

2003 DRAFTING REQUEST

Bill

Received: 10/30/2002

Received By: rmarchan

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Mawdsley

This file may be shown to any legislator: NO

Drafter: rmarchan

May Contact:

Addl. Drafters:

Subject: Fin. Inst. - banking inst.

Extra Copies:

Submit via email: YES

Requester's email:

Carbon copy (CC:) to: robert.marchant@legis.state.wi.us

Pre Topic:

DOA:.....Mawdsley - BB0203,

Topic:

Various credit union law changes

Instructions:

See Attached.

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	rmarchan 10/30/2002	kfollett 11/07/2002 kfollett 11/08/2002		_____			State
/1	rmarchan 01/23/2003	kfollett 01/23/2003	jfrantze 11/08/2002	_____	amentkow 11/08/2002		State

Vers.      Drafted      Reviewed      Typed      Proofed      Submitted      Jacketed      Required

/2

jfrantze \_\_\_\_\_  
01/23/2003 \_\_\_\_\_

lemery  
01/23/2003

FE Sent For:

<END>

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*Handwritten notes:* 11/23, 11/23, 11/23, 11/23, 11/23, 11/23

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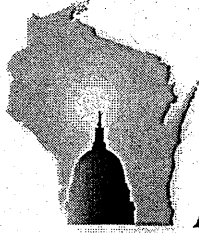
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1/?	rmarchan	11/17 11/8 jld	11/8	11/8 Pg			

FE Sent For:

<END>

JSM



**WISCONSIN DEPARTMENT OF  
ADMINISTRATION**

SCOTT McCALLUM  
GOVERNOR  
GEORGE LIGHTBOURN  
SECRETARY

Division of Executive Budget and Finance  
Post Office Box 7864  
Madison, WI 53707-7864  
Voice (608) 266-1736  
Fax (608) 267-0372  
TTY (608) 267-9629

**Date:** October 29, 2002

**To:** Stephen R. Miller, Chief  
Legislative Reference Bureau

**From:** Kate Mawdsley  
Policy and Budget Analyst  
ECR Team

**Subject:** **Biennial Budget Drafting Request**  
Agency 144 – Department of Financial Institutions (DFI)

BB0203

Budget Office Request Title:  
Credit Union Revisions

Request Description:

Convert three provisions from LRB draft 4088/2 to a DOA 2003-05 biennial budget draft. Please include these provisions:

- 1) Revise the Office of Credit Union's examination cycle from the current 12-month to an 18-month cycle to correspond with the banking examination cycle.
- 2) Modify the voting procedures required to dissolve a credit union by changing the required vote from the total number of possible votes to the majority of votes cast and allow voting by mail.
- 3) Remove conflicting requirements by deleting state law requirements relating to how and when a credit union is required to transfer funds to its reserve account and replacing them with a requirement to follow the schedule of the National Credit Union Administration.

Attached are the agency's descriptions of these provisions.

10) Credit Union revisions

- a. Examination Cycle – The Office of Credit Unions currently examines Credit unions on a 12-month cycle. The OCU proposes that be revised to an 18-month cycle to correspond with the banking examination cycle. (LRB 4088/2 Attached)
- b. Dissolution procedures – The office of Credit Unions is proposing several modifications to the procedure required for dissolution of a credit union. The proposal would modify the required vote from the total number of possible votes to the majority of votes cast. The other would allow for voting by mail to ensure persons with physical limitations would be able to participate in a vote to dissolve. (LRB 4088/2 Attached)
- c. Reserve Transfers – Wisconsin law provides the schedule and method of when a credit union is required to transfer funds to its reserve account. However, Wisconsin's state-chartered credit unions are required to follow the requirements of the National Credit Union Administration (NCUA), a schedule that is different than Wisconsin law. To remove the conflicting requirements, OCU suggests the Wisconsin statute be deleted and replaced with a requirement to follow NCUA requirements. (LRB 4088/2 Attached)

