

**1999 DRAFTING REQUEST**

**Bill**

Received: **08/31/1999**

Received By: **rmarchan**

Wanted: **09/08/1999**

Identical to LRB:

For: **Jon Erpenbach (608) 266-6670**

By/Representing: **Carrie**

This file may be shown to any legislator: **NO**

Drafter: **rmarchan**

May Contact:

Alt. Drafters:

Subject: **Fin. Inst. - banking inst.**

Extra Copies:

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**Pre Topic:**

No specific pre topic given

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**Topic:**

Credit unions


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**Instructions:**

See Attached

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**Drafting History:**

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>		<u>Required</u>
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/2	rmarchan 09/22/1999	wjackson 09/22/1999	martykr 09/20/1999	_____	lrb_docadmin 09/20/1999		State
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FE Sent For:

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FE Sent For:

*Xm 9/17*      *AH 9/20*

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/?	rmarchan	1 Wlj 9/3	CH 9-7	<del>CH 9-7</del> Hlt			

FE Sent For:

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## Marchant, Robert

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**From:** Templeton, Carrie  
**Sent:** Monday, August 30, 1999 3:34 PM  
**To:** Marchant, Robert  
**Subject:** drafting request

Rob:

Senator Erpenbach would like to request the following piece of legislation to be drafted pertaining to credit unions. The Senator would greatly appreciate receiving this draft no later than **September 8**, if at all possible.

This legislation would be the same language as that included in the Senate version of the 1999-2001 Biennial Budget with the following deletions and one addition:

- ✓ • Delete all UBB provisions
- Delete any provision that takes away legislative authority
- Delete any provision that takes away rule-making authority
- Add in section that discusses the selling or purchasing of assets to specify these are **financial** assets. Language as follows: Authorizes credit unions to sell any of its *financial* assets and, with prior approval of the regulator, purchase *financial* assets of another lender or seller.

Thank you in advance for your reply to our request. Please feel free to contact me at 6-6670 or via email if you have any questions or if I can provide further information.

Sincerely,  
Carrie

*Carrie Templeton  
Office of Senator Jon Erpenbach  
27<sup>th</sup> District  
State Capitol-Room 20S  
Phone: 6-6670  
Fax: 6-2508*



State of Wisconsin  
1999 - 2000 LEGISLATURE

LRB-3533/

RJM: /:....

1

12:00 ON 9/7

RMNR

NOTE

~~PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION~~

gen. cont.

powers and operation

1 AN ACT ~~relating to~~; relating to credit union ~~organization, operation and~~ membership; the  
2 application of agriculture, trade and consumer protection statutes to credit  
3 unions; requiring the exercise of rule-making authority and providing a  
4 penalty.

**Analysis by the Legislative Reference Bureau**

This bill makes numerous changes to the chapter that governs the formation, operation and regulation of credit unions in this state. These changes include the following:

**Credit union membership**

Under current law, credit union membership must be open to groups having a common bond of occupation or association; residents within a well-defined neighborhood, community or rural district; employes of related industries or industries that operate within a well-defined neighborhood, community or rural district; members of certain fraternal, labor, educational or other similar organizations and credit union employes. Furthermore, credit union membership must be open to the immediate family of all individuals who are qualified for membership. Current law defines "members of the immediate family" as any relative of a member or of a member's spouse who is living with the member and as the member's spouse, parents, stepchildren and children. In addition, current law permits a credit union to accept an organization or association as a member, if a majority of the members of the organization or association are eligible for membership.

This bill expands the pool of individuals, organizations and associations that are eligible for membership in a credit union. Under this bill, credit union membership must be open to individuals ~~that~~ reside or are employed in neighborhoods, communities, rural districts or multicounty regions, unless the office of credit unions determines that it is impractical for the particular credit union to serve the area in which the individuals reside or are employed. Furthermore, membership must be open to employes of industries that operate at least one facility within a neighborhood or within an urban, suburban or rural community, the limits of which are not determined by any arbitrary physical standard. This bill repeals the definition of "members of the immediate family" and requires the board of directors of each credit union to establish a policy for determining which individuals qualify as members of the immediate family for the purposes of determining membership eligibility. In addition, this bill permits any organization or association that has a business location within any geographic limits of a credit union's field of membership, as well as any credit union service corporation, to become a credit union member. This bill also permits a credit union to accept any other organization or association as a member, if a majority of the directors, owners or members of the organization or association are eligible for membership.

#### ***Credit union powers***

Currently, to the extent permitted by federal law, a credit union may act as trustee of member tax deferred funds and as a depository for member-deferred compensation funds. This bill expands this authority, allowing a credit union, to the extent permitted by federal law, to act as a trustee or custodian of member tax deferred retirement funds, individual retirement accounts, medical savings accounts and other employe benefit accounts or funds. In addition, this bill allows a credit union, to the extent permitted by federal law, to act as a depository for member qualified and nonqualified deferred compensation funds.

Under current law, funds held in trust under a burial agreement (commonly known as a funeral trust) must be deposited in a bank, savings bank, savings and loan association or credit union. This bill clarifies that a credit union may accept these deposits if the deposits are made by a credit union member.

Currently, with certain exceptions, a credit union may purchase, hold and dispose of property as necessary for or incidental to credit union operations. With certain exceptions, this bill specifies that a credit union may discount or sell any of its mortgages, notes or other similar financial assets and, with the approval of the office of credit unions, may purchase the similar assets of another lender or seller.

#### ***Branch offices of Wisconsin credit unions***

Under current law, if the need and necessity exist, a credit union may establish branch offices within this state or no more than 25 miles outside of this state. In addition, if certain conditions are met, a credit union may establish a limited service office outside of this state to serve members of the credit union. A credit union seeking to establish a branch office or limited service office must first obtain the approval of the office of credit unions.

This bill expands the authority of a credit union to establish branch offices. Under this bill, with the permission of the office of credit unions, a credit union may

establish branch offices anywhere inside or outside of this state. This bill repeals the authority for a credit union to establish a limited service office, although a credit union may continue to operate a limited service office that is in existence on the effective date of this bill.

***Branch offices of Non-Wisconsin credit unions***

Current law does not permit a credit union organized under the laws of another state (non-Wisconsin credit union) to establish a branch office in this state. This bill permits a non-Wisconsin credit union to establish a branch office in this state if the office of credit unions finds that certain conditions apply to the non-Wisconsin credit union. For example, the non-Wisconsin credit union must be organized under laws similar to ch. 186, must be financially solvent and must have federal insurance for member deposits. In addition, the office of credit unions must find that credit unions organized under the laws of this state are allowed to do business under similar conditions in the home state of the non-Wisconsin credit union.

***Interstate mergers and acquisitions of credit unions***

Under current law regarding interstate mergers and acquisitions of credit unions, a credit union organized in this state may only merge with, acquire or be acquired by a state or federal credit union that has its principal office in Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri or Ohio. This bill repeals this geographic limitation on mergers and acquisitions of credit unions and, thus, expands the number of credit unions that are eligible to merge with, acquire or be acquired by a credit union in organized in this state.

***Credit union reports***

Current law contains several credit union reporting requirements and, with certain exceptions, requires the office of credit unions to annually examine the records and accounts of each credit union. The employees of the office of credit unions and members of the credit union review board must keep information obtained in the course of examinations confidential, with limited exceptions. A violation of this confidentiality requirement is subject to a forfeiture of up to \$200.

This bill expands the confidentiality requirement to also include information contained in certain reports that a credit union provides to the office of credit unions. In addition, this bill specifies that, with certain exceptions, any employe of the office of credit unions or member of the credit union review board who discloses any information about the private account or transactions of a credit union or who discloses any information obtained in the course of an examination is subject to a fine of not less than \$100 nor more than \$1,000, imprisonment for not less than ~~6~~<sup>six</sup> months nor more than ~~3~~<sup>three</sup> years or both and may be required to forfeit his or her office or position.

***Definition of "credit union"***

This bill deletes the requirement, currently contained in the definition of "credit union", that a credit union be incorporated to encourage thrift, create a source of credit at a fair and reasonable cost and provide an opportunity for credit union members to improve their economic and social conditions. Under this bill, "credit union" means a cooperative, nonprofit corporation, incorporated under ch. 186.

***Credit union bylaws***

This bill reduces the information that a credit union must include in its bylaws. Under this bill, a credit union is no longer required to include a provision describing the credit union's method for receipting money paid on accounts or a provision describing the conditions on which accounts may be paid in, transferred and withdrawn. Thus, this bill allows a credit union to alter its method of operation with regard to these subjects without amending the credit union bylaws.

***Other changes***

Current law specifically requires any officer or employe of a credit union who sells credit life insurance or credit accident or sickness insurance on behalf of the credit union to pay to the credit union all commissions received from the sale. This bill clarifies that an officer or employe of a credit union must pay to the credit union all commissions received from the sale of any authorized insurance product sold on behalf of the credit union.

In addition, currently it is a Class A misdemeanor if a person, with intent to defame, communicates a defamatory matter to a third person without the consent of the person defamed. This bill creates a similar ~~crime~~ <sup>provision</sup> specific to credit unions. Under this bill, any person who knowingly publishes false reports or makes false statements about a credit union may be fined not less than \$1,000 nor more than \$5,000, imprisoned for not less than one year nor more than 15 years, or both.

Under current law, credit unions are subject to the provisions of chs. 93 to 100 (agriculture, trade and consumer protection statutes) that apply to businesses generally. Banks, savings banks and savings and loan associations are specifically exempted from the definition of "business" that applies in the agriculture, trade and consumer protection statutes. This bill specifically exempts credit unions from this definition, as well.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

INSERT  
1-1

1

SECTION 4. 186.113 (7) of the statutes is amended to read:

186.113 (7) CONDITIONAL SALES CONTRACTS. Purchase Notwithstanding sub. (25)

INSERT  
1-4

2  
3

(b) purchase or acquire conditional sales contracts or similar instruments executed by credit union members.

4  
5

SECTION 5. 186.113 (25) of the statutes is created to read:

1 186.113 (25) SALE AND PURCHASE OF ASSETS THAT ARE FINANCIAL IN NATURE. (a)  
2 Subject to ss. 186.18, 186.31 and 186.41, discount or sell any of the following credit  
3 union assets:

- 4 1. Notes.
- 5 2. Mortgages.
- 6 3. Any other similar assets that are primarily financial in nature.

7 (b) With the prior approval of the office of credit unions and subject to ss. 186.31  
8 and 186.41, purchase any of the following assets of another lender or seller:

- 9 1. Notes.
- 10 2. Mortgages.
- 11 3. Any other similar assets that are primarily financial in nature.

INSERT  
5-11 ✓

11 →

12 SECTION 4. 186.235 (8) of the statutes is amended to read:

13 186.235 (8) RULES. The office of credit unions shall, with the approval of the  
14 credit union review board, promulgate rules relating to the business of credit unions.

15 The rules shall include all of the following:

16 (a) A list of the assets that a credit union may discount or sell under s. 186.113  
17 (25) (a).

18 (b) A list of the assets that, with the prior approval of the office of credit unions,  
19 a credit union may purchase under s. 186.113 (25) (b).

INSERT  
5-19 ✓

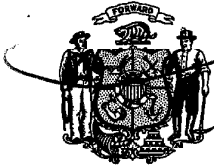
19 →

20 SECTION 4. Nonstatutory provision.

21 (1) No later than the first day of the 6th month beginning after publication, the  
22 office of credit unions shall submit in proposed form the rules governing the discount,  
23 sale and purchase by a credit union of assets that are financial in nature under s.

1 186.113 <sup>(24)</sup> and <sup>2</sup>~~(25)~~ and (26) of the statutes, as created by this act, to the legislative council  
2 staff under section 227.15 (1)<sup>2</sup> of the statutes.

3 (END)



INSERTS

SDC:.....Walter - #2763, Credit unions

FOR 1999-01 BUDGET — NOT READY FOR INTRODUCTION

CAUCUS AMENDMENT

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO 1999 ASSEMBLY BILL 133

INSERT 1-1

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 989, line 22: after that line insert:

3 "SECTION ~~1920m~~ <sup>#</sup> 93.01 (1m) of the statutes is amended to read:

4 93.01 (1m) "Business" includes any business, except that of banks, savings  
5 banks, credit unions, savings and loan associations and insurance companies.

6 "Business" includes public utilities and telecommunications carriers to the extent  
7 that their activities, beyond registration, notice and reporting activities, are not  
8 regulated by the public service commission and includes public utility and  
9 telecommunications carrier methods of competition or trade and advertising  
10 practices that are exempt from regulation by the public service commission under s.



1 196.195, 196.196, 196.202, 196.203, 196.219 or 196.499 or by other action of the  
2 commission".

3 2. Page 1179, line 19: after that line insert:

4 SECTION ~~2308.01~~<sup>#</sup>. 186.01 (2) of the statutes is amended to read:

5 186.01 (2) "Credit union" means a cooperative, nonprofit corporation,  
6 incorporated under this chapter ~~to encourage thrift among its members, create a~~  
7 ~~source of credit at a fair and reasonable cost and provide an opportunity for its~~  
8 ~~members to improve their economic and social conditions, except as specifically~~  
9 provided under ss. 186.41 (1) and 186.45 (1).

10 SECTION ~~2308.02~~<sup>#</sup>. 186.01 (8) of the statutes is repealed.

11 SECTION ~~2308.04~~<sup>#</sup>. 186.02 (2) (a) 1. of the statutes is amended to read:

12 186.02 (2) (a) 1. The conditions ~~of residence or occupation~~ which ~~qualify persons~~  
13 determine eligibility for membership.

14 SECTION ~~2308.05~~<sup>#</sup>. 186.02 (2) (a) 3. and 4. of the statutes are repealed.

15 SECTION ~~2308.06~~<sup>#</sup>. 186.02 (2) (b) 2. of the statutes is amended to read:

16 186.02 (2) (b) 2. ~~Residents within a well-defined neighborhood, community or~~  
17 Individuals that reside or are employed in neighborhoods, communities, rural  
18 district districts or multicounty regions, unless the office of credit unions determines  
19 that it is impractical for a particular credit union to serve the area in which the  
20 individuals reside or are employed.

