February 28, 2008 - Introduced by Representative GOTTlieb. Referred to Committee on Financial Institutions.

AN ACT to renumber 186.314 (intro.) and 214.66 (intro.); to amend 186.235 (7) (a) (intro.) and 214.40 (3); and to create 186.117, 186.314 (1m) (title), 186.314 (2), 214.66 (1m) (title) and 214.66 (2) of the statutes; relating to: community reinvestment assessments and ratings of credit unions, the conversion of credit unions to mutual savings banks, providing an exemption from emergency rule procedures, and granting rule-making authority.

Analysis by the Legislative Reference Bureau

This bill requires the Office of Credit Unions (OCU) attached to the Department of Financial Institutions to annually assess and rate the state's credit unions' performance in helping to meet the credit needs of their communities. By March 1, 2009, and annually thereafter, each credit union must prepare and file with the OCU a community credit needs statement (statement). The OCU must annually assess a credit union's performance in helping to meet the credit needs of its community (assessment) and, in making this assessment, must consider the credit union's statement and specified other factors. The OCU must prepare a written report summarizing the results of its assessment for each credit union and must provide each credit union with a numerical rating, from 1 to 5, of the credit union's performance in helping to meet the credit needs of its community. The assessment report is generally publicly available and the credit union must post, in a manner prescribed by the OCU, its numerical rating. In considering a credit union's
application for authorization to undertake certain actions, the OCU must consider the credit union’s assessment and may use the assessment as a basis for denying the application. If a credit union fails to maintain a rating of 3 or better, the OCU may also limit the powers that the credit union would otherwise be authorized to exercise. The OCU, with the approval of the credit union review board, must promulgate rules for the efficient administration of these provisions, which rules shall include the form and content of credit union statements.

Current law provides procedures for the organizational conversion of certain financial institutions, including the conversion of state savings and loan associations into state savings banks, mutual savings banks into stock savings banks, and state credit unions into federal credit unions.

This bill allows state credit unions to convert to mutual savings banks if certain requirements are met. The credit union must follow certain procedural requirements related to voting for the conversion and a majority of credit union members who vote must vote to approve the conversion. If the credit union members vote to approve the conversion, the OCU must verify the vote and the credit union must take all necessary action to complete the conversion to a mutual savings bank. After receiving a certificate of incorporation as a mutual savings bank, the credit union must file a copy of the certificate with the OCU and the OCU must issue a certificate of conversion if the OCU determines that the conversion complies with applicable law. The date specified in the certificate of conversion is the effective date of the conversion. Upon conversion, the credit union ceases to be a credit union and becomes a mutual savings bank, but all assets, rights, and obligations of the credit union immediately vest in the mutual savings bank to the same extent as though the conversion had not taken place.

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:

SECTION 1. 186.117 of the statutes is created to read:

186.117 Community reinvestment. (1) REQUIRED INFORMATION. A credit union shall prepare a community credit needs statement for filing with the office of credit unions under sub. (2) and shall post a community credit needs notice indicating the credit union’s numerical rating under sub. (4) (a).

(2) FILING. No later than March 1 of each year, a credit union shall file with the office of credit unions a community credit needs statement. In addition to the
community credit needs statement, the office of credit unions may require a credit
union to file additional information in making an assessment of the credit union
under sub. (3) and in considering an application of a credit union that is listed under
sub. (5).

(3) **Annual Assessment.** The office of credit unions shall assess annually a
credit union’s performance in helping to meet the credit needs of its community,
consistent with safe and sound operation of the credit union. In making an
assessment under this subsection, the office of credit unions shall consider the credit
union’s community needs statement and all of the following:

(a) Activities conducted by the credit union to determine the credit needs of its
community.

(b) The credit union’s marketing efforts to make community members aware
of the credit services offered by the credit union.

(c) Participation by the board of directors of the credit union in formulating the
credit union’s policies and reviewing the credit union’s performance in helping to
meet the credit needs of its community.

(d) Practices that the credit union, or an officer, employee, or director of the
credit union, engages in that are intended to discourage, or have the effect of
discouraging, applications for the types of credit identified in any plan prepared by
the credit union specifying the credit union’s goals for helping to meet the credit
needs of its community.

(e) The geographic distribution of the credit union’s credit applications,
extensions, and denials.

(f) Evidence of prohibited discriminatory or other illegal credit practices by the
credit union.
(g) The credit union’s record of opening and closing branch offices and of providing services at branch offices.

(h) The credit union’s participation in, and investments in, community development and redevelopment projects and programs.

(i) The credit union’s origination, to members of its community, of residential mortgage loans, housing rehabilitation or improvement loans, and small farm loans, and the credit union’s purchase of these types of loans made by others to members of its community.

(j) The credit union’s participation in government–insured, guaranteed, or subsidized loan programs for housing, small businesses, or small farms.

(k) The credit union’s ability to meet the credit needs of its community based on the credit union’s size and financial condition, local economic conditions, or other factors.

