

A-Engrossed
Senate Bill 177

Ordered by the Senate April 14
Including Senate Amendments dated April 14

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Requires board of directors of credit union to meet at least 10 times in each calendar year in separate months.

Permits credit union to appoint chief credit officer in lieu of credit committee. Requires chief credit officer to approve loans or designate loan officers with authority to approve loans under conditions that chief credit officer prescribes.

Permits credit union to make loans under certain conditions to president or chief executive officer of credit union or officer that has policymaking or credit approval authority. **Prohibits recipient of loan from participating in approving or disbursing loan.**

Specifies how credit union may invest funds not used in loans to members.

Creates procedures for merger of credit union chartered under Oregon law and credit union chartered under laws of another state or United States.

A BILL FOR AN ACT

1
2 Relating to regulating credit union operations; amending ORS 723.292, 723.316, 723.532, 723.602 and
3 723.682.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 723.292 is amended to read:

6 723.292. The board of directors **of a credit union** shall meet at least [*monthly. If a quorum of*
7 *directors is present at the annual meeting of the credit union's membership, the board of directors need*
8 *not hold a board meeting for the month in which the annual meeting occurs.*] **10 times, in 10 separate**
9 **months, during each calendar year.**

10 **SECTION 2.** ORS 723.316 is amended to read:

11 723.316. [*The credit committee may be dispensed with, and a credit manager empowered to approve*
12 *or disapprove loans under conditions prescribed by the board of directors. In the event the credit*
13 *committee is dispensed with, the procedures prescribed in ORS 723.302 to 723.312 do not apply, and*
14 *no loans shall be made unless approved by the credit manager, except the credit manager may appoint*
15 *one or more loan officers with the power to approve loans, subject to such limitations or conditions as*
16 *the credit manager prescribes.*] **The board of directors of a credit union may appoint a chief**
17 **credit officer in lieu of a credit committee to approve or disapprove loans under conditions**
18 **that the board prescribes. If the board appoints a chief credit officer in lieu of a credit**
19 **committee, the provisions of ORS 723.302 to 723.312 do not apply and the credit union may**
20 **not make a loan unless the chief credit officer approves the loan, except that the chief credit**
21 **officer may appoint one or more loan officers with the power to approve loans subject to**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 **limitations or conditions that the chief credit officer prescribes.**

2 **SECTION 3.** ORS 723.532 is amended to read:

3 723.532. (1) For the purposes of this section, “management team” means **the president or chief**
4 **executive officer of a credit union or** an individual who holds a position in a credit union of vice
5 president or higher [*or*] who has policymaking authority **or authority to approve loans.**

6 (2) A credit union may make [*loans*] **a loan** to [*individual directors, members*] **a director, a**
7 **member** of the credit union’s management team, [*credit managers and members*] **the chief credit**
8 **officer or a member** of the credit union’s supervisory and credit committees[, *provided that*] **if the**
9 **credit union makes the loan under the following conditions:**

10 (a) The loan complies with [*all lawful requirements under*] **the provisions of** this chapter [*with*
11 *respect*] **that apply** to loans to other borrowers and is not on terms more favorable than terms ex-
12 tended to other borrowers[;].

13 (b)(A) **Except as provided in subparagraph (B) of this paragraph, if** [*the credit union’s board*
14 *of directors has approved*] the combined aggregate amount of loans to an individual described in this
15 subsection [*that*] exceeds five percent of the credit union’s equity or \$100,000, whichever is less[;
16 *and*], **the board of directors must approve making the loans in excess of the specified aggre-**
17 **gate amount.**

18 (B) **The aggregate amount of loans specified in subparagraph (A) of this paragraph does**
19 **not include a loan that is:**

20 (i) **For an amount that is equal to or less than the conforming loan limit that the Federal**
21 **Housing Finance Agency specifies, or \$400,000, whichever is greater; and**

22 (ii) **Secured by a first lien on the borrower’s principal residence.**

23 (c) The combined aggregate amount of loans to all individuals described in this subsection may
24 not exceed 10 percent of the credit union’s assets.

