

June 2, 2004

“A”

SUBJECT: Effect of Conversion from federal chartered credit union to Washington state chartered credit union

DCU Interpretative Letter I-04-03 (Redacted)

Dear “A”:

Issue

You have asked if the Division of Credit Unions’ (Division) interpretation to the question about the effect of the conversion of a credit union from a federal charter to a Washington State charter under Charter 31.12 RCW has changed since the Director of Credit Unions, Parker Cann, issued a draft opinion on November 13, 2001 to “B” Credit Union. (The draft opinion is attached.)

Analysis

RCW 31.12.467 authorizes a federal credit union (FCU) located in Washington to convert to a Washington State-chartered credit union (WASCU). In addition, this section provides:

(3) The assets and liabilities of the federal credit union will vest in and become the property of the successor credit union subject to all existing liabilities against the federal credit union. Members of the federal credit union may become members of the successor credit union.

RCW 31.12.467(3).

Consequently, by operation of law, all of the FCU’s assets and liabilities become the property of the WASCU. In practice, for purposes of credit union regulation, the division assumes all of the FCU’s shares, deposits, liabilities, assets, investments, personal and real property, contracts, share/deposit insurance, directors, officers, employees, etc. as unchanged by the conversion. Typically, members and fields of membership are also unchanged from the FCU to the WASCU in the proposed articles of incorporation and bylaws filed with the Division and the Secretary of State. See RCW 31.12.467(2). If the FCU wants to add to its field of membership, the field of membership expansion is typically approved after the charter conversion is completed.

“A”

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Conclusion

Unlike a merger, where two credit unions become one, in a conversion, there is one credit union from start to finish. The effect of the conversion is that the WASCU is a continuation of the FCU. The FCU merely changes its organizational form to that of a state-chartered credit union instead of operating under a federal charter.

I concur with the above conclusion.

Sincerely,

Linda K. Jekel
Director of Credit Unions

Attachment: Copy of faxed draft opinion dated November 13, 2001

DRAFT of Opinion No.: ____-01

Prepared by: Parker Cann, Director of Credit Unions

Subject: Effect of Conversion from Federal to State Charter

Date: November 13, 2001

Issue

The question has arisen as to the effect of the conversion of a credit union from a federal charter to a Washington State charter under Charter 31.12 RCW.

Analysis

RCW 31.12.467 authorizes a federal credit union (FCU) located in Washington to convert to a Washington State-chartered credit union (WASCU). In addition, this section provides:

(3) The assets and liabilities of the federal credit union will vest in and become the property of the successor credit union subject to all existing liabilities against the federal credit union. Members of the federal credit union may become members of the successor credit union.

RCW 31.12.467(3).

Consequently, by operation of law, all of the FCU's assets and liabilities become the property of the WASCU. All of the FCU's shares, deposits, liabilities, assets, investments, personal and real property, contracts, share/deposit insurance, members, fields of membership, directors, officers, employees, etc. remain in effect in the WASCU and are not changed by the conversion.

Conclusion

Unlike a merger, where two credit unions become one, in a conversion, there is one credit union from start to finish. The effect of the conversion is that the WASCU is a continuation of the FCU. The FCU merely changes its organizational form.