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SENATE BILL 5144

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State of Washington

65th Legislature

2017 Regular Session

By Senators Angel, Mullet, and Hobbs

Read first time 01/13/17. Referred to Committee on Financial Institutions & Insurance.

1 AN ACT Relating to the Washington state credit union act;  
2 amending RCW 31.12.055, 31.12.065, 31.12.195, 31.12.246, 31.12.267,  
3 31.12.326, 31.12.335, 31.12.386, 31.12.404, and 31.12.413; reenacting  
4 and amending RCW 31.12.005; and reenacting RCW 31.12.436.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **Sec. 1.** RCW 31.12.005 and 2015 c 114 s 1 are each reenacted and  
7 amended to read as follows:

8 Unless the context clearly requires otherwise, as used in this  
9 chapter:

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

11 (2) "Board officer" means an officer of the board elected under  
12 RCW 31.12.265(1).

13 (3) "Branch" of a credit union, out-of-state credit union, or  
14 foreign credit union means any facility that meets all of the  
15 following criteria:

16 (a) The facility is a staffed physical facility;

17 (b) The facility is owned or leased in whole or part by the  
18 credit union or its credit union service organization; and

19 (c) Deposits and withdrawals may be made(~~(, or shares purchased,~~  
20 ~~through staff~~)) at the facility.

1 (4) "Capital" means a credit union's reserves, undivided  
2 earnings, and allowance for loan and lease losses, and other items  
3 that may be included under RCW 31.12.413 or by rule or order of the  
4 director.

5 (5) "Credit union" means a credit union organized and operating  
6 under this chapter.

7 (6) "Credit union service organization" means an organization  
8 that a credit union has invested in pursuant to RCW 31.12.436(1)(h),  
9 or a credit union service organization invested in by an out-of-  
10 state, federal, or foreign credit union.

11 (7) "Department" means the department of financial institutions.

12 (8) "Director" means the director of financial institutions.

13 (9) "Federal credit union" means a credit union organized and  
14 operating under the laws of the United States.

15 (10) "Financial institution" means any commercial bank, trust  
16 company, savings bank, or savings and loan association, whether state  
17 or federally chartered, and any credit union, out-of-state credit  
18 union, or federal credit union.

19 (11) "Foreign credit union" means a credit union organized and  
20 operating under the laws of another country or other foreign  
21 jurisdiction.

22 (12) "Insolvency" means:

23 (a) If, under United States generally accepted accounting  
24 principles, the recorded value of the credit union's assets are less  
25 than its obligations to its share account holders, depositors,  
26 creditors, and others; or

27 (b) If it is likely that the credit union will be unable to pay  
28 its obligations or meet its share account holders' and depositors'  
29 demands in the normal course of business.

30 (13) "Loan" means any loan, overdraft line of credit, extension  
31 of credit, or lease, in whole or in part.

32 (14) "Low-income member" means a member whose family income is  
33 not more than eighty percent of the median family income for the  
34 metropolitan statistical area where the member lives or for the  
35 national metropolitan area where the member lives, whichever is  
36 greater, or a member or potential member who earns not more than  
37 eighty percent of the total median earnings for individuals for the  
38 metropolitan statistical area where the member lives or for the  
39 national metropolitan area where the member lives, whichever is  
40 greater. For members living outside of a metropolitan statistical

1 area, the department must apply the statewide or national  
2 nonmetropolitan area median family income or total median earnings  
3 for individuals.

4 (15) "Material violation of law" means:

5 (a) If the credit union or person has violated a material  
6 provision of:

7 (i) Law;

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

9 (iii) Any condition imposed in writing by the director in  
10 connection with the approval of any application or other request of  
11 the credit union; or

12 (iv) Any supervisory agreement, or any other written agreement  
13 entered into with the director;

14 (b) If the credit union or person has concealed any of the credit  
15 union's books, papers, records, or assets, or refused to submit the  
16 credit union's books, papers, records, or affairs for inspection to  
17 any examiner of the state or, as appropriate, to any examiner of the  
18 national credit union administration; or

19 (c) If a member of a credit union board of directors or  
20 supervisory committee, or an officer of a credit union, has breached  
21 his or her fiduciary duty to the credit union.