21 SECTION ~~2308.07~~<sup>#</sup>. 186.02 (2) (b) 3. of the statutes is amended to read:

22 186.02 (2) (b) 3. ~~Employes of related or vicinal industries or employes of~~  
23 industries that operate at least one facility within a neighborhood or urban,

1 suburban or rural community the limits of which are not determined by any  
2 arbitrary physical standard.

3 SECTION ~~2308 (1a)~~, 186.02 (2) (c) of the statutes is amended to read:

4 186.02 (2) (c) Members of the immediate family of all qualified persons are  
5 eligible for membership. ~~In this paragraph, "members of the immediate family"~~  
6 ~~include the wife, husband, parents, stepchildren and children of a member whether~~  
7 ~~living together in the same household or not and any other relatives of the member~~  
8 ~~or spouse of a member living together in the same household as the member.~~

9 SECTION ~~2308 (1a)~~. 186.02 (2) (d) of the statutes is renumbered 186.02 (2) (d) 1.  
10 and amended to read:

11 186.02 (2) (d) 1. ~~Organizations and associations~~ An organization or association  
12 of individuals, the majority of whom the directors, owners or members of which are  
13 eligible for membership, may be admitted to membership in the same manner and  
14 under the same conditions as individuals.

15 SECTION ~~2308 (1a)~~. 186.02 (2) (d) 2. of the statutes is created to read:

16 186.02 (2) (d) 2. An organization or association that has a business location  
17 within any geographic limits of the credit union's field of membership or an  
18 organization or association that is organized primarily to provide  
19 ~~in the ordinary course of business, provides~~ goods  
20 ~~and services to credit unions, credit union organizations~~ and credit union members  
~~or persons who are eligible~~ for membership in the credit union may be admitted to membership.

21 SECTION ~~2308 (1a)~~. 186.08 (1m) (h) of the statutes is created to read:

22 186.08 (1m) (h) Establishing a policy determining which individuals qualify  
23 as members of the immediate family of a qualified person for the purpose of  
24 determining eligibility for membership in the credit union under s. 186.02 (2) (c).

~~SECTION 2308 (1a), 186.02 (2) (c) and (d) of the statutes are amended to read:~~

1 186.11 (4) (title) INVESTMENT IN CREDIT UNION SERVICE CORPORATIONS  
2 ORGANIZATIONS. (a) ~~A~~ Unless the office of credit unions approves a higher percentage,  
3 a credit union may invest not more than 1.5% of its total assets in the capital shares  
4 or obligations of a credit union service corporation organizations that are  
5 corporations, limited partnerships, limited liability companies or other entities  
6 approved by the office of credit unions, and that are organized primarily to provide  
7 goods and services, in the ordinary course of business, to credit unions, credit union  
8 organizations and credit union members.

9 **SECTION 2308pc.** 186.11 (4) (b) (intro.) and 1. of the statutes are amended to  
10 read:

11 186.11 (4) (b) (intro.) A credit union service corporation organization under par.  
12 (a) may provide goods and services including any of the following:

13 1. Credit union operations services, including service centers, credit and debit  
14 card services, automated teller and remote terminal services, electronic transaction  
15 services, accounting systems, data processing, management training and support,  
16 payment item processing, record retention and storage locator services, research,  
17 debt collection, credit analysis and loan servicing, coin and currency services and  
18 marketing and advertising services.

19 **SECTION 2308pf.** 186.11 (4) (b) 6. and 7. of the statutes are renumbered 186.11  
20 (4) (b) 9. and 10.

21 **SECTION 2308ph.** 186.11 (4) (b) 6m., 7m. and 8. of the statutes are created to  
22 read:

23 186.11 (4) (b) 6m. Management, development, sale or lease of fixed assets and  
24 sale, lease or servicing of computer hardware or software.

25 7m. Securities brokerage services.

1 8. Travel agency services.

2 SECTION ~~2308pj~~. 186.11 (4) (c) of the statutes is amended to read:

3 186.11 (4) (c) A credit union service corporation organization may be subject  
4 to audit examination by the office of credit unions

5 SECTION ~~2308pm~~. 186.113 (1) of the statutes is amended to read:

6 186.113 (1) BRANCH OFFICES. ~~If the need and necessity exist and with~~ With the  
7 approval of the office of credit unions, establish branch offices inside ~~this state or no~~  
8 ~~more than 25 miles or~~ outside of this state. Permanent records may be maintained  
9 at branch offices established under this subsection. In this subsection, the term  
10 "branch office" does not include a remote terminal, a limited services office or a  
11 service center.

12 SECTION ~~2308pm~~. 186.113 (1m) (a) (intro.) of the statutes is amended to read:

13 186.113 (1m) (a) (intro.) Establish Before the effective date of this paragraph  
14 ~~... [revisor inserts date],~~ establish limited services offices outside this state to serve  
15 any member of the credit union if all of the following requirements are met:

16 SECTION ~~2308pm~~. 186.113 (6) (b) and (c) of the statutes are amended to read:

17 186.113 (6) (b) Act as trustees or custodians of member tax deferred retirement  
18 benefit accounts or funds permitted by federal law to be deposited in a credit union.

19 (c) Act as a depository for ~~member-deferred~~ member qualified and  
20 nonqualified deferred compensation funds as permitted by federal law.

21 SECTION ~~2308pm~~. 186.113 (24) of the statutes is created to read:

22 186.113 (24) FUNERAL TRUSTS. Accept deposits made by members for the  
23 purpose of funding burial agreements by trusts created pursuant to s. 445.125.  
24

25 SECTION ~~2308pm~~. 186.113 (25) of the statutes is created to read:

INJECT  
1-4

1           186.113 (25) SELL OR PURCHASE ASSETS. Discount or sell any of its assets and,  
2           with the prior approval of the office of credit unions, purchase assets of another  
3           lender or seller.

4           **SECTION 2308pv.** 186.114 of the statutes is created to read:

5           **186.114. Federal and other powers. (1) EXERCISE OF FEDERAL CREDIT UNION**  
6           **POWERS BY WISCONSIN CREDIT UNION.** (a) *In general.* Subject to the limitations in this  
7           subsection, a credit union may exercise all powers that may be exercised, directly or  
8           indirectly through a credit union service organization, by a federally chartered credit  
9           union or by an affiliate of such an institution.

10           (b) *Required notification for exercise of a federal power.* A credit union shall give  
11           60 days' prior written notice to the office of credit unions of the credit union's  
12           intention to exercise a power under this subsection.

13           (c) *Exercise of federal powers through a credit union service organization.* The  
14           office of credit unions may require that certain powers exercisable by credit unions  
15           under this subsection be exercised through a credit union service organization with  
16           appropriate safeguards to limit the risk exposure of the credit union.

17           **(2) EXERCISE OF OTHER SERVICE AND INCIDENTAL ACTIVITY POWERS.** (a) *Necessary*  
18           *or convenient powers.* Unless otherwise prohibited or limited by this chapter, a credit  
19           union may exercise all powers necessary or convenient to effect the purposes for  
20           which the credit union is organized or to further the businesses in which the credit  
21           union is lawfully engaged.

22           (b) *Reasonably related powers.* Subject to any applicable state or federal  
23           regulatory or licensing requirements, a credit union may engage, directly or  
24           indirectly through a credit union service organization, in activities reasonably  
25           related or incident to the purposes of the credit union. Activities reasonably related

1 or incident to the purposes of the credit union are those activities that are part of the  
2 business of credit unions, or closely related to the business of credit unions, or  
3 convenient and useful to the business of credit unions, or reasonably related or  
4 incident to the operation of credit unions or are financial in nature.

5 (c) *Notice requirement.* A credit union shall give 60 days' prior written notice  
6 to the office of credit unions of the credit union's intention to engage in an activity  
7 under this subsection.

8 (d) *Standards for denial.* The office of credit unions may deny the authority  
9 of a credit union to engage in an activity under this subsection if the office of credit  
10 unions determines that the activity is not an activity reasonably related or incident  
11 to the purposes of the credit union, that the credit union is not well-capitalized or  
12 adequately capitalized, that the credit union is the subject of an enforcement action  
13 or that the credit union does not have satisfactory management expertise for the  
14 proposed activity.

15 (e) *Other activities approved by the office of credit unions.* A credit union may  
16 engage in any other activity that is approved by rule of the office of credit unions.

17 (f) *Activities provided through a subsidiary.* A credit union may engage in  
18 activities under this subsection, directly or indirectly through a credit union service  
19 organization, unless the office of credit unions determines that an activity must be  
20 conducted through a credit union service organization with appropriate safeguards  
21 to limit the risk exposure of the credit union.

22 (3) **RULE-MAKING AUTHORITY.** The office of credit unions may promulgate rules  
23 to administer this section. The rules may impose limitations or conditions on the  
24 exercise of powers under this section if the office of credit unions determines that the

1 ~~limits or conditions are necessary for the protection of depositors, members,~~  
2 ~~investors or the public.~~

3 SECTION 2308px. 186.115 (1) of the statutes is amended to read:

4 186.115 (1) SCOPE OF AUTHORITY. Subject to any regulatory approval required  
5 by law and subject to sub. (2), a credit union, directly or through a subsidiary, may  
6 undertake any activity, exercise any power or offer any financially related product  
7 or service in this state that any other provider of financial products or services may  
8 undertake, exercise or provide or that the office of credit unions finds to be financially  
9 related. The authority granted under this subsection is in addition to any power or  
10 authority granted to a credit union under s. 186.114 (1) and (2) (a) and (b).

INSECT  
5-11

11 SECTION 2308px. 186.235 (7) (a) (intro.) of the statutes is amended to read:

12 186.235 (7) (a) (intro.) Employees of the office of credit unions and members of  
13 the review board shall keep secret all the facts and information obtained in the  
14 course of examinations <sup>except</sup> for contained in any report provided by a credit union other  
15 than ~~any annual or quarterly financial report that is regularly filed with the office of credit unions~~. This requirement does not apply  
~~in any of the following situations.~~

16 SECTION 2308px. 186.235 (7) (c) of the statutes is created to read:

17 186.235 (7) (c) If any person mentioned in par. (a) discloses any information  
18 about the private account or transactions of a credit union or any information  
19 obtained in the course of an examination of a credit union, except as provided in pars.  
20 (a) and (b), that person may be required to forfeit his or her office or position and may  
21 be fined not less than \$100 nor more than \$1,000, or imprisoned for not less than 6  
22 months nor more than 3 years, or both.

23 SECTION 2308px. 186.235 (7m) of the statutes is created to read:

1           186.235 (7m) RETURN OF EXAMINATION REPORTS. Examination reports possessed  
 2 by a credit union are confidential, remain the property of the office of credit unions  
 3 and shall be returned to the office of credit unions immediately upon request.

INS 245  
5-19

4           SECTION ~~2308~~ 186.235 (16) (a) of the statutes is renumbered 186.235 (16).

5           SECTION ~~2308~~ 186.235 (16) (b) of the statutes is repealed.

6           SECTION ~~2308~~ 186.36 of the statutes is amended to read:

7           **186.36 Sale of insurance in credit unions.** Any officer or employe of a credit  
 8 union, when acting as an agent for the sale of insurance on behalf of the credit union,  
 9 shall pay all commissions received from the sale of ~~credit life insurance or credit~~  
 10 ~~accident and sickness insurance~~ to the credit union.

11           SECTION ~~2308~~ 186.41 (title) of the statutes is amended to read:

12           **186.41 (title) Interstate ~~acquisition~~ acquisitions and merger mergers**  
 13 **of credit unions.**

14           SECTION ~~2308~~ 186.41 (1) (a) of the statutes is renumbered 186.41 (1) (bm)  
 15 and amended to read:

16           186.41 (1) (bm) "~~In-state~~ Wisconsin credit union" means a credit union having  
 17 its principal office located in this state.

18           SECTION ~~2308~~ 186.41 (1) (c) of the statutes is renumbered 186.41 (1) (am)  
 19 and amended to read:

20           186.41 (1) (am) "~~Regional~~ Out-of-state credit union" means a state or federal  
 21 credit union that has its, the principal office of which is located in one of the regional  
 22 states a state other than this state.

23           SECTION ~~2308~~ 186.41 (1) (d) of the statutes is repealed.

24           SECTION ~~2308~~ 186.41 (2) and (3) of the statutes are amended to read:



1 186.41 (2) ~~IN-STATE~~ WISCONSIN CREDIT UNION. (a) ~~An in-state~~ A Wisconsin credit  
2 union may do any of the following:

3 1. Acquire an interest in, or some or all of the assets and liabilities of, one or  
4 more ~~regional out-of-state~~ credit unions.

5 2. Merge with one or more ~~regional out-of-state~~ credit unions.

6 (b) ~~An in-state~~ A Wisconsin credit union proposing any action under par. (a)  
7 shall provide the office of credit unions a copy of any original application seeking  
8 approval by a federal agency or by an agency of ~~the regional~~ another state and of any  
9 supplemental material or amendments filed in connection with any application.

10 (3) ~~REGIONAL Out-of-state~~ CREDIT UNIONS. Except as provided in sub. (4), a  
11 ~~regional an out-of-state~~ credit union may do any of the following:

12 (a) Acquire an interest in, or some or all of the assets of, one or more ~~in-state~~  
13 Wisconsin credit unions.

14 (b) Merge with one or more ~~in-state~~ Wisconsin credit unions.

15 SECTION ~~2001~~. 186.41 (4) (intro.), (a) to (d) and (f) of the statutes are  
16 amended to read:

17 186.41 (4) LIMITATIONS. (intro.) ~~A regional~~ An out-of-state credit union may  
18 not take any action under sub. (3) until all of the following conditions have been met:

19 (a) The office of credit unions finds that the statutes of the ~~regional~~ state in  
20 which the ~~regional out-of-state~~ credit union has its principal office permit ~~in-state~~  
21 Wisconsin credit unions to both acquire ~~regional out-of-state~~ credit union assets and  
22 merge with one or more ~~regional out-of-state~~ credit unions in ~~the regional~~ that state.

