



OHIO LEGISLATIVE SERVICE COMMISSION

Bill Analysis

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S.B. 292

132nd General Assembly
(As Introduced)

Sen. Terhar

BILL SUMMARY

- Revises the Credit Union Law relative to membership, voting by members and members' meetings, the board of directors, credit committees, compensation and gifts, acquisition of real estate and service facilities, programs to promote consumer savings, and the Credit Union Council.
 - Modifies the Uniform Depository Law to (1) allow credit unions to serve as public depositories in the same manner and to the same extent as other financial institutions and (2) permit the investment of certain public funds through or in credit unions.
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CONTENT AND OPERATION

Credit Union Law

Generally, a credit union is a nonprofit cooperative financial institution that operates for the mutual benefit and general welfare of its members. Membership in a credit union is limited to persons in a specific geographic area or persons with a common bond or association – known as its field of membership.

Membership

"Person"

The bill amends the definition of "person" for purposes of the Credit Union Law (R.C. Chapter 1733.), which includes who can become a member of a credit union, to expressly include the estate of a deceased individual.¹

¹ R.C. 1733.01(G).

Field of membership

The bill expands what may constitute a credit union's field of membership. Under existing law, the membership of a credit union is limited to:

- Groups having a common bond of occupation or association; and
- Groups within a well-defined neighborhood, community, or rural district.

Under the bill, the field of membership is to be determined by the credit union's board of directors and is limited to:

- One or more groups of any size having a common bond of occupation, association, or religious affiliation;
- One or more groups having a common bond of residence, employment, or place of religious worship within a geographic area consisting of one or more school districts, counties, cities, villages, and townships; and
- One or more groups having a common bond of interests, activities, or objectives.

Additionally, the bill eliminates a provision of law specifying that a person retains affiliation with the credit union as long as the person remains a credit union member, even though no longer within the field of membership, unless otherwise provided in the articles or regulations.²

Membership share

Under current law, the subscription to or purchase of a "membership share" of a credit union is a prerequisite for membership in the credit union. The bill removes that requirement and, instead, permits a person otherwise qualified for membership to become a member if the person does *any* of the following:

- Purchases a membership in the credit union as provided in the credit union's bylaws;
- Pays an entrance fee established from time to time by the credit union's board of directors; or

² R.C. 1733.05(C) and (D)(1).

- Purchases one or more shares in the credit union as provided in the credit union's bylaws.³

Existing law limits any membership or entrance fee to \$1 per member. The bill removes that limitation.⁴

Termination

The bill permits the senior management officials of a credit union to terminate the membership of, or some or all services to, a member if the member (1) causes a loss to the credit union, (2) commits fraud or any similar misdeed against the credit union or any person on the credit union's premises, (3) engages in inappropriate behavior involving another person, such as physical or verbal abuse of another member or a credit union employee, or (4) otherwise engages in conduct detrimental to the credit union. A member that has its membership terminated or services suspended may, within 90 days of the termination or suspension, appeal the action to the board of directors. The board may affirm, disaffirm, or modify the action, and its decision is final.⁵

Voting; members' meetings

Existing law provides that a voting member present at a meeting "in person, by proxy, or by mail ballot" is entitled to cast a vote on each matter submitted to the membership. And 10% of the voting members of a credit union constitutes a quorum for any members' meeting, unless the credit union's articles or bylaws specify otherwise.

Under the bill, a member may also be considered present at a meeting "by electronic ballot or as otherwise prescribed by a credit union's bylaws." The number necessary for a quorum is changed to 1% of the voting members of the credit union or 25 voting members, whichever is lower, unless otherwise provided in the articles or bylaws.⁶

³ R.C. 1733.01(K) and 1733.05(B).

⁴ R.C. 1733.04(A)(4).

⁵ R.C. 1733.051.

⁶ R.C. 1733.13 and 1733.14.



Board of directors

Meetings

Under the bill, regularly scheduled meetings of the directors must be held at least quarterly.⁷

Associate directors

The bill permits the board of directors to appoint one or more associate directors to serve in an advisory, ex officio capacity. To be eligible for appointment, the person must meet all of the existing requirements to serve as a director.