25 (d) **If a loan to a director, a member of the credit union’s management team, the chief**
26 **credit officer or a member of the credit union’s supervisory or credit committee is not sub-**
27 **ject to approval by the board of directors under paragraph (b) of this subsection, after the**
28 **loan is approved, the loan must be reported to the board of directors at the next meeting**
29 **of the board of directors.**

30 (3)(a) Except as provided in [*this subsection or when approved by the board of directors of the*
31 *credit union,*] **paragraph (b) of this subsection,** a director, officer or committee member may not
32 become a surety or guarantor for a loan or advance made by the credit union **unless the board**
33 **of directors approves.**

34 (b) A director, officer or committee member may [*without the approval of the board of*
35 *directors*] become a surety or guarantor for the spouse or children of the director, officer or com-
36 mittee member **without the approval of the board of directors.**

37 (4) The Director of the Department of Consumer and Business Services may waive the require-
38 ments of this section by rule or order at a credit union’s request. The Director of the Department
39 of Consumer and Business Services may establish by rule a higher amount than the amount set in
40 subsection (2)(b) of this section and may specify by rule the type of loans to directors, officers or
41 committee members that the board of directors of the credit union must approve.

42 (5) **A director, a member of the credit union’s management team, the chief credit officer**
43 **or a member of the credit union’s supervisory or credit committee may not participate in**
44 **approving or disbursing a loan in which the director, member of the credit union’s manage-**
45 **ment team, chief credit officer or member of the credit union’s supervisory or credit com-**

1 **mittee has a direct or indirect financial interest.**

2 **SECTION 4.** ORS 723.602 is amended to read:

3 723.602. **A credit union may invest** funds not used in loans to members *[may be invested]* **in:**

4 (1) *[In]* Securities, obligations or other instruments of or issued by or fully guaranteed as to
5 principal and interest by the United States or *[any]* **an** agency *[thereof]* **of the United States** or in
6 *[any]* **a** trust or trusts established directly or collectively in the *[same]* **securities, obligations or**
7 **instruments described in this subsection.**

8 (2) *[In]* Obligations of *[any]* **a** state of the United States, the agencies or instrumentalities of the
9 federal government, the District of Columbia, the Commonwealth of Puerto Rico and the several
10 territories organized by Congress, or *[any]* **a** political subdivision *[thereof]* **of a state, district,**
11 **commonwealth or territory identified in this subsection.**

12 (3) *[In]* Certificates of deposit or passbook type accounts issued by a state or national bank,
13 mutual savings bank or savings and loan association.

14 (4) *[In]* Loans to or in shares or deposits of other credit unions.

15 (5) *[In]* Stocks, membership units or other ownership interests in, **or loans to,** a corporation,
16 limited liability company or mutual association in an amount not to exceed *[one]* **five** percent of
17 assets if:

18 (a) The ownership, *[or]* membership **or loan,** as applicable, is primarily confined to credit unions
19 or organizations of credit unions; and

20 (b) The purposes for which the *[agency]* **corporation, limited liability company** or **mutual** as-
21 sociation is organized are *[designed]* primarily to service or otherwise assist credit union operations.

22 *[(6) In addition to the limit specified in subsection (5) of this section, in loans to a corporation,*
23 *limited liability company or mutual association, in an amount not to exceed one percent of assets, if:]*

24 *[(a) The ownership or membership, as applicable, is primarily confined to credit unions or organ-*
25 *izations of credit unions; and]*

26 *[(b) The purposes for which the agency or association is organized are designed primarily to ser-*
27 *vice or otherwise assist credit union operations.]*

28 *[(7)]* **(6)** *[In]* Shares of a credit union cooperative society organized under the laws of this state
29 or of the laws of the United States in *[the]* **a** total amount not exceeding one percent of the shares,
30 deposits[,] and surplus of the credit union.

31 *[(8)]* **(7)** *[In]* Loans to *[any]* **a national or state** credit union association or corporation[, *na-*
32 *tional or state,*] of which the credit union is a member, except that *[such investments shall]* **the loans**
33 **must** be limited to **not more than five** *[two]* percent of the assets of the credit union.

