

NEW SECTION. Sec. 3. This act shall take effect on January 1, 1981.

Passed the House February 5, 1980.

Passed the Senate February 18, 1980.

Approved by the Governor February 29, 1980.

Filed in Office of Secretary of State February 29, 1980.

## CHAPTER 41

[Substitute House Bill No. 1416]

### CREDIT UNIONS

AN ACT Relating to credit unions; amending section 4, chapter 173, Laws of 1933 as amended by section 4, chapter 131, Laws of 1943 and RCW 31.12.080; amending section 5, chapter 173, Laws of 1933 as last amended by section 1, chapter 138, Laws of 1959 and RCW 31.12.090; amending section 9, chapter 173, Laws of 1933 as last amended by section 1, chapter 48, Laws of 1953 and RCW 31.12.130; amending section 15, chapter 173, Laws of 1933 as last amended by section 1, chapter 222, Laws of 1975 1st ex. sess. and RCW 31.12.190; amending section 18, chapter 173, Laws of 1933 as last amended by section 7, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.220; amending section 11, chapter 23, Laws of 1957 as last amended by section 6, chapter 222, Laws of 1975 1st ex. sess. and RCW 31.12.270; amending section 12, chapter 23, Laws of 1957 as last amended by section 7, chapter 222, Laws of 1975 1st ex. sess. and RCW 31.12.280; amending section 26, chapter 173, Laws of 1933 as last amended by section 14, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.320; amending section 3, chapter 80, Laws of 1975 1st ex. sess. and RCW 31.12A.010; amending section 7, chapter 80, Laws of 1975 1st ex. sess. and RCW 31.12A.050; creating new sections; adding a new section to chapter 31.12 RCW; adding a new section to chapter 11.62 RCW; and providing penalties.

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

Section 1. Section 4, chapter 173, Laws of 1933 as amended by section 4, chapter 131, Laws of 1943 and RCW 31.12.080 are each amended to read as follows:

Credit union membership shall consist of the incorporators and such other persons as may be elected to membership and subscribe for at least one share and pay the initial installment thereon and the entrance fee, if any. Any fraternal organization, partnership or corporation having a usual place of business within the state and composed principally of individual members or stockholders who are themselves eligible to membership in a credit union, may become a member of a credit union, but, except with the consent of the supervisor, the credit union shall make no loan to such a member in excess of the total of its shares and deposits therein; nor shall a credit union receive from any such member money in payment for shares or on deposit to such an amount that the total of such payment by all members of the class described in this section shall exceed at any time twenty-five percent of the assets of the credit union. Credit union organization shall be limited to groups of both large and small membership having a common bond of occupation or association, or to groups within a well defined neighborhood, community or rural district.

Sec. 2. Section 5, chapter 173, Laws of 1933 as last amended by section 1, chapter 138, Laws of 1959 and RCW 31.12.090 are each amended to read as follows:

Subject to the provisions of RCW 31.12.080, a credit union may receive savings from its members in payment for shares or on deposit, or may lend to its members at reasonable rates, or invest, as hereinafter provided, the funds so accumulated. It may undertake such other activities relating to the purpose of its organization as its articles of incorporation may provide. A credit union may invest a reasonable amount of its funds in real property or leasehold interests therein for use principally in the transaction of its business when:

(1) The aggregate of its guaranty fund and undivided profits accounts equals five percent of the aggregate of its share accounts;

(2) its directors, by at least three-fourths affirmative vote, approve the making of such investment; and

(3) the total investment in such property does not exceed seven and one-half percent of the aggregate of its share accounts.

The foregoing restrictions of this section shall not affect existing investments of credit unions. No credit union may invest its funds in real property or leasehold interests therein for use principally in the transaction of its business without the prior written approval of the supervisor. However a credit union may acquire real property through collection of loans secured thereby. The supervisor may, if he deems it to be in the best interest of the credit union, waive the restrictions of this section pertaining to real property and leasehold interests.