22 (16) (~~("Membership share" means an initial share that a credit  
23 union may require a person to purchase in order to establish and  
24 maintain membership in a credit union.~~

25 ~~(17))~~ "Net worth" means a credit union's capital, less the  
26 allowance for loan and lease losses.

27 ~~((18))~~ (17) "Operating officer" means an employee of a credit  
28 union designated as an officer pursuant to RCW 31.12.265(2).

29 ~~((19))~~ (18) "Organization" means a corporation, partnership,  
30 association, limited liability company, trust, or other organization  
31 or entity.

32 ~~((20))~~ (19) "Out-of-state credit union" means a credit union  
33 organized and operating under the laws of another state or United  
34 States territory or possession.

35 ~~((21))~~ (20) "Person" means an organization or a natural person  
36 including, but not limited to, a sole proprietorship.

37 ~~((22))~~ (21) "Principally" or "primarily" means more than one-  
38 half.

39 ~~((23))~~ (22) "Senior operating officer" includes:

40 (a) An operating officer who is a vice president or above; and

1 (b) Any employee who has policy-making authority.

2 ~~((+24))~~ (23) "Significantly undercapitalized" means a net worth  
3 to total assets ratio of less than four percent.

4 ~~((+25))~~ (24) "Small credit union" means a credit union with up  
5 to ten million dollars in total assets.

6 ~~((+26))~~ (25) "Unsafe or unsound condition" means, but is not  
7 limited to:

8 (a) If the credit union is insolvent;

9 (b) If the credit union has incurred or is likely to incur losses  
10 that will deplete all or substantially all of its net worth;

11 (c) If the credit union is in imminent danger of losing its share  
12 and deposit insurance or guarantee; or

13 (d) If the credit union is significantly undercapitalized.

14 ~~((+27))~~ (26) "Unsafe or unsound practice" means any action, or  
15 lack of action, which is contrary to generally accepted standards of  
16 prudent operation, the likely consequences of which, if continued,  
17 would be abnormal risk of loss or danger to a credit union, its  
18 members, or an organization insuring or guaranteeing its shares and  
19 deposits.

20 **Sec. 2.** RCW 31.12.055 and 1997 c 397 s 6 are each amended to  
21 read as follows:

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

24 (a) The initial name and location of the credit union;

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

26 (c) That the purpose of the credit union is to engage in the  
27 business of a credit union and any other lawful activities permitted  
28 to a credit union by applicable law;

29 (d) The number of its directors, which must not be less than five  
30 or greater than fifteen, and the names of the persons who are to  
31 serve as the initial directors;

32 (e) The names of the incorporators;

33 ~~((The initial par value, if any, of the shares of the credit  
34 union;~~

35 ~~(g))~~ The extent, if any, to which personal liability of  
36 directors is limited;

37 ~~((+h))~~ (g) The extent, if any, to which directors, supervisory  
38 committee members, officers, employees, and others will be  
39 indemnified by the credit union; and

1       (~~(i)~~) (h) Any other provision which is not inconsistent with  
2 this chapter.

3       (2) Applicants shall submit the articles of incorporation in  
4 triplicate to the director.

5       **Sec. 3.** RCW 31.12.065 and 2001 c 83 s 2 are each amended to read  
6 as follows:

7       (1) Persons applying for the organization of a credit union shall  
8 adopt bylaws that prescribe the manner in which the business of the  
9 credit union shall be conducted. The bylaws shall include:

10       (a) The name of the credit union;

11       (b) The field of membership of the credit union;

12       (c) Reasonable qualifications for (~~membership in~~) admission as  
13 a member of the credit union, (~~including, but not limited to, the~~  
14 ~~minimum number of shares, and the payment of a membership fee, if~~  
15 ~~any, required for membership,~~) and the procedures for expelling a  
16 member;