34 *[(9)]* **(8)** *[In such]* Other investments *[as approved by]* the Director of the Department of Con-
35 sumer and Business Services **approves** by rule or order.

36 **SECTION 5.** ORS 723.682 is amended to read:

37 723.682. (1) *[Any]* **A** credit union chartered in this state may, with the approval of the Director
38 of the Department of Consumer and Business Services, merge with another credit union under the
39 existing charter of the other credit union pursuant to *[any]* **a** plan *[agreed upon by]* **that** the ma-
40 jority of each board of directors of each credit union joining in the merger *[and approved]* **agrees**
41 **to and that is approved** by the affirmative vote of a majority of the members of the merging credit
42 union *[voting at a meeting of its members duly called for such purpose]* **that vote on the merger.**

43 (2) After *[agreement by]* the directors **agree to a plan** and *[approval by]* the members of the
44 merging credit union **approve the plan,** the president and secretary of the credit union shall exe-
45 cute a certificate of merger, which shall set forth all of the following:

1 (a) The time and place of the meeting of the board of directors at which the **board agreed to**
2 **the plan** [*was agreed upon*].

3 (b) The vote in favor of [*the adoption of*] **adopting** the plan.

4 (c) A copy of the resolution or other action by which the **board agreed to the plan** [*was agreed*
5 *upon*].

6 (d) The time and place of the meeting of the members at which the **members approved the plan**
7 [*agreed upon was approved*].

8 (e) The vote by which the **members approved the plan** [*was approved by the members*].

9 (3) The certificate and a copy of the plan of merger [*agreed upon shall*] **must** be forwarded to
10 the director, certified by the director and returned to the continuing credit union within 30 days.

11 (4) [*Upon return of the certificate from*] **After** the director **returns the certificate**, all property,
12 property rights and members' interest of the merged credit union shall vest in the continuing credit
13 union without deed, indorsement or other instrument of transfer, and **the continuing credit union**
14 **under whose charter the merger was effected assumes** all debts, obligations and liabilities of
15 the merged credit union [*shall be deemed to have been assumed by the continuing credit union under*
16 *whose charter the merger was affected*]. The rights and privileges of the members of the merged credit
17 union [*shall*] remain intact.

18 [*(5) This section shall be construed, whenever possible, to permit a credit union chartered under*
19 *the laws of any other state or of the United States to merge with one chartered under the laws of this*
20 *state, or to permit one chartered under the laws of this state to merge with one chartered under the*
21 *laws of any other state or of the United States.*]

22 (5) **This section permits a credit union chartered under the laws of another state or of**
23 **the United States to merge with a credit union chartered under the laws of this state, and**
24 **a credit union chartered under the laws of this state to merge with a credit union chartered**
25 **under the laws of another state or of the United States, to the same extent that the laws**
26 **of this state permit two or more credit unions chartered under the laws of this state to**
27 **merge.**

28 (6)(a) **After the board of directors of a credit union that is chartered in this state has**
29 **approved a plan to merge with another credit union, if a member of the credit union opposes**
30 **the plan to merge and wishes to inform other members of the credit union of the member's**
31 **opposition, the member may submit a proposed statement of opposition to the credit union**
32 **and may ask the credit union to disseminate the statement of opposition to the other mem-**
33 **bers.**

34 (b) **If the credit union maintains on the Internet and publicizes to the credit union's**
35 **members a public forum for communications concerning the plan to merge or other issues**
36 **related to the credit union, the credit union, within 14 calendar days after receiving the**
37 **proposed statement of opposition from the member and subject to paragraph (e) of this**
38 **subsection, shall publish the statement of opposition on the public forum.**

39 (c) **If the credit union does not make a public forum available on the Internet and if the**
40 **credit union received the member's proposed statement of opposition at least 28 days before**
41 **the date on which the members of the credit union are to vote on the plan to merge, subject**
42 **to paragraph (e) of this subsection, the credit union shall:**

43 (A) **Notify the member, within seven days after receiving the statement of opposition,**
44 **of:**

45 (i) **Any limit, which may not be less than 500 words, that the credit union may impose**

1 on the length of the statement of opposition; and

2 (ii) The estimated reasonable cost to reproduce and mail the statement of opposition as
3 a stand-alone document or the estimated cost to include the statement of opposition in any
4 informational or persuasive material concerning the plan to merge that the credit union
5 disseminates to credit union members. The credit union's estimate of the cost of including
6 the statement of opposition in the credit union's material may not exceed two cents multi-
7 plied by the number of the credit union's members.