23 (b) The office of credit unions has not disapproved the acquisition of ~~in-state~~  
24 Wisconsin credit union assets or the merger with the ~~in-state~~ Wisconsin credit union  
25 under sub. (5).

1 (c) The office of credit unions gives a class 3 notice, under ch. 985, in the official  
2 state newspaper, of the application to take an action under sub. (3) and of the  
3 opportunity for a hearing and, if at least 25 residents of this state petition for a  
4 hearing within 30 days of the final notice or if the office of credit unions on its own  
5 motion calls for a hearing within 30 days of the final notice, the office of credit unions  
6 holds a public hearing on the application, except that a hearing is not required if the  
7 office of credit unions finds that an emergency exists and that the proposed action  
8 under sub. (3) is necessary and appropriate to prevent the probable failure of an  
9 in-state a Wisconsin credit union that is closed or in danger of closing.

10 (d) The office of credit unions is provided a copy of any original application  
11 seeking approval by a federal agency of the acquisition of in-state Wisconsin credit  
12 union assets or of the merger with an in-state a Wisconsin credit union and of any  
13 supplemental material or amendments filed with the application.

14 (f) With regard to an acquisition of assets of an in-state a Wisconsin credit  
15 union that is chartered on or after May 9, 1986, the in-state Wisconsin credit union  
16 has been in existence for at least 5 years before the date of acquisition.

17 SECTION ~~186.41~~. 186.41 (5) (a), (b), (c) and (cr) of the statutes are amended to  
18 read:

19 186.41 (5) (a) Considering the financial and managerial resources and future  
20 prospects of the applicant and of the in-state Wisconsin credit union concerned, the  
21 action would be contrary to the best interests of the members of the in-state  
22 Wisconsin credit union.

23 (b) The action would be detrimental to the safety and soundness of the  
24 applicant or of the in-state Wisconsin credit union concerned, or to a subsidiary or  
25 affiliate of the applicant or of the in-state Wisconsin credit union.

1 (c) Because the applicant, its executive officers or directors have not  
2 established a record of sound performance, efficient management, financial  
3 responsibility and integrity, the action would be contrary to the best interests of the  
4 creditors, members or other customers of the applicant or of the in-state Wisconsin  
5 credit union or contrary to the best interests of the public.

6 (cr) The applicant has failed to propose to provide adequate and appropriate  
7 services of the type contemplated by the community reinvestment act of 1977 in the  
8 community in which the in-state Wisconsin credit union which the applicant  
9 proposes to acquire or merge with is located.

10 SECTION ~~230.51~~. 186.41 (6) (a) of the statutes is renumbered 186.41 (6).

11 SECTION ~~230.52~~. 186.41 (6) (b) of the statutes is repealed.

12 SECTION ~~230.53~~. 186.41 (8) of the statutes is repealed.

13 SECTION ~~230.54~~. 186.45 of the statutes is created to read:

14 **186.45 Non-Wisconsin credit union, Wisconsin offices. (1) DEFINITIONS.**

15 In this section:

16 (a) "Non-Wisconsin credit union" means a credit union organized under the  
17 laws of and with its principal office located in a state other than this state.

18 (b) "Wisconsin credit union" has the meaning given in s. 186.41 (1) (bm).

19 (2) APPROVAL. A non-Wisconsin credit union may open an office and conduct  
20 business as a credit union in this state if the office of credit unions finds that  
21 Wisconsin credit unions are allowed to do business in the other state under  
22 conditions similar to those contained in this section and that all of the following apply  
23 to the non-Wisconsin credit union:

24 (a) It is a credit union organized under laws similar to the credit union laws of  
25 this state.

- ↓
- 1 (b) It is financially solvent based upon national board ratings.
  - 2 (c) It has member savings insured with federal share insurance.
  - 3 (d) It is effectively examined and supervised by the credit union authorities of
  - 4 the state in which it is organized.
  - 5 (e) It has received approval from the credit union authorities of the state in
  - 6 which it is organized.
  - 7 (f) It has a need to place an office in this state to adequately serve its members
  - 8 in this state.
  - 9 (g) It meets all other relevant standards or qualifications established by the
  - 10 office of credit unions.

11 (3) REQUIREMENTS. A non-Wisconsin credit union shall agree to do all of the  
12 following:

- 13 (a) Grant loans at rates not in excess of the rates permitted for Wisconsin credit
- 14 unions.
- 15 (b) Comply with this state's laws.
- 16 (c) Designate and maintain an agent for the service of process in this state.

17 (4) RECORDS. As a condition of a non-Wisconsin credit union doing business in  
18 this state under this section, the office of credit unions may require copies of  
19 examination reports and related correspondence regarding the non-Wisconsin  
20 credit union.

21 SECTION ~~186.80~~. 186.80 of the statutes is created to read:

22 **186.80 False statements.** A person who knowingly publishes false reports or  
23 makes false statements about a credit union may be fined not less than \$1,000 nor

1 more than \$5,000 or imprisoned for not less than one year nor more than 15 years

2 or both.

3

~~(END)~~

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-3533/1dn

RJM:/:....

Wlj

1. As explained below, proposed s. 186.113 (25) stats, regarding the authority of a credit union to sell or purchase financial assets, appears to overlap with existing grants of authority in ch. 186. You may want to have the office of credit unions review this portion of the draft in order to determine whether any clarification is necessary. Please let me know if, at any time, you would like me to redraft the bill or prepare an amendment to address this issue.

Current law contains several relevant grants of authority regarding a credit union's sale or purchase of assets. Sections 186.18, 186.31 and 186.41 deal with the dissolution, merger and acquisition of a credit union, respectively, and contain specific procedures regarding the sale and acquisition of credit union assets. Furthermore, under s. 186.11 (2) (a), stats., a credit union may acquire or sell assets as necessary for or incidental to its operations. In addition, s. 186.115, stats., allows a credit union to exercise any power that the office of credit unions determines, by rule, to be financially related to the business of credit unions.

Although this draft does require any sale or purchase of financial assets under proposed s. 186.113 (25) to comply with the applicable statutes on dissolutions, mergers and acquisitions, the grant of authority under proposed s. 186.113 (25) stats otherwise overlaps with the grants of authority under ss. 186.11 (2) (a) and 186.115, stats. In the absence of clarifying language, it is unclear whether the "necessary or incidental" standard from s. 186.11 (2) (a), stats., the "financially related, as determined by rule" standard from s. 186.115, stats., or neither, applies to a credit union's purchase or sale of assets under proposed s. 186.113 (25), stats.

2. This draft requires the office of credit unions, with the approval of the credit union review board, to specify by rule which types of assets in addition to mortgages and notes qualify as financial assets under proposed s. 186.113 (25) stats. See proposed s. 186.235 (8), stats. Please let me know if you do not approve of this provision.

3. You may want to consider either delaying the effective date of this draft in order to allow time for the office of credit unions to complete the rule-making process or granting an exception from the rule-making procedures.

4. In proposed s. 186.235 (7) (a) (intro.), I have removed the reference to a "call report" and replaced it with a reference to any report filed to meet the annual reporting requirement under ~~186.235 (19) stats.~~ Currently, a credit union must file either semi-annual or quarterly financial reports (commonly referred to as call reports),

with the office of credit unions

regularly

quarterly or semi-annual financial

Hopefully, as

which together satisfy the annual reporting requirement under s. 186.235 (19), stats. However, because the term "call report" is undefined, it would be difficult for a court to ascertain what the legislature intended if that term is used. ~~as~~ drafted, proposed s. 186.235 (7) (intro.) more clearly expresses the ~~legislature's~~ intent. Let me know if you desire any changes.

your

Robert J. Marchant  
Legislative Attorney  
Phone: (608) 261-4454  
E-mail: Robert.Marchant@legis.state.wi.us

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-3533/1dn

RJM:wlj:ch

September 7, 1999

1. As explained below, proposed s. 186.113 (25), regarding the authority of a credit union to sell or purchase financial assets, appears to overlap with existing grants of authority in ch. 186. You may want to have the office of credit unions review this portion of the draft to determine whether any clarification is necessary. Please let me know if, at any time, you would like me to redraft the bill or prepare an amendment to address this issue.

Current law contains several relevant grants of authority regarding a credit union's sale or purchase of assets. Sections 186.18, 186.31 and 186.41 deal with the dissolution, merger and acquisition of a credit union, respectively, and contain specific procedures regarding the sale and acquisition of credit union assets. Furthermore, under s. 186.11 (2) (a), stats., a credit union may acquire or sell assets as necessary for or incidental to its operations. In addition, s. 186.115, stats., allows a credit union to exercise any power that the office of credit unions determines, by rule, to be financially related to the business of credit unions.

Although this draft does require any sale or purchase of financial assets under proposed s. 186.113 (25) to comply with the applicable statutes on dissolutions, mergers and acquisitions, the grant of authority under proposed s. 186.113 (25) otherwise overlaps with the grants of authority under ss. 186.11 (2) (a) and 186.115, stats. In the absence of clarifying language, it is unclear whether the "necessary or incidental" standard from s. 186.11 (2) (a), stats., the "financially related, as determined by rule" standard from s. 186.115, stats., or neither applies to a credit union's purchase or sale of assets under proposed s. 186.113 (25), stats.

2. This draft requires the office of credit unions, with the approval of the credit union review board, to specify by rule which types of assets in addition to mortgages and notes qualify as financial assets under proposed s. 186.113 (25). See proposed s. 186.235 (8). Please let me know if you do not approve of this provision.

3. You may want to consider either delaying the effective date of this draft in order to allow time for the office of credit unions to complete the rule-making process or granting an exception from the rule-making procedures.

4. In proposed s. 186.235 (7) (a) (intro.), I have removed the reference to a "call report" and replaced it with a reference to any quarterly or semiannual financial report regularly filed with the office of credit unions. Currently, a credit union must file either semiannual or quarterly financial reports (commonly referred to as call reports), which



together satisfy the annual reporting requirement under s. 186.235 (19), stats. However, because the term "call report" is undefined, it would be difficult for a court to ascertain what the legislature intended if that term is used. Hopefully, as drafted, proposed s. 186.235 (7) (intro.) more clearly expresses your intent. Let me know if you desire any changes.

Robert J. Marchant  
Legislative Attorney  
Phone: (608) 261-4454  
E-mail: [Robert.Marchant@legis.state.wi.us](mailto:Robert.Marchant@legis.state.wi.us)

To: Rob Marchant Fax: 4-8522

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From: Julie & Carrie - Erpenbach Date: 09/14/99

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Re: CU Bill Pages: 2

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CC: [Click here and type name]

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Urgent  For Review  Please Comment  Please Reply  Please Recycle



PLEASE REPLY AS SOON AS POSSIBLE. Thank you!

call with comments.

**CONFIDENTIAL**

**1999 CU Bill - LRB-3533/1dn**  
(September 14, 1999)

1. We would like § 186.113(25) to be revised as follows:

- a. Changed the title to "Purchase of Certain Assets."
- b. Delete all of 186.113 (25) (a).
- c. 186.113(25)(b) would be revised, replacing the language after the comma with the following:

"...purchase any of the following assets of another lender or seller:

1. Loans and lines of credit,
2. Liens and security interests,
3. Leases,
4. Conditional sales contracts, and
5. Investments, as permitted by s. 186.11.

[This is eliminating the open-ended concept of other assets that are financial in nature.]

- 2. The rulemaking requirement in 186.235(8) would be dropped.
- 3. The Nonstatutory provision requiring submission of a rule would be dropped (Section 37).
- 4. There would be no delayed effective date such as was suggested in drafter's note #3.

# Revisions

1999 CU Bill - LRB-3533/1dn  
(September 8, 1999)

1. *a. The proposed changes to the CUSO investment statute are not included in this draft, but we still seek those changes. The proposed changes were included in LRB-3126/P2 as Sections 12 - 16.*

*b. The only further CUSO change is to LRB-3126/P2 Section 16. The proposed replacement of "audit" to "examination" is withdrawn. Thus, it should read:*

*A credit union service ~~cooperation~~ organization may be subject to audit by the office of credit unions.*

2. Rob Marchant's proposed cross-references relating to §§ 186.18, 186.31, and 186.41 are helpful in clarifying when the new § 186.113(25) provisions apply.

*a. Can they be further clarified by stating:*

*"Subject to ss. 186.18, 186.31 and 186.41 when applicable,..." in 186.113(25)(a), and  
"Subject to ss. 186.31 and 186.41 when applicable,..." in 186.113(25)(b) ?*

*b. Or is "when applicable" understood?*

3. *Regarding § 186.11(2)(a), no further clarification should be necessary.*

*a. Although § 186.11(2)(a) does overlap proposed § 186.113(25) to a considerable extent, each section covers some areas not covered by the other. Since neither imposes an approval or other requirement, the overlap appears to be completely harmless.*

*b. We are unable to think of an example of overlap between § 186.11(2)(a) and proposed relates to property necessary or incidental to credit union operations, while § 186.113(25) relates to any financial assets, in the order of an investment or loan, purchased from another lender or seller. If any possible overlap comes to light, it can be addressed in the rule we seek to have drafted.*

4. *Regarding §186.115, no further clarification should be necessary. That provision relates only to products or services, not assets the credit union may sell or purchase. We are not aware of an example of overlap.*

5. *Proposed § 186.113(25)(a) should only refer to "assets" or "credit union assets," not notes, mortgages, or other similar assets that are financial in nature. There isn't any reason to limit the provision to financial assets. Any assets that a credit union is entitled to hold should necessarily be subject to sale, except to the special circumstances addressed by the new cross-reference to §§ 186.18, 186.31, and 186.41.*

**6. We would like § 186.113(25) to replace:**

**"...purchase any of the following assets of another lender or seller:**

**1. Notes.**

**2. Mortgages.**

**3. Any other similar assets that are primarily financial in nature."**

**with language closer to the language we originally offered:**

**"...purchase financial assets of another lender or seller. 'Financial assets' include, but are not limited to, loans, credit sale contracts, leases, and investments."**

**Let me also now add "liens" to this list of examples.**

**a. The examples of financial assets that we provided is more varied than Rob's list, and thus broader. It is doubtful to me that notes, mortgages, and similar assets that are primarily financial in nature would be interpreted to include investments or leases.**

**b. I thank Rob for his inclusion of "mortgage" which we did not include in our draft. I think liens is broader, so it is preferable.**

**c. I am not very sure that "...other similar assets that are primarily financial in nature" will be construed as broadly as "Financial assets' include, but are not limited to..." I am concerned that "other similar assets" will operate as a limitation on the concept of "assets that are primarily financial in nature." Again, I think the resulting interpretation would not include investments, leases, and others.**

**7. We do not wish to have the statutes require the Office of Credit Unions to promulgate an administrative rule to implement § 186.113(25), or to delay the effective date of the sale and purchase of assets provisions.**

We do intend to seek a rule setting standards for the approval of purchase of financial assets, as well as giving more guidance as to what are financial assets. However, we expect that in most scenarios that could arise, it will be clear whether an asset is a financial asset and the office of credit unions would act reasonably in approving or disapproving such purchases. We would not want credit unions ability to buy or sell assets curtailed during the period of time it would take to craft a well-reasoned and useful rule.