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

20       (e) Any qualification for eligibility to serve on the credit  
21 union's board or supervisory committee;

22       (f) The number of credit union employees that may serve on the  
23 board, if any;

24       (g) The frequency of regular meetings of the board and the  
25 supervisory committee, and the manner in which members of the board  
26 or supervisory committee will be notified of meetings;

27       (h) The timing of the annual membership meeting;

28       (i) The manner in which members may call a special membership  
29 meeting;

30       (j) The manner in which members will be notified of membership  
31 meetings;

32       (k) The number of members constituting a quorum at a membership  
33 meeting;

34       (l) Provisions, if any, for the indemnification of directors,  
35 supervisory committee members, officers, employees, and others by the  
36 credit union, if not included in the articles of incorporation; and

37       (m) Any other provision which is not inconsistent with this  
38 chapter.

1 (2) Applicants shall submit the bylaws in duplicate to the  
2 director.

3 **Sec. 4.** RCW 31.12.195 and 2015 c 114 s 2 are each amended to  
4 read as follows:

5 (1) (~~Unless a unanimous vote by a supervisory committee is~~  
6 ~~required for a suspension pursuant to RCW 31.12.345,~~) A special  
7 membership meeting of a credit union may be called by:

8 (a) A majority vote of the board(~~, a majority vote of the~~  
9 ~~supervisory committee, or upon~~);

10 (b) Written (~~application of~~) petition signed or similarly  
11 authenticated by at least ten percent or two thousand of the members  
12 of a credit union, whichever is less;

13 (c) A unanimous vote of the supervisory committee for the purpose  
14 of presenting and discussing a special report by the supervisory  
15 committee regarding the failure of the board to adequately respond  
16 within a reasonable time frame to findings or recommendations  
17 previously provided to the board by the supervisory committee  
18 pursuant to RCW 31.12.335; or

19 (d) Unanimous vote of the supervisory committee to suspend a  
20 director for cause pursuant to RCW 31.12.345 if the supervisory  
21 committee has provided the director and the board with written notice  
22 of such cause and a statement of reasons why cause was found, and the  
23 board and the director have failed to act within a reasonable period  
24 to rectify the activity that constitutes cause.

25 (2) A (~~request for~~) call of a special membership meeting of a  
26 credit union shall be in writing submitted to the secretary of the  
27 credit union by the board, the petitioners, or the supervisory  
28 committee as applicable, and shall state specifically the purpose or  
29 purposes for which the meeting is called(~~. At this meeting, only~~  
30 ~~those agenda items detailed in the written request may be~~  
31 ~~considered~~) and the agenda item or items for consideration by the  
32 members at the meeting. If the special membership meeting is  
33 (~~being~~) called for the removal of one or more directors or  
34 supervisory committee members, the (~~request~~) call shall state the  
35 name of (~~the director or directors~~) each individual whose removal  
36 is sought.

37 (3)(a) Upon receipt of a (~~request~~) call for a special  
38 membership meeting, the secretary of the credit union shall  
39 (~~designate~~) determine whether the call satisfies the requirements

1 of this section. If so, the secretary shall determine the date, time,  
2 and place at which the special membership meeting will be held, and  
3 provide notice of the special membership meeting in accordance with  
4 the requirements of this subsection. The ~~((designated place of the))~~  
5 special membership meeting must be held at a reasonable location  
6 within the county in which the principal place of business of the  
7 credit union is located, unless provided otherwise by the bylaws. The  
8 ~~((designated time of the))~~ special membership meeting must be held no  
9 later than ninety days after the ~~((request))~~ date on which the call  
10 is received by the secretary.

