NEW SECTION. Sec. 1. The following acts or parts of acts are each repealed:

(1) Section 1, chapter 79, Laws of 1979, section 9, chapter 213, Laws of 1981 and RCW 43.06.300;
(2) Section 2, chapter 79, Laws of 1979 and RCW 43.06.310;
(3) Section 3, chapter 79, Laws of 1979 and RCW 43.06.320;
(4) Section 4, chapter 79, Laws of 1979 and RCW 43.06.330; and
(5) Section 5, chapter 79, Laws of 1979 and RCW 43.06.340.

Passed the Senate February 16, 1984.
Approved by the Governor February 23, 1984.
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CHAPTER 31
[Engrossed Substitute House Bill No. 1188]
CREDIT UNIONS—GENERAL REVISION

CH. 31    WASHINGTON LAWS, 1984


Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. These repeals shall not be construed as affecting any existing right acquired or liability or obligation incurred under the statutes repealed or under any rule, regulation, or order adopted pursuant thereto; nor as affecting any proceeding instituted thereunder.

The following acts or parts of acts are each repealed:

(1) Section 2, chapter 23, Laws of 1957 and RCW 31.12.010;
(4) Section 2, chapter 173, Laws of 1933, section 2, chapter 131, Laws of 1943 and RCW 31.12.040;
(8) Section 6, chapter 173, Laws of 1933 and RCW 31.12.100;
(10) Section 8, chapter 173, Laws of 1933, section 7, chapter 131, Laws of 1943 and RCW 31.12.120;
(14) Section 1, chapter 173, Laws of 1933 and RCW 31.12.150;
(15) Section 12, chapter 173, Laws of 1933, section 10, chapter 131, Laws of 1943, section 2, chapter 48, Laws of 1953, section 4, chapter 180,


(20) Section 4, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.205;


(31) Section 24, chapter 173, Laws of 1933 and RCW 31.12.300;

(32) Section 9, chapter 41, Laws of 1980 and RCW 31.12.305;


(38) Section 29, chapter 173, Laws of 1933 and RCW 31.12.350;


(40) Section 32, chapter 173, Laws of 1933, section 24, chapter 131, Laws of 1943 and RCW 31.12.370;

(41) Section 1, chapter 90, Laws of 1981 and RCW 31.12.373;
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(42) Section 3, chapter 90, Laws of 1981 and RCW 31.12.377;
(43) Section 34 added to chapter 173, Laws of 1933 by section 26, chapter 131, Laws of 1943 and RCW 31.12.380;
(44) Section 35 added to chapter 173, Laws of 1933 by section 26, chapter 131, Laws of 1943 and RCW 31.12.390;
(45) Section 36 added to chapter 173, Laws of 1933 by section 26, chapter 131, Laws of 1943 and RCW 31.12.400;
(47) Section 34, chapter 173, Laws of 1933, section 25, chapter 131, Laws of 1943 and RCW 31.12.430;
(48) Section 15, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.440;
(49) Section 16, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.450;
(50) Section 17, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.460;
(51) Section 18, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.470;
(52) Section 13, chapter 37, Laws of 1983 and RCW 31.12.480;
(53) Section 6, chapter 37, Laws of 1983 and RCW 31.12.500;
(54) Section 7, chapter 37, Laws of 1983 and RCW 31.12.505;
(55) Section 8, chapter 37, Laws of 1983 and RCW 31.12.510;
(56) Section 9, chapter 37, Laws of 1983 and RCW 31.12.515;
(57) Section 10, chapter 37, Laws of 1983 and RCW 31.12.520;
(58) Section 11, chapter 37, Laws of 1983 and RCW 31.12.525;
(59) Section 12, chapter 37, Laws of 1983 and RCW 31.12.530;
(60) Section 19, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.900; and
(61) Section 9, chapter 222, Laws of 1975 1st ex. sess. and RCW 31.12.901.

NEW SECTION. Sec. 2. Unless the context clearly requires otherwise, as used in this chapter:
(1) "Board" means the board of directors of a credit union.
(2) "Branch" means any office, other than the principal place of business, maintained by a credit union for the purpose of providing services directly to its members. "Branch" does not include a facility that is limited to an electronic funds transferring machine that can be operated without the assistance of an employee of a credit union.
(3) "Credit union" means a credit union organized and operating under this chapter.
(4) "Employees" means the principal operating officer and other operating personnel of a credit union.
(5) "Federal credit union" means a credit union organized and operating under the laws of the United States.

(6) "Officers" means the officers of the board of a credit union who are elected under section 28 of this act.

(7) "Shares" and "deposits" are synonymous and interchangeable. Shares and deposits of a credit union shall be subject to such terms and conditions as established by the board of the credit union.

(8) "Supervisor" means the supervisor of savings and loan associations appointed under RCW 43.19.100, or the duly authorized agent of the supervisor of savings and loan associations.

(9) "Supervisory committee" means a committee having the powers and duties set forth in sections 34 through 37 of this act. Supervisory committees are the statutory successors of auditing committees.

NEW SECTION. Sec. 3. A credit union is a cooperative society organized for the purposes of promoting thrift among its members and creating a source of credit for them at fair and reasonable rates of interest. The supervisor is the state's credit union regulatory authority whose purpose is to protect the members' financial interests, the integrity of credit unions as cooperative institutions, and the interests of the general public, and to ensure that state-chartered credit unions remain viable and competitive in this state.

NEW SECTION. Sec. 4. (1) A credit union shall include in its name the words "credit union."

(2) No person, partnership, association, corporation, or other organization may transact business or engage in any other activity under a name or title containing the words "credit union" unless it is:

(a) A credit union;

(b) An organization comprised of corporations organized under this chapter or under federal credit union laws;

(c) A sole proprietorship, partnership, or corporation that is primarily in the business of managing one or more credit unions; or

(d) An organization specifically authorized under the laws of this state or under federal law to use the words "credit union" in its name.

NEW SECTION. Sec. 5. Seven or more persons who reside in this state may apply to the supervisor for permission to organize a credit union. The supervisor shall approve the application if it is in compliance with this chapter.

NEW SECTION. Sec. 6. (1) Membership in a credit union shall be limited to groups having a common bond of occupation or association, or to groups within a well-defined neighborhood, community, or rural district. The supervisor may adopt rules: (a) Reasonably defining "common bond"; and (b) setting forth standards for the approval of charters.
(2) The supervisor may approve the inclusion within the field of membership of a credit union a group having a separate common bond if the supervisor determines that the group is not of sufficient size or resources to support a viable credit union of its own.

NEW SECTION. Sec. 7. (1) Persons applying for the organization of a credit union shall execute articles of incorporation stating:
   (a) The initial name of the proposed credit union and its location;
   (b) That the duration of the credit union is perpetual;
   (c) That the purpose of the credit union is to engage in the business of a credit union and any other lawful activities permitted to a credit union by applicable laws and rules;
   (d) The number of its directors, which shall not be less than five nor greater than fifteen, and the names, occupations, and addresses of the persons who are to serve as the initial directors;
   (e) The names, occupations, and addresses of the subscribers to the articles of incorporation, and a statement of the number of shares which each has agreed to take; and
   (f) The initial par value of the shares of the credit union.

(2) Applicants shall submit the articles of incorporation in triplicate to the supervisor.

