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**HOUSE BILL NO. 874**

Offered January 13, 2016

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*A BILL to amend and reenact §§ 6.2-1300, 6.2-1327, 6.2-1328, and 6.2-1344 of the Code of Virginia, relating to credit unions; field of membership.*

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Patron—Habeeb

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Referred to Committee on Commerce and Labor

**Be it enacted by the General Assembly of Virginia:**

**1. That §§ 6.2-1300, 6.2-1327, 6.2-1328, and 6.2-1344 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.), 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.

"Well-defined geographic area" includes (i) a local community, neighborhood, or rural district; (ii) one or more contiguous cities or counties, whether within or outside the Commonwealth; (iii) a combined statistical area, as defined by the U.S. Office of Management and Budget, and any cities and counties adjacent thereto; or (iv) any contiguous portion of a combined statistical area, as defined by the U.S. Office of Management and Budget.

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59     **§ 6.2-1327. Membership defined; field of membership.**

60     A. The membership of a credit union shall consist of the incorporators, employees of such credit  
61 union, and other persons within the field of membership set forth in the bylaws as have: (i) been fully  
62 admitted into membership, (ii) paid any required entrance fee or annual membership fee, or both, (iii)  
63 subscribed for one or more shares, (iv) paid the initial installment thereon, and (v) complied with such  
64 other requirements as the articles of incorporation or bylaws specify.

65     B. Credit union membership shall be limited to persons within a specified field of membership,  
66 individuals within the immediate family or household of such persons, associations of such persons,  
67 other credit unions, and employees of the credit union. The field of membership specified shall be  
68 composed of one or more of the following:

69         1. A single group having a common bond of occupation or association;

70         2. More than one group, each of which has a common bond of occupation or association; and each  
71 of which does not exceed 3,000 members at the time it is proposed to be included in a multiple  
72 common-bond credit union. The 3,000-member limitation shall not apply if the Commission determines  
73 that an exception on the grounds provided in subsection (d) (2) or (d) (3) of § 101 of the Credit Union  
74 Membership Access Act (12 U.S.C. § 1759) is appropriate. In making any determination under this  
75 provision, the Commission shall give consideration to the National Credit Union Administration  
76 guidelines; or

77         3. Those persons or organizations within a one or more well-defined local community, neighborhood  
78 or rural district geographic areas.

79     The Commission shall in its discretion determine whether a proposed field of membership constitutes  
80 a "well-defined local community, neighborhood or rural district." In making such determination, the  
81 Commission shall give consideration to the definition of the term that has been adopted by the National  
82 Credit Union Administration and has become legally effective geographic area," except that a  
83 "well-defined geographic area" shall not be construed to mean the entire Commonwealth.

84     C. Except as the board of directors may provide to the contrary in the bylaws with respect to  
85 termination of membership, once a person or entity becomes a member of a credit union in accordance  
86 with this chapter, that person or entity may remain a member of that credit union until the person or  
87 entity chooses to withdraw from the credit union.

88     D. The board of directors may expel from the credit union any member who: (i) has not carried out  
89 his obligations to the credit union; (ii) has been convicted of a criminal offense; (iii) neglects or refuses  
90 to comply with the provisions of this chapter or of the bylaws; (iv) neglects to pay his debts, or  
91 otherwise causes financial loss to the credit union; or (v) has deceived the credit union with regard to  
92 the use of borrowed money. No member shall be so expelled until he has been informed in writing of  
93 the charges against him, and an opportunity has been given to him, after reasonable notice, to be heard.

94     E. Members of the credit union shall not be personally liable for payment of the debts of the credit  
95 union.

96     F. The surviving spouse of a deceased credit union member shall be eligible to become a member of  
97 the credit union to which the deceased member belonged. In no other instance shall an individual be  
98 eligible for membership in a credit union on the basis of the individual's relationship to another person  
99 who is eligible for membership in the credit union, unless the individual is a member of the immediate  
100 family or household of such person. The board of directors of a credit union may provide in the bylaws  
101 for a less inclusive policy governing membership by virtue of relationship to another person, and such  
102 policy shall be effective.

