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**TESTIMONY
IN SUPPORT OF HB 2161
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 HB 2161. I will provide a brief overview of the bill and will be happy to answer questions.

HB 2161 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. This bill is a short bill: it includes a change to streamline regulatory approval of bylaw amendments, two changes allowing more flexibility on governance issues, and an update to the federal parity provision.

Section 1. Approval of Bylaw Changes.

Bylaw amendments must be submitted to the Department of Consumer and Business Services (DCBS) for approval. Section 1 streamlines the approval process under ORS 723.022. The existing statute requires DCBS to approve bylaw changes in writing. As revised, the statute eliminates the need for a written approval and allows changes to take effect 30 days after submission unless DCBS either disapproves the amendment or requests additional information from the credit union. It is important to note that this change does not reduce the authority of DCBS to approve or deny bylaw amendments; it simply avoids the need for formal written approval in order for the amendment to take effect.

Section 2. Expulsion of Member.

This change allows a credit union to expel a member engaged in activity that is likely to cause a loss to the credit union, even if that loss has not yet occurred. The wording of the current statute could lead to a conclusion that expulsion is not available until the member has already caused a loss or has otherwise breached an agreement with the credit union.

When a credit union is aware of likely account fraud, kiting, or other illegal or risky activity that will cause a loss to the credit union absent preventive measures, there is no reason that the credit union should have to wait to expel the member.

Section 3. Frequency of Board Meetings.

This section removes from ORS 723.292 the specification of a required number of board meetings per year, delegating authority to DCBS to prescribe the minimum number of board meetings by rule. This is the same approach taken for banks under ORS 707.670.

Section 4. Update to Federal Parity Provision.

ORS 723.156 is referred to as the federal parity provision. This statute allows Oregon state chartered credit unions to exercise powers that are available to federal credit unions doing business in Oregon. It serves to maintain the attractiveness of the Oregon charter in comparison with the federal charter. With constant changes to the federal credit union regulations, it is helpful to keep the parity provision “fresh.” Since 2013, federal credit union regulations have been updated on a wide variety of issues such as use of fixed assets (i.e. buildings, etc.), loan participations, investment in bank notes, and charitable donation accounts. Updating the “strike date” in the parity provision permits Oregon credit unions to exercise federal powers under the new or updated federal credit union regulations in the same manner as federal credit unions.

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