

**State Corporation Commission
2016 Fiscal Impact Statement**

1. Bill Number: HB874

House of Origin Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Habeeb

3. Committee: Commerce and Labor

4. Title: Credit unions; field of membership.

5. Summary: Credit unions; field of membership. Permits the State Corporation Commission (SCC) to authorize a new group to be included in the field of membership of a state credit union if the state credit union (i) is adequately capitalized and will continue to have insurance on its members'; shares and other accounts; (ii) has not engaged in any materially unsafe or unsound practice in the year preceding its application to expand; and (iii) has the management, administrative, and financial resources to serve the additional group effectively. The measure deletes provisions that (a) direct the SCC to encourage the formation of a separately chartered credit union instead of adding a new group to the field of membership of an existing credit union, (b) require the SCC to determine whether adding a new group is consistent with reasonable safety-and-soundness standards, (c) require the SCC to find that a new group to be included in the field of membership of a credit union is located within reasonable proximity, and (d) prohibit the SCC from authorizing the inclusion of a new group unless it finds that any potential harm to another insured credit union or its members that 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. The measure provides that a credit union's ability to merge with another credit union is not affected by whether the credit unions serve a field of membership based on common bonds or on well-defined geographic areas. The measure replaces the condition that the field of membership of a credit union be composed of persons or organizations within a well-defined local community, neighborhood, or rural district with a condition that the field of membership be composed of persons or organizations within one or more well-defined geographic areas, which is defined in the bill as a local community, neighborhood, or rural district; one or more contiguous cities or counties, whether within or outside the Commonwealth; a combined statistical area; or any contiguous portion of a combined statistical area. The measure directs the SCC in its discretion to determine whether a proposed field of membership constitutes a well-defined geographic area and bars "well-defined geographic area" from being defined or construed as the entire Commonwealth. The measure deletes existing requirements that each group in a multiple common bond credit union have no more than 3,000 members and that the SCC give consideration to National Credit Union Administration guidelines in determining provisions applicable to a multiple

common bond credit union. The measure adds limited liability companies to the list of business entities that are eligible for membership in a credit union if they are composed of persons eligible for membership; makes business entities eligible for membership in a credit union if they are composed primarily, rather than exclusively, of persons eligible for membership; makes a business entity eligible for membership in a credit union if one of the entity's principal functions is to provide services to members of the credit union; and authorizes the Commonwealth and any locality or other political subdivision of the Commonwealth to become members of a credit union for purposes of placing deposits in the credit union.

6. **Budget Amendment Necessary:** No.
7. **Fiscal Impact Estimates:** No fiscal impact on the State Corporation Commission
8. **Fiscal Implications:** None on the State Corporation Commission.
9. **Specific Agency or Political Subdivisions Affected:** State Corporation Commission and the Commission's Bureau of Financial Institutions
10. **Technical Amendment Necessary:** No.
11. **Other Comments:** None.