

SENATE BILL REPORT

HB 1871

As of March 20, 2015

Title: An act relating to credit unions' corporate governance and investments.

Brief Description: Addressing credit unions' corporate governance and investments.

Sponsors: Representatives Ryu and Vick.

Brief History: Passed House: 3/02/15, 96-0; 3/02/15, 97-0.

Committee Activity: Financial Institutions & Insurance: 3/18/15.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Shani Bauer (786-7468)

Background: Credit unions doing business in Washington may be chartered by the state or federal government. The National Credit Union Administration (NCUA) regulates federally chartered credit unions. The Department of Financial Institutions (Department) regulates state-chartered credit unions.

Credit Union Governance and Practices.

- *Board of Directors and Supervisory Committee.* State-chartered credit unions are governed by a board of directors and a supervisory committee, which monitors the financial condition of the credit union and the decisions of the board. Per state law, some duties may be delegated to a committee, officer, or employee with appropriate reporting to the board. Other duties may not be delegated.
- *Director and Supervisory Committee Compensation.* A credit union may pay its directors and supervisory committee members reasonable compensation and may also provide them with gifts of minimal value, insurance coverage or incidental services, and reimbursement for reasonable expenses.
- *Dividends.* Dividends may be declared from the credit union's earning after the deduction of expenses, interest on deposits, and the amounts required for reserves or may be paid from undivided earnings that remain from preceding periods.
- *Investment Authority.* A credit union may invest in any of a variety of investments, including key person insurance policies, up to 5 percent of the capital in debt or equity issued by an organization owned by the Washington Credit Union League; and 1 percent in organizations whose purpose is to provide services to the credit union industry.

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.

- *Credit Union Service Organizations.* Credit unions may own or contract with entities performing services for them, called credit union service organizations.

Summary of Bill: Duties of the board that may or may not be delegated are adjusted. The board must establish policies governing the operation of the credit union. The board may delegate the rate of dividends on shares and authorize the payment of dividends on shares.

A credit union may provide gifts, insurance coverage, and reimbursement of expenses to its directors and supervisory committee members regardless of whether it pays them compensation. Credit union dividends may be paid from current undivided earnings which remain after the deduction of expenses and the amounts required for reserves or may be paid from undivided earnings that remain from preceding periods.

A credit union may invest the following:

- in key person insurance policies and investment products related to employee benefits;
- up to 5 percent of the capital of the credit union in debt or equity issued by an organization owned by the Northwest Credit Union Association or its successor credit union organization; and
- up to 5 percent of its assets in shares, stocks, and loans with organizations whose purpose is to provide services to the credit union industry.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: The Northwest Credit Union Association worked closely with the Department in formulating these changes.

Persons Testifying: PRO: Mark Minickiello, NW Credit Union Assn.

Persons Signed in to Testify But Not Testifying: No one.