
**Consumer Protection & Business
Committee**

HB 1165

Brief Description: Concerning the Washington credit union act.

Sponsors: Representatives Ryu, Vick, Santos, Hoff and Harris-Talley.

Brief Summary of Bill

- Modifies certain powers and authorities of state-chartered credit unions.
- Authorizes credit unions to invest in the equity interest of corporations that are engaged in or planning activity that is incidental or complementary to the credit union's operations.
- Allows credit unions to acquire real property without occupying the property within a designated period of time.

Hearing Date: 1/20/21

Staff: Serena Dolly (786-7150).

Background:

Credit Union Regulations.

Credit unions doing business in Washington may be chartered by the state or federal government. The National Credit Union Administration regulates federally chartered credit unions. The Department of Financial Institutions (DFI) regulates state-chartered credit unions. State law provides for the organization, regulation, and examination of state-chartered credit unions. The Director of the DFI (Director) may, by rule, provide relief from certain state laws and rules to small credit unions, which are defined as credit unions with up to \$10 million in total assets.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Credit Union Authority.

State-chartered credit unions have all of the powers and authorities held by federal credit unions on December 31, 1993, or a subsequent date not later than July 28, 2019. State credit unions may have all of the powers and authorities held by federal credit unions after that date, if the Director finds that the exercise of the power and authority serves the convenience and advantage of credit union members and maintains the fairness of competition and parity between state credit unions and federal credit unions. State credit unions also have all powers and authorities of out-of-state credit unions, except membership, so long as insurance and other requirements are met.

Credit Union Services and Charges.

Credit unions may provide a variety of financial services to members, including accepting deposits, making loans, and paying interest or dividends. Credit unions may impose reasonable charges for the services provided to members.

Investment of Credit Union Funds.

Credit unions may invest funds in a variety of investment types so long as the investments are deemed prudent by its boards of directors. Examples include: loans held by other 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 in organizations whose primary purpose is to strengthen, advance, or provide services in the credit union industry or for the credit union's membership; and insurance policies and investment products related to employee benefits.

Real Property Interests.

With some limitations, credit unions may invest in real property or leasehold interests if used in conducting its business or the business of a credit union services organization. Credit unions must partially occupy real property acquired for future expansion within three years of the investment if property improvements are made at the time of acquisition, or within six years if no improvements are made.

Summary of Bill:

Credit Union Regulations.

The Director shall determine, by rule, the definition of small credit unions for the purpose of providing relief from certain credit union requirements in state law or rule.

Credit Union Authority.

State-chartered credit unions may have all of the powers and authorities held by federal credit unions as of December 31, 1993, or a subsequent date not later than the effective date of this act.

Credit Union Services and Charges.

The list of services credit unions may provide includes cashing checks, money orders, and other payment instruments for members and persons who are eligible for membership. Credit unions

may impose reasonable charges for providing services to non-members.

Investment of Credit Union Funds.

Credit unions may invest in the equity interest of corporations and other limited liability entities. The principal business of the corporation or entity does not have to be related to the credit union's business, but the corporation or business must be engaged in or planning activity that will be performed for or provided to the credit union or its members. An equity interest is defined as a stock, membership in a limited liability corporation, or a limited partnership interest in which the credit union's liability is limited to the amount of the investment and the credit union does not take on general liability. A credit union's investments in corporate equity interests may not exceed the lesser of 50 percent of the credit union's net worth or, when combined with investments in credit union service organizations, 10 percent of the credit union's assets. Credit unions may not invest in a federal or state depository institution or a bank or savings bank holding company.

A credit union may engage in investment activity only with the prior authorization of the Director, and investment activity is subject to any requirements, restrictions, or other conditions adopted by the Director. In approving or denying a proposed investment, the Director must consider the financial and management strength of the credit union and the relationship of the activity to the credit union's operations.

Real Property Interests.

The requirement that credit unions partially occupy property acquired for future expansion within a designated amount of time from acquisition is removed.

Appropriation: None.

Fiscal Note: Not requested.

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