



DCU BULLETIN
Division of Credit Unions
Washington State Department of Financial Institutions
Phone: (360) 902-8701

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Updates to Washington Credit Union Act

With the passage of [HB 1165](#), several updates were made to the Washington Credit Union Act; these changes are effective June 9, 2022. The new law:

- Authorizes credit unions to invest in the equity interest of corporations that are engaged in or planning activity that is incidental or complementary to the credit union's operations.
- Modifies certain powers and authorities of state-chartered credit unions.
- Allows credit unions to acquire real property without occupying the property within a designated period of time.

At this point, the Division of Credit Unions does not plan on rulemaking to implement this new law.

Investment of Credit Union Funds in Equity Interests

The bill allows credit unions to invest in equity interests in corporations or other limited liability entities, whether or not the principal business of such corporation or entity is related to the credit union's business. This bill provides investment authority beyond investments in credit union service organizations (CUSOs).

An "equity interest" is defined as an interest such as stock in a corporation or membership in a limited liability company or a limited partnership interest in which the credit union's liability is limited to the amount of its investment and the credit union does not take a general liability.

Requirements:

- Approval process:
 - A credit union may engage in an activity permitted under this new authority only with the prior authorization of the DFI Division of Credit Unions' director and subject to such requirements, restrictions, or other conditions as the director may adopt by rule, order, directive, standard, policy, memorandum, or other written communication with regard to the activity. In approving or denying a proposed activity, the director shall consider the financial and management strength of the credit union and the relationship of the activity to the credit union's operations. The entity in

which the credit union invests must be engaged in or planning or developing activity that is incidental to or complementary to the credit union's operations. Activity is incidental or complementary to the credit union's operations if it would be performed for or provided to the credit union, or if it would be performed for or provided to the credit union's members in relationship to products, services, or activities that the credit union performs for or provides to its members. Such activity may not pose a risk to the safety and soundness of the credit union or the credit union industry. The entity may be engaged in other activity that is not incidental to or complementary to the credit union's operations.

- An application is required. A credit union should include at least the following information with its application:
 - How the investment meets the criteria in the law, including how the product is complementary to the credit union's business;
 - Financial forecasts for the investment and return;
 - Your due diligence summary for the investment;
 - Credit union management's experience with this type of entity and/or the end product;
 - Contracts; and
 - Board resolution.
- Prohibited investments: A credit union may not invest in: (i) A federal depository institution or state depository institution; or (ii) A bank holding company or savings bank holding company.
- Amount of investment:
 - Until January 1, 2025, the initial aggregate amount of funds invested under this new authority shall not exceed 2.5 percent of the net worth of the credit union, and when combined with the amount of funds invested in organizations whose primary purpose is to strengthen, advance, or provide services to the credit union industry or credit union members, shall not exceed 10 percent of the assets of the credit union, whichever is less.
 - Beginning January 1, 2025, the initial aggregate amount of funds invested under this new authority shall not exceed 5 percent of the net worth of the credit union, and when combined with the amount of funds invested in organizations whose primary purpose is to strengthen, advance, or provide services to the credit union industry or credit union members, shall not exceed 10 percent of the assets of the credit union, whichever is less.

We welcome your calls and questions prior to submitting your application.

Investment of Credit Union Funds in Real Property Interests

The law removes the statutory language limiting investment of credit union funds in real property or leasehold interests "primarily for its own use or the use of a credit union service organization in conducting business," and inserts language stating that the credit union may invest in real property or leasehold interests "for use in conducting business or

the business of a credit union service organization.”

The law also removes the requirement that credit unions partially occupy property acquired for future expansion within a designated amount of time from acquisition. Credit unions will, therefore, no longer need to apply to DCU when they will not be occupying property within these timeframes.

Services to Non-members

The law allows credit unions to cash checks, money orders, and other payment instruments for members and persons who are eligible for membership in the credit union. The person, therefore, is not required to become a member in order for a credit union to provide these services. (The Act already permits credit unions to charge for its services, so they may charge for these services as well). The credit union is still expected to follow FinCEN guidelines as it relates to BSA and OFAC requirements.

Director’s Ability to Define “Small Credit Union”

As a result of the bill, the Washington Department of Financial Institutions Division of Credit Unions director is granted the authority to determine an appropriate definition for the term "small credit union" when providing relief for small credit unions based on the subject matter of the rule. This change will allow the Director more flexibility.

Parity with Federal Credit Union Powers – Date Updated

The bill allows state-chartered credit unions to exercise all the powers held by federal credit unions as of December 31, 1993, or a subsequent date not later than the effective date of the bill, which is June 9, 2022.

If you have any questions or would like more information please contact Amy B. Hunter, Director of Credit Unions, at dcu@dfi.wa.gov.