11 (b) The secretary shall give notice of the special membership  
12 meeting at least thirty days before the ~~((special membership))~~ date  
13 of the meeting, or within such other reasonable time period as may be  
14 provided by the bylaws. The notice must ~~((include))~~ state the purpose  
15 or purposes for which the special membership meeting is called,  
16 and~~((τ))~~ the agenda items for the meeting. If the special membership  
17 meeting is ~~((being))~~ called for the removal of one or more  
18 directors~~((τ))~~ or supervisory committee members ~~((of a supervisory~~  
19 ~~committee)),~~ the notice must state the name of ~~((the director or~~  
20 ~~directors, or member or members of the supervisory committee,))~~ each  
21 individual whose removal is sought.

22 (4) Except as provided in this subsection, the chairperson of the  
23 board shall preside over special membership meetings. If the purpose  
24 of the special membership meeting includes the ~~((proposed))~~ removal  
25 of the chairperson, the next highest ranking board officer whose  
26 removal is not sought shall preside over the ~~((special))~~ meeting. If  
27 the removal of all board officers is sought, the chairperson of the  
28 supervisory committee shall preside over the special membership  
29 meeting.

30 (5) At the special membership meeting, only those agenda items  
31 that are stated in the notice for the meeting may be considered.

32 (6) Special membership meetings shall be conducted according to  
33 the rules of procedure approved by the board.

34 **Sec. 5.** RCW 31.12.246 and 1997 c 397 s 16 are each amended to  
35 read as follows:

36 (1) The members of a credit union may remove a director of the  
37 credit union at a special membership meeting held in accordance with  
38 RCW 31.12.195 and called for that purpose. If the members remove a  
39 director, the members may at the same special membership meeting

1 elect an interim director to complete the remainder of the former  
2 director's term of office or authorize the board to appoint an  
3 interim director as provided in RCW 31.12.225.

4 (2) The members of a credit union may remove a supervisory  
5 committee member at a special membership meeting held in accordance  
6 with RCW 31.12.195 and called for that purpose. If the members remove  
7 a supervisory committee member, the members may at the same special  
8 membership meeting elect an interim supervisory committee member to  
9 complete the remainder of the former supervisory committee member's  
10 term of office or authorize the supervisory committee to appoint an  
11 interim supervisory committee member as provided in RCW 31.12.326.

12 **Sec. 6.** RCW 31.12.267 and 2010 c 87 s 3 are each amended to read  
13 as follows:

14 ((Directors, board officers, supervisory committee members,  
15 and senior operating officers)) Officials owe a fiduciary duty to the  
16 credit union, and must discharge the duties of their ((respective))  
17 positions:

18 (a) In good faith;

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

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

23 (2) In discharging the duties of ((a director, a director)) an  
24 official, the official is entitled to rely on information, opinions,  
25 reports, or statements, including financial statements and other  
26 financial data, if prepared or presented by:

27 (a) One or more officers or employees of the credit union whom  
28 the ((director)) official reasonably believes to be reliable and  
29 competent in the matters presented;

30 (b) Legal counsel, public accountants, or other persons as to  
31 matters the ((director)) official reasonably believes are within the  
32 person's professional or expert competence; or

33 (c) A committee of the board of directors or supervisory  
34 committee of which the ((director)) official is not a member if the  
35 ((director)) official reasonably believes the committee merits  
36 confidence.

37 (3) ((A director)) An official is not acting in good faith if the  
38 ((director)) official has knowledge concerning the matter in question



1 that makes reliance otherwise permitted by subsection (2) of this  
2 section unwarranted.

3 (4) (~~(A director)~~) An official is not liable for any action taken  
4 as a director, or any failure to take any action, if the director  
5 performed the duties of the director's office in compliance with this  
6 section.

7 (5) As used in this section, "official" means a director, board  
8 officer, supervisory committee member, or senior operating officer of  
9 the credit union.

10 **Sec. 7.** RCW 31.12.326 and 2015 c 114 s 5 are each amended to  
11 read as follows:

12 (1) A supervisory committee of at least three members must be  
13 elected at the annual membership meeting of the credit union. Members  
14 of the supervisory committee shall serve a term of three years,  
15 unless sooner removed under this chapter or until their successors  
16 are qualified and elected or appointed. The members of the  
17 supervisory committee shall be divided into classes so that as equal  
18 a number as is possible is elected each year.

