

# House Bill 3079

Sponsored by COMMITTEE ON BUSINESS AND LABOR (at the request of Northwest Credit Union Association)

## 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**.

Changes date for exercise by state credit unions of powers available to federal credit unions without prior approval.

Modifies laws relating to credit union membership.

Authorizes Director of the Department of Consumer and Business Services to approve merger of credit unions without regard to common bond differences under certain emergency circumstances.

Modifies laws relating to investments of credit unions.

## A BILL FOR AN ACT

1 Relating to credit unions; amending ORS 723.032, 723.156, 723.172, 723.602 and 723.682.

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

3 **SECTION 1.** ORS 723.156 is amended to read:

4 723.156. (1) Notwithstanding any other provision of law, in addition to the powers and authori-  
5 ties provided under the laws of this state, a credit union may exercise any of the powers that were  
6 available to a federal credit union as of [*January 1, 2019*] **the effective date of this 2021 Act**. At  
7 least 45 days before exercising a power under this subsection, a credit union shall provide to the  
8 Director of the Department of Consumer and Business Services written notice of the credit union's  
9 intent to exercise the power. The notice must describe the power and specify the statutory or reg-  
10 ulatory authority or other legal basis for the federal credit union power the credit union intends to  
11 exercise.  
12

13 (2) Notwithstanding any other provision of law, in addition to the powers and authorities pro-  
14 vided under the laws of this state, a credit union may, after obtaining approval from the director  
15 and subject to any limitations the director prescribes, exercise any of the powers conferred after  
16 [*January 1, 2019,*] **the effective date of this 2021 Act** upon a federal credit union that does business  
17 in this state and that is subject to the regulations of the administrator of the National Credit Union  
18 Administration or the successor or successors of the administrator, or any of the powers conferred  
19 on a credit union that is chartered under the laws of another state and does business in this state,  
20 if the director finds that exercising the powers:

21 (a) Serves the public and members' convenience and advantage; and

22 (b) Equalizes and maintains the quality of competition among credit unions chartered under the  
23 laws of this state, of another state and under federal law.

24 **SECTION 2.** ORS 723.172 is amended to read:

25 723.172. (1) As used in this section:

26 (a) "Organization" means a corporation, limited liability company, partnership or association,  
27 trust, estate or other entity and a director, officer, employee, member, partner, personal represen-  
28 tative, trustee or volunteer of the corporation, limited liability company, partnership or association,  
29 trust, estate or other entity.

**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 (b) “Well-defined [*local*] community, neighborhood or rural district” means one or more adjacent  
 2 precincts, districts, cities, counties or other boundaries defined by the state or a unit of local gov-  
 3 ernment or by a state or local government agency.

4 (2) The membership of a credit union is limited to and consists of the incorporators to the arti-  
 5 cles of incorporation and other persons within the common bond set forth in the bylaws that have  
 6 been duly admitted as members, have paid any required entrance fee or membership fee and have  
 7 complied with any other requirements that the articles of incorporation or bylaws specify.

8 (3) Credit union membership may include:

9 (a) One or more groups, each having a common bond of occupation or association; or

10 (b) Persons who live or work in, or organizations located within, a **geographic field-of-**  
 11 **membership area that consists of one or more** well-defined [*local community, neighborhood or*  
 12 *rural district*] **communities, neighborhoods or rural districts.**

13 (4) Credit union membership may also include any of the immediate family of a person who is  
 14 eligible for membership in the credit union under subsection (3) of this section. For the purposes of  
 15 this subsection, “immediate family” includes an eligible member’s foster parent or legally appointed  
 16 guardian.

17 (5) In determining whether adjacent precincts, districts, cities, counties or other boundaries de-  
 18 fined by the state or a unit of local government or by any state or local government agency form  
 19 a well-defined [*local*] community, neighborhood or rural district, the Director of the Department of  
 20 Consumer and Business Services shall consider:

21 (a) Interactions or shared interests that tie the precincts, districts, cities, counties or other  
 22 boundaries together;

23 (b) The size of the population of the proposed well-defined [*local*] community, neighborhood or  
 24 rural district;

25 (c) The size of the geographic area of the proposed well-defined [*local*] community, neighborhood  
 26 or rural district; and

27 (d) Other criteria that the director considers relevant in accordance with the purposes of this  
 28 chapter.

29 (6)(a) A credit union may not add a group with a separate bond of occupation or association to  
 30 the credit union’s membership unless, at the time the credit union adds the group to the credit  
 31 union’s membership, the group does not contain more than 3,000 members.

32 (b) The limitation in paragraph (a) of this subsection does not apply to:

33 (A) A group the director determines could not feasibly or reasonably establish a new credit  
 34 union because the group lacks volunteer resources, financial resources or other factors the director  
 35 considers important for successfully forming a new credit union; or

36 (B) A group transferred to the credit union in connection with a merger, consolidation or  
 37 transfer the director approved, or in connection with the liquidation of another credit union.