NEW SECTION. Sec. 8. (1) Persons applying for the organization of a credit union shall adopt bylaws that are consistent with this chapter and that prescribe the manner in which the business of the credit union shall be conducted. The bylaws shall include:
   (a) The name of the credit union;
   (b) The purposes of the credit union;
   (c) The qualifications for membership in the credit union, including the minimum number of shares, if any, required for membership status, and the standards and procedures for expelling a member who has failed to maintain the minimum number of shares;
   (d) The number of directors and supervisory committee members, and the length of terms they serve;
   (e) The frequency of regular meetings of the board and the supervisory committee, and the manner in which members of the board or supervisory committee are to be notified of meetings;
   (f) The powers and duties of the officers elected by the board;
   (g) The timing of the annual meeting and the manner in which members are to be notified of membership meetings, including special membership meetings;
   (h) The number of members constituting a quorum at a membership meeting; and
   (i) Other matters considered appropriate by the applicants to be included in the bylaws.

(2) Applicants shall submit the bylaws in duplicate to the supervisor.
NEW SECTION. Sec. 9. (1) When articles of incorporation and by-laws complying with the requirements of sections 7 and 8 of this act have been filed with the supervisor, the supervisor shall:

(a) Determine whether the articles of incorporation and by-laws are consistent with the purposes and requirements of this chapter; and

(b) Determine the feasibility of the credit union, taking into account surrounding facts and circumstances pertaining to a successful operation of a credit union.

The supervisor may establish by rule, as a prerequisite to approval of a proposed credit union, specific criteria consistent with the purposes and policies of this chapter.

(2) If the supervisor is satisfied with the determinations made under subsection (1)(a) and (b) of this section, the supervisor shall endorse each of the articles of incorporation "approved" and indicate the date the approval is granted, and return two sets of articles and one set of bylaws to the applicants.

(3) If the supervisor is not satisfied with the determinations made under subsection (1)(a) and (b) of this section, the supervisor shall endorse each of the articles of incorporation "refused," indicate the date of and reasons for the refusal, and return two copies of the articles of incorporation with one copy of the bylaws to the person from whom they were received. The supervisor shall at the time of returning the copies of the articles of incorporation and bylaws also provide notice to the applicant of the applicant's right to appeal the refusal under chapter 34.04 RCW. The refusal is conclusive unless the applicant requests a hearing under chapter 34.04 RCW.

(4) The supervisor shall accept or refuse the articles of incorporation within sixty days of receipt.

NEW SECTION. Sec. 10. (1) Upon the approval of the supervisor under section 9(2) of this act, the applicants shall file a copy of the articles of incorporation with the secretary of state. Upon receipt of the approved articles of incorporation and a five dollar filing fee to be provided by the applicants, the secretary of state shall file and record the articles of incorporation. The applicants shall in writing promptly notify the supervisor of the exact date of the filing.

(2) Upon the filing and recording of the approved articles of incorporation with the secretary of state, the persons named in the articles of incorporation and their successors may operate as a credit union, which shall have the powers and be subject to the duties and obligations of this chapter. A credit union shall not conduct business until the articles have been recorded by the secretary of state.

(3) A credit union shall organize and begin business within six months of the date that its articles of incorporation are filed and recorded with the secretary of state or its charter shall become void, unless the supervisor for
cause grants an extension of the six-month period. The supervisor shall not grant a single extension exceeding three months, but may grant as many extensions to a credit union as circumstances require.

**NEW SECTION.** Sec. 11. In order to simplify the organization of credit unions the supervisor shall cause to be prepared forms of articles of incorporation and bylaws consistent with this chapter and, upon written application of seven residents of this state, shall supply to the applicants, at no cost, blank forms of the suggested articles of incorporation and bylaws.

**NEW SECTION.** Sec. 12. The articles of incorporation of a credit union may be amended, with the approval of the supervisor, by a resolution of the board. Amendments to the articles of incorporation shall be filed with the supervisor and the secretary of state.

**NEW SECTION.** Sec. 13. (1) Subject to the approval of the supervisor under subsection (2) of this section, the bylaws of a credit union may be amended by the board of directors at any regular meeting or at a special meeting called for that purpose. An amendment of the bylaws requires the affirmative vote of two-thirds of the total members of the board. At least seven days before a meeting at which an amendment to the bylaws is to be voted upon, a copy of the proposed amendment, together with a written notice of the meeting as provided in the bylaws, shall be served upon each member of the board either personally or by mail to the director's last known post office address.

(2) An amendment to the bylaws of a credit union shall not become operative until it has been approved by the supervisor. The supervisor shall approve or disapprove an amendment within thirty days of receipt.

**NEW SECTION.** Sec. 14. A credit union may:

1. Issue shares to and receive deposits from its members as provided in this chapter and the bylaws of the credit union;
2. Make loans to its members as provided in this chapter and the bylaws of the credit union;
3. Pay dividends or interest to its members;
4. Impose reasonable charges for the services it provides to its members;
5. Impose financing charges and reasonable late charges in the event of default on loans in accordance with the bylaws of the credit union and recover reasonable costs and expenses, including reasonable attorneys' fees incurred both before and after judgment, incurred in the collection of sums due it if provided for in the note or agreement signed by the borrower;
6. Acquire, lease, hold, assign, pledge, hypothecate, sell, or otherwise dispose of a possessory interest in personal property and, with the prior written permission of the supervisor, in real property, so long as the property is necessary or incidental to the operation of the credit union. The written
permission of the supervisor is not required for the acquisition and disposition of property through the collection of loans secured by the property;

(7) Deposit and invest funds in excess of the amount approved for loans to members as provided in this chapter;

(8) Borrow money, up to a maximum of fifty percent of its paid-in and unimpaired capital and surplus;

(9) Discount or sell any of its assets, or purchase any or all of the assets of another credit union. A credit union may not discount or sell more than ten percent of its assets without the prior written approval of the supervisor;

(10) Accept deposits of deferred compensation of its members under the terms and conditions of RCW 28A.58.740 and 41.04.250(2);

(11) Act as fiscal agent for and receive payments on shares and deposits from the federal government or this state, and any agency or political subdivision thereof;

(12) Engage in activities and programs as requested by the federal government, this state, and any political subdivision thereof, when the activities or programs are not inconsistent with this chapter;

(13) Hold membership in other credit unions organized under this chapter or other laws and in associations controlled by or fostering the interests of credit unions, including a central liquidity facility organized under state or federal law; and

(14) Exercise such incidental powers as are necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

NEW SECTION. Sec. 15. (1) Notwithstanding any other provision of law, a credit union may exercise any of the powers or authority conferred as of the effective date of this act upon a federal credit union doing business in this state.

(2) In addition to the powers conferred under subsection (1) of this section, the supervisor may by rule authorize credit unions to exercise any of the powers conferred at the time of the adoption of the rule upon a federal credit union doing business in this state if the supervisor finds that the exercise of power serves the convenience and advantage of depositors and borrowers of state-chartered credit unions, and maintains the fairness of competition and parity between state-chartered credit unions and federal-chartered credit unions.

(3) Before exercising a power under subsection (1) or (2) of this section, the board of a credit union shall adopt a resolution identifying and formally adopting that power.

NEW SECTION. Sec. 16. A credit union may admit to membership those persons qualified for membership as set forth in its bylaws upon the payment of a membership fee, if any, or the purchase of one or more shares,
as provided in the bylaws. A fraternal organization, partnership, or corporation having a usual place of business in this state and comprised principally of persons who are eligible for membership in the credit union may become a member of the credit union.