103     G. Societies, associations, organizations, partnerships, and corporations, and limited liability  
104 companies composed primarily of persons who are eligible for membership in the credit union, or one  
105 of whose principal functions is to provide services to members of the credit union, may be admitted to  
106 membership in the same manner and under the same conditions as such persons eligible for membership  
107 in the credit union.

108     H. The Commonwealth, counties, cities, towns, and other political subdivisions of the Commonwealth  
109 may become members of a credit union for purposes of placing deposits in and receiving services from  
110 the credit union.

111     I. Any individual or entity that was a member of a credit union as of July 1, 1999, may remain a  
112 member of the credit union after that date, and any group that was included in the field of membership  
113 of a credit union on that date may remain within the field of membership of that credit union after that  
114 date. The successor of an entity that was a member or was eligible for membership in a credit union or  
115 for inclusion in a field of membership on July 1, 1999, retains the status of its predecessor.

116     **§ 6.2-1328. Expansion of field of membership.**

117     When practicable and consistent with reasonable safety and soundness standards, the Commission  
118 shall encourage the formation of a separately chartered credit union instead of adding a new group to  
119 the field of membership of an existing credit union. If the Commission finds that the formation of a  
120 separate credit union by a group desiring such services is not practicable, or is not consistent with

reasonable safety and soundness standards, it may authorize the a new group to be included in the field of membership of a state credit union that is located within reasonable proximity, if the Commission finds, based on the basis of the information it compiles, that the credit union proposed to be expanded:

1. Is adequately capitalized and will continue to have insurance on its members' shares and other accounts;

2. Has not engaged in any materially unsafe or unsound practice in the year preceding its application to expand; and

3. Has the management, administrative, and financial resources to serve the additional group effectively. The Commission shall not authorize the proposed inclusion of a new group unless it finds that any potential harm to another insured credit union or its members which would likely result from the proposed expansion is clearly outweighed in the public interest by the probable beneficial effects of the proposed expansion in meeting the convenience and needs of the members of the group proposed to be included.

**§ 6.2-1344. Voluntary merger.**

A. A credit union organized under this chapter may merge, with the approval of the Commission, with one or more other credit unions, state or federal, regardless of whether the credit unions serve a field of membership based on common bonds or on well-defined geographic areas. In any case in which the surviving credit union will be a Virginia state-chartered credit union, a merger application, accompanied by an application fee of \$300, shall be filed with the Commission. The Commission shall approve the application if the Commission finds that:

1. The field of membership of the credit union which is proposed to result from the merger satisfies the requirements of subsection B of § 6.2-1327;

2. The plan of merger will promote the best interests of the members of the credit unions; and

3. The members of the merging credit unions have approved the plan of merger in accordance with applicable laws and regulations. Notwithstanding subsection D of § 13.1-895, the members of a Virginia state-chartered credit union may authorize a plan of merger by vote of at least a majority of all votes cast thereon at an annual or special meeting at which a quorum is present. Notwithstanding the terms of § 13.1-895, in a merger where a Virginia credit union will be the resulting credit union, the adoption of the plan of merger by the board of directors of that credit union shall be sufficient approval of the plan, and approval of the plan of merger by the members of that credit union shall not be required. Notice of the meeting may be given in a manner prescribed in the articles of incorporation or bylaws, notwithstanding the terms of § 13.1-842 relating to the manner of notice. A federal credit union merging with a state credit union may give notice to its members as prescribed by federal regulation.

B. If the Commission finds that the requirements of subsection A have been met and all required fees have been paid, it shall approve the merger and issue a certificate of merger, which shall be admitted to record in its office and in the office for the recording of deeds in the city or county in which the registered office of each credit union is located. No such further recordation shall be required in the City of Richmond or the Counties of Chesterfield or Henrico.

C. Upon the issuance of the certificate of merger the provisions of § 13.1-897, mutatis mutandis, shall become effective.

D. For the purposes of this section, a member entitled to vote may vote in person or, unless the articles of incorporation or bylaws otherwise provide, by proxy. A member may appoint a proxy to vote or otherwise act for him by signing an appointment form. An appointment of a proxy becomes effective when received by the secretary or other officer or agent authorized to tabulate votes. An appointment is valid for 11 months unless a different period is expressly provided in the appointment form or the appointment is revoked by the member.