(L) The geographic distribution and use of remote terminals under s. 186.113 (15) that are operated by the credit union.

(m) The credit union’s participation in credit counseling services in its community.

(n) Any other factor that affects a credit union’s performance in helping to meet the credit needs of its community.

(4) ASSESSMENT REPORT; CONFIDENTIALITY. (a) The office of credit unions shall prepare a written report summarizing the results of each assessment under sub. (3). The office of credit unions shall provide the credit union that is the subject of the report with a copy of the report and, except as provided in par. (b), shall make the report available for public inspection. The report shall include a numerical rating of the credit union’s performance in helping to meet the credit needs of its community.
The numerical rating shall use a 1 to 5 rating system, with 1 representing excellent performance and 5 representing unsatisfactory performance.

(b) The office of credit unions may not make available for public inspection under par. (a) any statement obtained or made by the office of credit unions in the course of the assessment that, in the discretion of the office of credit unions, is too sensitive or speculative in nature to disclose to the public, or any personal financial information.

(5) Use of assessment upon consideration of certain applications. The office of credit unions shall consider the assessment of a credit union under sub. (3) whenever the office of credit unions considers any of the following applications from the credit union:

(a) An application to invest under s. 186.11 (1) (e).
(b) An application to establish a branch office under s. 186.113 (1).
(c) An application to operate a remote terminal in a mobile facility under s. 186.113 (15) (a).
(d) An application to merge with a credit union under s. 186.31.
(e) An application to acquire or merge with an out-of-state credit union under s. 186.41 (2) (a).

(6) Assessment as basis for denial of application. The office of credit unions may use the assessment of a credit union under sub. (3) as a basis for denying an application of the credit union that is listed under sub. (5).

(7) Limitation of authority. If a credit union fails to maintain a rating of 3 or better in the annual assessment performed by the office of credit unions under sub. (3), the office of credit unions may limit the credit union’s exercise of powers under ss. 186.113 and 186.115.
(8) **HEARING.** The office of credit unions may hold a public hearing on an application of a credit union that is listed under sub. (5) if the office of credit unions receives an objection to the application that is based on any of the factors used in making the assessment under sub. (3).

(9) **ADMINISTRATION.** The office of credit unions, with the approval of the credit union review board, shall promulgate rules for the efficient administration of this section. The rules shall include the form and content of a community credit needs statement and the form and content of, and acceptable manner of posting, a community credit needs notice under sub. (1).

**SECTION 2.** 186.235 (7) (a) (intro.) of the statutes is amended to read:

186.235 (7) (a) (intro.) **Employees** Except as provided in s. 186.117 (4) (a), employees of the office of credit unions and members of the review board shall keep secret all the facts and information obtained in the course of examinations or contained in any report provided by a credit union other than any semiannual 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:

**SECTION 3.** 186.314 (intro.) of the statutes is renumbered 186.314 (1m).

**SECTION 4.** 186.314 (1m) (title) of the statutes is created to read:

186.314 (1m) (title) **TO FEDERAL CREDIT UNION.**

**SECTION 5.** 186.314 (2) of the statutes is created to read:

186.314 (2) **TO MUTUAL SAVINGS BANK.** (a) A credit union may convert to a mutual savings bank by complying with pars. (b) to (d).

(b) The proposition for a conversion shall first be approved by a majority recommendation of the directors of the credit union. The directors shall, by a majority vote of the directors, set a date for a meeting of credit union members to vote
on the conversion. Credit union members may also vote by written ballot to be filed
on or before the meeting date. Written notice specifying the purpose and subject
matter of the meeting and the date that is set for the meeting and for voting by
submission of a written ballot shall be sent to each member eligible to vote at the
member’s address appearing on the records of the credit union. This notice shall be
sent to each credit union member 3 times, once not more than 95 days nor less than
90 days before the date of the meeting to vote on the conversion, once not more than
65 days nor less than 60 days before the date of the meeting to vote on the conversion,
and once not more than 35 days nor less than 30 days before the date of the meeting
to vote on the conversion. The 3rd such notice shall be accompanied by a written
ballot, shall clearly inform the member that the member may vote at the meeting or
by submitting the written ballot, and shall state the time and place of the meeting
in addition to the date of the meeting. Approval of the proposition for conversion
shall be by affirmative vote, in person or in writing, of a majority of the credit union
members voting at the meeting or by written ballot.

(c) A credit union that proposes to convert to a mutual savings bank under this
subsection shall file with the office of credit unions a notice of its intent to convert
and, within 10 days after the member vote on the conversion under par. (b), a
statement of the results of the member vote. If the credit union members vote to
approve the proposition for conversion, the member vote shall be verified by the office
of credit unions and, if the office of credit unions disapproves of the methods or
procedures used in relation to that member vote, the member vote shall be taken
again in the manner directed by the office of credit unions and consistent with the
requirements under par. (b).
(d) Upon approval by the credit union members of the proposition for conversion under par. (b), the credit union shall take all necessary action under ch. 214 to complete the conversion to a mutual savings bank. Within 10 days after receipt from the division of banking of a certificate of incorporation as a mutual savings bank, the credit union shall file a copy of the certificate with the office of credit unions. The office of credit unions shall issue to a converting credit union a certificate of conversion to a mutual savings bank if the office determines that the conversion complies with this subsection and all requirements under ch. 214. The date specified in the certificate of conversion is the effective date of the conversion.