8 (B) Reproduce and mail the statement of opposition to the credit union's members or
9 include the statement of opposition in the credit union's informational or persuasive mate-
10 rials concerning the plan to merge, within 10 days after receiving payment of the cost esti-
11 mated in subparagraph (A)(ii) of this paragraph, if the member agrees to the limit the credit
12 union imposes on the length of the statement of opposition and pays the cost at least 14 days
13 before the date on which the members of the credit union are to vote on the plan to merge.

14 (d) For purposes of paragraph (c) of this subsection, informational and persuasive mate-
15 rial concerning the plan to merge does not include a notice of the meeting at which the
16 credit union's members are to consider the plan to merge, a summary of the merger plan
17 or other items that state or federal law requires the credit union to send to credit union
18 members.

19 (e)(A) The credit union shall notify the credit union member within seven days after re-
20 ceiving the proposed statement of opposition if the credit union declines to disseminate the
21 statement of opposition because the statement of opposition:

22 (i) Is false or misleading with respect to a material fact at the time and in light of the
23 circumstances in which the statement is made;

24 (ii) Omits a material fact that is necessary for the statement of fact not to be false or
25 misleading;

26 (iii) Relates to a personal claim or grievance or solicits personal gain by or business ad-
27 vantage for any party;

28 (iv) Is not sufficiently related to the credit union's business or affairs;

29 (v) Impugns, directly or indirectly, a person's character, integrity or personal reputation
30 or without an expressed factual basis charges a person with illegal, improper or immoral
31 conduct; or

32 (vi) Impugns the stability or soundness of the credit union.

33 (B) The credit union may decline to disseminate the proposed statement of opposition if
34 the credit union member does not agree to the limits the credit union imposes on the length
35 of the statement of opposition or fails within the time limits set in paragraph (c) of this
36 subsection to pay the cost of mailing the statement or including the statement with the
37 credit union's informational or persuasive material concerning the plan to merge.

38 (C) The credit union may not decline to disseminate the statement of opposition for
39 reasons other than the reasons identified in subparagraph (A) or (B) of this paragraph.

40 (f)(A) A credit union member may appeal to the director the credit union's decision under
41 paragraph (e)(A) of this subsection not to disseminate the credit union member's statement
42 of opposition. An appeal under this paragraph is not a contested case, as defined in ORS
43 183.310, and a party to the appeal is not entitled to notice and an opportunity for a hearing
44 under ORS 183.413 to 183.470. As part of the appeal, the credit union member shall provide
45 the director with:

- 1 **(i) The proposed statement of opposition;**
 - 2 **(ii) A statement of reasons for disagreeing with the credit union’s decision under para-**
 - 3 **graph (e)(A) of this subsection not to disseminate the statement of opposition; and**
 - 4 **(iii) The credit union member’s name, address and telephone number or other contact**
 - 5 **information.**
 - 6 **(B) Before issuing an order under this paragraph, the director shall request from the**
 - 7 **credit union a statement of reasons for declining to disseminate the proposed statement of**
 - 8 **opposition. The director shall consider the credit union member’s proposed statement of op-**
 - 9 **position and statement of reasons and the credit union’s statement of reasons and shall ar-**
 - 10 **rive at an independent determination as to whether the credit union correctly declined to**
 - 11 **disseminate the credit union member’s proposed statement for the reasons identified in**
 - 12 **paragraph (e)(A) of this subsection.**
 - 13 **(C) The director by order shall uphold the credit union’s decision under paragraph (e)(A)**
 - 14 **of this subsection or shall require the credit union to disseminate the credit union member’s**
 - 15 **proposed statement of opposition in accordance with the provisions of this subsection. The**
 - 16 **director’s order is subject to appeal only as provided in ORS 183.484.**
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