

SUPPORT COMMON SENSE UPDATES TO THE WASHINGTON CREDIT UNION ACT

Modernize the Washington Credit Union Act to help credit unions better serve their members on Main Street

The changes proposed in SB 5479/HB 1247 would allow credit unions to better serve their members, create consumer access, and give the state regulatory agencies the authority necessary to provide strong oversight. This bill is sponsored by Senators Mark Mullet and Lynda Wilson and Representatives Larry Hoff and Kristine Reeves. This bill will make the following 6 updates:

1	2	3	4	5	6
Increase the limit on investments in CUSOs not exclusively owned by credit unions;	Grant the DFI authority to issue rules approving investments;	Allow for virtual membership meetings;	Update the federal parity date from July 23, 2017 to the effective date of the act and clarify parity with other states;	Confirm the DFI's authority over field of membership permissions; and	Clarify the member account verification timeline.

1 CREDIT UNION SERVICE ORGANIZATIONS

Credit Union Service Organizations (CUSOs) are corporate entities owned by federal or state-chartered credit unions. CUSOs serve credit unions and/or members of credit unions, providing products such as checking and currency services, management services, business and mortgage loan originations, financial counseling, and more.

Challenge: CUSO investment authorities are limited to 5% of assets unless the CUSO is wholly owned by credit unions. With increased technology and compliance challenges, credit unions are finding it more attractive to partner with other credit unions to use CUSOs to gain economies of scale in obtaining services from vendors or providing services to members. Credit unions need expanded ability to make use of this collaborative approach. It is important to think beyond today and to have flexibility to focus on the long-term health of credit unions.

Proposal: Provide greater CUSO investment authority and allow credit unions to invest more than 5% of assets.

Outcome: This allows credit unions to be innovative and keep up with their members' expectations.

2 INVESTMENTS

Challenge: The Washington State Department of Financial Institutions (DFI) does not have clear authority to approve new investments by rule. Investments outlined in statute are limited and the DFI needs the ability to approve additional investments through rulemaking rather than only in response to applications.

Proposal: Provide greater immediate flexibility, give the authority to add investments by rule.

Outcome: This technical update would make investments that are qualified for collateralizing public funds permissible and would allow the DFI greater authority to update permissible investments.

3 GOVERNANCE RELATED TO MEETINGS DATE AND TIME

Challenge: The annual and special membership meeting requires a credit union to hold a meeting at “place.”

Proposal: Update the statute to allow for full virtual meetings by removing reference to “time and place”.

Outcome: This technical update will allow credit unions with large footprints to have greater participation in their annual meetings through a virtual meeting that can be attended wherever the member is located.

4 PARITY

Challenge: The parity law does not clearly allow a credit union to achieve parity with credit unions in other states.

Proposal: Update the strike date for automatic parity with federal credit unions and allow for credit unions to request parity with other state acts regardless of whether the credit union has a branch in that state.

Outcome: This technical update would give the DFI flexibility to grant parity to Washington credit unions with other states, helping to maintain a competitive credit union charter and operating environment.

5 CLARIFYING MEMBERSHIP AUTHORITY

Challenge: It is not currently clear that the DFI has the exclusive statutory authority to grant Field of Memberships (FOMs) that include out-of-state members to Washington credit unions without branches in the other state.

Proposal: Create a provision that allows the DFI to grant FOMs out of state.

Outcome: This technical update provides clarity on an authority that is currently ambiguous.

6 ACCOUNT VERIFICATION TIMELINE

Challenge: Current language in Washington statute is potentially ambiguous regarding required account verification practices.

Proposal: Make a technical update to clarify that an annual audit is a yearly requirement, but account verification can be performed every two years, consistent with federal regulations.

Outcome: This technical update provides clarity on an authority that is currently ambiguous.



The Northwest Credit Union Association is the trade association representing Washington's 85 credit unions and nearly 100 others in Idaho and Oregon. In the Northwest, more than 7.3 million consumers have chosen credit unions as their financial services partners.



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