19 (2) At least one supervisory committee member may attend each  
20 regular meeting of the board. However, supervisory committee members  
21 may be excluded from executive sessions of board meetings.

22 (3)(a) If a supervisory committee member is absent from more than  
23 one-third of the committee meetings in any twelve-month period in a  
24 term without being reasonably excused by the committee, the member  
25 shall no longer serve as a member of the committee for the period  
26 remaining in the term.

27 (b) The supervisory committee shall promptly notify the member  
28 that he or she shall no longer serve as a committee member. Failure  
29 to provide notice does not affect the termination of the member's  
30 service under (a) of this subsection.

31 (~~(3)~~) (4) A supervisory committee member must be a natural  
32 person and a member of the credit union. If a member of the  
33 supervisory committee ceases to be a member of the credit union, the  
34 member shall no longer serve as a committee member. The chairperson  
35 of the supervisory committee may not serve as a board officer.

36 (~~(4)~~) (5) Except as provided in subsection (~~(5)~~) (6) of this  
37 section, any vacancy on the committee must be filled by an interim  
38 member appointed by the committee, unless the interim member would  
39 serve a term of fewer than ninety days. Interim members appointed to

1 fill vacancies created by expansion of the committee will serve until  
2 the next annual meeting of members. Other interim members may serve  
3 out the unexpired term of the former member, unless provided  
4 otherwise by the credit union's bylaws. However, if all positions on  
5 the committee are vacant at the same time, the board may appoint  
6 interim members to serve until the next annual membership meeting.

7 ~~((+5+))~~ (6) In the case of a merger between two credit unions  
8 pursuant to RCW 31.12.461, a supervisory committee member of the  
9 merging credit union may continue to serve as a supervisory committee  
10 member of the continuing credit union for a period not to exceed the  
11 equivalent of the duration of his or her unexpired term on the  
12 supervisory committee of the merging credit union, provided that the  
13 approved plan of merger or other agreement approved by the director  
14 provides for such service on the continuing credit union's  
15 supervisory committee with a corresponding expansion in the size of  
16 the continuing credit union's supervisory committee.

17 ~~((+6+))~~ (7) No operating officer or employee of a credit union  
18 may serve on the credit union's supervisory committee. No more than  
19 one director may be a member of the supervisory committee at the same  
20 time, unless provided otherwise by the credit union's bylaws. No  
21 member of the supervisory committee may serve on the credit committee  
22 or investment committee of the credit union while serving on the  
23 supervisory committee.

24 (8) A credit union may establish an audit committee in lieu of a  
25 supervisory committee. An audit committee and its members possess the  
26 same duties and powers, and are subject to the same limitations as a  
27 supervisory committee and its members pursuant to this chapter.

28 **Sec. 8.** RCW 31.12.335 and 2001 c 83 s 11 are each amended to  
29 read as follows:

30 (1) The supervisory committee of a credit union shall:

31 (a) ~~((Meet at least quarterly;~~

32 ~~+b+))~~ Keep ~~((fully))~~ informed as to the financial condition of  
33 the credit union and the decisions of the credit union's board;

34 ~~((+e+))~~ (b) Perform or arrange for a complete annual audit of the  
35 credit union and a verification of its members' accounts and provide  
36 any related findings and recommendations to the board; ~~((and~~

37 ~~(d) Report its findings and recommendations to the board and~~  
38 ~~make))~~

1 (c) Provide an annual report to members at each annual membership  
2 meeting;

3 (d) Perform or arrange for additional audits as requested by the  
4 board or management or as deemed necessary by the supervisory  
5 committee and provide any related findings and recommendations to  
6 management or the board as deemed appropriate by the supervisory  
7 committee;

8 (e) Monitor the implementation of management responses to  
9 material adverse findings in audits and regulatory examinations;

10 (f) Implement a process for the supervisory committee to receive  
11 and respond to whistleblower complaints; and

12 (g) Perform any additional duties as specified by the board or in  
13 the credit union's bylaws.