An associate director may participate in board meetings, but cannot vote or otherwise act as or be considered a director. And he or she must sign a confidentiality agreement to ensure that information concerning the credit union remains confidential.⁸

Credit committees

Existing law provides that – unless the articles or regulations require the appointment of loan officers in lieu of a credit committee – the board of directors must appoint, or the members must elect, a credit committee comprised of at least three individual voting members. The committee is responsible for carrying out whatever duties are delegated to it by the regulations, bylaws, or resolutions of the board relative to the granting of loans and the supervision of lending practices. It may be delegated the authority to appoint loan officers and delegate to them the power to approve loans. The bill eliminates the requirement that the appointed loan officers, within seven days after the filing of a loan application, provide the credit committee or the board with notice of the application and the action the loan officer took with respect to the application or recommends should be taken. It also removes the prohibition against any person disbursing credit union funds for a loan approved by a loan officer if the person is acting in the capacity of a loan officer.⁹

Compensation and gifts

Generally, under current law, officers, directors, and employees of a credit union cannot receive anything of value for their services except per diem, wages, or salary they receive as compensation, and directors and committee members cannot receive any compensation for their respective services. The bill eliminates this general

⁷ R.C. 1733.16.

⁸ R.C. 1733.152.

⁹ R.C. 1733.19; R.C. 1733.26, repealed.



restriction and, instead, permits a credit union to provide the following to its directors and supervisory audit committee members (a board committee that audits the credit union's books at least annually):

- Reasonable compensation for their services as directors and committee members;
- Gifts of minimal value;
- Insurance coverage or other benefits that are available to employees generally; and
- Reimbursement for reasonable expenses incurred on behalf of themselves and their spouses in the performance of their duties as directors or committee members.

The bill retains the provision of current law that permits credit unions to provide directors and committee members with reasonable health and other types of personal insurance and to reimburse them for expenses incurred in connection with their credit union duties. It also permits the Superintendent of Financial Institutions to adopt, in accordance with the Administrative Procedure Act, any rules necessary to implement these changes.¹⁰

Real estate; service facilities

In order to purchase real estate needed for a credit union's present or future operation, a credit union is currently required to notify the Superintendent in writing and obtain the Superintendent's prior approval. The Superintendent has 30 days after receipt of the notification to deny, approve, or modify the purchase. The bill removes the notification requirement and the necessity of obtaining the Superintendent's approval of the purchase. The bill also eliminates (1) a provision that requires a credit union that has taken title to real estate in connection with a loan default from holding the title for more than two years without the prior written approval of the Superintendent and (2) the requirement that – in order to lease space in any real estate a credit union has acquired – it must do so in accordance with rules adopted by the Superintendent.¹¹

¹⁰ R.C. 1733.22.

¹¹ R.C. 1733.04(C)(2).



Further, the bill removes the condition that obtaining service facilities other than its home office is subject to the Superintendent's approval.¹²

Promotion of consumer savings

The bill states that funds deposited in a share account, share certificate, or in any other manner pursuant to a program offered by a credit union to promote consumer savings do *not* constitute valuable consideration for purposes of a scheme of chance under the Ohio Gambling Law (R.C. Chapter 2915.).¹³ (In general, a "scheme of chance" is one in which a participant gives a valuable consideration for a chance to win a prize.¹⁴)

Credit Union Council

The bill modifies the qualifications required of certain members of the existing Credit Union Council in the Division of Financial Institutions, which serves in an advisory capacity to the Superintendent. Under current law, at least one of the six members appointed to the Council must be a director or chief executive officer (CEO) of a state-chartered credit union with assets of *not more than \$35 million* and at least one appointed member must be the director or CEO of a state-chartered credit union with assets of *more than \$50 million*. The bill eliminates these two qualifications and, instead, simply requires that at least one appointed member be a director or CEO of a state-chartered credit union with *not more than \$50 million* in assets.¹⁵

Uniform Depository Law

Credit unions as public depositories

The bill amends the Uniform Depository Law (R.C. Chapter 135.) to make credit unions eligible to become public depositories of state, county, and political subdivision funds. Currently, only national banks, banks chartered under Ohio law or the law of another state, federal savings associations, and savings and loan associations or savings banks chartered under the law of another state, if located in Ohio, are so eligible.¹⁶

¹² R.C. 1733.04(C)(1).

