to the deposit of public funds with credit unions.

Brief Description: Authorizing limited deposits of public funds with credit unions.

Sponsors: Senators Berkey, Rockefeller and Kline.

Brief History:

Committee Activity: Financial Institutions, Housing & Insurance: 1/12/10, 1/27/10 [DPS].

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & INSURANCE

Majority Report: That Substitute Senate Bill No. 6298 be substituted therefor, and the substitute bill do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin and McDermott.

Staff: Diane Smith (786-7410)

Background: Credit unions are nonprofit corporations that promote thrift among their members and create a source of credit for their members at fair and reasonable rates of interest. Seven or more natural persons who reside in Washington may apply to the Director of the Department of Financial Institutions for permission to organize as a credit union. Upon the Director's endorsement that the proposed articles of incorporation and bylaws are consistent with legal requirements and the Directors's determination that the proposed credit union is feasible, the formation of the credit union may proceed. One of the requirements of the bylaws is a statement of the credit union's field of membership.

A credit union's field of membership is the limitation of membership to those having a common bond of occupation or association, or to groups within a well-defined neighborhood, community or rural district.

The powers of a credit union are specified in statute. These powers include receiving deposits, making loans, and paying dividends and interest, among others.

National Credit Union Share Insurance Fund insures deposits in credit unions up to \$250,000 through December 31, 2013.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Public funds are those moneys belonging to or held for the state, its political subdivisions, municipal corporations, agencies, courts, boards, commissions, or committees, and includes moneys held in trust.

Summary of Bill (Recommended Substitute): Credit unions are public depositories for the only purpose of receiving public deposits that may total no more than the lesser of the federal deposit insurance or \$100,000. The maximum amount of deposit applies to all funds attributable to any one depositor of public funds in any one credit union. Credit unions are subject to the reporting requirements as are public depositories.

EFFECT OF CHANGES MADE BY FINANCIAL INSTITUTIONS, HOUSING & INSURANCE COMMITTEE (Recommended Substitute): The original bill is stricken. The substitute bill provides that credit unions are public depositories for the only purpose of receiving public deposits that may total no more than the lesser of the federal deposit insurance or \$100,000. The maximum amount of deposit applies to all funds attributable to any one depositor of public funds in any one credit union. Credit unions are subject to the reporting requirements as are public depositories.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill: PRO: This bill does not allow credit unions to belong to the collateral pool so that any risk they may bring is not spread out to the other institutions. The effective date should be delayed to 2011 so the Treasurer has time to work with the credit unions. The limitation should also apply to the maximum federally insured amount. Credit unions are often the only bank in rural areas. They should be able to serve their communities. It is not a tax issue.

CON: It is a tax-equity issue. Credit unions should not be allowed to benefit from public deposits when they do not contribute to the tax base of the public entities whose deposits they seek.

Persons Testifying: PRO: Mark Minickiello, Washington Credit Union League; Jim McIntire, Washington State Treasurer; Al Ralston, BECU.

CON: Denny Eliason, Washington Bankers Association; Brad Tower, Community Bankers of Washington.