Sec. 3. Section 9, chapter 173, Laws of 1933 as last amended by section 1, chapter 48, Laws of 1953 and RCW 31.12.130 are each amended to read as follows:

The capital of a credit union shall be unlimited in amount. Deposits and shares of capital stock may be subscribed and paid for in such manner as the bylaws prescribe. A shareholder may purchase shares in a credit union and may also make deposits therein to an amount in the aggregate not exceeding five hundred dollars or twenty percent of the total shares and deposits of the credit union, whichever is greater. A credit union may require from a member ninety days' notice of his intention to withdraw any or all of his shares and sixty days' notice of intention to withdraw any or all of his deposits, except that the notices may be extended beyond such time limits with the written consent of the supervisor.

Sec. 4. Section 15, chapter 173, Laws of 1933 as last amended by section 1, chapter 222, Laws of 1975 1st ex. sess. and RCW 31.12.190 are each amended to read as follows:

The board shall have the general direction of the affairs of the corporation and shall meet as often as may be necessary, but not less than once in each month. It shall act upon all applications for membership and upon the

expulsion of members, except that a membership officer may be authorized by the board to approve applications for membership under such conditions as the board may prescribe which are consistent with the provisions of this chapter, and such membership officers so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require. The board shall determine the rate of interest on loans subject to the limitations herein, determine the rate of interest to be paid on deposits, which shall not be greater than one-half of one percent less than the rate at which dividends have been declared during the immediately preceding period, determine the types of security which shall be acceptable on loans subject to the limitations herein, and fill vacancies in the board and in such committees for which provision as to filling of vacancies is not made herein, until the next election. The board shall make recommendations to the members relative to matters upon which it deems the members should act at any regular or special meeting. The board from time to time shall set the amount of shares and deposits which any one member may hold in the credit union, and set the amount which may be loaned, secured or unsecured, to any one member, all subject to the limitations contained in this chapter. At each annual, semiannual, or quarterly period the board may declare a dividend from net earnings, which shall be paid on all shares outstanding at the time of declaration, and which may be paid to members on shares withdrawn during the period. Shares which become paid up during the year shall be entitled to a proportional part of the dividend calculated from the first day of the month following such payment in full: PROVIDED, That the board may compute such full shares if purchased on or before the tenth day of any month, as of the first day of the month, and from the date of deposit to date of withdrawal. The board may borrow money in behalf of the credit union, for the purpose of making loans, and the payment of debts or withdrawals. The aggregate amount of such loans shall not exceed thirty-three and one-third percent of the credit union's paid-in and unimpaired capital and surplus except with the approval of the supervisor. It may, by a two-thirds vote, remove from office any officer for cause; or suspend any member of the board, credit committee, investment committee, or audit committee, for cause, until the next membership meeting, which meeting shall be held within fifteen days of the suspension, and at which meeting the suspension shall be acted upon by the members. Notwithstanding any other provision of this section, a director who fails to attend three consecutive regular meetings of the board and whose reason for absence is not deemed justifiable by the remaining members of the board shall be subject to removal at their discretion by majority vote; the vacant office shall then be filled as prescribed in the bylaws. The board shall make a written report to the members at each annual meeting.

Sec. 5. Section 18, chapter 173, Laws of 1933 as last amended by section 7, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.220 are each amended to read as follows:

At the end of each accounting period and before the payment of any dividend there shall be set apart as a guaranty fund ((not less than twenty percent of the net income which has accumulated during the next preceding dividend period, except as hereinafter provided, until such time as said guaranty fund and undivided profits shall equal ten percent of the outstanding loans not fully covered by shares of the said credit union and thereafter there shall be added to the guaranty fund at the end of each such period such percentage of the net income which has accumulated during that period as will result in at least maintaining such guaranty fund and undivided profits at such amount: PROVIDED, That)), reserves against losses on loans, an amount in accordance with the following schedule:

(1) A credit union in operation for more than four years and having assets of five hundred thousand dollars or more shall set aside (a) ten percent of gross income until the guaranty fund shall equal four percent of the total of outstanding loans, then (b) five percent of gross income until the guaranty fund shall equal six percent of the total of outstanding loans.

(2) A credit union in operation less than four years or having assets of less than five hundred thousand dollars shall set aside (a) ten percent of gross income until the guaranty fund shall equal seven and one-half percent of the total of outstanding loans, then (b) five percent of gross income until the guaranty fund shall equal ten percent of the total of outstanding loans.