**8. We agree to the changes Rob has made regarding:**

**a. the proposed cross-reference to sub. (25) in § 186.113(7),**

**b. the reference to "call report" in proposed § 186.235(7)(a)(intro.).**

John Charles Engel  
League Compliance Counsel  
Wisconsin Credit Union League

CREDIT UNION LEGISLATION (LRB-3533) MEETING  
September 8, 1999

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Items for discussion (from June 25, 1999 credit union memo):

- Section 12 language regarding the formation into various legal structures, name change of CUSC to CUSO, 1.5% of assets limit.
- Section 15 language regarding services provided by CUSOs to CUs. Are these subject to rule-making now? An expansion of services provided by CUSOs.
- Language regarding financial assets: should the language specify both the selling of and purchasing of financial assets? The language provided by the credit unions indicated that the word financial was to only be inserted when referring to the purchase of assets.
- "other employee benefits" language to be removed from IRA, medical savings account section.

Question for Rob Marchant:

- Section regarding credit union bylaws. Julie would like further clarification as to if banks or savings and loan have similar requirements.

Questions for Jim Tenuta:

- On page 6, line 15 "impractical" section: should it also state or not financially sound?

Modifications to bill draft:

1. Under drafter's note, section 1: state that OCU *may* promulgate rules as to what these financial assets will include under the provisions of this bill.
2. Delay effective date of bill by 6 months to allow for possible rule promulgation by OCU.
3. "Examination reports remain property of OCU" language—make sure is included in bill.
4. Delete phrase on page 7, lines 23-24 "or other employe benefit accounts or funds". Add "or" on line 23 before "medical savings accounts" and "as" before word "permitted" on line 24.

## Marchant, Robert

---

**From:** Templeton, Carrie  
**Sent:** Wednesday, September 08, 1999 11:54 AM  
**To:** Marchant, Robert  
**Subject:** credit union draft questions

Hi Rob-

We have a few questions regarding the draft that we hope you can help us with:

1. On page 8, line 2 of the bill draft there is a reference to member qualified and nonqualified deferred compensation funds. What is the difference between these two types of deferred comp funds? *Refers to qualification under I.R.C.*
2. On page 4 of the bill summary (sorry, I don't have the exact bill reference), there is an explanation of the changes in credit union bylaw requirements. Do you know if banks have the same authority as this section? Specifically, we were wondering about the statement "this bill allows a credit union to alter its method of operation with regard to those subjects without amending the credit union bylaws." *No similar requirement for banks, savings banks or S&L's.*
3. On page 6, line 15 the bill draft states "...that it is impractical for a particular credit union to serve the area in which the individuals reside or are employed." Do you know if current standard practice would suggest that this section should state "impractical or not financially sound"? *I don't know. This standard was provided among by C.U.'s*
4. On page 7, line 22 the bill draft allows credit unions to "act as trustees or custodians" of the mentioned funds. What is the difference between trustees and custodians? *Here, intent is only to allow C.U. to hold these accounts as permitted*
5. Is the following language included in the bill draft? I could not find it, but that certainly does not mean it isn't in there: *Clarifies that examination reports remain the property of the OCU and are returnable immediately upon the request of that office. (Creates ss. 186.235 (7m) Page 9, lines 12-14*

Thanks for all your help. Feel free to call or reply via email. See you at 3:00.

Carrie

Carrie Templeton  
Office of Senator Jon Erpenbach  
27<sup>th</sup> Senate District  
Phone: 6-6670  
Fax: 6-2508

*under federal law. I.R.C.  
allows I.R.A. + MSAs to  
be held in trust or  
custodial account.*

Questions from 9-8-99  
email, 11:54 AM

① Qualified plan = TAX qualified  
- meets IRS criteria so that -er contributions are immediately deductible from -er income

Non-qualified plan = NOT TAX qualified

- does not meet IRS criteria  
- er contributions are not deductible from -er income immediately

② Credit union by laws

- No similar by law content requirement for banks, savings banks + S-L's

③ "Impractical" vs "Not financially sound" standard for limiting multi-neighborhood / community / rural district field of membership.

- Don't know what standard practice is under current law ("well defined...")

④ Although trustee + custodian ARE different things, here intent is to allow C.U. to act in any capacity allowed under Fed. law.

- I.R.C. allows retirement plans to be held in trust or custodial account

- Business decision by person setting up the plan whether to have it in trust or custodial account.

⑤ Pg 9 lines 12-14





State of Wisconsin  
1999 - 2000 LEGISLATURE

LRB-3533/1  
RJM:wlj:ch

Tuesday 9-21

1999 BILL

RMR

NOTE

re-gen

1 AN ACT to repeal 186.01 (8), 186.02 (2) (a) 3. and 4., 186.235 (16) (b), 186.41 (1)  
2 (d), 186.41 (6) (b) and 186.41 (8); to renumber 186.235 (16) (a) and 186.41 (6)  
3 (a); to renumber and amend 186.02 (2) (d), 186.41 (1) (a) and 186.41 (1) (c);  
4 to amend 93.01 (1m), 186.01 (2), 186.02 (2) (a) 1., 186.02 (2) (b) 2., 186.02 (2)  
5 (b) 3., 186.02 (2) (c), 186.113 (1), 186.113 (1m) (a) (intro.), 186.113 (6) (b) and (c),  
6 186.113 (7), 186.235 (7) (a) (intro.), 186.235 (8), 186.36, 186.41 (title), 186.41 (2)  
7 and (3), 186.41 (4) (intro.), (a) to (d) and (f) and 186.41 (5) (a), (b), (c) and (cr);  
8 and to create 186.02 (2) (d) 2., 186.08 (1m) (h), 186.113 (24), 186.113 (25),  
9 186.235 (7) (c), 186.235 (7m), 186.45 and 186.80 of the statutes; relating to:  
10 credit union membership, powers and operation; the application of agriculture,  
11 trade and consumer protection statutes to credit unions ~~requiring the exercise~~  
12 ~~of rule-making authority~~ and providing a penalty.

**Analysis by the Legislative Reference Bureau**

This bill makes numerous changes to the chapter that governs the formation, operation and regulation of credit unions in this state. These changes include the following:

**BILL**

***Credit union membership***

Under current law, credit union membership must be open to groups having a common bond of occupation or association; residents within a well-defined neighborhood, community or rural district; employes of related industries or industries that operate within a well-defined neighborhood, community or rural district; members of certain fraternal, labor, educational or other similar organizations and credit union employes. Furthermore, credit union membership must be open to the immediate family of all individuals who are qualified for membership. Current law defines "members of the immediate family" as any relative of a member or of a member's spouse who is living with the member and as the member's spouse, parents, stepchildren and children. In addition, current law permits a credit union to accept an organization or association as a member, if a majority of the members of the organization or association are eligible for membership.

This bill expands the pool of individuals, organizations and associations that are eligible for membership in a credit union. Under this bill, credit union membership must be open to individuals who reside or are employed in neighborhoods, communities, rural districts or multicounty regions, unless the office of credit unions determines that it is impractical for the particular credit union to serve the area in which the individuals reside or are employed. Furthermore, membership must be open to employes of industries that operate at least one facility within a neighborhood or within an urban, suburban or rural community, the limits of which are not determined by any arbitrary physical standard. This bill repeals the definition of "members of the immediate family" and requires the board of directors of each credit union to establish a policy for determining which individuals qualify as members of the immediate family for the purposes of determining membership eligibility. In addition, this bill ~~permits~~ <sup>opens</sup> any organization or association that has a business location within any geographic limits of ~~the~~ <sup>the</sup> credit union's field of membership, as well as any ~~credit union service organization~~ <sup>organization or association</sup> ~~that provides credit union services~~. This bill also permits a credit union to accept any ~~credit union~~ organization or association as a member, if a majority of the directors, owners or members of the organization or association are eligible for membership.

opens credit union membership to

INSERT A

***Credit union powers***

Currently, to the extent permitted by federal law, a credit union may act as trustee of member tax deferred funds and as a depository for member-deferred compensation funds. This bill expands this authority, allowing a credit union, to the extent permitted by federal law, to act as a trustee or custodian of member tax deferred retirement funds, individual retirement accounts, medical savings accounts and other employe benefit accounts or funds. In addition, this bill allows a credit union, to the extent permitted by federal law, to act as a depository for member qualified and nonqualified deferred compensation funds.

Under current law, funds held in trust under a burial agreement (commonly known as a funeral trust) must be deposited in a bank, savings bank, savings and loan association or credit union. This bill clarifies that a credit union may accept these deposits if the deposits are made by a credit union member.

organization or association that, in the ordinary course of business, provides goods and services to credit unions, credit union organizations or persons who are eligible for membership in the credit union

Current law does not permit a credit union to purchase the financial assets of another lender or seller.

following financial

generally

Currently, with certain exceptions, a credit union may purchase, hold and dispose of property as necessary for or incidental to credit union operations. ~~With certain exceptions, this bill specifies that a credit union may discount or sell any of its mortgages, notes or other similar financial assets and, with the approval of the office of credit unions, may purchase the similar assets of another lender or seller.~~

**Branch offices of Wisconsin credit unions**

Under current law, if the need and necessity exist, a credit union may establish branch offices within this state or no more than 25 miles outside of this state. In addition, if certain conditions are met, a credit union may establish a limited service office outside of this state to serve members of the credit union. A credit union seeking to establish a branch office or limited service office must first obtain the approval of the office of credit unions.

This bill expands the authority of a credit union to establish branch offices. Under this bill, with the permission of the office of credit unions, a credit union may establish branch offices anywhere inside or outside of this state. This bill repeals the authority for a credit union to establish a limited service office, although a credit union may continue to operate a limited service office that is in existence on the effective date of this bill.

**Branch offices of non-Wisconsin credit unions**

Current law does not permit a credit union organized under the laws of another state (non-Wisconsin credit union) to establish a branch office in this state. This bill permits a non-Wisconsin credit union to establish a branch office in this state if the office of credit unions finds that certain conditions apply to the non-Wisconsin credit union. For example, the non-Wisconsin credit union must be organized under laws similar to ch. 186, must be financially solvent and must have federal insurance for member deposits. In addition, the office of credit unions must find that credit unions organized under the laws of this state are allowed to do business under similar conditions in the home state of the non-Wisconsin credit union.

**Interstate mergers and acquisitions of credit unions**

Under current law regarding interstate mergers and acquisitions of credit unions, a credit union organized in this state may only merge with, acquire or be acquired by a state or federal credit union that has its principal office in Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri or Ohio. This bill repeals this geographic limitation on mergers and acquisitions of credit unions and, thus, expands the number of credit unions that are eligible to merge with, acquire or be acquired by a credit union organized in this state.

**Credit union reports**

Current law contains several credit union reporting requirements and, with certain exceptions, requires the office of credit unions to annually examine the records and accounts of each credit union. The employees of the office of credit unions and members of the credit union review board must keep information obtained in the course of examinations confidential, with limited exceptions. A violation of this confidentiality requirement is subject to a forfeiture of up to \$200.

Loans, lines of credit, liens, security interests, leases, conditional sales contracts and certain investments that a credit union is permitted to make under current law.

**BILL**

This bill expands the confidentiality requirement to also include information contained in certain reports that a credit union provides to the office of credit unions. In addition, this bill specifies that, with certain exceptions, any employe of the office of credit unions or member of the credit union review board who discloses any information about the private account or transactions of a credit union or who discloses any information obtained in the course of an examination is subject to a fine of not less than \$100 nor more than \$1,000, imprisonment for not less than six months nor more than three years or both and may be required to forfeit his or her office or position.

***Definition of "credit union"***

This bill deletes the requirement, currently contained in the definition of "credit union", that a credit union be incorporated to encourage thrift, create a source of credit at a fair and reasonable cost and provide an opportunity for credit union members to improve their economic and social conditions. Under this bill, "credit union" means a cooperative, nonprofit corporation, incorporated under ch. 186.

***Credit union bylaws***

This bill reduces the information that a credit union must include in its bylaws. Under this bill, a credit union is no longer required to include a provision describing the credit union's method for receipting money paid on accounts or a provision describing the conditions on which accounts may be paid in, transferred and withdrawn. Thus, this bill allows a credit union to alter its method of operation with regard to these subjects without amending the credit union bylaws.

***Other changes***

Current law specifically requires any officer or employe of a credit union who sells credit life insurance or credit accident or sickness insurance on behalf of the credit union to pay to the credit union all commissions received from the sale. This bill clarifies that an officer or employe of a credit union must pay to the credit union all commissions received from the sale of any authorized insurance product sold on behalf of the credit union.