14 (2) ~~((At least one supervisory committee member may attend each~~  
15 ~~regular board meeting))~~ The supervisory committee may in its sole  
16 discretion retain, at the credit union's expense, independent counsel  
17 or other professional advisors or consultants as necessary to perform  
18 the duties under this section.

19 **Sec. 9.** RCW 31.12.386 and 1997 c 397 s 28 are each amended to  
20 read as follows:

21 (1) No member may have more than one vote ~~((regardless of the~~  
22 ~~number of shares held by the member))~~. A natural person may not hold  
23 more than one membership in a credit union on behalf of himself or  
24 herself. An organization having membership in a credit union may cast  
25 one vote through ~~((its))~~ a natural person agent duly authorized in  
26 writing.

27 (2) Members may vote, as prescribed in the credit union's bylaws,  
28 by mail ballot, absentee ballot, or other method. However, no member  
29 may vote by proxy.

30 (3) A member who is not at least eighteen years of age is not  
31 eligible to vote as a member unless otherwise provided in the credit  
32 union's bylaws.

33 **Sec. 10.** RCW 31.12.404 and 2015 c 114 s 9 are each amended to  
34 read as follows:

35 (1) Notwithstanding any other provision of law, and in addition  
36 to all powers and authorities, express or implied, that a credit  
37 union has under the laws of this state, a credit union has the powers  
38 and authorities that a federal credit union had on December 31, 1993,

1 or a subsequent date not later than (~~July 24, 2015~~) the effective  
2 date of this section.

3 (2) Notwithstanding any other provision of law, and in addition  
4 to the powers and authorities, express or implied, that a credit  
5 union has under subsection (1) of this section, a credit union has  
6 the powers and authorities that a federal credit union has, and an  
7 out-of-state credit union operating a branch in Washington has,  
8 subsequent to (~~July 24, 2015~~) the effective date of this section,  
9 if the director finds that the exercise of the power and authority  
10 serves the convenience and advantage of members of credit unions, and  
11 maintains the fairness of competition and parity between credit  
12 unions and federal or out-of-state credit unions. However, a credit  
13 union:

14 (a) Must still comply with RCW 31.12.408; and

15 (b) Is not granted the field of membership powers or authorities  
16 of any out-of-state credit union operating a branch in Washington.

17 (3) The restrictions, limitations, and requirements applicable to  
18 specific powers or authorities of federal or out-of-state credit  
19 unions apply to credit unions exercising those powers or authorities  
20 permitted under this section but only insofar as the restrictions,  
21 limitations, and requirements relate to the specific exercise of the  
22 powers or authorities granted credit unions solely under this  
23 section.

24 (4) As used in this section, "powers and authorities" include,  
25 but are not limited to, powers and authorities in corporate  
26 governance matters.

27 **Sec. 11.** RCW 31.12.413 and 2015 c 114 s 10 are each amended to  
28 read as follows:

29 (1) A credit union may apply in writing to the director for  
30 designation as a low-income credit union. (~~The criteria~~) To qualify  
31 for approval of this designation (~~are as follows:~~

32 ~~(a))~~, the credit union must provide evidence satisfactory to the  
33 director that at least fifty percent of a substantial and well-  
34 defined segment of the credit union's members or potential primary  
35 members are low-income members(~~;~~

36 ~~(b) The credit union must submit an acceptable written plan on~~  
37 ~~marketing to and serving the well-defined segment;~~

38 ~~(c) The credit union must agree to submit annual reports to the~~  
39 ~~director on its service to the well-defined segment; and~~

1 ~~(d) The credit union must submit other information and satisfy~~  
2 ~~other criteria as may be required by the director)).~~

3 (2)((~~a~~)) Among other powers and authorities, a low-income  
4 credit union may:

5 ((~~i~~)) (a) Issue secondary capital accounts approved in advance  
6 by the director upon application of the credit union; and

7 ((~~ii~~)) (b) Accept and maintain shares and deposits from  
8 nonmembers.