¹³ R.C. 1733.24(K).

¹⁴ R.C. 2915.01(C), not in the bill.

¹⁵ R.C. 1733.329.

¹⁶ R.C. 135.03 and 135.32.



Credit unions are currently only permitted to hold state money under the Business Linked Deposit Program and the Agricultural Linked Deposit Program.¹⁷

The bill permits any Ohio chartered credit union or federal credit union, and any credit union chartered under the laws of another state and licensed by the Superintendent of Financial Institutions as a foreign credit union, if located in Ohio, to serve as a public depository in the same manner and to the same extent as the other financial institutions.¹⁸

A credit union is *not* eligible to act as a public depository, however, if the credit union or any of its directors, officers, employees, controlling persons, or regulated individuals is currently a party to an active final or temporary cease-and-desist order to ensure the safety and soundness of the institution. In addition, credit unions that are eligible public depositories may not receive or have on deposit, at any one time, public moneys that, in the aggregate, are more than 30% of the credit union's total assets as shown in its latest report to the Superintendent or the National Credit Union Administration (NCUA).¹⁹

Minority credit unions: federal funds

Under the bill, the State Board of Deposit and the governing board of any political subdivision (other than a county) may designate one or more minority credit unions as public depositories of their public moneys designated as federal funds. Currently, only minority banks may be utilized for this purpose.

The bill's definition of minority credit union is modeled after the definition provided under continuing law for minority bank: a "minority credit union" is a credit union operating in Ohio that is owned or controlled by one or more socially or economically disadvantaged persons. A disadvantage may arise from cultural, ethnic, or racial background, chronic economic circumstances, or other similar cause.²⁰

Conforming changes

The bill makes conforming changes to the Credit Union Law to support credit union eligibility to receive deposits of public money.²¹ In addition, the bill makes the necessary conforming changes to the Uniform Depository Law, including with respect

¹⁷ R.C. 135.71 and 1733.04(A)(8); R.C. 135.77 to 135.774, not in the bill.

¹⁸ R.C. 135.03, 135.32, and 135.78.

¹⁹ R.C. 135.03, 135.032, 135.32, and 135.321.

²⁰ R.C. 135.04.

²¹ R.C. 1733.04, 1733.041, 1733.24, 1733.30, and 1733.31.



to (1) the application procedures for designation as a public depository, (2) pledging of security by a public depository for the repayment of all deposited public money above the amount insured, and (3) the default of public depositories.²²

Investment of public money

The Uniform Depository Law governs the investment of public funds, as well as the deposit of those funds. A political subdivision (other than a county) may invest interim moneys, and a county may invest inactive moneys or money in the county public library fund, in certain classifications of obligations. And, in general, those investments may be made only through specified institutions, such as banks, savings banks, and savings and loan associations regulated under state or federal law. Under the bill, those investments also may be made through credit unions regulated by the Superintendent or the NCUA.²³

Current law also permits the state or a political subdivision (other than a county), with respect to interim moneys, and a county, with respect to inactive moneys, to invest in certificates of deposit. The moneys must be initially deposited with an eligible public depository. The public depository must then invest the moneys in certificates of deposit of one or more federally insured banks, savings banks, or savings and loan associations. At the same time, the public depository may receive deposits of other federally insured institutions. The bill provides that the public depository may also invest in certificates of deposit of credit unions insured by the NCUA or a share guaranty corporation. Likewise, the public depository may then receive deposits of credit unions.²⁴

HISTORY

ACTION	DATE
Introduced	04-23-18

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²² R.C. 135.06, 135.08, 135.10, 135.11, 135.33, 135.51, 135.52, and 135.53.

²³ R.C. 135.14 and 135.35.

²⁴ R.C. 135.011, 135.144, and 135.353.