NEW SECTION. Sec. 17. Shares may be issued in the name of a minor and the shares may, in the discretion of the board, be withdrawn by the minor or by the minor's parent or guardian. A minor under age eighteen does not have the right to vote as a member.

NEW SECTION. Sec. 18. A credit union may impose a reasonable service charge for the processing of accounts that remain dormant for a period of time specified by the board.

NEW SECTION. Sec. 19. The fiscal year of a credit union shall end on the 31st day of December.

NEW SECTION. Sec. 20. (1) The regular membership meeting of a credit union shall be held annually within ninety days of the end of the fiscal year, at such time and place as the bylaws prescribe, and shall be conducted according to the customary rules of parliamentary procedure.

(2) Notice of regular meetings of a credit union shall be given as provided in the bylaws of the credit union.

(3) No member may have more than one vote regardless of the number of shares held by the member. A fraternal organization, voluntary association, partnership, or corporation having a membership in a credit union may cast one vote by its authorized agent, who shall be an officer of the organization, association, partnership, or corporation. Voting by mail ballot may be authorized by the board as prescribed in the bylaws.

NEW SECTION. Sec. 21. (1) A special meeting of a credit union may be called by a majority of the board, a majority vote of the supervisory committee, or upon written application of at least ten percent or two thousand, whichever is less, of the voting members of a credit union. A request for a special meeting of a credit union shall be in writing and shall state specifically the purpose or purposes for which the meeting is called. If the special meeting is being called for the removal of a director the notice shall state the name of the director whose removal is sought.

(2) Upon receipt of a request for a special meeting, the secretary of the credit union shall designate the time and place at which the special meeting will be held. The designated place of the meeting shall be a reasonable location within the county in which the principal office of the credit union is located. The designated time of the meeting shall be no sooner than twenty nor later than thirty days after the request is received by the secretary. The secretary shall within ten days of receipt of the request give notice of the meeting, including the purpose for which the meeting is called, as provided in the bylaws. A wilful violation of this section constitutes a violation of this
chapter and constitutes grounds sufficient for the suspension and removal of the secretary under section 59 of this act.

(3) Except as provided in this subsection, the chairman or president of the board shall preside over special meetings. If the purpose of the special meeting includes the proposed removal of the chairman or president from the board, the next highest ranking officer of the board whose removal is not sought shall preside over the special meeting. If the removal of all of the officers of the board is sought, the chairman of the supervisory committee shall preside over the special meeting. After every special meeting, the chairman of the supervisory committee shall report to the supervisor the results of the special meeting and whether the special meeting was conducted in a fair manner in accordance with the bylaws of the credit union and with customary rules of parliamentary procedure.

NEW SECTION. Sec. 22. Members of a credit union who are calling for a special meeting, the purpose of which is to remove a majority of the board, may file a petition with the supervisor setting forth the reasons for which removal is sought and seeking the issuance of a cease and desist order. The supervisor may, after reviewing the merits of the petition, issue a cease and desist order prohibiting the directors and employees of the credit union from conducting any credit union business outside the scope of the usual daily affairs of the credit union. The cease and desist order shall remain in effect until revoked or modified by the supervisor or until the conclusion of the special meeting.

NEW SECTION. Sec. 23. A credit union desiring to establish a branch shall submit to the supervisor a notice of intent to establish a branch on a form provided by the supervisor at least thirty days before conducting business at the branch.

NEW SECTION. Sec. 24. The business and affairs of a credit union shall be managed by a board of not less than five nor greater than fifteen directors. The directors shall be elected at the annual meetings. The directors, as well as the principal operating officer and committee members of the credit union, shall be sworn to the faithful performance of their duties. The directors shall hold their offices, unless sooner removed as provided in this chapter, until their successors are qualified under section 25 of this act. Directors shall be elected to terms of between one and three years, as provided in the bylaws. If the terms are longer than one year, the terms shall be divided into classes, and an equal number of terms, as near as possible, shall be elected each year.

NEW SECTION. Sec. 25. (1) A director shall be a member of the credit union. If a director ceases to be a member of the credit union, the director shall no longer serve as director.
(2) A director shall no longer serve as director if the director in any twelve-month period is absent from more than thirty-three percent of the regular board meetings required by this chapter.

(3) The remainder of the term of a director's office that becomes vacant under subsection (1) or (2) or this section shall be served by an interim director appointed by the board.

NEW SECTION. Sec. 26. The members of a credit union may remove a director of the credit union at a special meeting called for that purpose. If the members remove a director, the members may at the same special meeting elect an interim director to complete the remainder of the director's term of office or may elect to authorize the board to appoint an interim director as provided in section 25 of this act.

NEW SECTION. Sec. 27. The board shall have the general direction of the affairs of the credit union. The board shall meet as often as necessary, but not less than once each month. The board shall:

(1) Act upon applications for membership with the credit union. The board may authorize a membership officer to approve applications under conditions prescribed by the board;

(2) Expel members for cause as provided in this chapter;

(3) Borrow and invest money on behalf of the credit union as provided by this chapter or authorize an investment committee to invest money;

(4) Determine the maximum amount of shares and deposits that a member may hold in the credit union;

(5) Declare dividends on shares and set the rate of interest on deposits in the manner and form provided in the bylaws;

(6) Determine the amount which may be loaned to a member and the finance charges, including interest, to be charged on the loans;

(7) Prescribe the conditions and terms under which a loan officer or credit committee may approve loans;

(8) Set the minimum number of shares, if any, required for active member status;

(9) Fill vacancies on all committees except the supervisory committee;

(10) Set the par value of shares of the credit union;

(11) Set the fees, if any, to be charged by the credit union to its members for the right to be a member of the credit union and for services rendered by the credit union;

(12) Approve the charge-off of credit union losses; or

(13) Perform such other acts as are required by this chapter.

NEW SECTION. Sec. 28. The board at its first meeting after the annual meeting of the members shall elect from its own members a chairman or president, and one or more vice chairmen or vice presidents, a secretary, a treasurer, and other officers that may be necessary for transacting the business of the board of the credit union. The officers of the board of the
credit union shall hold office until their successors are elected and qualified, unless sooner removed as provided by this chapter. The offices of secretary and treasurer may be held by the same person. The treasurer need not be an elected member of the board. The board may designate such employees, including a principal operating officer who shall not share the title chosen for the chairman or president of the board and who need not be a member of the board, as are necessary for the operation of the credit union.

**NEW SECTION.** Sec. 29. The board may for cause remove an officer from office or a committee member from a committee, other than the supervisory committee. For the purpose of this section "cause" includes demonstrated financial irresponsibility or activities which, in the judgment of the board, are detrimental to the credit union.

**NEW SECTION.** Sec. 30. The board may, by a two-thirds vote, suspend for cause a member of the board or a member of the supervisory committee until a membership meeting is held. The meeting shall be held within thirty days after the suspension. The members attending that meeting shall vote whether to remove the suspended party.

**NEW SECTION.** Sec. 31. (1) The board may, by a two-thirds vote, expel a member for cause. The board shall notify the member of the expulsion and the reasons upon which it is based. The board shall, upon request of the expelled member, allow the member to challenge the expulsion and seek reinstatement as a member.