0596/11  
LRB-4088/2  
RJM:rs&cjs:pg  
kjf  
jld + pmur

Budget

2001 BILL

PWF  
as indicated

Do Not Gen

1 AN ACT to repeal 186.235 (16) (b); to renumber and amend 186.235 (16) (a);  
2 to amend 186.06 (4), 186.18 and 186.31 (2), and to repeal and recreate  
3 186.17 (1) of the statutes; relating to: credit union reserve accounts,  
4 ~~dissolutions, and mergers and examinations of credit unions by the office of~~  
5 ~~credit unions.~~

end

the budget ✓

Head  
Commerce AND ECONOMIC DEVELOPMENT  
Subhead  
Commerce  
③ CAPS  
③ C&S

Analysis by the Legislative Reference Bureau

Under current law, a credit union may dissolve if the board of directors recommends dissolution, a majority of the total membership of the credit union votes in favor of dissolution, and not more than a specified number of members vote in writing against dissolution. Current law also contains an alternate procedure for dissolving a credit union at a special or annual meeting, which may apply if both the number of votes in favor of and against dissolution under the procedure described above are each less than 25% of the total membership. Under the alternate procedure, the credit union may dissolve if a majority of the members present at the annual or special meeting vote in favor of dissolution.

This bill deletes these dissolution procedures and, instead, permits a credit union to dissolve if the board of directors recommends dissolution, the office of credit unions approves the recommendation, and a majority of the members casting votes vote in favor of dissolution. If the vote on dissolution is conducted by mail, the bill requires the board of directors to mail to each member at the member's last-known address a written proposal to dissolve the credit union recommended by the board

X  
X



**BILL**

of directors. If the vote is conducted at a meeting, the meeting must be held in accordance with the credit union's bylaws. ~~The bill also prohibits a credit union from dissolving for the purpose of defeating or defrauding any of its creditors in the collection of debts against the credit union.~~

Currently, in order for credit unions to merge, the board of directors of each credit union must propose a specific plan of merger. The plan must then be approved at an annual or special meeting by a majority of the votes entitled to be cast by members present at the meeting, unless provisions relating to emergency mergers apply. This bill, in addition, permits votes to be cast by mail ballot. Only mail ballots received at least five days before the date of the annual or special meeting may be counted. The bill also specifies that any plan of merger must be approved by a majority of votes cast, rather than of the votes entitled to be cast by members present at the meeting.

Under current law, a credit union is required to semiannually determine its gross income and transfer amounts to its reserve account, which is an account established by the credit union to cover losses. The national credit union administration determines the required amount of the transfer. This bill repeals the requirement that a credit union determine its gross income and semiannually transfer amounts to its reserve account. Under this bill, a credit union must establish and maintain a reserve account and must transfer amounts to the reserve account as required by the national credit union administration.

Under current law, the office of credit unions must conduct an annual examination of each credit union, unless the office of credit unions accepts an audit report of the condition of the credit union that satisfies certain conditions. This bill requires the office of credit unions to conduct an examination of each credit union at least once every 18 months, ~~and repeals the authority of the office of credit unions to accept an audit report.~~ unless the office accepts

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

of Credit Unions

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

**SECTION 1.** 186.06 (4) of the statutes is amended to read:

186.06 (4) FISCAL YEAR. The fiscal year of every credit union shall end at the close of business on December 31 and the credit union shall, at least semiannually, transfer funds as provided in s. 186.17.

**SECTION 2.** 186.17 (1) of the statutes is repealed and recreated to read:

Part

1  
2  
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5

**BILL**

1           186.17 (1) REGULAR RESERVES. A credit union shall establish and maintain a  
2 regular reserve account and shall transfer amounts to the regular reserve account  
3 as required by the national board.

4           SECTION 3. 186.18<sup>A</sup> of the statutes is amended to read:

5           **186.18 Dissolution.** Upon a two-thirds recommendation of the board of  
6 directors, the members may vote, by mail ballot or in person, to dissolve the credit  
7 union. If a majority of the ~~total membership~~ members who cast votes vote by ballot,  
8 ~~in person or by letter or other written communication~~ in favor of dissolution, and if  
9 ~~not more than the greater of 15 members or 10% of the total membership, by written~~  
10 ~~notice, vote against dissolution, the office of credit unions approves~~, the credit union  
11 shall be dissolved. ~~If both the number of votes in favor of dissolution and the number~~  
12 ~~of votes against dissolution are each less than 25% of the total number of members,~~  
13 ~~the board of directors may, with the permission of the office of credit unions, mail to~~  
14 ~~each member at the member's last known address a written notice which states that~~  
15 ~~the board's proposal to dissolve the credit union will be approved or disapproved at~~  
16 ~~a special or annual meeting to be held at the time and place specified in the notice.~~  
17 ~~The credit union shall be dissolved only if a majority of the members present at the~~  
18 ~~meeting vote in favor of the board's proposal to dissolve the credit union~~ If the vote  
19 on dissolution is conducted by mail, the board of directors shall mail to each member  
20 at the member's last known address a written proposal to dissolve the credit union X  
21 recommended by the board of directors. If the vote on dissolution is conducted at a  
22 meeting, the meeting shall be held in accordance with the credit union's bylaws  
23 ~~credit union may dissolve for the purpose of defeating or defrauding any of its~~  
24 ~~creditors in the collection of debts owed by the credit union.~~ If the members vote to  
25 dissolve the credit union, a committee of 3 shall be elected by the members to

