Washington State
House of Representatives
Office of Program Research

BILL ANALYSIS

Business & Financial Services Committee

HB 1209

Brief Description: Concerning municipal access to local financial services.

Sponsors: Representatives Bergquist, Vick, Kirby, J. Walsh and Blake.

Brief Summary of Bill

- Allows credit unions to accept public deposits over the maximum insured amount, subject to collateralization.
- Creates a credit union public depository pool.

Hearing Date: 1/24/17

Staff: Robbi Kesler (786-7153).

Background:

Public funds may only be deposited in a bank or trust company, savings bank, or savings association that have been designated as public depositaries by the Washington Public Deposit Protection Commission (Commission). "Public funds" means money, including money held in trust, belonging to or held for the state, its political subdivisions, municipal corporations, agencies, courts, boards, commissions, or committees.

To be approved as a public depositary, a bank or thrift must meet minimum requirements of the Commission and must pledge securities as collateral to protect public funds on deposit above the amounts insured under the Federal Deposit Insurance Corporation (FDIC). If deposit insurance and collateral pledged by a failed institution are insufficient to reimburse all public depositors, the other public depositaries, as part of the public depositary pool, are each assessed a proportionate share of the shortfall.

Legislation enacted in 2010 and 2012 added credit unions as a public depositary only for the purpose of receiving public deposits. A credit union is not a public depositary for any other purpose, such as inclusion in the public depositary pool. State and federally chartered credit

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unions may only accept public deposits up to the amount insured by the National Credit Union Share Insurance Fund (NCUSIF). Currently the maximum amount of funds, per depositor, insured by the NCUSIF is $250,000.

Each public depositary reports monthly and quarterly to the Commission on the amount of its insured and uninsured public deposits, the amount of collateral pledged, as well as other financial information. Those public depositaries with excess deposits or that do not meet minimum financial standards set by the Commission must monitor public deposits on a daily basis and maintain adequate collateral accordingly. A credit union that accepts public deposits is subject to the Commission reporting requirements and must report the amount of their insured public deposits monthly.

The Commission can request a public depositary to furnish information on its financial condition, public deposits, and on the exact status of its net worth. The Commission may take any action deemed advisable for the protection of public funds and to establish procedures for collection or settlement of claims arising from the failure of a public depositary.

Summary of Bill:

Credit unions are no longer public depositories limited to only accepting public deposits up to the maximum insured amount. If five or more credit unions within the state have been approved by the Commission, credit unions may accept public deposits in amounts greater than the maximum insured amount. Public funds that exceed the maximum amount insured must be collateralized.

Provisions are created to address losses occurring at a credit union. If there are more than five but less than 10 Commission approved credit unions in the state, the maximum liability for a loss is as follows:

1. the greater of:
    a. twenty percent of all uninsured public deposits held at a financial institution that has not incurred a loss as of the most recent Commission report; or
    b. twenty percent of the balances of the uninsured public deposits on the last four reports; or
2. any other sum or measure the Commission may set by resolution.

Any loss of public funds occurring at a credit union will be claimed from all amounts received from deposit insurance and held as collateral from the public depository in which the loss occurred. If the loss has not been fully reimbursed then all other credit union public depositories will be issued an assessment in a pro rata proportion to the maximum liability in a pro rata share, subject to the limitations in place if there are between five and 10 credit unions. The pro rata share will be calculated using the total credit unions and balances in place on the date of the loss.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.