(2) The amounts paid in on shares or deposited by a member who has been expelled shall be paid to the member after deducting amounts due from the member(s) to the credit union. Expulsion shall not operate to relieve a member from outstanding liabilities owed to the credit union.

**NEW SECTION.** Sec. 32. (1) Each director, committee member, and employee of a credit union shall be bonded in an amount and with surety and conditions established by the supervisor.

(2) When the bond coverage under subsection (i) of this section is suspended or terminated, the board of the affected credit union shall notify the supervisor in writing within five days of having received notice of the suspension or termination.

**NEW SECTION.** Sec. 33. A credit committee or loan officer, as the bylaws may provide, shall act upon all applications for loans and lines of credit under the terms and conditions prescribed by the board. All applications for loans or lines of credit shall be in writing and shall state the purpose for which the loan or line of credit is desired and the security, if any, offered. Approval of loans and lines of credit shall be in writing.

**NEW SECTION.** Sec. 34. A supervisory committee of at least three members shall be elected at the annual meeting of the credit union. A member of the supervisory committee shall serve a term of three years, unless sooner removed under this chapter or until a successor commences the
performance of the member's duties. The members of the supervisory committee shall be divided into classes so that as equal a number as is possible is elected each year. If a member of the supervisory committee ceases to be a member of the credit union, the member's office shall become vacant. The supervisory committee shall fill vacancies in its membership until successors are elected, except that if all positions on the committee are vacant at the same time the board may fill the vacancies until the next annual meeting. No officer or employee of a credit union may serve on the supervisory committee of that credit union. No more than one director may be a member of the supervisory committee at the same time. No member of the supervisory committee may serve on the credit committee or investment committee of the credit union while serving on the supervisory committee.

NEW SECTION. Sec. 35. The supervisory committee of a credit union shall:

(1) Meet as often as necessary and at least quarterly;
(2) Keep fully informed as to the financial condition of the credit union;
(3) Cause to be made semiannually a complete examination of the cash, the credit union accounts, including income and expense, and the members' share accounts in accordance with rules adopted by the supervisor; and
(4) Report its findings and recommendations to the board and make an annual report to the members at the annual meeting.

NEW SECTION. Sec. 36. By unanimous vote the supervisory committee of a credit union may suspend for cause an officer of the credit union, a member of a committee, or a member of the board until a membership meeting is held. The meeting shall be held within thirty days after the suspension. The members attending that meeting shall vote whether to remove the suspended party.

NEW SECTION. Sec. 37. Within forty-five days after the end of the fiscal year of a credit union, the supervisory committee of a credit union shall make a report to the supervisor on a form provided by the supervisor. A credit union that fails to submit the report within the time prescribed, or that fails to submit other reports within thirty days of a written request by the supervisor, shall pay to the state five dollars for each day until the report is submitted. The penalty for any single delinquency shall not exceed one hundred dollars and may be waived by the supervisor.

NEW SECTION. Sec. 38. Directors and members of committees shall not receive compensation for their services, except to the extent that an officer serving as principal operating officer may receive compensation. Directors and members of committees may receive reimbursement for reasonable expenses incurred in the performance of their duties. Loans to directors and
committee members shall be under no more favorable conditions and terms than those under which loans to general members are made.

NEW SECTION. Sec. 39. The capital of a credit union consists of the money paid in by its members on shares and deposits under section 40 of this act and membership fees, if any, paid under section 41 of this act.

NEW SECTION. Sec. 40. Shares purchased and deposits made in a credit union by an individual are governed by chapter 30.22 RCW. An individual member may purchase shares and make deposits in a credit union in an amount that does not exceed five hundred dollars or twenty percent of the total shares of the credit union, whichever is greater. A fraternal organization, partnership, or corporation that is a member may purchase shares and make deposits in an amount that does not exceed twenty percent of the assets of the credit union, unless the supervisor authorizes a greater amount. A credit union may require from a member ninety days notice of the intention to withdraw shares or deposits. The notice requirement may be extended with the written consent of the supervisor.

NEW SECTION. Sec. 41. The board of a credit union may establish as a condition of membership a membership fee to be paid by a member upon becoming a member.

NEW SECTION. Sec. 42. (1) A credit union may make loans to its members with the approval of a credit committee or loan officer. A credit union shall not make loans to a fraternal organization, partnership, or corporation in excess of the total shares of the organization, partnership, or corporation without the written consent of the supervisor.

(2) A credit union may make to individual members:

(a) Personal loans secured by the note of the member or other adequate security, including, but not limited to, equity interests in real estate, automobiles, boats, motorhomes, and travel trailers. The aggregate of personal loans to one member shall be limited to five thousand dollars or two and one-half percent of the assets of the credit union, whichever is greater, unless the supervisor approves in writing a greater loan amount. Personal loans shall be payable within twelve years unless the personal loan is fully secured by the member's equity interest in real estate, in which case the loan shall be payable within fifteen years;

(b) Student loans under student loan programs of this state or the United States;

(c) Loans for the acquisition of a modular home or mobile home as defined by RCW 82.50.010, secured by a first security interest in that modular home or mobile home, owned by the member. A loan under this subsection shall not exceed eighty-five percent of the purchase price or of the appraised value of the modular home or mobile home, whichever is less, and shall have a maturity not to exceed twenty years;

(d) Residential real estate loans under section 43 of this act;

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(e) Loans to its members under an act of congress known as the "FHA Title I, National Housing Act of 1934," June 27, 1934 (12 U.S.C. Sec. 1701 to 1750, inc.); and

(f) Loans to credit union members in participation with other credit unions, credit union organizations, or financial organizations. The credit union which originates a loan under this subsection shall retain an interest of at least ten percent of the face amount of the loan unless the loan is a real estate loan in which case there is no retention requirement.

(3) Personal loans shall be given preference, and in the event there are not sufficient funds available to satisfy all approved loan applicants, further preference shall be given to small loans.

NEW SECTION. Sec. 43. (1) For purposes of this section a residential real estate loan is a loan secured by a first mortgage, deed of trust, real estate contract, or other first lien on the borrower's interest in a one-to-four family dwelling, including an individual cooperative unit, or a loan made for the construction of the dwelling. The dwelling shall be insured by hazard insurance in an amount at least as great as the credit union's interest in the dwelling or the value of the dwelling, whichever is less. A residential real estate loan shall not exceed ten thousand dollars or two and one-half percent of the assets of the credit union, whichever is greater, without the approval of the supervisor.

(2) Except for loans made with the intent of sale on the secondary market, the total amount of loans held by a credit union under this section shall not exceed:

(a) Ten percent of its total assets if its total assets are less than one hundred thousand dollars;

(b) Twenty percent of its total assets if its total assets are greater than one hundred thousand dollars but less than one million dollars; or

(c) Thirty percent of its total assets if its total assets are greater than one million dollars.