9 ~~((b) A secondary capital account is:~~

10 ~~(i) Over one hundred thousand dollars, or a higher amount as~~  
11 ~~established by the director;~~

12 ~~(ii) Nontransactional;~~

13 ~~(iii) Owned by a nonnatural person; and~~

14 ~~(iv) Subordinate to other creditors.))~~

15 (3) The director may adopt rules for the organization and  
16 operation of low-income credit unions including, but not limited to,  
17 rules concerning secondary capital accounts and requiring disclosures  
18 to the purchasers of the accounts.

19 **Sec. 12.** RCW 31.12.436 and 2015 c 123 s 4 and 2015 c 114 s 11  
20 are each reenacted to read as follows:

21 (1) A credit union may invest its funds in any of the following,  
22 as long as the investments are deemed prudent by the board:

23 (a) Loans held by credit unions, out-of-state credit unions, or  
24 federal credit unions; loans to members held by other lenders; and  
25 loans to nonmembers held by other lenders, with the approval of the  
26 director;

27 (b) Bonds, securities, or other investments that are fully  
28 guaranteed as to principal and interest by the United States  
29 government, and general obligations of this state and its political  
30 subdivisions;

31 (c) Obligations issued by corporations designated under 31 U.S.C.  
32 Sec. 9101, or obligations, participations or other instruments issued  
33 and guaranteed by the federal national mortgage association, federal  
34 home loan mortgage corporation, government national mortgage  
35 association, or other government-sponsored enterprise;

36 (d) Participations or obligations which have been subjected by  
37 one or more government agencies to a trust or trusts for which an  
38 executive department, agency, or instrumentality of the United States  
39 has been named to act as trustee;

1 (e) Share or deposit accounts of other financial institutions,  
2 the accounts of which are federally insured or insured or guaranteed  
3 by another insurer or guarantor approved by the director. The shares  
4 and deposits made by a credit union under this subsection (1)(e) may  
5 exceed the insurance or guarantee limits established by the  
6 organization insuring or guaranteeing the institution into which the  
7 shares or deposits are made;

8 (f) Common trust or mutual funds whose investment portfolios  
9 consist of securities issued or guaranteed by the federal government  
10 or an agency of the government;

11 (g) Up to five percent of the capital of the credit union, in  
12 debt or equity issued by an organization owned by the Northwest  
13 credit union association or its successor credit union association;

14 (h) Shares, stocks, loans, or other obligations of organizations  
15 whose primary purpose is to strengthen, advance, or provide services  
16 to the credit union industry or credit union members. A credit union  
17 may invest in or make loans to organizations under this subsection  
18 (1)(h) in an aggregate amount not to exceed five percent of its  
19 assets. This limit does not apply to investments in, and loans to, an  
20 organization:

21 (i) That is wholly owned by one or more credit unions or federal  
22 or out-of-state credit unions; and

23 (ii) Whose activities are limited exclusively to those authorized  
24 by this chapter for a credit union;

25 (i) Loans to credit unions, out-of-state credit unions, or  
26 federal credit unions. However, the aggregate of loans issued under  
27 this subsection (1)(i) is limited to twenty-five percent of the total  
28 shares and deposits of the credit union making the loans;

29 (j) Key person insurance policies and investment products related  
30 to employee benefits, the proceeds of which inure exclusively to the  
31 benefit of the credit union;

32 (k) A registered investment company or collective investment  
33 fund, as long as the prospectus of the company or fund restricts the  
34 investment portfolio to investments and investment transactions that  
35 are permissible for credit unions; or

36 (1) Other investments approved by the director upon written  
37 application.

38 (2) If a credit union has lawfully made an investment that later  
39 becomes impermissible because of a change in circumstances or law,  
40 and the director finds that this investment will have an adverse

1 effect on the safety and soundness of the credit union, then the  
2 director may require that the credit union develop a reasonable plan  
3 for the divestiture of the investment.

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