In addition, currently it is a Class A misdemeanor if a person, with intent to defame, communicates a defamatory matter to a third person without the consent of the person defamed. This bill creates a similar crime specific to credit unions. Under this bill, any person who knowingly publishes false reports or makes false statements about a credit union may be fined not less than \$1,000 nor more than \$5,000, imprisoned for not less than one year nor more than 15 years, or both.

Under current law, credit unions are subject to the provisions of chs. 93 to 100 (agriculture, trade and consumer protection statutes) that apply to businesses generally. Banks, savings banks and savings and loan associations are specifically exempted from the definition of "business" that applies in the agriculture, trade and consumer protection statutes. This bill specifically exempts credit unions from this definition, as well.

**BILL**

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 93.01 (1m) of the statutes is amended to read:

2           93.01 (1m) “Business” includes any business, except that of banks, savings  
3 banks, credit unions, savings and loan associations and insurance companies.  
4 “Business” includes public utilities and telecommunications carriers to the extent  
5 that their activities, beyond registration, notice and reporting activities, are not  
6 regulated by the public service commission and includes public utility and  
7 telecommunications carrier methods of competition or trade and advertising  
8 practices that are exempt from regulation by the public service commission under s.  
9 196.195, 196.196, 196.202, 196.203, 196.219 or 196.499 or by other action of the  
10 commission.

11           **SECTION 2.** 186.01 (2) of the statutes is amended to read:

12           186.01 (2) “Credit union” means a cooperative, nonprofit corporation,  
13 incorporated under this chapter ~~to encourage thrift among its members, create a~~  
14 ~~source of credit at a fair and reasonable cost and provide an opportunity for its~~  
15 ~~members to improve their economic and social conditions, except as specifically~~  
16 provided under ss. 186.41 (1) and 186.45 (1).

17           **SECTION 3.** 186.01 (8) of the statutes is repealed.

18           **SECTION 4.** 186.02 (2) (a) 1. of the statutes is amended to read:

19           186.02 (2) (a) 1. The conditions of ~~residence or occupation~~ which ~~qualify persons~~  
20 determine eligibility for membership.

21           **SECTION 5.** 186.02 (2) (a) 3. and 4. of the statutes are repealed.

**BILL**

1           **SECTION 6.** 186.02 (2) (b) 2. of the statutes is amended to read:

2           186.02 (2) (b) 2. ~~Residents within a well defined neighborhood, community or~~  
3           Individuals that reside or are employed in neighborhoods, communities, rural  
4           district districts or multicounty regions, unless the office of credit unions determines  
5           that it is impractical for a particular credit union to serve the area in which the  
6           individuals reside or are employed.

7           **SECTION 7.** 186.02 (2) (b) 3. of the statutes is amended to read:

8           186.02 (2) (b) 3. ~~Employees of related or vicinal industries or employees of~~  
9           industries that operate at least one facility within a neighborhood or urban,  
10          suburban or rural community the limits of which are not determined by any  
11          arbitrary physical standard.

12          **SECTION 8.** 186.02 (2) (c) of the statutes is amended to read:

13          186.02 (2) (c) ~~Members of the immediate family of all qualified persons are~~  
14          eligible for membership. ~~In this paragraph, "members of the immediate family"~~  
15          ~~include the wife, husband, parents, stepchildren and children of a member whether~~  
16          ~~living together in the same household or not and any other relatives of the member~~  
17          ~~or spouse of a member living together in the same household as the member.~~

18          **SECTION 9.** 186.02 (2) (d) of the statutes is renumbered 186.02 (2) (d) 1. and  
19          amended to read:

20          186.02 (2) (d) 1. ~~Organizations and associations~~ An organization or association  
21          of individuals, the majority of ~~whom~~ the directors, owners or members of which are  
22          eligible for membership, may be admitted to membership in the same manner and  
23          under the same conditions as individuals.

24          **SECTION 10.** 186.02 (2) (d) 2. of the statutes is created to read:

**BILL**

1           186.02 (2) (d) 2. An organization or association that has a business location  
 2 within any geographic limits of the credit union's field of membership or an  
 3 organization or association that <sup>in the ordinary course of business</sup> ~~is organized primarily to provide~~ <sup>provides</sup> goods and services  
 4 to credit unions, credit union organizations ~~and credit union members~~ may be  
 5 admitted to membership. <sup>or persons who are eligible for membership in the credit union</sup>

**SECTION 11.** 186.08 (1m) (h) of the statutes is created to read:

7           186.08 (1m) (h) Establishing a policy determining which individuals qualify  
 8 as members of the immediate family of a qualified person for the purpose of  
 9 determining eligibility for membership in the credit union under s. 186.02 (2) (c).

**SECTION 12.** 186.113 (1) of the statutes is amended to read:

11           186.113 (1) BRANCH OFFICES. ~~If the need and necessity exist and with~~ With the  
 12 approval of the office of credit unions, establish branch offices inside ~~this state or no~~  
 13 ~~more than 25 miles~~ or outside of this state. Permanent records may be maintained  
 14 at branch offices established under this subsection. In this subsection, the term  
 15 "branch office" does not include a remote terminal, a limited services office or a  
 16 service center.

**SECTION 13.** 186.113 (1m) (a) (intro.) of the statutes is amended to read:

18           186.113 (1m) (a) (intro.) Establish Before the effective date of this paragraph  
 19 ... [revisor inserts date], establish limited services offices outside this state to serve  
 20 any member of the credit union if all of the following requirements are met:

**SECTION 14.** 186.113 (6) (b) and (c) of the statutes are amended to read:

22           186.113 (6) (b) Act as trustees or custodians of member tax deferred retirement  
 23 funds, individual retirement accounts, medical savings accounts or other employe  
 24 benefit accounts or funds permitted by federal law to be deposited in a credit union.

INSERT  
7-9

**BILL**

1 (c) Act as a depository for ~~member deferred~~ member qualified and  
2 nonqualified deferred compensation funds as permitted by federal law.

3 **SECTION 15.** 186.113 (7) of the statutes is amended to read:

4 186.113 (7) **CONDITIONAL SALES CONTRACTS.** Purchase Notwithstanding sub. (25)

5 (b) purchase or acquire conditional sales contracts or similar instruments executed  
6 by credit union members.

7 **SECTION 16.** 186.113 (24) of the statutes is created to read:

8 186.113 (24) **FUNERAL TRUSTS.** Accept deposits made by members for the  
9 purpose of funding burial agreements by trusts created pursuant to s. 445.125.

10 **SECTION 17.** 186.113 (25) of the statutes is created to read:

11 186.113 (25) ~~SALE AND PURCHASE OF ASSETS THAT ARE FINANCIAL IN NATURE~~ <sup>CERTAIN</sup> <sup>(25)</sup>

12 Subject to ss. 186.18, 186.31 and 186.41, discount or sell any of the following credit  
13 union assets:  
14 1. Notes.  
15 2. Mortgages.  
16 3. Any other similar assets that are primarily financial in nature.

17 ~~With~~ <sup>Not</sup> With the prior approval of the office of credit unions and subject to ss. 186.31  
18 and 186.41, purchase any of the following assets of another lender or seller:

- 19 (a) ~~Notes~~ <sup>Loans and lines of credit</sup>
- 20 (b) ~~Mortgages~~ <sup>Liens and security interests</sup> <sup>Leases</sup>
- 21 (c) ~~Any other similar assets that are primarily financial in nature~~

22 **SECTION 18.** 186.235 (7) (a) (intro.) of the statutes is amended to read:

23 186.235 (7) (a) (intro.) Employees of the office of credit unions and members of  
24 the review board shall keep secret all the facts and information obtained in the  
25 course of examinations, except or contained in any report provided by a credit union

- (d) Conditional sales contracts.
- (e) Investments, as permitted under s. 186.11.



**BILL**

1 other than any semiannual or quarterly financial report that is regularly filed with  
2 the office of credit unions. This requirement does not apply in any of the following  
3 situations:

4 **SECTION 19.** 186.235 (7) (c) of the statutes is created to read:

5 186.235 (7) (c) If any person mentioned in par. (a) discloses any information  
6 about the private account or transactions of a credit union or any information  
7 obtained in the course of an examination of a credit union, except as provided in pars.  
8 (a) and (b), that person may be required to forfeit his or her office or position and may  
9 be fined not less than \$100 nor more than \$1,000, or imprisoned for not less than 6  
10 months nor more than 3 years, or both.

11 **SECTION 20.** 186.235 (7m) of the statutes is created to read:

12 186.235 (7m) RETURN OF EXAMINATION REPORTS. Examination reports possessed  
13 by a credit union are confidential, remain the property of the office of credit unions  
14 and shall be returned to the office of credit unions immediately upon request.

15 **SECTION 21.** 186.235 (8) of the statutes is amended to read:

16 ~~186.235 (8) RULES. The office of credit unions shall, with the approval of the~~  
17 ~~credit union review board, promulgate rules relating to the business of credit unions.~~

18 ~~The rules shall include all of the following:~~

19 ~~(a) A list of the assets that a credit union may discount or sell under s. 186.113~~

20 ~~(25) (a).~~

21 ~~(b) A list of the assets that, with the prior approval of the office of credit unions,~~

22 ~~a credit union may purchase under s. 186.113 (25) (b).~~

23 **SECTION 22.** 186.235 (16) (a) of the statutes is renumbered 186.235 (16).

24 **SECTION 23.** 186.235 (16) (b) of the statutes is repealed.

25 **SECTION 24.** 186.36 of the statutes is amended to read:

**BILL**

1           **186.36 Sale of insurance in credit unions.** Any officer or employe of a credit  
2 union, when acting as an agent for the sale of insurance on behalf of the credit union,  
3 shall pay all commissions received from the sale of ~~credit life insurance or credit~~  
4 ~~accident and sickness insurance~~ to the credit union.

5           **SECTION 25.** 186.41 (title) of the statutes is amended to read:

6           **186.41 (title) Interstate ~~acquisition~~ acquisitions and merger mergers**  
7 **of credit unions.**

8           **SECTION 26.** 186.41 (1) (a) of the statutes is renumbered 186.41 (1) (bm) and  
9 amended to read:

10           186.41 (1) (bm) “~~In-state~~ Wisconsin credit union” means a credit union having  
11 its principal office located in this state.

12           **SECTION 27.** 186.41 (1) (c) of the statutes is renumbered 186.41 (1) (am) and  
13 amended to read:

14           186.41 (1) (am) “~~Regional Out-of-state~~ credit union” means a state or federal  
15 credit union that has its the principal office of which is located in ~~one of the regional~~  
16 ~~states a state other than this state.~~

17           **SECTION 28.** 186.41 (1) (d) of the statutes is repealed.

18           **SECTION 29.** 186.41 (2) and (3) of the statutes are amended to read:

19           186.41 (2) ~~IN-STATE~~ WISCONSIN CREDIT UNION. (a) ~~An in-state~~ A Wisconsin credit  
20 union may do any of the following:

21           1. Acquire an interest in, or some or all of the assets and liabilities of, one or  
22 more ~~regional out-of-state~~ credit unions.

23           2. Merge with one or more ~~regional out-of-state~~ credit unions.

24           (b) ~~An in-state~~ A Wisconsin credit union proposing any action under par. (a)  
25 shall provide the office of credit unions a copy of any original application seeking

**BILL**

1 approval by a federal agency or by an agency of ~~the regional~~ another state and of any  
2 supplemental material or amendments filed in connection with any application.

3 (3) ~~REGIONAL Out-of-state~~ CREDIT UNIONS. Except as provided in sub. (4), a  
4 ~~regional an out-of-state~~ credit union may do any of the following:

5 (a) Acquire an interest in, or some or all of the assets of, one or more ~~in-state~~  
6 Wisconsin credit unions.

7 (b) Merge with one or more ~~in-state~~ Wisconsin credit unions.

8 **SECTION 30.** 186.41 (4) (intro.), (a) to (d) and (f) of the statutes are amended to  
9 read:

10 186.41 (4) LIMITATIONS. (intro.) ~~A regional~~ An out-of-state credit union may  
11 not take any action under sub. (3) until all of the following conditions have been met:

12 (a) The office of credit unions finds that the statutes of the ~~regional~~ state in  
13 which the ~~regional out-of-state~~ credit union has its principal office permit ~~in-state~~  
14 Wisconsin credit unions to both acquire ~~regional out-of-state~~ credit union assets and  
15 merge with one or more ~~regional out-of-state~~ credit unions in the ~~regional~~ that state.

16 (b) The office of credit unions has not disapproved the acquisition of ~~in-state~~  
17 Wisconsin credit union assets or the merger with the ~~in-state~~ Wisconsin credit union  
18 under sub. (5).

19 (c) The office of credit unions gives a class 3 notice, under ch. 985, in the official  
20 state newspaper, of the application to take an action under sub. (3) and of the  
21 opportunity for a hearing and, if at least 25 residents of this state petition for a  
22 hearing within 30 days of the final notice or if the office of credit unions on its own  
23 motion calls for a hearing within 30 days of the final notice, the office of credit unions  
24 holds a public hearing on the application, except that a hearing is not required if the  
25 office of credit unions finds that an emergency exists and that the proposed action

**BILL**

1 under sub. (3) is necessary and appropriate to prevent the probable failure of an  
2 ~~in-state~~ Wisconsin credit union that is closed or in danger of closing.

3 (d) The office of credit unions is provided a copy of any original application  
4 seeking approval by a federal agency of the acquisition of ~~in-state~~ Wisconsin credit  
5 union assets or of the merger with an ~~in-state~~ Wisconsin credit union and of any  
6 supplemental material or amendments filed with the application.

7 (f) With regard to an acquisition of assets of an ~~in-state~~ Wisconsin credit  
8 union that is chartered on or after May 9, 1986, the ~~in-state~~ Wisconsin credit union  
9 has been in existence for at least 5 years before the date of acquisition.