NEW SECTION. Sec. 44. (1) The capital or surplus funds in excess of the amount for which loans are approved may be deposited or invested in any of the following ways, so long as the investment has not been in default as to principal or interest within five years prior to the date of purchase:

(a) Accounts in banks or trust companies, including national banks located in this state, or other states, which accounts are insured by the federal deposit insurance corporation;

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

(c) Obligations issued by corporations designated under Section 9101 of Title 31 U.S.C., or obligations, participations or other instruments issued and guaranteed by the federal national mortgage association;
(d) Participations or obligations which have been subjected by one or more government agencies to a trust or trusts for which an executive department, agency, or instrumentality of the United States has been named to act as trustee;

(e) Shares, share certificates, or share deposits of other credit unions or savings and loan associations organized or authorized to do business under the laws of this state, other states, or the United States, which are insured or guaranteed by the federal savings and loan insurance corporation, the national credit union administration, the Washington credit union share guaranty association, or another insurer approved by the supervisor;

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

(g) Up to two percent of a corporation owned by the Washington credit union league;

(h) Shares, stocks, loans, or other obligations of an organization of which the membership or ownership is confined primarily to credit unions and the purpose of which is to strengthen, advance, or provide services to the credit union industry. An investment under subsection (1)(h) of this section shall be limited to one percent of the total paid in and unimpaired capital and surplus of the credit union;

(i) Loans to other credit unions organized or authorized to do business under the laws of this state, other states, or the United States. The aggregate of loans issued under this subsection shall be limited to twenty-five percent of the paid-in and unimpaired capital of the lending credit union;

(j) Other investments authorized in accordance with rules adopted by the supervisor consistent with this chapter.

(2) The board may appoint an investment committee to make and manage the investments under this section. An investment committee shall remain subject to the supervision of the board.

NEW SECTION. Sec. 45. (1) A credit union may invest a reasonable amount of its funds in real property or leasehold interests for its own use in conducting business if:

(a) The aggregate of its regular reserve and its undivided earnings equals five percent of the total of its share accounts;

(b) The board approves the investment in real property for its own use in conducting business by a two-thirds majority vote of the total number of directors;

(c) The total investment in the property does not exceed seven and one-half percent of the aggregate of its share and deposit accounts; and

(d) The supervisor approves of the investment in writing.

(2) The supervisor may waive the restrictions of this section. The restrictions of this section do not affect investments existing as of the effective date of this act.
NEW SECTION. Sec. 46. (1) At the end of each accounting period and before the payment of dividends to members, a credit union shall set apart as a regular reserve an amount in accordance with subsection (2) of this section.

(2) (a) If a credit union has been in operation for four or more years and has assets of at least five hundred thousand dollars it shall reserve ten percent of gross income until the regular reserve equals four percent of outstanding loans and then shall reserve five percent of gross income until the regular reserve equals six percent of outstanding loans.

(b) If a credit union has been in operation for less than four years or has assets of less than five hundred thousand dollars, it shall reserve ten percent of gross income until the regular reserve equals seven and one-half percent of outstanding loans and then shall reserve five percent of gross income until the regular reserve equals ten percent of outstanding loans.

(c) The supervisor may authorize a credit union falling under subsection (2)(b) of this section to follow the reserving requirements for credit unions falling under subsection (2)(a) of this section.

(d) In computing outstanding loans for purposes of reserving, a credit union may exclude loans secured by shares and loans insured or guaranteed by the federal government or the government of this state to the extent of the security, insurance, or guarantee.

(3) When the regular reserve falls below the percentage of outstanding loans required under subsection (2) of this section, a credit union shall replenish the regular reserve by again reserving a portion of gross income as set forth in subsection (2) of this section.

(4) The regular reserve and the investments thereof shall be held to meet contingencies or losses in the business of the credit union and shall not be distributed to its members except in the case of dissolution or with the permission of the supervisor.

NEW SECTION. Sec. 47. A credit union may with the approval of the supervisor, in lieu of complying with the requirements of section 46 of this act, comply with the reserve requirements and regulations of the national credit union administration.

NEW SECTION. Sec. 48. The supervisor may, if deemed necessary, require a credit union to establish a liquidity reserve of up to five percent of unimpaired capital. The liquidity reserve shall be in cash or investments with maturities of one year or less.

NEW SECTION. Sec. 49. The supervisor may require a credit union to charge-off or set-up a special reserve fund for such delinquent loans or other assets as in the supervisor's opinion require such action.

NEW SECTION. Sec. 50. (1) At each annual, semiannual, quarterly, or monthly period the board may declare a dividend from net earnings. The
dividends shall be paid on all eligible shares outstanding at the time of declaration and may be paid to members on shares withdrawn during the period. Shares which became paid-up during the dividend period shall be entitled only to a proportional part of the dividend in accordance with a formula adopted by the board.

(2) Dividends may be declared from the earnings which remain after the deduction of expenses, interest on deposits, and the amounts required for regular, liquidity, and special reserve, or the dividends may be declared in whole or in part from the undivided earnings that remain from preceding periods.

(3) A member shall be given the option to receive declared dividends either by cash payment or by a credit to the member's account in either shares or deposits.

NEW SECTION. Sec. 51. A credit union may distribute surplus earnings to borrowers as an interest refund ratably in proportion to interest paid by the borrowers.

NEW SECTION. Sec. 52. (1) Except as provided in subsections (2) and (3) of this section, a credit union shall not pay or become liable to pay as salaries, fees, wages, or other compensation to officers, directors, agents, attorneys, and employees and for rent, advertising, and all other operating expenses, sums of money in excess of ten percent of the average amount of assets of the credit union during the prior twelve months.

(2) Subsection (1) of this section notwithstanding, a credit union shall not be limited in its expenditures to a sum less than six hundred dollars in a calendar year.

(3) The supervisor may waive the restrictions of subsection (1) of this section if, in the supervisor's opinion: (a) Circumstances warrant a waiver, and (b) waiver will not jeopardize the financial condition of the credit union.

NEW SECTION. Sec. 53. The powers of supervision and examination of credit unions are vested in the supervisor. The supervisor shall require each credit union to conduct business in compliance with this chapter and other laws that apply to credit unions, and has the power to commence and prosecute actions and proceedings, to enjoin violations, and to collect sums due the state of Washington from a credit union authorized to conduct business under this chapter.

NEW SECTION. Sec. 54. (1) A credit union organized and qualified as a credit union in another state which has not had its authority to operate in another state suspended or revoked may operate as a credit union under this chapter if:

(a) The supervisor has approved an application to do business in this state;
(b) A credit union organized under the laws of this state is permitted to do business in the state in which the credit union is organized;

(c) The interest rate charged by the credit union on loans made to members residing in this state does not exceed the maximum interest rate permitted in the state in which the credit union is organized, or exceed the maximum interest rate which a credit union organized in this state is permitted to charge on similar loans, whichever is lower;

(d) The credit union has secured surety bond and fidelity bond coverages satisfactory to the supervisor;

(e) The credit union has secured for the share accounts of its members insurance or other surety satisfactory to the supervisor;

(f) The credit union submits to the supervisor an annual audit or examination report of its most recently completed fiscal year; and

(g) The credit union complies with all other provisions of this chapter and rules adopted by the supervisor.

(2) The supervisor shall disapprove an application filed under this section or, upon reasonable notice and an opportunity for hearing, suspend or revoke the approval of an application, if the supervisor finds that the standards of organization, operation, and regulation of the credit union do not reasonably conform with the standards under this chapter or that at least fifty percent of the members of the credit union are, or are reasonably expected to be, residents of this state. In considering the standards of organization, operation, and regulation of the credit union, the supervisor may consider the laws and regulations of the state in which the credit union is organized. A decision under this subsection may be appealed under chapter 34.04 RCW.

(3) In implementing this section, the supervisor may cooperate with the administrators of the credit union laws in other states and may share with the administrators the information received in the administration of this chapter.

