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**TESTIMONY
IN SUPPORT OF SB 582
PRESENTED BY HAROLD B. SCOGGINS, III
FARLEIGH WADA WITT
Counsel for the Northwest Credit Union Association
Before the House Committee
On Business and Labor**

Good afternoon Chair Holvey and members of the committee, my name is Harold Scoggins. I am an attorney with Farleigh Wada Witt, outside counsel for the Northwest Credit Union Association. Our firm also represents many individual credit unions throughout Oregon and Washington and the Western U.S. I appreciate the opportunity to talk with you today about SB 582. I will provide a brief overview of the bill and will be happy to answer questions.

SB 582 is a result of the Northwest Credit Union Association's continuing efforts to improve and modernize the Oregon Credit Union Act to strengthen the attractiveness of the Oregon state charter for credit unions and to better address current operational and governance issues facing credit unions. SB 582 is a short bill: it contains one operational change regarding branching, one technical amendment related to membership of foster parents, and a change regarding governance in order to permit credit unions to compensate directors and supervisory committee members.

Section 1. Approval for Branches.

Credit unions are currently required to file an application with the Department of Consumer and Business Services before establishing a new branch. This amendment changes the process so that credit unions submit a notice (which does not require action by the Department) rather than submitting an application (which does require action by the Department). As a practical matter, credit unions are in regular communication with the Department through the examination process and otherwise. This change to the official process brings state chartered credit unions more in line with federal credit unions, who are not required to obtain approval for new branches.

Sections 2. and 4. Foster Parent Membership.

ORS 723.188 currently provides that a foster child is eligible for credit union membership, if the credit union's field of membership includes employees of the State of Oregon. When the statute was originally enacted, Oregon did not provide for community

chartered credit unions. With the advent of community charters, and in order to permit credit unions to provide greater service to foster children, this change will treat the foster child/foster parent relationship the same for membership purposes for all types of credit unions.

Section 3. Compensation of Directors and Supervisory Committee Members.

Serving as a director or supervisory committee member of a credit union has become an increasingly time consuming, complex, and difficult task. Credit unions are faced with ever increasing regulatory requirements, including requirements specifically requiring board involvement or approval in numerous technical and operational areas, as well as the overall increasing complexity of the financial services environment. It is more important than ever that credit unions are able to attract and retain qualified, interested, and engaged board members and supervisory committee members to oversee the credit union's operations. Section 4 amends the Oregon Credit Union Act to permit credit unions to make the decision to compensate directors and supervisory committee members. Some credit unions will choose not to do so, but others will find it a helpful tool to ensure that the credit union has the best possible management.

Permitting compensation for directors does not alter the cooperative nature or characteristics of the credit union. Directors will still be elected by members who each have an equal vote. Directors will have the same ongoing duty to oversee management of the credit union for the benefit of all members, as is currently the case.

Section 4. Share Account Requirement.

ORS 723.172 currently requires that a person who is within the field of membership must pay any membership fee established by the credit union's bylaws, satisfy any other requirements imposed by the bylaws and establish a share account with a minimum deposit in order to become a member. SB 582 eliminates the requirement to open a share account as a condition of membership. There are two primary reasons for this. First, Oregon credit unions are authorized to offer deposit accounts in addition to (or instead of) share accounts. For a credit union that offers deposit accounts, it is operationally awkward to have one account (the membership share account) treated as a share account (that pays dividends) and other accounts that are deposit accounts (that pay interest). Eliminating the requirement to have a share account avoids the need for this unnecessary inconsistency. Second, many members only desire to establish a loan relationship (usually a credit card or vehicle loan) with the credit union. Requiring such members to maintain a \$5 or \$10 balance share account adds unnecessary operational cost to the credit union. SB 582 would allow credit unions (if they choose) to establish and maintain memberships based on either a borrowing relationship or deposit relationship. It does not affect the established field of membership requirements.