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**SENATE BILL 5479**

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**State of Washington**

**66th Legislature**

**2019 Regular Session**

**By** Senators Mullet, Wilson, L., and Cleveland

Read first time 01/22/19. Referred to Committee on Financial Institutions, Economic Development & Trade.

1 AN ACT Relating to the Washington state credit union act; and  
2 amending RCW 31.12.185, 31.12.195, 31.12.335, 31.12.382, 31.12.404,  
3 and 31.12.436.

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

5 **Sec. 1.** RCW 31.12.185 and 1997 c 397 s 12 are each amended to  
6 read as follows:

7 (1) A credit union's annual membership meeting shall be held at  
8 such time and ((place)) in such manner as the bylaws prescribe, and  
9 shall be conducted according to the rules of procedure approved by  
10 the board.

11 (2) Notice of the annual membership meetings of a credit union  
12 shall be given as provided in the bylaws of the credit union.

13 **Sec. 2.** RCW 31.12.195 and 2017 c 61 s 4 are each amended to read  
14 as follows:

15 (1) A special membership meeting of a credit union may be called  
16 by:

17 (a) A majority vote of the board;

18 (b) Written petition signed or similarly authenticated by at  
19 least ten percent or two thousand of the members of a credit union,  
20 whichever is less;

1 (c) A unanimous vote of the supervisory committee for the purpose  
2 of presenting and discussing a special report by the supervisory  
3 committee regarding the failure of the board to adequately respond  
4 within a reasonable time frame to findings or recommendations  
5 previously provided to the board by the supervisory committee  
6 pursuant to RCW 31.12.335; or

7 (d) Unanimous vote of the supervisory committee to suspend a  
8 director for cause pursuant to RCW 31.12.345 if the supervisory  
9 committee has provided the director and the board with written notice  
10 of such cause and a statement of reasons why cause was found, and the  
11 board and the director have failed to act within a reasonable period  
12 to rectify the activity that constitutes cause.

13 (2) A call of a special membership meeting of a credit union  
14 shall be in writing submitted to the secretary of the credit union by  
15 the board, the petitioners, or the supervisory committee as  
16 applicable, and shall state specifically the purpose or purposes for  
17 which the meeting is called and the agenda item or items for  
18 consideration by the members at the meeting. If the special  
19 membership meeting is called for the removal of one or more directors  
20 or supervisory committee members, the call shall state the name of  
21 each individual whose removal is sought.

22 (3)(a) Upon receipt of a call for a special membership meeting,  
23 the secretary of the credit union shall determine whether the call  
24 satisfies the requirements of this section. If so, the secretary  
25 shall determine the date(~~(,)~~) and time(~~(, and place at)~~) on which the  
26 special membership meeting will be held, and provide notice of the  
27 special membership meeting in accordance with the requirements of  
28 this subsection and the credit union's bylaws. (~~The special~~  
29 ~~membership meeting must be held at a reasonable location within the~~  
30 ~~county in which the principal place of business of the credit union~~  
31 ~~is located, unless provided otherwise by the bylaws.)) The special  
32 membership meeting must be held no later than ninety days after the  
33 date on which the call is received by the secretary.~~

34 (b) The secretary shall give notice of the special membership  
35 meeting at least thirty days before the date of the meeting, or  
36 within such other reasonable time period as may be provided by the  
37 bylaws. The notice must state the purpose or purposes for which the  
38 special membership meeting is called, and the agenda items for the  
39 meeting. If the special membership meeting is called for the removal

1 of one or more directors or supervisory committee members, the notice  
2 must state the name of each individual whose removal is sought.

3 (4) Except as provided in this subsection, the chairperson of the  
4 board shall preside over special membership meetings. If the purpose  
5 of the special membership meeting includes the removal of the  
6 chairperson, the next highest ranking board officer whose removal is  
7 not sought shall preside over the meeting. If the removal of all  
8 board officers is sought, the chairperson of the supervisory  
9 committee shall preside over the special membership meeting.

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

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

14 **Sec. 3.** RCW 31.12.335 and 2017 c 61 s 8 are each amended to read  
15 as follows:

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

17 (a) Keep informed as to the financial condition of the credit  
18 union and the decisions of the credit union's board;

19 (b) Perform or arrange for:

20 (i) A complete annual audit of the credit union; and

21 (ii) A verification of its members' accounts at least once every  
22 two years, and shall provide any related findings and recommendations  
23 from such audits and verifications to the board;

24 (c) Provide an annual report to members at each annual membership  
25 meeting;

26 (d) Perform or arrange for additional audits as requested by the  
27 board or management or as deemed necessary by the supervisory  
28 committee and provide any related findings and recommendations to  
29 management or the board as deemed appropriate by the supervisory  
30 committee;

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

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

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

37 (2) The supervisory committee may in its sole discretion retain,  
38 at the credit union's expense, independent counsel or other

1 professional advisors or consultants as necessary to perform the  
2 duties under this section.

3 **Sec. 4.** RCW 31.12.382 and 1994 c 92 s 178 are each amended to  
4 read as follows:

5 (1) Membership in a credit union shall be limited to groups  
6 having a common bond of occupation or association, or to groups  
7 within a well-defined neighborhood, community, or rural district. The  
8 director may adopt rules: (a) Reasonably defining "common bond"; and  
9 (b) setting forth standards for the approval of charters.

10 (2) The director may approve the inclusion within the field of  
11 membership of a credit union a group having a separate common bond if  
12 the director determines that the group is not of sufficient size or  
13 resources to support a viable credit union of its own.