Whenever the guaranty fund falls below the stated percentage of the total of outstanding loans, it shall be replenished by regular contributions in such amounts as may be needed to maintain the stated guaranty fund reserve.

The supervisor may, if deemed necessary, require the establishment of a liquidity reserve of up to five percent of unimpaired capital.

This liquidity reserve shall be in cash or investments with maturities of one year or less.

In computing total loans, credit unions may exclude to the extent of such coverage: (i) Loans secured by shares, and (ii) loans insured or guaranteed by the federal government.

Credit unions with shares insured by the ((administrator,)) National Credit Union Administration, may in the alternative comply with reserve requirements and regulations promulgated by the National Credit Union Administration. All entrance fees shall be added to the guaranty fund at the close of the dividend period, and shall never exceed ((twenty-five cents)) five dollars for each member. The guaranty fund 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.

Sec. 6. Section 11, chapter 23, Laws of 1957 as last amended by section 6, chapter 222, Laws of 1975 1st ex. sess. and RCW 31.12.270 are each amended to read as follows:

A credit union may make:

(1) Personal loans to its members secured by the note of the borrower or other (~~collateral satisfactory to the credit committee~~) adequate security, including but not limited to interests in real estate and security interests in mobile homes, travel trailers and motor homes as defined by RCW 82.50.010;

(2) Loans to its members under the act of congress known as the "Higher Education Act of 1965", Nov. 8, 1965, Pub. L. 89-329 (20 USC sections 1001 to 1144 inc.);

(3) Loans to its members for the acquisition of a mobile home as defined by RCW 82.50.010, secured by a first security interest in (~~(a)~~) that mobile home, (~~(travel trailer and motor home, as defined by RCW 82.50.010,)~~) owned by the member. (~~All such loans must be amortized by weekly, semimonthly, or monthly payments, which payments, including interest, shall be at the rate of not less than fifteen percent per year of the original principal.~~) Such loans shall not exceed (~~seventy-five~~) eighty-five percent of the purchase price or of the appraised value thereof, whichever is the lesser; such loans shall have a maturity not to exceed twenty years;

(4) Loans to its members secured by first mortgages or real estate contracts in which members are buyers if such mortgage or contract relates to real estate which is situated within the state; (~~such real estate must be within fifty miles of the principal office of the credit union unless with prior approval of the supervisor;~~)

(5) Loans to other credit unions upon a (~~two-thirds~~) majority vote of the board: PROVIDED, That the total amount of such loans does not exceed twenty-five percent of the paid-in and unimpaired capital and surplus of the lending credit union; and

(6) Loans to its members under the act of congress known as the "FHA Title 1, National Housing Act of 1934", June 27, 1934 (12 USC sections 1701 to 1750 inc.).

Personal loans shall be given preference, and in the event there are not sufficient funds available to satisfy all loan applicants approved by the credit committee, further preference shall be given to the smaller loan. (~~Each personal loan shall be payable within four years from the date thereof: PROVIDED, That loans with satisfactory security may be made payable within eight years from the date thereof.~~)

Sec. 7. Section 12, chapter 23, Laws of 1957 as last amended by section 7, chapter 222, Laws of 1975 1st ex. sess. and RCW 31.12.280 are each amended to read as follows:

Personal loans shall be payable within five years from the date thereof: PROVIDED, That loans with adequate security may be made payable

within ten years. Unsecured loans may be made to members not to exceed five hundred dollars for credit unions whose unimpaired capital and surplus is less than eight thousand dollars or up to two and one-half percent of the unimpaired capital and surplus of any other credit union not to exceed ~~((two))~~ four thousand ~~((five hundred))~~ dollars. Members may make share secured loans up to the full extent of their share holdings. Additionally, other loans with adequate security may be made to members of a family community in an aggregate amount not to exceed five hundred dollars or ten percent of the credit union's unimpaired capital and surplus, whichever is greater: PROVIDED, That personal loans ~~((which are))~~ not totally secured by share deposits shall not exceed, in the aggregate, twelve thousand dollars ~~((without permission of the supervisor)).~~ The supervisor may waive the restrictions in this section.