10 **SECTION 31.** 186.41 (5) (a), (b), (c) and (cr) of the statutes are amended to read:

11 186.41 (5) (a) Considering the financial and managerial resources and future  
12 prospects of the applicant and of the ~~in-state~~ Wisconsin credit union concerned, the  
13 action would be contrary to the best interests of the members of the ~~in-state~~  
14 Wisconsin credit union.

15 (b) The action would be detrimental to the safety and soundness of the  
16 applicant or of the ~~in-state~~ Wisconsin credit union concerned, or to a subsidiary or  
17 affiliate of the applicant or of the ~~in-state~~ Wisconsin credit union.

18 (c) Because the applicant, its executive officers or directors have not  
19 established a record of sound performance, efficient management, financial  
20 responsibility and integrity, the action would be contrary to the best interests of the  
21 creditors, members or other customers of the applicant or of the ~~in-state~~ Wisconsin  
22 credit union or contrary to the best interests of the public.

23 (cr) The applicant has failed to propose to provide adequate and appropriate  
24 services of the type contemplated by the community reinvestment act of 1977 in the

**BILL**

1 community in which the ~~in-state~~ Wisconsin credit union which the applicant  
2 proposes to acquire or merge with is located.

3 **SECTION 32.** 186.41 (6) (a) of the statutes is renumbered 186.41 (6).

4 **SECTION 33.** 186.41 (6) (b) of the statutes is repealed.

5 **SECTION 34.** 186.41 (8) of the statutes is repealed.

6 **SECTION 35.** 186.45 of the statutes is created to read:

7 **186.45 Non-Wisconsin credit union, Wisconsin offices. (1) DEFINITIONS.**

8 In this section:

9 (a) “Non-Wisconsin credit union” means a credit union organized under the  
10 laws of and with its principal office located in a state other than this state.

11 (b) “Wisconsin credit union” has the meaning given in s. 186.41 (1) (bm).

12 **(2) APPROVAL.** A non-Wisconsin credit union may open an office and conduct  
13 business as a credit union in this state if the office of credit unions finds that  
14 Wisconsin credit unions are allowed to do business in the other state under  
15 conditions similar to those contained in this section and that all of the following apply  
16 to the non-Wisconsin credit union:

17 (a) It is a credit union organized under laws similar to the credit union laws of  
18 this state.

19 (b) It is financially solvent based upon national board ratings.

20 (c) It has member savings insured with federal share insurance.

21 (d) It is effectively examined and supervised by the credit union authorities of  
22 the state in which it is organized.

23 (e) It has received approval from the credit union authorities of the state in  
24 which it is organized.

**BILL**

1 (f) It has a need to place an office in this state to adequately serve its members  
2 in this state.

3 (g) It meets all other relevant standards or qualifications established by the  
4 office of credit unions.

5 **(3) REQUIREMENTS.** A non-Wisconsin credit union shall agree to do all of the  
6 following:

7 (a) Grant loans at rates not in excess of the rates permitted for Wisconsin credit  
8 unions.

9 (b) Comply with this state's laws.

10 (c) Designate and maintain an agent for the service of process in this state.

11 **(4) RECORDS.** As a condition of a non-Wisconsin credit union doing business in  
12 this state under this section, the office of credit unions may require copies of  
13 examination reports and related correspondence regarding the non-Wisconsin  
14 credit union.

15 **SECTION 36.** 186.80 of the statutes is created to read:

16 **186.80 False statements.** A person who knowingly publishes false reports or  
17 makes false statements about a credit union may be fined not less than \$1,000 nor  
18 more than \$5,000 or imprisoned for not less than one year nor more than 15 years  
19 or both.

20 **SECTION 37. Nonstatutory provision.**

21 (1) No later than the first day of the 6th month beginning after publication, the  
22 office of credit unions shall submit proposed form the rules governing the discount,  
23 sale and purchase by a credit union of assets that are financial in nature under s.

**BILL**

1 186.113 (24) and (25) of the statutes, as created by this act, to the legislative council  
2 staff under section 227.15 (1) of the statutes.

3

(END)

1999-2000 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU

LRB-3533/2ins  
RJM:.....

INSERT A

***Credit union investments***

Under current law, a credit union may invest up to 1.5% of its total assets in an organization that is organized primarily to provide goods and services to credit unions, credit union organizations and credit union members (credit union service organization). Under current law, a credit union may invest in a credit union service organization that is a corporation. Current law also specifies the types of goods and services that a credit union service organization may provide. These goods and services include, among other things, credit card services, automated teller services, financial planning and insurance sales. However, current law is ambiguous as to whether the percentage limitation on a credit union's investment in credit union service organizations applies to the aggregate total of all credit union investments in credit union service organizations or to a credit union's investment in each particular credit union service organization.

This bill expands the types of organizations in which a credit union may invest. Under this bill, a credit union a credit union service organization is any organization that is organized to provide goods and services, in the ordinary course of business, to credit unions, credit union organizations and credit union members. In addition, under this bill, a credit union may invest in a credit union service organization that is a corporation, limited partnership, limited liability company or any other entity that is permitted under state law and that is approved by the office of credit unions.

This bill also provides that the office of credit unions may permit a credit union to invest greater than 1.5% of credit union assets in a credit union service organization. In addition, this bill clarifies that the limitation on a credit union's investment in credit union service organizations applies to the aggregate total of all credit union investments in credit union service organizations.

This bill also expands the types of goods and services that a credit union service organization may provide. Under this bill, the goods and services provided by a credit union service organization may include electronic transaction services; the management, development, sale or lease of fixed assets; the sale, lease or servicing of computer hardware or software; securities brokerage services and travel agency services.



*INSERT 7-9*

*Satisfy all of the following: P*

*SEC. # AM. 186.11(4)(H/H) and (a):*

1 186.11 (4) (title) INVESTMENT IN CREDIT UNION SERVICE CORPORATIONS  
 2 ORGANIZATIONS. (a) ~~A~~ Unless the office of credit unions approves a higher percentage,  
 3 a credit union may invest not more than 1.5% of its total assets in the capital shares  
 4 or obligations of a credit union service corporation organizations that are  
 5 corporations, limited partnerships, limited liability companies or other entities  
 6 approved by the office of credit unions that are organized primarily to provide  
 7 goods and services, in the ordinary course of business, to credit unions, credit union  
 8 organizations and credit union members.

*1. Are*

*that are permitted under the laws of this state and that are*

*IP 2. Are*

9 SECTION ~~2009 #~~ 186.11 (4) (b) (intro.) and 1. of the statutes are amended to  
 10 read:

11 186.11 (4) (b) (intro.) A credit union service corporation organization under par.  
 12 (a) may provide goods and services including any of the following:

13 1. Credit union operations services, including service centers, credit and debit  
 14 card services, automated teller and remote terminal services, electronic transaction  
 15 services, accounting systems, data processing, management training and support,  
 16 payment item processing, record retention and storage, locator services, research,  
 17 debt collection, credit analysis and loan servicing, coin and currency services and  
 18 marketing and advertising services.

19 SECTION ~~2009 #~~ 186.11 (4) (b) 6. and 7. of the statutes are renumbered 186.11  
 20 (4) (b) 9. and 10.

21 SECTION ~~2009 #~~ 186.11 (4) (b) 6m., 7m. and 8. of the statutes are created to  
 22 read:

23 186.11 (4) (b) 6m. Management, development, sale or lease of fixed assets and  
 24 sale, lease or servicing of computer hardware or software.

25 7m. Securities brokerage services.

1 - 8. Travel agency services.

2 SECTION 2308~~pn~~<sup>#</sup> 186.11 (4) (c) of the statutes is amended to read:

3 186.11 (4) (c) A credit union service corporation organization may be subject  
4 to audit examination by the office of credit unions.

Plata  
KX

END INSERT

5 SECTION 2308~~pl~~ 186.113 (1) of the statutes is amended to read:

6 186.113 (1) BRANCH OFFICES. ~~If the need and necessity exist and with~~ With the  
7 approval of the office of credit unions, establish branch offices inside ~~this state or no~~  
8 ~~more than 25 miles or~~ outside of this state. Permanent records may be maintained  
9 at branch offices established under this subsection. In this subsection, the term  
10 "branch office" does not include a remote terminal, a limited services office or a  
11 service center.

12 SECTION 2308~~pn~~ 186.113 (1m) (a) (intro.) of the statutes is amended to read:

13 186.113 (1m) (a) (intro.) ~~Establish~~ Before the effective date of this paragraph  
14 ... [revisor inserts date], establish limited services offices outside this state to serve  
15 any member of the credit union if all of the following requirements are met:

16 SECTION 2308~~pp~~ 186.113 (6) (b) and (c) of the statutes are amended to read:

17 186.113 (6) (b) Act as trustees or custodians of member tax deferred retirement  
18 funds, individual retirement accounts, medical savings accounts or other employe  
19 benefit accounts or funds permitted by federal law to be deposited in a credit union.

20 (c) Act as a depository for ~~member-deferred~~ member qualified and  
21 nonqualified deferred compensation funds as permitted by federal law.

22 SECTION 2308~~pr~~ 186.113 (24) of the statutes is created to read:

23 186.113 (24) FUNERAL TRUSTS. Accept deposits made by members for the  
24 purpose of funding burial agreements by trusts created pursuant to s. 445.125.

25 SECTION 2308~~pt~~ 186.113 (25) of the statutes is created to read:

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-3533/2dn

RJM:.....

WJ

Senator Erpenbach:

1. The attached redraft incorporates the following changes, all of which I have previously discussed with your staff:

a. The addition of sections from the senate super amendment to the budget bill relating to credit union service organizations. See treatments to s. 186.11, stats.

b. The deletion of language relating to a credit union's authority to sell or dispose of its assets.

c. The addition of certain financial <sup>or</sup> assets to the list of assets that a credit union may purchase from another lender <sup>or</sup> seller. See proposed s. 186.113 (25), stats.

d. The deletion of language requiring the office of credit unions to promulgate rules and provide proposed rules to the legislature within <sup>six</sup> months after the bill takes effect.

2. The addition of the sections relating to credit union service organizations required a change to the treatment of proposed s. 186.02 (2) (d) 2. ~~to~~ <sup>in</sup> order to make this draft consistent with the language proposed in the senate super amendment to the budget bill. This section permits certain organizations and associations to become members of credit unions. Please review this section and let me know if you have any questions or suggested changes.

Robert J. Marchant  
Legislative Attorney  
Phone: (608) 261-4454  
E-mail: Robert.Marchant@legis.state.wi.us

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-3533/2dn

RJM:wlj:km

September 17, 1999

Senator Erpenbach:

1. The attached redraft incorporates the following changes, all of which I have previously discussed with your staff:

a. The addition of sections from the senate super amendment to the budget bill relating to credit union service organizations. See treatments to s. 186.11, stats.

b. The deletion of language relating to a credit union's authority to sell or dispose of its assets.

c. The addition of certain financial assets to the list of assets that a credit union may purchase from another lender or seller. See proposed s. 186.113 (25), stats.

d. The deletion of language requiring the office of credit unions to promulgate rules and provide proposed rules to the legislature within six months after the bill takes effect.

2. The addition of the sections relating to credit union service organizations required a change to the treatment of proposed s. 186.02 (2) (d) 2. in order to make this draft consistent with the language proposed in the senate super amendment to the budget bill. This section permits certain organizations and associations to become members of credit unions. Please review this section and let me know if you have any questions or suggested changes.

Robert J. Marchant  
Legislative Attorney  
Phone: (608) 261-4454  
E-mail: Robert.Marchant@legis.state.wi.us



State of Wisconsin  
1999 - 2000 LEGISLATURE

3  
LRB-3533/2  
RJM:wlj:km

TODAY

1999 BILL

Only changes  
are in the  
analysis  
+ page 12

Repeal

1 AN ACT *to repeal* 186.01 (8), 186.02 (2) (a) 3. and 4., 186.235 (16) (b), 186.41 (1)  
2 (d), 186.41 (6) (b) and 186.41 (8); *to renumber* 186.11 (4) (b) 6. and 7., 186.235  
3 (16) (a) and 186.41 (6) (a); *to renumber and amend* 186.02 (2) (d), 186.41 (1)  
4 (a) and 186.41 (1) (c); *to amend* 93.01 (1m), 186.01 (2), 186.02 (2) (a) 1., 186.02  
5 (2) (b) 2., 186.02 (2) (b) 3., 186.02 (2) (c), 186.11 (4) (title) and (a), 186.11 (4) (b)  
6 (intro.) and 1., 186.11 (4) (c), 186.113 (1), 186.113 (1m) (a) (intro.), 186.113 (6)  
7 (b) and (c), 186.113 (7), 186.235 (7) (a) (intro.), 186.36, 186.41 (title), 186.41 (2)  
8 and (3), 186.41 (4) (intro.), (a) to (d) and (f) and 186.41 (5) (a), (b), (c) and (cr);  
9 and *to create* 186.02 (2) (d) 2., 186.08 (1m) (h), 186.11 (4) (b) 6m., 7m. and 8.,  
10 186.113 (24), 186.113 (25), 186.235 (7) (c), 186.235 (7m), 186.45 and 186.80 of  
11 the statutes; **relating to:** credit union membership, powers and operation; the

**BILL**

- 1 application of agriculture, trade and consumer protection statutes to credit
- 2 unions and providing a penalty.

***Analysis by the Legislative Reference Bureau***

This bill makes numerous changes to the chapter that governs the formation, operation and regulation of credit unions in this state. These changes include the following:

***Credit union membership***

Under current law, credit union membership ~~must be~~ <sup>is</sup> open to groups having a common bond of occupation or association; residents within a well-defined neighborhood, community or rural district; employes of related industries or industries that operate within a well-defined neighborhood, community or rural district; members of certain fraternal, labor, educational or other similar organizations and credit union employes. Furthermore, credit union membership ~~must be~~ <sup>is</sup> open to the immediate family of all individuals who are qualified for membership. Current law defines "members of the immediate family" as any relative of a member or of a member's spouse who is living with the member and as the member's spouse, parents, stepchildren and children. In addition, current law permits a credit union to accept an organization or association as a member, if a majority of the members of the organization or association are eligible for membership.