(4) The supervisor shall adopt rules for the periodic examination and investigation of the affairs of an out-of-state credit union operating in this state. The costs of examination and supervision shall be fully borne by the out-of-state credit union.

NEW SECTION. Sec. 55. The supervisor may adopt such rules as are reasonable or necessary to carry out the purposes of this chapter. Chapter 34.04 RCW shall wherever applicable govern the rights, remedies, and procedures respecting the administration of this chapter.

NEW SECTION. Sec. 56. (1) The supervisor shall make an examination and full investigation into the affairs of each credit union at least once every eighteen months, unless the supervisor determines with respect to a credit union that a less frequent examination schedule will satisfactorily
protect the financial stability of the credit union and will satisfactorily assure compliance with the provisions of this chapter. The actual cost of examination and supervision shall be paid by the credit union examined. The supervisor may waive all or a portion of the examination costs payable by the credit union, in light of the time and expense of the examination and the ability of the credit union to pay the costs. The examination costs with respect to the first examination of a credit union with assets under two hundred thousand dollars shall not be payable by that credit union.

(2) The supervisor may accept in lieu of an examination under subsection (1) of this section the report of an examiner authorized to examine a credit union under the laws of the United States or another state or the report of an accountant, satisfactory to the supervisor, who has made and submitted a report of the condition of the affairs of a credit union and, if approved, the report shall have the same force and effect as an examination under subsection (1) of this section.

(3) Communications from the supervisor to the board of a credit union regarding an examination or report shall be read before the board at its first meeting following the receipt of the communication and the fact that the communication was read before the board shall be noted in the minutes of the meeting. The board shall promptly respond to the supervisor either by stating that steps have been taken to comply with the communication or by stating that the board objects to the communication and stating the reasons for the objection.

NEW SECTION. Sec. 57. The supervisor may investigate the affairs of a credit union service organization in which a credit union has an interest. A person or an entity that is not a credit union that has an interest in a credit union service organization in which a credit union has an interest is deemed to have consented to the investigation. For the purposes of this section and section 58 of this act, a sole proprietorship, partnership, or corporation that is primarily in the business of managing one or more credit unions shall be considered to be a credit union service organization.

NEW SECTION. Sec. 58. (1) Examination reports and information obtained by the supervisor's staff in conducting examinations of credit unions and credit union service organizations are confidential and privileged information and not subject to public disclosure under chapter 42.17 RCW.

(2) Notwithstanding subsection (1) of this section, the supervisor may furnish examination reports prepared by the supervisor's office to:

(a) Federal agencies empowered to examine state-chartered credit unions;

(b) Officials empowered to investigate criminal charges. The supervisor may furnish only that part of the report which is necessary and pertinent to the investigation, and only after notifying the affected credit union and members of the credit union who are named in that part of the examination report that the report is being furnished to the officials, unless the officials
requesting the report obtain a waiver of the notice requirement for good cause from a court of competent jurisdiction;

(c) The examined credit union, solely for its confidential use;
(d) The attorney general in his role as legal advisor to the supervisor;
(e) Prospective merger partners or liquidating agents of a distressed credit union;
(f) Credit union administrators in other states regarding an out-of-state chartered credit union doing business in this state under this chapter, or regarding a credit union chartered under this chapter doing business in another state;
(g) Accounting firms under contract with the credit union;
(h) Companies that have bonded the credit union to the extent that information is relevant to the renewal of the bond coverage or to a claim under the bond coverage; or
(i) Companies, associations, or agencies insuring or guaranteeing the shares of or deposits in the credit union.

(3) Examination reports furnished under subsection (2) of this section remain the property of the supervisor's office and no person, agency, or authority to whom reports are furnished or any officer, director, or employee thereof may disclose or make public the reports or information contained in the reports except in published statistical information that does not disclose the affairs of an individual or corporation, except that nothing prevents the use in a criminal prosecution of reports furnished under subsection (2)(b) of this section.

(4) In a civil action in which the reports are sought to be discovered or used as evidence, a party upon notice to the supervisor, may petition the court for an in-camera review of the reports. The court may permit discovery and introduction of only those portions of the report which are relevant and otherwise unobtainable by the requesting party. This subsection does not apply to an action brought or defended by the supervisor.

(5) This section does not apply to investigation reports prepared by the supervisor and the supervisor's staff concerning an application for a new credit union or a notice of intent to establish a branch of a credit union, except that the supervisor may adopt rules making confidential portions of the reports if in the supervisor's opinion the public disclosure of that portion of the report would impair the ability to obtain information the supervisor considers necessary to fully evaluate the application.

(6) Any person who knowingly violates a provision of this section is guilty of a gross misdemeanor.

NEW SECTION. Sec. 59. (1) The supervisor may suspend a director or the principal operating officer of a credit union if, in the opinion of the supervisor, the director or principal operating officer is dishonest, inefficient, incompetent, is wilfully disobeying orders of the supervisor, or is in any way violating this chapter or the bylaws of the credit union. The supervisor shall
give prompt notice of and the reasons for the suspension to the board of the affected credit union.

(2) Unless the supervisor specifically provides otherwise in the order of suspension, an order of suspension shall take effect immediately. The suspended person shall be prohibited from all aspects of the operation of the credit union. The suspended person shall be barred from the credit union premises and shall surrender the possession of all property and records of the credit union. A person who knowingly violates an order of suspension or who knowingly aids in the violation of an order of suspension shall be guilty of a gross misdemeanor.

(3) Upon receipt of the notice of suspension, the board shall within twenty days call a meeting of its members to consider the causes of the suspension. The board shall give at least seven days' notice of the time and place of the meeting to the supervisor unless the supervisor agrees to accept shorter notice. If the board finds the supervisor's objection to be well-founded, the board shall remove the suspended person immediately.

(4) If the board fails to remove the suspended person as provided in subsection (3) of this section, the supervisor may remove that person after reasonable notice and an opportunity to be heard under chapter 34.04 RCW. The suspension shall remain in effect for twenty days after the board meeting at which the board considers the suspension, during which time the supervisor may call a hearing under this subsection. If the supervisor calls a hearing, the suspension shall remain in effect until the time of the hearing.

NEW SECTION. Sec. 60. (1) The supervisor may issue and serve upon a credit union a notice of charges if in the opinion of the supervisor the credit union:

(a) Is engaging or has engaged in an unsafe or unsound practice in conducting the business of the credit union;

(b) Is violating or has violated a material provision of any law, rule, or any condition imposed in writing by the supervisor in connection with the granting of any application or other request by the credit union or any written agreement made with the supervisor; or

(c) Is about to do the acts prohibited in (a) or (b) of this subsection if the opinion that the threat exists is based upon reasonable cause.

(2) The notice shall contain a statement of the facts constituting the alleged violation or the practice and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist should issue against the credit union. The hearing shall be set not earlier than ten days nor later than thirty days after service of the notice unless a later date is set by the supervisor at the request of the credit union.

Unless the credit union appears at the hearing by a duly authorized representative, it shall be deemed to have consented to the issuance of the cease and desist order. In the event of this consent or if upon the record
made at the hearing the supervisor finds that any violation or practice specified in the notice of charges has been established, the supervisor may issue and serve upon the credit union an order to cease and desist from the violation or practice. The order may require the credit union and its directors, officers, employees, and agents to cease and desist from the violation or practice and may require the credit union to take affirmative action to correct the conditions resulting from the violation or practice.