Sec. 8. Section 26, chapter 173, Laws of 1933 as last amended by section 14, chapter 8, Laws of 1973 1st ex. sess. and RCW 31.12.320 are each amended to read as follows:

Within thirty days after the first business day of January in each year, the auditing committee of each credit union shall make to the supervisor a report in such form as he may prescribe, and shall make oath that the report is true and correct. Any credit union neglecting to make said report within the time herein prescribed and such other requested reports within thirty days after notification shall forfeit to the state ~~((one))~~ five dollars for each day during which neglect continues. The penalty for any single delinquency shall not exceed ~~((twenty-five))~~ one hundred dollars.

The supervisor shall make or cause to be made an examination and full investigation into the affairs of each credit union at least once ~~((each calendar year))~~ every eighteen months. The actual cost of examination and supervision shall be paid by the credit union examined: PROVIDED, That the supervisor may accept in lieu of an examination the report of any competent accountant, satisfactory to the supervisor, who has made and submitted a report of the condition of the affairs of such credit union, and if approved, shall have the same force and effect as though the examination were made by the supervisor or one of his appointees. Examination costs shall not be payable by a credit union with respect to the first examination following approval of its articles of incorporation by the supervisor, and the supervisor may adjust examination costs payable for succeeding examinations giving due consideration to the time and expense incident to such examinations, and to the ability of the credit unions to pay such costs.

If it is found that the capital of a credit union be impaired or that business is being conducted contrary to law the supervisor may require said credit union to suspend operations until such condition is corrected.

Any communications from the supervisor to the board of directors must be read before said board at its next meeting and the reading noted in the minutes of the meeting.

NEW SECTION. Sec. 9. There is added to chapter 31.12 RCW a new section to read as follows:

A credit union may accept deposits of deferred compensation of its members pursuant to the terms and conditions as set forth in RCW 28A-.58.740 and 41.04.250(2), each as now or hereafter amended.

The provisions of this section shall apply retrospectively as well as prospectively.

NEW SECTION. Sec. 10. There is added to chapter 11.62 RCW a new section to read as follows:

On the death of any member of any credit union organized under chapter 31.12 RCW or federal law, such credit union may pay to the surviving spouse the moneys of such member on deposit to the credit of said deceased member, including moneys deposited as shares in said credit union, in cases where the amount of deposit does not exceed the sum of one thousand dollars, upon receipt of an affidavit from the surviving spouse to the effect that the member died and no executor or administrator has been appointed for the member's estate, and the member had on deposit in said credit union money not exceeding the sum of one thousand dollars. The payment of such deposit made in good faith to the spouse making the affidavit shall be a full acquittance and release of the credit union for the amount of the deposit so paid.

No probate proceeding shall be necessary to establish the right of said surviving spouse to withdraw said deposits upon the filing of said affidavit: PROVIDED, That whenever a personal representative is appointed in an estate where a withdrawal of deposits has been had in compliance with this section, the spouse so withdrawing said deposits shall account for the same to the personal representative. The credit union may also pay out the moneys on deposit to the credit of the deceased upon presentation of an affidavit as provided in RCW 11.62.010, as now or hereafter amended.

Sec. 11. Section 3, chapter 80, Laws of 1975 1st ex. sess. and RCW 31-.12A.010 are each amended to read as follows:

As used in this chapter unless the context otherwise requires:

(1) "Association" means the credit union share guaranty association created in RCW 31.12A.020;

(2) "Board" means board of directors of the guaranty association;

(3) "Credit union" means a credit union organized and authorized under laws contained in chapter 31.12 RCW, as now or hereafter amended;

(4) "Initial member" means a member qualified by the supervisor within sixty days after September 1, 1975 but not yet ratified by the board;

(5) "Member" means a member of the guaranty association, ratified by the board;

(6) "Share account" of a credit union shareholder includes the share accounts and/or deposit accounts of which the shareholder is owner of record with the credit union; ((and))

(7) "Shareholder" includes both members and nonmembers of a credit union, who have either shares and/or deposits in the credit union, including deposits of deferred compensation as referred to in section 9 of this amendatory act; and

(8) "Supervisor" means the state supervisor of the division of savings and loan associations, or his successor in the event of a departmental restructuring.