(e) Upon conversion, the credit union shall cease to be a credit union, shall be a mutual savings bank, shall no longer be subject to this chapter, and shall be subject to ch. 214 and all other provisions of law governing mutual savings banks. Upon conversion, the legal existence of the mutual savings bank shall be a continuation of the credit union, and all property and every right, privilege, interest, and asset of the credit union immediately, without any conveyance, transfer, or further act of the mutual savings bank, vests in the mutual savings bank. The resulting mutual savings bank shall succeed to and be vested with all the rights, assets, obligations, and relations of the credit union, and all actions and other judicial proceedings to which the credit union is a party may be prosecuted and defended, to the same extent as though the conversion had not taken place.

(f) 1. In this paragraph, “senior management official” means a chief executive officer, an assistant chief executive officer, a chief financial officer, and any other senior executive officer as defined by the appropriate federal banking agency as directed under 12 USC 1831i(f).
2. No director or senior management official of a credit union may receive any economic benefit in connection with a conversion of the credit union to a mutual savings bank except that a director or senior management official may receive director fees as well as compensation and other benefits paid to directors and senior management officials of the converted mutual savings bank in the ordinary course of business.

**SECTION 6.** 214.40 (3) of the statutes is amended to read:

214.40 (3) A stock financial institution seeking to convert to a savings bank under s. 214.66 (1m) shall, before declaring a dividend on its capital stock, transfer not less than 50% of its net profits of the preceding half year to its paid-in surplus until it has paid-in surplus equal to 20% of capital stock.

**SECTION 7.** 214.66 (intro.) of the statutes is renumbered 214.66 (1m) (intro.).

**SECTION 8.** 214.66 (1m) (title) of the statutes is created to read:

214.66 (1m) (title) FROM SAVINGS AND LOAN ASSOCIATION OR FEDERAL SAVINGS BANK.

**SECTION 9.** 214.66 (2) of the statutes is created to read:

214.66 (2) FROM CREDIT UNION. A credit union under ch. 186 may become a mutual savings bank by doing all of the following:

(a) Applying to the division for authority to organize as a mutual savings bank and satisfying all requirements under this chapter for organizing as a mutual savings bank.

(b) Satisfying all requirements under s. 186.314 (2) for conversion to a mutual savings bank.

(c) Recording the mutual savings bank’s articles of incorporation in the county in which its home office is located.

**SECTION 10. Nonstatutory provisions.**
(1) **Initial Statements and Rating Notice.** A credit union’s initial community credit needs statement required under section 186.117 (1) and (2) of the statutes, as created by this act, shall be filed no later than March 1, 2009. A credit union shall make its first rating notice posting, as required under section 186.117 (1) of the statutes, as created by this act, no later than 30 days after the office of credit unions has issued its first rating of the credit union under section 186.117 (4) (a) of the statutes, as created by this act.

(2) **Rule Making.**

(a) The office of credit unions shall submit in proposed form the rules required under section 186.117 (9) of the statutes, as created by this act, to the legislative council staff under section 227.15 (1) of the statutes no later than the first day of the 6th month beginning after the effective date of this paragraph.

(b) Using the emergency rules procedure under section 227.24 of the statutes, the office of credit unions shall promulgate the rules required under section 186.117 (9) of the statutes, as created by this act, for purposes of implementing this act, for the period before the effective date of the rules submitted under paragraph (a). The office of credit unions shall promulgate these emergency rules no later than the first day of the 6th month beginning after the effective date of this paragraph. Notwithstanding section 227.24 (1) (c) and (2) of the statutes, these emergency rules may remain in effect until July 1, 2010, or the date on which permanent rules take effect, whichever is sooner. Notwithstanding section 227.24 (1) (a) and (3) of the statutes, the office of credit unions is not required to provide evidence that promulgating a rule under this paragraph as an emergency rule is necessary for the preservation of the public peace, health, safety, or welfare and is not required to provide a finding of emergency for a rule promulgated under this paragraph.
SECTION 11. Initial applicability.

(1) The treatment of section 186.117 (3) of the statutes first applies with respect to credit unions that have filed community credit needs statements.

(2) The treatment of section 186.117 (5), (6), and (7) of the statutes first applies with respect to credit unions for which the office of credit unions has completed a written assessment report and rating.

SECTION 12. Effective dates. This act takes effect on the first day of the 6th month beginning after publication, except as follows:

(1) The treatment of sections 186.314 (intro.), (1m) (title), and (2), 214.40 (3), and 214.66 (intro.), (1m) (title), and (2) of the statutes and SECTION 10 (2) of this act takes effect on the day after publication.

(END)