RJR

X

BILL

1 liquidate the assets of the credit union. After assets are liquidated and debts paid,  
 2 members shall be paid a liquidating dividend in proportion to their savings from  
 3 remaining assets. The committee in charge of liquidation may sell or dispose of the  
 4 assets in whole or in part at a public or private sale subject to confirmation by the  
 5 board of directors and the office of credit unions. (title) and

6 SECTION 4. 186.235 (16) (a) of the statutes <sup>are</sup> renumbered 186.235 (16) and  
 7 amended to read: (title) -> plain

8 186.235 (16) ANNUAL PERIODIC EXAMINATION. At least once each year every 18  
 9 months, the office of credit unions shall examine the records and accounts of each  
 10 credit union. For that purpose the office of credit unions shall have full access to, and  
 11 may compel the production of, each credit union's records and accounts. They may  
 12 administer oaths to and examine each credit union's officers and agents.

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

14 SECTION 6. 186.31 (2) of the statutes is amended to read:

15 186.31 (2) APPROVAL. To effect a merger, the board of directors of each credit  
 16 union shall, by resolution, propose a specific plan for merger which shall be agreed  
 17 to by a majority of the board of each credit union joining in the merger. The proposed  
 18 merger plan shall be submitted to a vote at an annual or special meeting of members  
 19 of the merging credit union. Votes may be cast by mail ballot, but only mail ballots  
 20 received at least 5 days before the date of the annual or special meeting may be  
 21 counted. Written notice of the meeting setting forth the proposed plan of merger or  
 22 a summary shall be given to each member of the merging credit union within the time  
 23 and in the manner provided for the giving of notice of meetings of members of the

park  
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 Component  
 7  
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 10  
 11  
 4-12-11

(title) and

are

~~186.235 (16) (a)~~

(a)

Except as provided in par.

(b)

at

**BILL**

1 credit union. The proposed plan shall be adopted upon receiving if approved by a  
2 majority of the votes entitled to be cast by members present at the meeting.

3

(END)

Tas 4-1d

Section #. 186.235<sup>+</sup> (16) (b) of the statutes is amended to read:

186.235 (16) (b) Instead of an ~~annual~~<sup>✓</sup> examination of a credit union under par. (a)<sup>✓</sup>, the office of credit unions may accept an audit report of the condition of the credit union made by a certified public accountant not an employee of the credit union in accordance with rules promulgated by the office of credit unions or may accept an examination or audit made or approved by the national board.

History: 1995 a. 151 ss. 12 to 14, 16, 65, 191 to 231, 233, 235, 237 to 264, 292; 1995 a. 225 s. 429; 1995 a. 325 ss. 1, 2; 1995 a. 417; 1997 a. 35, 152.

(end ins)

## Marchant, Robert

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**From:** Mawdsley, Kathryn  
**Sent:** Thursday, January 23, 2003 10:43 AM  
**To:** Marchant, Robert  
**Subject:** Modification to LRB Draft: 03-0596/1 Various credit union law changes

Rob -- can you please modify this draft to include only those provisions that extend the credit union examination cycle from 12 to 18 months?

Let me know if you have any questions.

Thank you,  
Kate



LRB Draft: 03-0596,  
1 Various ...

