

Senate Bill 177

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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 **as introduced**.

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.

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

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

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

24 723.532. (1) For the purposes of this section, "management team" means **the president or chief**
25 **executive officer of a credit union or** an individual who holds a position in a credit union of vice
26 president or higher [*or*] who has policymaking authority **or authority to approve loans.**

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

5 (a)(A) **Except as provided in subparagraph (B) of this paragraph**, the loan complies with
 6 [*all lawful requirements under*] **the provisions of** this chapter [*with respect*] **that apply** to loans to
 7 other borrowers and is not on terms more favorable than terms extended to other borrowers[;].

8 (B) **A credit union may make a loan to an individual described in this subsection at a**
 9 **reduced interest rate or with a loan fee discount that applies to employees of the credit un-**
 10 **ion under a written policy or program.**

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

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

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

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

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

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

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

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

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

36 723.602. **A credit union may invest** funds not used in loans to members [*may be invested*] **in:**

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

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

45 (3) [*In*] Certificates of deposit or passbook type accounts issued by a state or national bank,

1 mutual savings bank or savings and loan association.

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

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

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

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

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

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

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

16 *[(7)]* (6) *[In]* Shares of a credit union cooperative society organized under the laws of this state
17 or of the laws of the United States in *[the]* **a** total amount not exceeding one percent of the shares,
18 deposits[,] and surplus of the credit union.

19 *[(8)]* (7) *[In]* Loans to *[any]* **a national or state** credit union association or corporation[, *na-*
20 *tional or state,*] of which the credit union is a member, except that *[such investments shall]* **the loans**
21 **must** be limited to **not more than five** *[two]* percent of the assets of the credit union.

22 *[(9)]* (8) *[In such]* Other investments *[as approved by]* the Director of the Department of Con-
23 sumer and Business Services **approves** by rule or order.

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

25 723.682. (1) *[Any]* **A** credit union chartered in this state may, with the approval of the Director
26 of the Department of Consumer and Business Services, merge with another credit union under the
27 existing charter of the other credit union pursuant to *[any]* **a** plan *[agreed upon by]* **that** the ma-
28 jority of each board of directors of each credit union joining in the merger *[and approved]* **agrees**
29 **to and that is approved** by the affirmative vote of a majority of the members of the merging credit
30 union *[voting at a meeting of its members duly called for such purpose]* **that vote on the merger.**

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

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

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

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

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

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

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

44 (4) *[Upon return of the certificate from]* **After** the director **returns the certificate**, all property,
45 property rights and members' interest of the merged credit union shall vest in the continuing credit

1 union without deed, indorsement or other instrument of transfer, and **the continuing credit union**
2 **under whose charter the merger was effected assumes** all debts, obligations and liabilities of
3 the merged credit union [*shall be deemed to have been assumed by the continuing credit union under*
4 *whose charter the merger was affected*]. The rights and privileges of the members of the merged credit
5 union [*shall*] remain intact.

6 (5) This section [*shall be construed, whenever possible, to permit*], **whenever possible, permits**
7 a credit union chartered under the laws of any other state or of the United States to merge with
8 [*one*] **a credit union** chartered under the laws of this state, [*or to permit one*] **and a credit union**
9 chartered under the laws of this state to merge with [*one*] **a credit union** chartered under the laws
10 of any other state or of the United States.

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