14 (3) The director may approve, in accordance with the provisions  
15 of this chapter, the inclusion within a credit union's field of  
16 membership of groups having a common bond of occupation or  
17 association, or groups within a well-defined neighborhood, community,  
18 or rural district, notwithstanding the fact that such groups are  
19 situated partially or wholly outside this state.

20 **Sec. 5.** RCW 31.12.404 and 2017 c 61 s 10 are each amended to  
21 read as follows:

22 (1) Notwithstanding any other provision of law, and in addition  
23 to all powers and authorities, express or implied, that a credit  
24 union has under the laws of this state, a credit union has the powers  
25 and authorities that a federal credit union had on December 31, 1993,  
26 or a subsequent date not later than ((July 23, 2017)) the effective  
27 date of this section.

28 (2) Notwithstanding any other provision of law, and in addition  
29 to the powers and authorities, express or implied, that a credit  
30 union has under subsection (1) of this section, a credit union has  
31 the powers and authorities that a federal credit union has ((, and an  
32 ~~out-of-state credit union operating a branch in Washington has,~~)  
33 subsequent to ((July 23, 2017)) the effective date of this section,  
34 if the director finds that the exercise of the power and authority  
35 serves the convenience and advantage of members of credit unions, and  
36 maintains the fairness of competition and parity between credit  
37 unions and federal ((~~or out-of-state~~) credit unions. However, a  
38 credit union(÷

1 ~~(a))~~ must ~~((still))~~ comply with RCW 31.12.408 ~~((; and~~

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

4 (3) Notwithstanding any other provision of law, and in addition  
5 to the powers and authorities, express or implied, that a credit  
6 union has under subsections (1) and (2) of this section, a credit  
7 union may exercise the powers and authorities that it would have if  
8 it were an out-of-state credit union. Any such power or authority is  
9 subject to regulation by the director. In exercising such power or  
10 authority, a credit union:

11 (a) Must comply with RCW 31.12.408;

12 (b) Is not granted the field of membership powers or authorities  
13 of any out-of-state credit union; and

14 (c) Must be able to exercise such power or authority consistent  
15 with the purposes of this chapter.

16 (4) Before exercising any power or authority afforded under  
17 subsection (3) of this section, a credit union must first notify the  
18 director of its intent to do so. This notice must be sent to the  
19 director by United States mail or by electronic means if the director  
20 accepts electronic delivery. If the director takes no action on the  
21 request within thirty days of delivery of the notice, the right to  
22 exercise the power or authority is deemed granted, subject to the  
23 restrictions in subsection (3)(a) and (b) of this section. In order  
24 to grant the request, the director must find that:

25 (a) The request complies with subsection (3)(a), (b), and (c) of  
26 this section; and

27 (b) The exercise of such power or authority serves the  
28 convenience and advantage of members of credit unions and maintains  
29 the fairness of competition and parity between credit unions and out-  
30 of-state credit unions.

31 (5) The restrictions, limitations, and requirements applicable to  
32 specific powers or authorities of federal or out-of-state credit  
33 unions apply to credit unions exercising those powers or authorities  
34 permitted under this section but only insofar as the restrictions,  
35 limitations, and requirements relate to the specific exercise of the  
36 powers or authorities granted credit unions solely under this  
37 section.

38 ~~((4))~~ (6) As used in this section, "powers and authorities"  
39 include, but are not limited to, powers and authorities in corporate  
40 governance matters.

1       **Sec. 6.** RCW 31.12.436 and 2017 c 61 s 12 are each amended to  
2 read as follows:

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

5       (a) Loans held by credit unions, out-of-state credit unions, or  
6 federal credit unions; loans to members held by other lenders; and  
7 loans to nonmembers held by other lenders, with the approval of the  
8 director;

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

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

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

22       (e) Share or deposit accounts of other financial institutions,  
23 the accounts of which are federally insured or insured or guaranteed  
24 by another insurer or guarantor approved by the director. The shares  
25 and deposits made by a credit union under this subsection (1)(e) may  
26 exceed the insurance or guarantee limits established by the  
27 organization insuring or guaranteeing the institution into which the  
28 shares or deposits are made;

29       (f) Common trust or mutual funds whose investment portfolios  
30 consist of securities issued or guaranteed by the federal government  
31 or an agency of the government;

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

35       (h) Shares, stocks, loans, or other obligations of organizations  
36 whose primary purpose is to strengthen, advance, or provide services  
37 to the credit union industry or credit union members. A credit union  
38 may invest in or make loans to organizations under this subsection  
39 (1)(h) in an aggregate amount not to exceed (~~five~~) ten percent of

1 its assets. This limit does not apply to investments in, and loans  
2 to, an organization:

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

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

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

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

14 (k) A registered investment company or collective investment  
15 fund, as long as the prospectus of the company or fund restricts the  
16 investment portfolio to investments and investment transactions that  
17 are permissible for credit unions; ((~~o~~))

18 (l) For credit unions that are approved public depositaries, any  
19 securities listed in RCW 39.58.050 as eligible collateral for public  
20 deposits;

21 (m) Investments of the type in which the state treasurer may  
22 invest state funds pursuant to RCW 43.84.080; or

23 (n) Other investments approved by the director by rule or upon  
24 written application.

25 (2) If a credit union has lawfully made an investment that later  
26 becomes impermissible because of a change in circumstances or law,  
27 and the director finds that this investment will have an adverse  
28 effect on the safety and soundness of the credit union, then the  
29 director may require that the credit union develop a reasonable plan  
30 for the divestiture of the investment.

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