

SENATE BILL REPORT

SB 5479

As Reported by Senate Committee On:
Financial Institutions, Economic Development & Trade, February 7, 2019

Title: An act relating to the Washington state credit union act.

Brief Description: Concerning the Washington state credit union act.

Sponsors: Senators Mullet, Wilson, L. and Cleveland.

Brief History:

Committee Activity: Financial Institutions, Economic Development & Trade: 1/31/19, 2/07/19 [DP].

Brief Summary of Bill

- Eliminates the requirement for annual and special meetings of a state-chartered credit union to be held at a designated place.
- Requires verification of member accounts at least every two years.
- Allows membership to include groups situated fully or partially outside of the state.
- Provides state-chartered credit unions with all powers and authorities of out-of-state credit unions, except membership.
- Allows state-chartered credit unions to invest in additional types of funds.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass.

Signed by Senators Mullet, Chair; Wilson, L., Ranking Member; Braun, Das, Ericksen and Hobbs.

Staff: Clint McCarthy (786-7319)

Background: Governance. A credit union under the laws of Washington State, including out-of-state credit unions with a branch in Washington State, has the powers and authorities

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that federal credit unions had on December 31, 1993 or a subsequent date no later than July 23, 2017. A credit union's bylaws prescribe the time and place of an annual membership meeting, as well as how much notice is provided in advance of the meetings. Special membership meetings must be held at a reasonable location within the county in which the principal place of business of the credit union is located.

Supervisory committees have at least three members that are elected at the credit union annual membership meeting. The supervisory committee:

- keeps informed as to the financial condition of the credit union and the decisions of the credit union's board;
- performs or arranges an annual audit;
- provides an annual report to members at each annual membership meeting;
- performs or arranges additional audits as requested by the board;
- monitors the implementation of management responses to audits and regulatory examinations;
- implements a process for the supervisory committee to receive and respond to whistleblower complaints; and
- performs any additional duties as specified by the board or credit union bylaws.

Membership. A credit union may admit individuals that qualify for membership as set forth in the credit union's bylaws. Membership is limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. The director of a credit union may approve the inclusion within the field of membership of a credit union, a group having a separate common bond if the director determines the group is not of sufficient size or resources to support a viable credit union of its own.

Investment of Credit Union Funds. Credit unions may invest funds in a number of different investment types so long as the investments are deemed prudent by the board. Examples include:

- loans held by by other types of credit unions;
- fixed income securities such as bonds;
- mutual funds with a portfolio of securities issued or guaranteed by the federal government;
- shares of stocks whose primary purpose is to strengthen, advance, or provide services in the credit union industry or for credit union's membership; and
- insurance policies and investment products related to employee benefits.

Summary of Bill: Governance. References for an annual or special membership meeting to be held at a designated place are removed. The supervisory committee must verify member accounts at least every two years and report any related findings and recommendations to the board.

Membership. With approval from the Department of Financial Institutions (DFI), a credit union's membership may include groups situated fully or partially outside the state if:

- the groups have a common bond of occupation or association; or
- the groups hare within a well defined neighborhood, community, or rural district.

Credit Union Authority. State-chartered credit unions are provided all powers and authorities of out-of-state credit unions, except membership, so long as insurance and other requirements are met. A state-chartered credit union exercising any authority of an out-of-state credit union must notify the DFI

Investments. A state-chartered credit union may invest in funds authorized for state deposits. A state-chartered credit union approved as a public depository may also invest in securities authorized as eligible collateral for public deposits.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: The bill allows credit unions to benefit their members and remain responsive. This bill uses a common sense approach. The bill allows for virtual meetings which will expand participation of the membership. Updating the charter is invaluable so credit unions can compete in an increasingly competitive market for financial services.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Joe Adamack, Northwest Credit Union Association, Vice President of Legislative Affairs; Hal Scoggins, Farleigh Wada Witt, Counsel, Northwest Credit Union Association; Scott Adkins, President and CEO, Inspirus Credit Union.

Persons Signed In To Testify But Not Testifying: No one.