This bill expands the pool of individuals, organizations and associations that are eligible for membership in a credit union. Under this bill, credit union membership ~~must be~~ <sup>is</sup> open to individuals who reside or are employed in neighborhoods, communities, rural districts or multicounty regions, unless the office of credit unions determines that it is impractical for the particular credit union to serve the area in which the individuals reside or are employed. Furthermore, membership ~~must be~~ <sup>is</sup> open to employes of industries that operate at least one facility within a neighborhood or within an urban, suburban or rural community, the limits of which are not determined by any arbitrary physical standard. This bill repeals the definition of "members of the immediate family" and requires the board of directors of each credit union to establish a policy for determining which individuals qualify as members of the immediate family for the purposes of determining membership eligibility. In addition, this bill opens credit union membership to any organization or association that has a business location within any geographic limits of the credit union's field of membership, as well as any organization or association that, in the ordinary course of business, provides goods and services to credit unions, credit union organizations or persons who are eligible for membership in the credit union. This bill also permits a credit union to accept any organization or association as a member, if a majority of the directors, owners or members of the organization or association are eligible for membership.

**BILL*****Credit union investments***

Under current law, a credit union may invest up to 1.5% of its total assets in an organization that is organized primarily to provide goods and services to credit unions, credit union organizations and credit union members (credit union service organization). Under current law, a credit union may invest in a credit union service organization that is a corporation. Current law also specifies the types of goods and services that a credit union service organization may provide. These goods and services include, among other things, credit card services, automated teller services, financial planning and insurance sales. However, current law is ambiguous as to whether the percentage limitation on a credit union's investment in credit union service organizations applies to the aggregate total of all credit union investments in credit union service organizations or to a credit union's investment in each particular credit union service organization.

This bill expands the types of organizations in which a credit union may invest. Under this bill, a credit union service organization is any organization that is organized to provide goods and services, in the ordinary course of business, to credit unions, credit union organizations and credit union members. In addition, under this bill, a credit union may invest in a credit union service organization that is a corporation, limited partnership, limited liability company or any other entity that is permitted under state law and that is approved by the office of credit unions.

This bill also provides that the office of credit unions may permit a credit union to invest greater than 1.5% of credit union assets in a credit union service organization. In addition, this bill clarifies that the limitation on a credit union's investment in credit union service organizations applies to the aggregate total of all credit union investments in credit union service organizations.

This bill also expands the types of goods and services that a credit union service organization may provide. Under this bill, the goods and services provided by a credit union service organization may include electronic transaction services; the management, development, sale or lease of fixed assets; the sale, lease or servicing of computer hardware or software; securities brokerage services and travel agency services.

***Credit union powers***

Currently, to the extent permitted by federal law, a credit union may act as trustee of member tax deferred funds and as a depository for member-deferred compensation funds. This bill expands this authority, allowing a credit union, to the extent permitted by federal law, to act as a trustee or custodian of member tax deferred retirement funds, individual retirement accounts, medical savings accounts and other employe benefit accounts or funds. In addition, this bill allows a credit union, to the extent permitted by federal law, to act as a depository for member qualified and nonqualified deferred compensation funds.

Under current law, funds held in trust under a burial agreement (commonly known as a funeral trust) must be deposited in a bank, savings bank, savings and loan association or credit union. This bill clarifies that a credit union may accept these deposits if the deposits are made by a credit union member.

**BILL**

specifically

Currently, with certain exceptions, a credit union may purchase, hold and dispose of property as necessary for or incidental to credit union operations. However, although current law does permit a credit union to make investments, with certain exceptions, current law does not permit a credit union to purchase the financial assets of another lender or seller. This bill specifies that a credit union, with the approval of the office of credit unions, generally may purchase the following financial assets of another lender or seller: loans, lines of credit, liens, security interests, leases, conditional sales contracts and certain investments that a credit union is permitted to make under current law.

**Branch offices of Wisconsin credit unions**

Under current law, if the need and necessity exist, a credit union may establish branch offices within this state or no more than 25 miles outside of this state. In addition, if certain conditions are met, a credit union may establish a limited service office outside of this state to serve members of the credit union. A credit union seeking to establish a branch office or limited service office must first obtain the approval of the office of credit unions.

This bill expands the authority of a credit union to establish branch offices. Under this bill, with the permission of the office of credit unions, a credit union may establish branch offices anywhere inside or outside of this state. This bill repeals the authority for a credit union to establish a limited service office, although a credit union may continue to operate a limited service office that is in existence on the effective date of this bill.

**Branch offices of non-Wisconsin credit unions**

specifically  
specifies that

Current law does not permit a credit union organized under the laws of another state (non-Wisconsin credit union) to establish a branch office in this state. This bill ~~permits~~ a non-Wisconsin credit union to establish a branch office in this state if the office of credit unions finds that certain conditions apply to the non-Wisconsin credit union. For example, the non-Wisconsin credit union must be organized under laws similar to ch. 186, must be financially solvent and must have federal insurance for member deposits. In addition, the office of credit unions must find that credit unions organized under the laws of this state are allowed to do business under similar conditions in the home state of the non-Wisconsin credit union.

may

**Interstate mergers and acquisitions of credit unions**

Under current law regarding interstate mergers and acquisitions of credit unions, a credit union organized in this state may only merge with, acquire or be acquired by a state or federal credit union that has its principal office in Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri or Ohio. This bill repeals this geographic limitation on mergers and acquisitions of credit unions and, thus, expands the number of credit unions that are eligible to merge with, acquire or be acquired by a credit union organized in this state.

**Credit union reports**

Current law contains several credit union reporting requirements and, with certain exceptions, requires the office of credit unions to annually examine the records and accounts of each credit union. The employees of the office of credit unions



**BILL**

and members of the credit union review board must keep information obtained in the course of examinations confidential, with limited exceptions. A violation of this confidentiality requirement is subject to a forfeiture of up to \$200.

This bill expands the confidentiality requirement to also include information contained in certain reports that a credit union provides to the office of credit unions. In addition, this bill specifies that, with certain exceptions, any employe of the office of credit unions or member of the credit union review board who discloses any information about the private account or transactions of a credit union or who discloses any information obtained in the course of an examination is subject to a fine of not less than \$100 nor more than \$1,000, imprisonment for not less than six months nor more than three years or both and may be required to forfeit his or her office or position.

**Definition of "credit union"**

statement

This bill deletes the ~~requirement~~, currently contained in the definition of "credit union", that a credit union be incorporated to encourage thrift, create a source of credit at a fair and reasonable cost and provide an opportunity for credit union members to improve their economic and social conditions. Under this bill, "credit union" means a cooperative, nonprofit corporation, incorporated under ch. 186.

**Credit union bylaws**

This bill reduces the information that a credit union must include in its bylaws. Under this bill, a credit union is no longer required to include a provision describing the credit union's method for receipting money paid on accounts or a provision describing the conditions on which accounts may be paid in, transferred and withdrawn. Thus, this bill allows a credit union to alter its method of operation with regard to these subjects without amending the credit union bylaws.

**Other changes**

Current law specifically requires any officer or employe of a credit union who sells credit life insurance or credit accident or sickness insurance on behalf of the credit union to pay to the credit union all commissions received from the sale. This bill clarifies that an officer or employe of a credit union must pay to the credit union all commissions received from the sale of any authorized insurance product sold on behalf of the credit union.

In addition, currently it is a Class A misdemeanor if a person, with intent to defame, communicates a defamatory matter to a third person without the consent of the person defamed. This bill creates a similar crime specific to credit unions. Under this bill, any person who knowingly publishes false reports or makes false statements about a credit union may be fined not less than \$1,000 nor more than \$5,000, imprisoned for not less than one year nor more than 15 years, or both.

Under current law, credit unions are subject to the provisions of chs. 93 to 100 (agriculture, trade and consumer protection statutes) that apply to businesses generally. Banks, savings banks and savings and loan associations are specifically exempted from the definition of "business" that applies in the agriculture, trade and consumer protection statutes. This bill specifically exempts credit unions from this definition, as well.

**BILL**

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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*The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:*

1           **SECTION 1.** 93.01 (1m) of the statutes is amended to read:

2           93.01 (1m) “Business” includes any business, except that of banks, savings  
3 banks, credit unions, savings and loan associations and insurance companies.

4 “Business” includes public utilities and telecommunications carriers to the extent  
5 that their activities, beyond registration, notice and reporting activities, are not  
6 regulated by the public service commission and includes public utility and  
7 telecommunications carrier methods of competition or trade and advertising  
8 practices that are exempt from regulation by the public service commission under s.  
9 196.195, 196.196, 196.202, 196.203, 196.219 or 196.499 or by other action of the  
10 commission.

11           **SECTION 2.** 186.01 (2) of the statutes is amended to read:

12           186.01 (2) “Credit union” means a cooperative, nonprofit corporation,  
13 incorporated under this chapter ~~to encourage thrift among its members, create a~~  
14 ~~source of credit at a fair and reasonable cost and provide an opportunity for its~~  
15 ~~members to improve their economic and social conditions, except as specifically~~  
16 provided under ss. 186.41 (1) and 186.45 (1).

17           **SECTION 3.** 186.01 (8) of the statutes is repealed.

18           **SECTION 4.** 186.02 (2) (a) 1. of the statutes is amended to read:

19           186.02 (2) (a) 1. The conditions ~~of residence or occupation which qualify persons~~  
20 determine eligibility for membership.

21           **SECTION 5.** 186.02 (2) (a) 3. and 4. of the statutes are repealed.

**BILL**

1           **SECTION 6.** 186.02 (2) (b) 2. of the statutes is amended to read:

2           186.02 (2) (b) 2. ~~Residents within a well defined neighborhood, community or~~  
3           ~~Individuals that reside or are employed in neighborhoods, communities, rural~~  
4           ~~district districts or multicounty regions, unless the office of credit unions determines~~  
5           ~~that it is impractical for a particular credit union to serve the area in which the~~  
6           ~~individuals reside or are employed.~~

7           **SECTION 7.** 186.02 (2) (b) 3. of the statutes is amended to read:

8           186.02 (2) (b) 3. ~~Employees of related or vicinal industries or employes of~~  
9           ~~industries that operate at least one facility within a neighborhood or urban,~~  
10          ~~suburban or rural community the limits of which are not determined by any~~  
11          ~~arbitrary physical standard.~~

12          **SECTION 8.** 186.02 (2) (c) of the statutes is amended to read:

13          186.02 (2) (c) ~~Members of the immediate family of all qualified persons are~~  
14          ~~eligible for membership. In this paragraph, "members of the immediate family"~~  
15          ~~include the wife, husband, parents, stepchildren and children of a member whether~~  
16          ~~living together in the same household or not and any other relatives of the member~~  
17          ~~or spouse of a member living together in the same household as the member.~~

18          **SECTION 9.** 186.02 (2) (d) of the statutes is renumbered 186.02 (2) (d) 1. and  
19          amended to read:

20          186.02 (2) (d) 1. ~~Organizations and associations~~ An organization or association  
21          ~~of individuals, the majority of whom~~ the directors, owners or members of which are  
22          eligible for membership, may be admitted to membership in the same manner and  
23          under the same conditions as individuals.

24          **SECTION 10.** 186.02 (2) (d) 2. of the statutes is created to read:

## BILL

1           186.02 (2) (d) 2. An organization or association that has a business location  
2 within any geographic limits of the credit union's field of membership or an  
3 organization or association that, in the ordinary course of business, provides goods  
4 and services to credit unions, credit union organizations or persons who are eligible  
5 for membership in the credit union may be admitted to membership.

6           **SECTION 11.** 186.08 (1m) (h) of the statutes is created to read:

7           186.08 (1m) (h) Establishing a policy determining which individuals qualify  
8 as members of the immediate family of a qualified person for the purpose of  
9 determining eligibility for membership in the credit union under s. 186.02 (2) (c).

10          **SECTION 12.** 186.11 (4) (title) and (a) of the statutes are amended to read:

11          186.11 (4) (title)   INVESTMENT IN CREDIT UNION SERVICE CORPORATIONS  
12 ORGANIZATIONS. (a) ~~A~~ Unless the office of credit unions approves a higher percentage,  
13 a credit union may invest not more than 1.5% of its total assets in the capital shares  
14 or obligations of a credit union service corporation ~~corporation~~ organizations that satisfy all of  
15 the following:

16           1. Arc corporations, limited partnerships, limited liability companies or other  
17 entities that are permitted under the laws of this state and that are approved by the  
18 office of credit unions.

19           2. Are organized primarily to provide goods and services, in the ordinary course  
20 of business, to credit unions, credit union organizations and credit union members.

21          **SECTION 13.** 186.11 (4) (b) (intro.) and 1. of the statutes are amended to read:

22          186.11 (4) (b) (intro.) A credit union service corporation organization under par.  
23 (a) may provide goods and services including any of the following:

24           1. Credit union operations services, including service centers, credit and debit  
25 card services, automated teller and remote terminal services, electronic transaction

**BILL**

1 services, accounting systems, data processing, management training and support,  
2 payment item processing, record retention and storage, locator services, research,  
3 debt collection, credit analysis and loan servicing, coin and currency services and  
4 marketing and advertising services.

5 **SECTION 14.** 186.11 (4) (b) 6. and 7. of the statutes are renumbered 186.11 (4)  
6 (b) 9. and 10.

7 **SECTION 15.** 186.11 (4) (b) 6m., 7m. and 8. of the statutes are created to read:

8 186.11 (4) (b) 6m. Management, development, sale or lease of fixed assets and  
9 sale, lease or servicing of computer hardware or software.

10 7m. Securities brokerage services.

11 8. Travel agency services.

12 **SECTION 16.** 186.11 (4) (c) of the statutes is amended to read:

13 186.11 (4) (c) A credit union service corporation organization may be subject  
14 to audit by the office of credit unions.