38 (7) Notwithstanding subsection (3) of this section, a credit union, the membership of which in-  
 39 cludes one or more groups that have a common bond of occupation or association, may add to the  
 40 credit union’s membership persons who live or work in, or organizations located within, a well-  
 41 defined [*local*] community, neighborhood or rural district if:

42 (a) The director determines that the well-defined [*local*] community, neighborhood or rural dis-  
 43 trict is underserved by other depository institutions, as defined in section 19(b)(1)(A) of the Federal  
 44 Reserve Act, 12 U.S.C. 461(b)(1)(A), based on data of the National Credit Union Administration and  
 45 the federal banking agencies, as defined in section 3 of the Federal Deposit Insurance Act, 12 U.S.C.

1 1813; and

2 (b) The credit union establishes and maintains an office or facility in the well-defined *[local]*  
 3 community, neighborhood or rural district at which credit union services are available.

4 (8) In reviewing a proposed amendment to a credit union’s bylaws that would include an addi-  
 5 tional group within the credit union’s membership, the director shall consider:

6 (a) Whether, within the preceding year, the credit union has engaged in any unsafe or unsound  
 7 practice that is material;

8 (b) Whether the credit union has the capitalization, administrative capability and financial re-  
 9 sources to serve the additional group; and

10 (c) Other factors the director may prescribe by rule.

11 **SECTION 3.** ORS 723.032 is amended to read:

12 723.032. (1) A credit union may establish a place of business or change the credit union’s place  
 13 of business within this state 30 days after notifying the Director of the Department of Consumer and  
 14 Business Services in writing.

15 (2) A credit union may establish one or more mobile facilities to engage in credit union oper-  
 16 ations. Mobile facilities of a credit union that have the membership described in ORS 723.172 (3)(a)  
 17 may operate in this state or in other states. Mobile facilities of a credit union that have the mem-  
 18 bership described in ORS 723.172 (3)(b) may operate only within the well-defined *[local]* community,  
 19 neighborhood or rural district that the credit union serves.

20 (3) A credit union may establish additional places of business 30 days after notifying the director  
 21 in writing. The director may limit or restrict a credit union’s ability to establish additional places  
 22 of business upon written notice to the credit union if the director determines that an addition would  
 23 adversely affect the credit union’s safety and soundness.

24 (4) A credit union may share office space with one or more credit unions and contract with a  
 25 person or corporation to provide facilities or personnel.

26 **SECTION 4.** ORS 723.682 is amended to read:

27 723.682. (1)(a) A credit union chartered in this state may, with the approval of the Director of  
 28 the Department of Consumer and Business Services, merge with another credit union under the ex-  
 29 isting charter of the other credit union pursuant to a plan that the majority of each board of di-  
 30 rectors of each credit union joining in the merger agrees to and that is approved by the affirmative  
 31 vote of a majority of the members of the merging credit union that vote on the merger.

32 **(b) The director may approve a merger without regard to common bond differences be-**  
 33 **tween the credit unions if one of the credit unions is insolvent or in danger of insolvency,**  
 34 **and:**

- 35 **(A) An emergency requiring expeditious action exists;**
- 36 **(B) Other alternatives are not reasonably available; and**
- 37 **(C) The public interest would best be served by approving the merger.**

38 (2) After the directors agree to a plan and the members of the merging credit union approve the  
 39 plan, the president and secretary of the credit union shall execute a certificate of merger, which  
 40 shall set forth all of the following:

41 (a) The time and place of the meeting of the board of directors at which the board agreed to the  
 42 plan.

43 (b) The vote in favor of adopting the plan.

44 (c) A copy of the resolution or other action by which the board agreed to the plan.

45 (d) The time of the meeting of the members at which the members approved the plan.

1 (e) The vote by which the members approved the plan.

2 (3) The certificate and a copy of the plan of merger must be forwarded to the director, certified  
3 by the director and returned to the continuing credit union within 30 days.

4 (4) After the director returns the certificate, all property, property rights and members' interest  
5 of the merged credit union shall vest in the continuing credit union without deed, indorsement or  
6 other instrument of transfer, and the continuing credit union under whose charter the merger was  
7 effected assumes all debts, obligations and liabilities of the merged credit union. The rights and  
8 privileges of the members of the merged credit union remain intact.

9 (5) This section permits a credit union chartered under the laws of another state or of the  
10 United States to merge with a credit union chartered under the laws of this state, and a credit union  
11 chartered under the laws of this state to merge with a credit union chartered under the laws of  
12 another state or of the United States, to the same extent that the laws of this state permit two or  
13 more credit unions chartered under the laws of this state to merge.

14 (6)(a) After the board of directors of a credit union that is chartered in this state has approved  
15 a plan to merge with another credit union, if a member of the credit union opposes the plan to  
16 merge and wishes to inform other members of the credit union of the member's opposition, the  
17 member may submit a proposed statement of opposition to the credit union and may ask the credit  
18 union to disseminate the statement of opposition to the other members.