Sec. 12. Section 7, chapter 80, Laws of 1975 1st ex. sess. and RCW 31-.12A.050 are each amended to read as follows:

(1) Establishment of the share guaranty association contingency reserve shall be accomplished by setting aside from each initial member's guaranty fund an amount equal to one-half of one percent of the total insurable outstanding shares and deposit balances as of the 31st of December preceding September 1, 1975. Credit unions approved by the supervisor and ratified by the board for membership subsequent to those initial members shall establish a share guaranty association contingency reserve by setting aside from their guaranty fund an amount equal to one-half of one percent of the total outstanding share and deposit balances as of the 31st of December of the year preceding membership. Such sum shall be retained in the credit union share guaranty contingency reserve as an integral part of its guaranty fund until such time and if necessary to be drawn for the purpose set forth in this chapter.

(2) Continued funding of the association shall be by annual assessment at the rate of one-forty-fifth of one percent of each member's insurable outstanding share and deposit balance as of December 31st of each preceding year (~~commencing the year subsequent to September 1, 1975~~). Such funds shall be retained by the member in its share guaranty contingency reserve. Such sum may be offset from the statutory transfer requirement to the guaranty fund. The board, with concurrence of the supervisor, shall have authority to assess an additional amount not to exceed one-forty-fifth of one percent of each member's insurable share and deposit balance in any one year, as conditions may warrant.

(3) Members' share guaranty association contingency reserve funds shall be invested in investments as permitted in the bylaws of the association.

(4) The board, in concurrence with the supervisor, may also suspend or diminish the assessment in any given period after reaching a normal operating sufficiency as provided in the bylaws.

(5) Membership in this association may be terminated upon approval by a majority of the credit union members responding to such a proposal and subject further to acceptance by the national credit union administration of continued share insurance coverage under the national credit union administration share insurance program. Notice of such intentions shall be in writing to the association's board of directors at least twelve months prior to such contemplated action: PROVIDED, That in the event of conversion

from state to federal credit union charter the converting member will notify the association in compliance with RCW 31.12.390. Share guarantee coverage through the association will terminate with the effective date of the federal charter.

**NEW SECTION.** Sec. 13. If any provision of this amendatory 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.

Passed the House February 4, 1980.

Passed the Senate February 18, 1980.

Approved by the Governor February 29, 1980.

Filed in Office of Secretary of State February 29, 1980.

## CHAPTER 42

[House Bill No. 1434]

### RECALL ELECTIONS—RESPONSE TO CHARGES—DETERMINATIONS

AN ACT Relating to recall elections; amending section 29.82.130, chapter 9, Laws of 1965 and RCW 29.82.130; amending section 29.82.020, chapter 9, Laws of 1965 as amended by section 1, chapter 205, Laws of 1971 ex. sess. and RCW 29.82.020; and adding a new section to chapter 29.82 RCW.

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

**NEW SECTION.** Section 1. There is added to chapter 29.82 RCW a new section to read as follows:

When a date for a special recall election is set the officer with whom the petition is filed shall serve a notice of the date of the election and a copy of the ballot synopsis of the charge as it will appear on the ballot to the officer whose recall is demanded. The manner of service shall be the same as for the commencement of a civil action in superior court. After having been served a notice of the date of the election and the ballot synopsis the officer whose recall is demanded may submit to the officer with whom the petition is filed a response, not to exceed two hundred and fifty words in length, to the charge contained in the ballot synopsis. Such response shall be submitted by the seventh consecutive day after service of the notice.

Sec. 2. Section 29.82.130, chapter 9, Laws of 1965 and RCW 29.82.130 are each amended to read as follows:

The special election to be called for the recall of officers shall be conducted in the same manner as general, state, county, municipal, or other political subdivision elections, as the case may be, are conducted. The proper election officer shall provide for the holding of recall elections and the necessary places and officers, ballot boxes, ballots, poll books, voting machines, supplies, and returns as are required by law for holding general elections. The ballots at any recall election shall contain a full, true, and correct copy of the ballot synopsis of the charge, the officer's response to the