

Comments on HB2218
Submitted by Jake Stai, Director of Compliance and Asset Protection,
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Good afternoon Chair Barker and Members of the Committee, my name is Jake Stai and I am the Director of Compliance and Asset Protection at Maps Credit Union in Salem, Oregon.

HB2218

In almost all cases, credit unions do provide members with advance notice before closing an account, especially if there are funds in the account that must be returned to the member. If the member has a small balance or no activity and the balance drops to zero, the member receives a statement that shows the activity. An additional notice explaining the reason is not necessary.

There are any number of circumstances that could arise that would cause a credit union to close an account with no notice at all. Even though, in most cases, we are sending a notice, we do have some concerns about adding a statutory requirement that a notice be sent.

Possible examples of closing an account:

1. The account was opened through identity theft or other fraudulent activity (there may or may not be an identified crime at the time of closure).
2. The account was closed because the funds must be paid, per Oregon law, to the state under the abandoned property statutes (credit unions would ordinarily send notices, but in many cases, there is not a current address on file).
3. The member is engaging in abusive conduct toward credit union employees or members.
4. The member has misrepresented something about the account or is otherwise misusing the account in a manner that might not constitute "illegal activity." For example, the member is not actually within the field of membership, or the member previously caused the credit union a loss and this wasn't detected when the account was opened.
5. Under the Bank Secrecy Act (BSA), credit unions may need to close an account due to ongoing suspicious activity. While the credit union will normally notify the member of the closure, they are prohibited by law from disclosing the existence of a suspicious activity report (SAR). Requiring disclosure of reasons regarding the account closure could be extremely difficult when navigating the BSA restrictions.

If the statute requires a notice, it creates potential legal risk for the credit union. There may be some implication that the notice has to have a certain level of specificity and that the credit union has violated the statute if it doesn't meet that level. It also could create an implication that the reason for closing the account must in some way be satisfactory to the member, which is not the law. We can close an account if we see a potential risk that causes harm to our membership, even if that risk has not yet been fully realized. In most cases, credit unions will in fact tell the member why they are closing the account, but there are occasional reasons to make an exception. Credit unions are already subject to heavy regulation and oversight from their primary state and federal regulators. A member who believes their account has been mishandled can file an official complaint to the appropriate regulator.