15 **SECTION 17.** 186.113 (1) of the statutes is amended to read:

16 186.113 (1) BRANCH OFFICES. ~~If the need and necessity exist and with~~ With the  
17 approval of the office of credit unions, establish branch offices inside ~~this state or no~~  
18 ~~more than 25 miles or~~ outside of this state. Permanent records may be maintained  
19 at branch offices established under this subsection. In this subsection, the term  
20 "branch office" does not include a remote terminal, a limited services office or a  
21 service center.

22 **SECTION 18.** 186.113 (1m) (a) (intro.) of the statutes is amended to read:

23 186.113 (1m) (a) (intro.) ~~Establish~~ Before the effective date of this paragraph  
24 ... [revisor inserts date], establish limited services offices outside this state to serve  
25 any member of the credit union if all of the following requirements are met:

**BILL**

1           **SECTION 19.** 186.113 (6) (b) and (c) of the statutes are amended to read:

2           186.113 (6) (b) Act as trustees or custodians of member tax deferred retirement  
3 funds, individual retirement accounts, medical savings accounts or other employe  
4 benefit accounts or funds permitted by federal law to be deposited in a credit union.

5           (c) Act as a depository for ~~member deferred~~ member qualified and  
6 nonqualified deferred compensation funds as permitted by federal law.

7           **SECTION 20.** 186.113 (7) of the statutes is amended to read:

8           186.113 (7) CONDITIONAL SALES CONTRACTS. Purchase Notwithstanding sub.  
9 (25), purchase or acquire conditional sales contracts or similar instruments executed  
10 by credit union members.

11          **SECTION 21.** 186.113 (24) of the statutes is created to read:

12          186.113 (24) FUNERAL TRUSTS. Accept deposits made by members for the  
13 purpose of funding burial agreements by trusts created pursuant to s. 445.125.

14          **SECTION 22.** 186.113 (25) of the statutes is created to read:

15          186.113 (25) PURCHASE OF CERTAIN ASSETS. With the prior approval of the office  
16 of credit unions and subject to ss. 186.31 and 186.41, purchase any of the following  
17 assets of another lender or seller:

18           (a) Loans and lines of credit.

19           (b) Liens and security interests.

20           (c) Leases.

21           (d) Conditional sales contracts.

22           (e) Investments, as permitted under s. 186.11.

23          **SECTION 23.** 186.235 (7) (a) (intro.) of the statutes is amended to read:

24          186.235 (7) (a) (intro.) Employes of the office of credit unions and members of  
25 the review board shall keep secret all the facts and information obtained in the

**BILL**

1 course of examinations, ~~except or contained in any report provided by a credit union~~  
2 ~~other than any semiannual or quarterly financial report that is regularly filed with~~  
3 ~~the office of credit unions. This requirement does not apply in any of the following~~  
4 situations:

5 **SECTION 24.** 186.235 (7) (c) of the statutes is created to read:

6 186.235 (7) (c) If any person mentioned in par. (a) discloses any information  
7 about the private account or transactions of a credit union or any information  
8 obtained in the course of an examination of a credit union, except as provided in pars.  
9 (a) and (b), that person may be required to forfeit his or her office or position and may  
10 be fined not less than \$100 nor more than \$1,000, or imprisoned for not less than 6  
11 months nor more than 3 years, or both.

12 **SECTION 25.** 186.235 (7m) of the statutes is created to read:

13 186.235 (7m) RETURN OF EXAMINATION REPORTS. Examination reports possessed  
14 by a credit union are confidential, remain the property of the office of credit unions  
15 and shall be returned to the office of credit unions immediately upon request.

16 **SECTION 26.** 186.235 (16) (a) of the statutes is renumbered 186.235 (16).

17 **SECTION 27.** 186.235 (16) (b) of the statutes is repealed.

18 **SECTION 28.** 186.36 of the statutes is amended to read:

19 **186.36 Sale of insurance in credit unions.** Any officer or employe of a credit  
20 union, when acting as an agent for the sale of insurance on behalf of the credit union,  
21 shall pay all commissions received from the sale of ~~credit life insurance or credit~~  
22 ~~accident and sickness~~ insurance to the credit union.

23 **SECTION 29.** 186.41 (title) of the statutes is amended to read:

24 **186.41 (title) Interstate acquisition acquisitions and merger mergers**  
25 **of credit unions.**

## BILL

1           **SECTION 30.** 186.41 (1) (a) of the statutes is renumbered 186.41 (1) (bm) and  
2 amended to read:

3           186.41 (1) (bm) "~~In-state~~ Wisconsin credit union" means a credit union having  
4 its principal office located in this state.

5           **SECTION 31.** 186.41 (1) (c) of the statutes is renumbered 186.41 (1) (am) and  
6 amended to read:

7           186.41 (1) (am) "~~Regional Out-of-state~~ credit union" means a state or federal  
8 credit union that has its, the principal office of which is located in one of the regional  
9 states a state other than this state.

10          **SECTION 32.** 186.41 (1) (d) of the statutes is repealed.

11          **SECTION 33.** 186.41 (2) and (3) of the statutes are amended to read:

12          186.41 (2) ~~IN-STATE WISCONSIN~~ CREDIT UNION. (a) ~~An in-state~~ A Wisconsin credit  
13 union may do any of the following:

14           1. Acquire an interest in, or some or all of the assets and liabilities of, one or  
15 more regional out-of-state credit unions.

16           2. Merge with one or more regional out-of-state credit unions.

17           (b) ~~An in-state~~ A Wisconsin credit union proposing any action under par. (a)  
18 shall provide the office of credit unions a copy of any original application seeking  
19 approval by a federal agency or by an agency of the regional another state and of any  
20 supplemental material or amendments filed in connection with any application.

21          (3) ~~REGIONAL~~ <sup>CS</sup> Out-of-state CREDIT UNIONS. Except as provided in sub. (4), a  
22 regional an out-of-state credit union may do any of the following:

23           (a) Acquire an interest in, or some or all of the assets of, one or more ~~in-state~~  
24 Wisconsin credit unions.

25           (b) Merge with one or more ~~in-state~~ Wisconsin credit unions.



**BILL**

1           **SECTION 34.** 186.41 (4) (intro.), (a) to (d) and (f) of the statutes are amended to  
2 read:

3           186.41 (4) LIMITATIONS. (intro.) ~~A regional~~ An out-of-state credit union may  
4 not take any action under sub. (3) until all of the following conditions have been met:

5           (a) The office of credit unions finds that the statutes of the ~~regional~~ state in  
6 which the ~~regional out-of-state~~ credit union has its principal office permit ~~in-state~~  
7 Wisconsin credit unions to both acquire ~~regional out-of-state~~ credit union assets and  
8 merge with one or more ~~regional out-of-state~~ credit unions in the ~~regional~~ that state.

9           (b) The office of credit unions has not disapproved the acquisition of ~~in-state~~  
10 Wisconsin credit union assets or the merger with the ~~in-state~~ Wisconsin credit union  
11 under sub. (5).

12           (c) The office of credit unions gives a class 3 notice, under ch. 985, in the official  
13 state newspaper, of the application to take an action under sub. (3) and of the  
14 opportunity for a hearing and, if at least 25 residents of this state petition for a  
15 hearing within 30 days of the final notice or if the office of credit unions on its own  
16 motion calls for a hearing within 30 days of the final notice, the office of credit unions  
17 holds a public hearing on the application, except that a hearing is not required if the  
18 office of credit unions finds that an emergency exists and that the proposed action  
19 under sub. (3) is necessary and appropriate to prevent the probable failure of ~~an~~  
20 ~~in-state~~ a Wisconsin credit union that is closed or in danger of closing.

21           (d) The office of credit unions is provided a copy of any original application  
22 seeking approval by a federal agency of the acquisition of ~~in-state~~ Wisconsin credit  
23 union assets or of the merger with ~~an in-state~~ a Wisconsin credit union and of any  
24 supplemental material or amendments filed with the application.

**BILL**

1 (f) With regard to an acquisition of assets of ~~an in-state~~ a Wisconsin credit  
2 union that is chartered on or after May 9, 1986, the ~~in-state~~ Wisconsin credit union  
3 has been in existence for at least 5 years before the date of acquisition.

4 **SECTION 35.** 186.41 (5) (a), (b), (c) and (cr) of the statutes are amended to read:

5 186.41 (5) (a) Considering the financial and managerial resources and future  
6 prospects of the applicant and of the ~~in-state~~ Wisconsin credit union concerned, the  
7 action would be contrary to the best interests of the members of the ~~in-state~~  
8 Wisconsin credit union.

9 (b) The action would be detrimental to the safety and soundness of the  
10 applicant or of the ~~in-state~~ Wisconsin credit union concerned, or to a subsidiary or  
11 affiliate of the applicant or of the ~~in-state~~ Wisconsin credit union.

12 (c) Because the applicant, its executive officers or directors have not  
13 established a record of sound performance, efficient management, financial  
14 responsibility and integrity, the action would be contrary to the best interests of the  
15 creditors, members or other customers of the applicant or of the ~~in-state~~ Wisconsin  
16 credit union or contrary to the best interests of the public.

17 (cr) The applicant has failed to propose to provide adequate and appropriate  
18 services of the type contemplated by the community reinvestment act of 1977 in the  
19 community in which the ~~in-state~~ Wisconsin credit union which the applicant  
20 proposes to acquire or merge with is located.

21 **SECTION 36.** 186.41 (6) (a) of the statutes is renumbered 186.41 (6).

22 **SECTION 37.** 186.41 (6) (b) of the statutes is repealed.

23 **SECTION 38.** 186.41 (8) of the statutes is repealed.

24 **SECTION 39.** 186.45 of the statutes is created to read:

**BILL**

1           **186.45 Non-Wisconsin credit union, Wisconsin offices. (1) DEFINITIONS.**

2           In this section:

3           (a) “Non-Wisconsin credit union” means a credit union organized under the  
4           laws of and with its principal office located in a state other than this state.

5           (b) “Wisconsin credit union” has the meaning given in s. 186.41 (1) (bm).

6           **(2) APPROVAL.** A non-Wisconsin credit union may open an office and conduct  
7           business as a credit union in this state if the office of credit unions finds that  
8           Wisconsin credit unions are allowed to do business in the other state under  
9           conditions similar to those contained in this section and that all of the following apply  
10          to the non-Wisconsin credit union:

11          (a) It is a credit union organized under laws similar to the credit union laws of  
12          this state.

13          (b) It is financially solvent based upon national board ratings.

14          (c) It has member savings insured with federal share insurance.

15          (d) It is effectively examined and supervised by the credit union authorities of  
16          the state in which it is organized.

17          (e) It has received approval from the credit union authorities of the state in  
18          which it is organized.

19          (f) It has a need to place an office in this state to adequately serve its members  
20          in this state.

21          (g) It meets all other relevant standards or qualifications established by the  
22          office of credit unions.

23          **(3) REQUIREMENTS.** A non-Wisconsin credit union shall agree to do all of the  
24          following:

**BILL**

1 (a) Grant loans at rates not in excess of the rates permitted for Wisconsin credit  
2 unions.

3 (b) Comply with this state's laws.

4 (c) Designate and maintain an agent for the service of process in this state.

5 (4) RECORDS. As a condition of a non-Wisconsin credit union doing business in  
6 this state under this section, the office of credit unions may require copies of  
7 examination reports and related correspondence regarding the non-Wisconsin  
8 credit union.

9 **SECTION 40.** 186.80 of the statutes is created to read:

10 **186.80 False statements.** A person who knowingly publishes false reports or  
11 makes false statements about a credit union may be fined not less than \$1,000 nor  
12 more than \$5,000 or imprisoned for not less than one year nor more than 15 years  
13 or both.

14 (END)

## Barman, Mike

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**From:** Barman, Mike  
**Sent:** Thursday, September 23, 1999 12:02 PM  
**To:** Templeton, Carrie  
**Subject:** 99-3533/3 (per your request)



99-3533/3

Carrie -

Had to check with RJM to make sure it was OK to send this to you.

*Mike Barman*

Mike Barman - Program Asst. (PH. 608-266-3561)  
(E-Mail: [mike.barman@legis.state.wi.us](mailto:mike.barman@legis.state.wi.us)) (FAX: 608-264-6948)

State of Wisconsin  
Legislative Reference Bureau - Legal Section - Front Office  
100 N. Hamilton Street - 5th Floor  
Madison, WI 53703

**SUBMITTAL  
FORM**

**LEGISLATIVE REFERENCE BUREAU  
Legal Section Telephone: 266-3561  
5th Floor, 100 N. Hamilton Street**

The attached draft is submitted for your inspection. Please check each part carefully, proofread each word, and sign on the appropriate line(s) below.

Date: 09/22/1999

To: Senator Erpenbach

SEP 22 1999

Relating to LRB drafting number: LRB-3533

**Topic**

Credit unions

**Subject(s)**

Fin. Inst. - banking inst.

1. **JACKET** the draft for introduction \_\_\_\_\_

in the Senate  or the Assembly \_\_\_\_\_ (check only one). Only the requester under whose name the drafting request is entered in the LRB's drafting records may authorize the draft to be submitted. Please allow one day for the preparation of the required copies.

2. **REDRAFT.** See the changes indicated or attached \_\_\_\_\_.

A revised draft will be submitted for your approval with changes incorporated.

3. Obtain **FISCAL ESTIMATE NOW**, prior to introduction \_\_\_\_\_.

If the analysis indicates that a fiscal estimate is required because the proposal makes an appropriation or increases or decreases existing appropriations or state or general local government fiscal liability or revenues, you have the option to request the fiscal estimate prior to introduction. If you choose to introduce the proposal without the fiscal estimate, the fiscal estimate will be requested automatically upon introduction. It takes about 10 days to obtain a fiscal estimate. Requesting the fiscal estimate prior to introduction retains your flexibility for possible redrafting of the proposal.

If you have any questions regarding the above procedures, please call 266-3561. If you have any questions relating to the attached draft, please feel free to call me.

Robert J. Marchant, Legislative Attorney  
Telephone: (608) 261-4454