059612  
LRB-05964  
RJM:kjf&jld:jf  
KCF  
*[Signature]*

DOA:.....Mawdsley - BB0203, Various credit union law changes  
FOR 2003-05 BUDGET -- NOT READY FOR INTRODUCTION

*Do Not Gen*

1 AN ACT ...; relating to: the budget.

*Analysis by the Legislative Reference Bureau*  
**COMMERCE AND ECONOMIC DEVELOPMENT**  
**COMMERCE**

Under current law, a credit union may dissolve if the board of directors recommends dissolution, a majority of the total membership of the credit union votes in favor of dissolution, and not more than a specified number of members vote in writing against dissolution. Current law also contains an alternate procedure for dissolving a credit union at a special or annual meeting, which may apply if both the number of votes in favor of and against dissolution under the procedure described above are each less than 25% of the total membership. Under the alternate procedure, the credit union may dissolve if a majority of the members present at the annual or special meeting vote in favor of dissolution.

This bill deletes these dissolution procedures and, instead, permits a credit union to dissolve if the board of directors recommends dissolution, the Office of Credit Unions approves the recommendation, and a majority of the members casting votes vote in favor of dissolution. If the vote on dissolution is conducted by mail, the bill requires the board of directors to mail to each member at the member's last-known address a written proposal to dissolve the credit union recommended by the board of directors. If the vote is conducted at a meeting, the meeting must be held in accordance with the credit union's bylaws.

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established by the credit union to cover losses. The National Credit Union Administration determines the required amount of the transfer. This bill repeals the requirement that a credit union determine its gross income and semiannually transfer amounts to its reserve account. Under this bill, a credit union must establish and maintain a reserve account and must transfer amounts to the reserve account as required by the National Credit Union Administration.

Under current law, the Office of Credit Unions must conduct an annual examination of each credit union, unless the Office of Credit Unions accepts an audit report of the condition of the credit union that satisfies certain conditions. This bill requires the Office of Credit Unions to conduct an examination of each credit union at least once every 18 months, unless the Office of Credit Unions accepts an audit report.

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.** 186.06 (4) of the statutes is amended to read:

2           186.06 (4) FISCAL YEAR. The fiscal year of every credit union shall end at the  
3 close of business on December 31 and the credit union shall, at least semiannually,  
4 transfer funds as provided in s. 186.17.

5       **SECTION 2.** 186.17 (1) of the statutes is repealed and recreated to read:

6           186.17 (1) REGULAR RESERVES. A credit union shall establish and maintain a  
7 regular reserve account and shall transfer amounts to the regular reserve account  
8 as required by the national board.

9       **SECTION 3.** 186.18 of the statutes is amended to read:

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13 ~~in person or by letter or other written communication~~ in favor of dissolution, and if  
14 ~~not more than the greater of 15 members or 10% of the total membership~~, by written



1 ~~notice, vote against dissolution, the office of credit unions approves,~~ the credit union  
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17 savings from remaining assets. The committee in charge of liquidation may sell or  
18 dispose of the assets in whole or in part at a public or private sale subject to  
19 confirmation by the board of directors and the office of credit unions.

20 **SECTION 4.** 186.235 (16) (title) and (a) of the statutes are amended to read:

21 186.235 (16) (title) ANNUAL PERIODIC EXAMINATION.

22 (a) At Except as provided in par. (b), at least once each year every 18 months,  
23 the office of credit unions shall examine the records and accounts of each credit  
24 union. For that purpose the office of credit unions shall have full access to, and may

1 compel the production of, each credit union's records and accounts. They may  
2 administer oaths to and examine each credit union's officers and agents.

3 **SECTION 5.** 186.235 (16) (b) of the statutes is amended to read:

4 186.235 **(16)** (b) Instead of an ~~annual~~ examination of a credit union under par.  
5 (a), the office of credit unions may accept an audit report of the condition of the credit  
6 union made by a certified public accountant not an employee of the credit union in  
7 accordance with rules promulgated by the office of credit unions or may accept an  
8 examination or audit made or approved by the national board.

9

(END)



State of Wisconsin  
2003 - 2004 LEGISLATURE

LRB-0596/2  
RJM:kjf&jld:jf

DOA:.....Mawdsley – BB0203, Various credit union law changes  
FOR 2003-05 BUDGET — NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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4 **SECTION 2.** 186.235 (16) (b) of the statutes is amended to read:

5 186.235 (16) (b) Instead of an ~~annual~~ examination of a credit union under par.  
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7 union made by a certified public accountant not an employee of the credit union in  
8 accordance with rules promulgated by the office of credit unions or may accept an  
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10

(END)