(3) A cease and desist order shall become effective at the expiration of ten days after the service of the order upon the credit union concerned except that a cease and desist order issued upon consent shall become effective at the time specified in the order and shall remain effective as provided therein unless it is stayed, modified, terminated, or set aside by action of the supervisor or a reviewing court.

NEW SECTION. Sec. 61. If the supervisor determines that the act specified in section 60 of this act is likely to cause insolvency or substantial dissipation of assets or earnings of the credit union or to otherwise seriously prejudice the interests of its depositors, members, or shareholders, the supervisor may issue a temporary order requiring the credit union to cease and desist from the violation or practice. The order shall become effective upon service on the credit union and shall remain effective unless set aside, limited, or suspended by a court in proceedings under section 62 of this act pending the completion of the administrative proceedings under the notice and until the supervisor dismisses the charges specified in the notice or until the effective date of a cease and desist order issued against the credit union under section 60 of this act.

NEW SECTION. Sec. 62. Within ten days after a credit union has been served with a temporary cease and desist order, the credit union may apply to the superior court in the county of its principal place of business for an injunction setting aside, limiting, or suspending the order pending the completion of the administrative proceedings under section 60 of this act. The superior court shall have jurisdiction to issue the injunction.

NEW SECTION. Sec. 63. In the case of a violation or threatened violation of a temporary cease and desist order issued under section 61 of this act, the supervisor may apply to the superior court of the county of the principal place of business of the credit union for an injunction to enforce the order, and the court shall issue an injunction if it determines that there has been a violation or threatened violation.

NEW SECTION. Sec. 64. (1) An administrative hearing provided in section 60 of this act shall be conducted in accordance with chapter 34.04 RCW. The hearing shall be private unless the supervisor determines that a public hearing is necessary to protect the public interest after fully considering the views of the party afforded the hearing.
(2) Within sixty days after the hearing, the supervisor shall render a decision which shall include findings of fact upon which the decision is based and the supervisor shall issue and serve upon each party to the proceeding an order or orders consistent with section 60 of this act.

NEW SECTION, Sec. 65. (1) It is unlawful for a person to perform any of the following acts:
   (a) To knowingly subscribe to, make, or cause to be made a false statement or entry in the books of a credit union;
   (b) To knowingly make a false statement or entry in a report required to be made to the supervisor; or
   (c) To knowingly exhibit a false or fictitious paper, instrument, or security to a person authorized to examine a credit union.

   (2) A violation of this section is a class C felony under chapter 9A.20 RCW.

NEW SECTION, Sec. 66. Unless otherwise provided by law, it is a misdemeanor for an officer, director, agent, or employee of a credit union to knowingly violate or consent to the violation of this chapter.

NEW SECTION, Sec. 67. The supervisor may request a special meeting of the board of a credit union if the supervisor believes that a special meeting is necessary for the welfare of the credit union or the purposes of this chapter. The supervisor's request for a special meeting shall be made in writing to the secretary of the board and the request shall be handled in the same manner as a call for a special meeting under section 21 of this act. The supervisor may require the attendance of all of the directors of the board at the special meeting, and an absence of a director unexcused by the supervisor constitutes a violation of this chapter.

NEW SECTION, Sec. 68. (1) The supervisor may attend a regular or special meeting of the board of a credit union if the supervisor believes that attendance at the meeting is necessary for the welfare of the credit union or the purposes of this chapter or if the board has requested the supervisor's attendance. The supervisor shall provide reasonable notice to the board before attending a meeting.

   (2) A communication from the supervisor to the board shall upon the request of the supervisor be read to the board at its next meeting and the fact that the communication was read shall be noted in the minutes.

NEW SECTION, Sec. 69. (1) The articles of incorporation of a credit union may be suspended or revoked, the credit union placed in involuntary liquidation, and a liquidating agent appointed upon a finding by the supervisor that the credit union is insolvent.

   (2) Except as otherwise provided in this chapter, the supervisor, before suspending or revoking the articles of incorporation of a credit union and placing the credit union in liquidation, shall issue and serve notice on the credit union concerned of the intention to suspend or revoke the articles and
an order directing the credit union to show cause why its articles of incorporation should not be suspended or revoked, in accordance with chapter 34.04 RCW.

(3) If the supervisor finds that the credit union is insolvent and the credit union fails to adequately show cause, the articles of incorporation shall be suspended or revoked and the credit union placed in involuntary liquidation. The supervisor shall serve on the credit union an order directing the suspension or revocation and an order directing the involuntary liquidation and appointment of a liquidating agent under section 70 of this act, and a statement of the findings on which the order is based.

(4) The suspension or revocation shall be immediate and complete. Once the articles of incorporation are suspended or revoked, the credit union shall cease conducting business. The credit union may not accept any payment on shares or deposits, may not grant or pay out any new or previously approved loans, may not invest any of its assets, and may not declare or pay out any previously declared dividends. The liquidating agent of a credit union whose articles have been suspended or revoked may accept payments on loans previously paid out and may accept income from investments already made.

NEW SECTION. Sec. 70. (1) The supervisor shall designate the liquidating agent in the order directing the involuntary liquidation of the credit union under section 69 of this act. On receipt of the order placing the credit union in involuntary liquidation, the officers and directors of the credit union concerned shall deliver to the liquidating agent possession and control of all books, records, assets, and property of the credit union.

(2) The liquidating agent shall proceed to convert the assets to cash, collect all debts due to the credit union and wind up its affairs in accordance with the instructions and procedures issued by the supervisor. If a liquidating agent agrees to absorb and serve the membership of a distressed credit union the supervisor may approve a pooling of assets and liabilities rather than a distribution of assets.

(3) The liquidating agent shall cause to be published notice of liquidation once a week for three consecutive weeks in a newspaper of general circulation in the county in which the principal place of business of the liquidating credit union is located. The notice of liquidation shall inform creditors of the liquidating credit union how to make a claim upon the liquidating agent and that if a claim is not made upon the liquidating agent within thirty days of the last date of publication the creditor's claim shall be barred. The liquidating agent shall provide personal notice of liquidation to the creditors of record informing them that if they fail to make a claim upon the liquidating agent within thirty days of the service of the notice, the creditor's claim shall be barred. If a creditor fails to make a claim upon the liquidating agent within the times required to be specified in the notices of liquidation the creditor's claim shall be barred. All contingent liabilities of
the liquidated credit union shall be discharged upon the supervisor's order to liquidate the credit union. The liquidating agent shall, upon completion, certify to the supervisor that the distribution or pooling of assets of the credit union is complete.

**NEW SECTION.** Sec. 71. (1) For purposes of this section the merging credit union is the credit union whose charter ceases to exist upon merging with the continuing credit union. The continuing credit union is the credit union whose charter continues upon merging with the merging credit union.

(2) A credit union may be merged with another credit union with the approval of the supervisor and in accordance with requirements the supervisor may prescribe. The merger shall be approved by two-thirds majority vote of the board of each credit union and two-thirds majority vote of the members of the merging credit union present at a special membership meeting called by the merging credit union board. The requirement of approval by the members of the merging credit union may be waived if in the supervisor's opinion the merging credit union is in imminent danger of insolvency.