19 (b) If the credit union maintains on the Internet and publicizes to the credit union's members a  
20 public forum for communications concerning the plan to merge or other issues related to the credit  
21 union, the credit union, within 14 calendar days after receiving the proposed statement of opposition  
22 from the member and subject to paragraph (e) of this subsection, shall publish the statement of op-  
23 position on the public forum.

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

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

29 (i) Any limit, which may not be less than 500 words, that the credit union may impose on the  
30 length of the statement of opposition; and

31 (ii) The estimated reasonable cost to reproduce and mail the statement of opposition as a  
32 stand-alone document or the estimated cost to include the statement of opposition in any informa-  
33 tional or persuasive material concerning the plan to merge that the credit union disseminates to  
34 credit union members. The credit union's estimate of the cost of including the statement of oppo-  
35 sition in the credit union's material may not exceed two cents multiplied by the number of the credit  
36 union's members.

37 (B) Reproduce and mail the statement of opposition to the credit union's members or include the  
38 statement of opposition in the credit union's informational or persuasive materials concerning the  
39 plan to merge, within 10 days after receiving payment of the cost estimated in subparagraph (A)(ii)  
40 of this paragraph, if the member agrees to the limit the credit union imposes on the length of the  
41 statement of opposition and pays the cost at least 14 days before the date on which the members  
42 of the credit union are to vote on the plan to merge.

43 (d) For purposes of paragraph (c) of this subsection, informational and persuasive material con-  
44 cerning the plan to merge does not include a notice of the meeting at which the credit union's  
45 members are to consider the plan to merge, a summary of the merger plan or other items that state

1 or federal law requires the credit union to send to credit union members.

2 (e)(A) The credit union shall notify the credit union member within seven days after receiving  
3 the proposed statement of opposition if the credit union declines to disseminate the statement of  
4 opposition because the statement of opposition:

5 (i) Is false or misleading with respect to a material fact at the time and in light of the circum-  
6 stances in which the statement is made;

7 (ii) Omits a material fact that is necessary for the statement of fact not to be false or mislead-  
8 ing;

9 (iii) Relates to a personal claim or grievance or solicits personal gain by or business advantage  
10 for any party;

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

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

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

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

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

22 (f)(A) A credit union member may appeal to the director the credit union's decision under par-  
23 agraph (e)(A) of this subsection not to disseminate the credit union member's statement of oppo-  
24 sition. An appeal under this paragraph is not a contested case, as defined in ORS 183.310, and a  
25 party to the appeal is not entitled to notice and an opportunity for a hearing under ORS 183.413 to  
26 183.470. As part of the appeal, the credit union member shall provide the director with:

27 (i) The proposed statement of opposition;

28 (ii) A statement of reasons for disagreeing with the credit union's decision under paragraph  
29 (e)(A) of this subsection not to disseminate the statement of opposition; and

30 (iii) The credit union member's name, address and telephone number or other contact informa-  
31 tion.

32 (B) Before issuing an order under this paragraph, the director shall request from the credit un-  
33 ion a statement of reasons for declining to disseminate the proposed statement of opposition. The  
34 director shall consider the credit union member's proposed statement of opposition and statement  
35 of reasons and the credit union's statement of reasons and shall arrive at an independent determi-  
36 nation as to whether the credit union correctly declined to disseminate the credit union member's  
37 proposed statement for the reasons identified in paragraph (e)(A) of this subsection.

38 (C) The director by order shall uphold the credit union's decision under paragraph (e)(A) of this  
39 subsection or shall require the credit union to disseminate the credit union member's proposed  
40 statement of opposition in accordance with the provisions of this subsection. The director's order is  
41 subject to appeal only as provided in ORS 183.484.

42 **SECTION 5.** ORS 723.602 is amended to read:

43 723.602. A credit union may invest funds not used in loans to members in:

44 (1) Securities, obligations or other instruments of or issued by or fully guaranteed as to principal  
45 and interest by the United States or an agency of the United States or in a trust or trusts estab-

1 lished directly or collectively in the securities, obligations or instruments described in this sub-  
2 section.

3 (2) Obligations of a state of the United States, the agencies or instrumentalities of the federal  
4 government, the District of Columbia, the Commonwealth of Puerto Rico and the several territories  
5 organized by Congress, or a political subdivision of a state, district, commonwealth or territory  
6 identified in this subsection.

7 (3) Certificates of deposit or passbook type accounts issued by a state or national bank, mutual  
8 savings bank or savings and loan association.

9 (4) Loans to or in shares or deposits of other credit unions.

10 (5) Stocks, membership units or other ownership interests in, or loans to, a corporation, limited  
11 liability company or mutual association in an amount not to exceed five percent of assets if[.]

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

14 [(b)] the purposes for which the corporation, limited liability company or mutual association is  
15 organized are primarily to service or otherwise assist credit union operations.

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

19 (7) Loans to a national or state credit union association or corporation of which the credit union  
20 is a member, except that the loans must be limited to not more than five percent of the assets of  
21 the credit union.

22 (8) Other investments the Director of the Department of Consumer and Business Services ap-  
23 proves by rule or order.

24