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SENATE BILL NO. 769

Offered January 9, 2013

Prefiled December 18, 2012

A *BILL to amend and reenact §§ 6.2-1300 and 6.2-1376 of the Code of Virginia, relating to the limit on authorized investments by credit unions in certain property; retained earnings.*

Patron—Wagner

Referred to Committee on Commerce and Labor

Be it enacted by the General Assembly of Virginia:**1. That §§ 6.2-1300 and 6.2-1376 of the Code of Virginia are amended and reenacted as follows:****§ 6.2-1300. Definitions.**

As used in this chapter, unless the context requires a different meaning:

"Capital" means the sum of share accounts, reserves, and undivided earnings of a credit union.

"Corporate credit union" means a credit union whose field of membership consists primarily of other credit unions.

"Credit union" means a cooperative, nonprofit corporation organized under the laws of the Commonwealth and authorized to do business under this chapter for the purposes of encouraging thrift among its members, creating a source of credit at fair and reasonable rates of interest, providing an opportunity for its members to use and control their own money on a democratic basis in order to improve their economic and social condition, and conducting any other business, engaging in any other activity, and providing any other service that may be of benefit to its members, consistent with the provisions of this chapter and any regulations adopted by the Commission under this chapter.

"Credit union service organization" means any organization, corporation, or association, if (i) the membership or ownership, as the case may be, of such organization, corporation, or association is primarily confined or restricted to credit unions or organizations of credit unions and (ii) the purpose for which such organization, corporation, or association is organized is to strengthen or advance the development of credit unions or credit union organizations.

"Household" means those individuals who are related by blood, marriage, or other recognized family relationship and who live in the same house or other place of residence.

"Immediate family" means the individuals in a household who are related by blood, marriage, or other recognized family relationship. "Immediate family" also includes, regardless of their place of residence, the children, grandchildren, grandparents, parents, siblings, and spouse of an individual.

"Insuring organization" means an organization that provides aid and financial assistance to credit unions that are in the process of liquidation or are incurring financial difficulty in order that the share accounts in the credit unions shall be protected or guaranteed against loss up to a specified limit for each account, such as the National Credit Union Administration Share Insurance Fund, a corporation organized under Article 5 (§ 6.2-1331 et seq.) of this chapter, or any other share insurance provider approved by the Commission.

"Member," with respect to a credit union, or "credit union member," means any person holding a share account in accordance with standards specified by the credit union. "Member" may also be used to refer to an individual or other entity that is included within a group or a community, or to an individual who is part of a household or family.

"Reserves" means the total of allowances for loan losses, regular, special, and any other type of funds held in reserve.

"Retained earnings" means undivided earnings, regular reserve, reserve for contingencies, supplemental reserves, reserves for losses, and other appropriations from undivided earnings as designated by management or the Bureau.

"Share account" means a balance held by a credit union and established by a member in accordance with standards specified by the credit union, including balances designated as shares, share certificates, share draft accounts, or other names.

"Shares" means the interest of a member having an account in a credit union.

§ 6.2-1376. Authorized investments.

The funds of a credit union that are not used in loans to members may be invested only:

1. In loans to other insured credit unions to the extent permitted in the bylaws;
2. In shares, share accounts, or deposits of other insured credit unions to the extent authorized in its bylaws, but not to exceed 25 percent of the investing credit union's outstanding shares and reserve fund;
3. Notwithstanding any other provision of this section, in shares or deposits of any corporate credit

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59 union provided such investments are specifically authorized by the board of directors making the
60 investment;

61 4. In federally insured banks and savings institutions;

62 5. In the capital stock of the National Credit Union Central Liquidity Facility or any central liquidity
63 facility established under the laws of the Commonwealth;

64 6. In obligations of the United States and securities fully guaranteed as to principal and interest
65 thereby;

66 7. In obligations of the Commonwealth and any political subdivision thereof, including, but not
67 limited to, revenue bonds;

68 8. In such stock, securities, obligations, or other investments as may be approved from time to time
69 by the Commission;

70 9. In real estate, office buildings, equipment, and furnishings of the credit union, provided that the
71 aggregate investment in all such fixed assets shall not exceed five percent of the total of the members'
72 share accounts *and retained earnings* without the prior written authorization of the Commissioner;

73 10. In shares, stock, deposits in, loans, or other obligations of any credit union service organization,
74 corporation, or association, if (i) the membership or ownership, as the case may be, of such
75 organization, corporation, or association is primarily confined or restricted to credit unions or
76 organizations of credit unions and (ii) the purpose for which such organization, corporation, or
77 association is organized is to strengthen or advance the development of credit unions or credit union
78 organizations. Such investment by any credit union shall not exceed five percent of the credit union's
79 outstanding shares and reserves without the prior approval of the Commissioner;

80 11. In deposits in, loans to, or shares of any Federal Reserve Bank; and

81 12. In cooperative loans with other credit unions or credit union organizations. Such investment shall
82 not exceed 10 percent of outstanding shares and reserves of the investing credit union.