

(a) a ferry system construction or repair contract as required by RCW 47.60.680 through 47.60.750 or (b) highway construction or improvement as required by RCW 47.28.070.

(n) Railroad company contracts filed with the utilities and transportation commission under RCW 81.34.070, except that the summaries of the contracts are open to public inspection and copying as otherwise provided by this chapter.

(o) Financial and commercial information and records supplied by private persons pertaining to export services provided pursuant to chapter 53.31 RCW.

(p) Financial disclosures filed by private vocational schools under chapter 28C.10 RCW.

(q) Financial and commercial information and records supplied by businesses during application for loans or program services provided by chapters 43.31, 43.63A, and 43.168 RCW.

(2) Except for information described in subsection (1)(c)(i) of this section and confidential income data exempted from public inspection pursuant to RCW 84.40.020, the exemptions of this section are inapplicable to the extent that information, the disclosure of which would violate personal privacy or vital governmental interests, can be deleted from the specific records sought. No exemption may be construed to permit the nondisclosure of statistical information not descriptive of any readily identifiable person or persons.

(3) Inspection or copying of any specific records exempt under the provisions of this section may be permitted if the superior court in the county in which the record is maintained finds, after a hearing with notice thereof to every person in interest and the agency, that the exemption of such records is clearly unnecessary to protect any individual's right of privacy or any vital governmental function.

(4) Agency responses refusing, in whole or in part, inspection of any public record shall include a statement of the specific exemption authorizing the withholding of the record (or part) and a brief explanation of how the exemption applies to the record withheld.

Passed the House April 20, 1987.

Passed the Senate April 13, 1987.

Approved by the Governor May 12, 1987.

Filed in Office of Secretary of State May 12, 1987.

CHAPTER 338

[House Bill No. 146]

CREDIT UNIONS—AUTHORITY AND DUTIES MODIFIED

AN ACT Relating to credit unions; and amending RCW 31.12.136, 31.12.185, 31.12.195, 31.12.265, 31.12.385, 31.12.406, 31.12.425, and 31.12.695.

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

Sec. 1. Section 15, chapter 31, Laws of 1984 and RCW 31.12.136 are each amended to read as follows:

(1) Notwithstanding any other provision of law, a credit union may exercise any of the powers or authority conferred as of ~~((July 1, 1984))~~ the effective date of this 1987 section, 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.

Sec. 2. Section 20, chapter 31, Laws of 1984 and RCW 31.12.185 are each amended to read as follows:

(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.

Sec. 3. Section 21, chapter 31, Laws of 1984 and RCW 31.12.195 are each amended to read as follows:

(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 RCW 31.12.575.

(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.

(4) Voting by mail ballot on issues to be presented at a special meeting is prohibited except with regard to mergers under RCW 31.12.695. Voting by mail ballot on a merger under RCW 31.12.695 may be authorized by the board in accordance with rules established by the supervisor.

Sec. 4. Section 28, chapter 31, Laws of 1984 and RCW 31.12.265 are each amended to read as follows:

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. All officers of the board of a credit union, with the exception of the treasurer, shall be elected members of the board. 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.

**Sec. 5. Section 40, chapter 31, Laws of 1984 and RCW 31.12.385 are each amended to read as follows:*

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.

A credit union shall have a lien on share accounts and accumulated dividends of a member for any sum owed the credit union by the member and for any loan endorsed or guaranteed by the member. A credit union shall also have a right of immediate set-off with respect to every deposit account. The credit union may refuse to allow withdrawals from any share or deposit accounts of a member who owes any sum to the credit union. The credit union may waive its right to a lien, to immediate set-off, to restrict withdrawals, or to any combination of such rights with respect to any share or deposit account or groups of such accounts.

*Sec. 5 was vetoed, see message at end of chapter.

Sec. 6. Section 42, chapter 31, Laws of 1984 and RCW 31.12.406 are each amended to read as follows:

(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 RCW 31.12.415;

(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.

Sec. 7. Section 44, chapter 31, Laws of 1984 and RCW 31.12.425 are each amended to read as follows:

(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, the accounts of which ((accounts)) are insured by the federal deposit insurance corporation. The deposits made by a credit union under this subsection may exceed the insurance limits established 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, the accounts of 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. The deposits made by a credit union under this subsection may exceed the insurance or guarantee limits established by the organization insuring or guaranteeing the institution into which the deposits are made;

(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, but a credit union may, in addition to the investment, lend to the organization an amount not exceeding an additional 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; or

(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.

Sec. 8. Section 71, chapter 31, Laws of 1984 and RCW 31.12.695 are each amended to read as follows:

(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)) those members of the merging credit union ((present)) voting on the merger at a special membership meeting called by the merging credit union board or by mail ballot as provided in RCW 31.12.195(4). 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.

Passed the House February 6, 1987.

Passed the Senate April 7, 1987.

Approved by the Governor May 12, 1987, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State May 12, 1987.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to section 5, House Bill No. 146, entitled:

"AN ACT Relating to credit unions."

This bill makes several changes to the Credit Union Code as revised by the Legislature in 1984. State chartered credit unions are now granted the authority to engage in activities permitted for federal credit unions in this update.

Section 5 of House Bill No. 146 is applicable to all credit union members with sums owing a credit union. It would significantly expand a credit union's authority over access to members' accounts without establishing adequate limitations on the exercise of this authority. If this section were left in, it would grant a statutory right of immediate set-off which would allow a credit union the right to refuse withdrawals from any share account of a member who owes any sum to the credit union. I do not feel that it is necessary to create this statutory right. Typically, members are asked by their credit unions to sign a consensual lien on their shares as collateral for loans. It is my understanding that other organizations in the banking industry do not have similar statutory lien rights but, like credit unions, must rely on consensual authorization from their depositors. For this reason I have vetoed section 5.

With the exception of section 5, House Bill No. 146 is approved."

CHAPTER 339

[Substitute House Bill No. 902]

CIVIL SERVICE EXEMPTIONS—CERTAIN FIRE DEPARTMENT AND POLICE DEPARTMENT CHIEFS

AN ACT Relating to cities and towns; amending RCW 41.08.050 and 41.12.050; adding new sections to chapter 35.21 RCW; creating a new section; providing an effective date; and declaring an emergency.