(3) The property, rights, and interests of the merging credit union transfer to and vest in the continuing credit union without deed, endorsement, or instrument of transfer, although instruments of transfer may be used if their use is deemed appropriate. The debts and obligations of the merging credit union that are known or reasonably should be known are assumed by the continuing credit union. The continuing credit union shall cause to be published notice of merger once a week for three consecutive weeks in a newspaper of general circulation in the county in which the principal place of business of the merging credit union is located. The notice of merger shall inform creditors of the merging credit union how to make a claim on the continuing credit union and that if a claim is not made upon the continuing credit union within thirty days of the last date of publication creditors' claims that are not known by the continuing credit union may be barred. Unless a claim is filed as requested by the notice, or unless the debt or obligation is known or reasonably should be known by the continuing credit union, the debts and obligations of the merging credit union are discharged. Upon merger the charter of the merging credit union ceases to exist.

**NEW SECTION.** Sec. 72. (1) A credit union chartered under the laws of this state may convert itself into a federal credit union chartered under the laws of the United States as authorized by the federal credit union act. The conversion shall be approved by two-thirds majority vote of the members present at any regular or special membership meeting called for that purpose by the board. The meeting shall be held within thirty days of being called and the secretary shall notify the members and the supervisor of the meeting and its purpose as provided by the bylaws at least twenty days prior to the meeting.
(2) If the conversion is approved by the members a copy of the resolution certified by the board shall be filed with the supervisor within ten days of approval. The board may effect the conversion from a state-chartered credit union to a federal-chartered credit union upon terms agreed by the board and the proper federal authorities as provided by federal laws, rules, and regulations.

(3) A certified copy of the federal credit union charter or authorization issued to the credit union by the proper federal authority shall be filed in the supervisor's office and thereupon the state-chartered credit union ceases to exist except for the purpose of winding up its affairs and prosecuting or defending any litigation by or against the state-chartered credit union. For all other purposes the credit union is converted into a federal-chartered credit union and the state-chartered credit union may execute, acknowledge, and deliver to the successor federal credit union the instruments of transfer, conveyance, and assignment that are necessary or desirable to complete the conversion, and the property, tangible or intangible, and all rights, titles, and interests that are agreed to by the board and the proper federal authorities.

(4) Procedures, similar to those contained in subsections (1) through (3) of this section, prescribed by the supervisor shall be followed when a credit union chartered under the laws of this state merges with or converts to a credit union chartered under the laws of another state.

NEW SECTION. Sec. 73. (1) A federal credit union located and conducting business in this state which becomes inoperative because of a change in the laws under which it is chartered or which is authorized to dissolve or convert to a state-chartered credit union in accordance with federal law may convert into a state-chartered credit union.

(2) The board of the federal credit union shall file with the supervisor proposed articles of incorporation and proposed bylaws, as provided by this chapter for organizing a new state-chartered credit union. If approved by the supervisor the federal-chartered credit union shall become a state-chartered credit union under the laws of this state and the assets and liabilities of the credit union vest in and become the property of the successor state-chartered credit union subject to all existing liabilities against the federal-chartered credit union. Shareholders and members of the federal credit union may become shareholders and members of the successor state-chartered credit union.

(3) Procedures, similar to those contained in subsections (1) and (2) of this section, prescribed by the supervisor shall be followed when a credit union chartered under the laws of another state wishes to merge with or convert to a credit union chartered under the laws of this state.

NEW SECTION. Sec. 74. (1) At a meeting specially called for the purpose of liquidation, upon the recommendation of at least two-thirds of the total members of the board of a credit union, the members of a credit
union may by a two-thirds vote of the members present elect to liquidate the credit union.

(2) Upon a vote to liquidate under subsection (1) of this section, a committee of three shall be elected to liquidate the assets of the credit union. The committee shall act under the direction of the supervisor and may be reasonably compensated by the board of the credit union. Each share of the credit union shall be entitled to its proportionate part of the assets in liquidation after all deposits and debts have been paid. The assets of the liquidating credit union shall not be subject to contingent liabilities. Upon distribution of the assets, the credit union shall cease to exist except for the purpose of discharging existing liabilities and obligations.

(3) Funds representing unclaimed dividends in liquidation and remaining in the hands of the liquidating committee for six months after the date of the final dividend shall be deposited, together with all the books and papers of the credit union, with the supervisor. The supervisor may one year after receipt destroy such records, books, and papers as, in the supervisor's judgment, are obsolete or unnecessary for future reference. The funds may be deposited in one or more trust companies, mutual savings banks, savings and loan associations, or national or state banks to the credit of the supervisor in trust for the members of the liquidating credit union entitled to the funds. The supervisor may pay to a person entitled to it that person's portion of the funds upon the receipt of satisfactory evidence that the person is entitled to a portion of the funds. In case of doubt or of conflicting claims, the supervisor may require an order of the superior court of the county in which the credit union was located authorizing and directing the payment of the funds. The supervisor may apply the interest earned by the funds toward defraying the expenses incurred in the holding and paying of the funds. Five years after the receipt of the funds, the funds still remaining with the supervisor shall be escheated to the state.

NEW SECTION. Sec. 75. Neither a credit union nor its members may be taxed upon its shares and deposits as property. A credit union shall be taxable upon its real property and tangible personal property, and every credit union shall be termed a mutual institution for savings and neither it nor its property may be taxable under any law which exempts savings banks or institutions for savings from taxation. For all purposes of taxation, the assets represented by the regular reserve and other reserves, other than reserves for expenses and losses of a credit union, shall be deemed its only permanent capital, and in computing any tax, whether it be property, income, or excise, appropriate adjustment shall be made to give effect to the mutual nature of such credit union.

NEW SECTION. Sec. 76. This chapter may be known and cited as the "Washington State Credit Union Act."
NEW SECTION. Sec. 77. Credit unions organized and operating under the laws of this state as of the effective date of this act may continue to operate after the effective date of this act and need not comply with the requirements of organization under sections 7 through 10 of this act. The activities of such credit unions conducted after the effective date of this act shall be governed by the provisions of this chapter.

NEW SECTION. Sec. 78. Sections 2 through 77 of this act shall be added to chapter 31.12 RCW.

Sec. 79. Section 5, chapter 207, Laws of 1977 ex. sess. and RCW 31-13.010 are each amended to read as follows:

The terms used in this chapter shall have the following meanings unless the context in which they are used clearly indicates otherwise.

(1) "Members" shall mean any ((individual or)) organization which meets the requirements of ((RW 31.12.010 and chapter 31.12 RCW.).

(2) "Member credit union" shall mean any credit union which has been elected to membership and subscribed for at least one share in the central credit union and paid the initial installment thereon.

(3) "Credit union" shall mean a corporation organized under chapter 31.12 RCW or chartered to do business as a credit union by the administrator of the national credit union administration or the successor or successors of him.

(4) "Funds" shall mean deposits and shares of the central credit union members.

(5) For the purpose of establishing required reserves all assets except the following are "risk assets":

(a) Cash on hand;

(b) Deposits and shares in banks, trust companies, savings and loan associations, mutual savings banks or credit unions;

(c) Assets which are insured or guaranteed by, or due from, the federal government or any agency or instrumentalities thereof.

NEW SECTION. Sec. 80. If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. Sec. 81. This act shall take effect on July 1, 1984. The supervisor of savings and loans may immediately take such steps as are necessary to ensure that this act is implemented on its effective date.

Passed the Senate February 16, 1984.
Approved by the Governor February 23, 1984.
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