

2019 DRAFTING REQUEST

Bill

For: Rob Stafsholt (608) 266-7683

Drafter: agary

By:

Secondary Drafters:

Date: 2/17/2020

May Contact:

Same as LRB: -4975



Submit via email: YES
Requester's email: Rep.Stafsholt@legis.wisconsin.gov
Carbon copy (CC) to: aaron.gary@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Various changes related to credit unions

Instructions:

See attached; companion to LRB-4975

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	agary 2/17/2020	kfollett 2/17/2020			
/1			mbarman 2/17/2020	mbarman 2/17/2020	

FE Sent For:

<END>

Hand-drawn arrow pointing to the text "Not Needed".

Gary, Aaron

From: Bentz, Nick
Sent: Monday, February 17, 2020 4:15 PM
To: Gary, Aaron
Cc: Konkel, Sharlene
Subject: LRB 4975

Hi Aaron,

Can we please get the jacket for LRB 4975? And can you send the Assembly version to Rep. Stafsholt's office?

Thanks!

Nick Bentz
State Sen. Dale Kooyenga
5th Senate District
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608-266-2512
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Follow Sen. Kooyenga on [Facebook](#) and [Twitter](#).
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State of Wisconsin
2019 - 2020 LEGISLATURE

Wanted
Times
2/18
A.M.

in
2/17

- 5743/1
LRB-4975/2
ARG:kjf&skw

2019 BILL

Companion - no changes

1 AN ACT *to repeal* 186.235 (21); *to renumber and amend* 186.11 (2); *to amend*
2 186.07 (7), 186.098 (1), 186.113 (15) (a), 186.115 (2), 186.118 (1), 186.118 (3) (a)
3 (intro.), 186.118 (4), 186.118 (5), 186.235 (14) (c), 214.04 (21) (b), 215.13 (46) (a)
4 1., 221.0303 (2), 227.10 (2m), 227.14 (2) (a) 8., 227.20 (3) (c), 227.24 (1) (b) and
5 227.24 (1) (d); and *to create* 186.11 (2) (b) and (c), 186.113 (26), 186.118 (3m)
6 and 227.01 (13) (yu) of the statutes; **relating to:** authorized activities and
7 operations of credit unions, automated teller machines of financial institutions,
8 and repealing rules promulgated by the Department of Financial Institutions.

Analysis by the Legislative Reference Bureau

This bill makes various changes related to the authorized activities and operations of credit unions. The bill also repeals certain administrative rules related to the placement or operation of automated teller machines (ATMs) by financial institutions.

Under current law, the Office of Credit Unions (OCU) in the Department of Financial Institutions regulates credit unions in this state. Current law specifies various authorized activities and powers of credit unions.

Parity with federally chartered credit unions

Current law includes the following provisions relating to parity between federally chartered and state chartered credit unions:

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1. OCU must establish, by rule, a list of activities and powers incidental to the business of a credit union that are authorized for federally chartered credit unions as of April 18, 2014. A credit union chartered under Wisconsin law (Wisconsin chartered credit union) may engage in any activity or exercise any power listed by OCU, in addition to exercising any other power authorized for the credit union. After April 18, 2014, if any additional activity or power incidental to the business of a credit union becomes authorized for federally chartered credit unions, OCU must make a determination, within 30 days after the activity or power becomes authorized, as to whether the activity or power should also be authorized for Wisconsin chartered credit unions. In making this determination, OCU must consider specified factors and, if OCU determines that the activity or power authorized for federally chartered credit unions should also be authorized for Wisconsin chartered credit unions, OCU must, by rule, add the activity or power to the list. An OCU rule that includes an activity or power in the list is exempt from most administrative rule-making requirements, but deleting an activity or power from the list or modifying the activity or power on the list requires OCU to go through the normal rule-making process.

2. A credit union may undertake any activity, exercise any power, or offer any financially related product or service that any other provider of financial products or services may undertake, exercise, or provide or that OCU finds to be financially related if OCU has specified, by rule, the activity, power, product, or service as one that may be undertaken, exercised, or offered by a credit union.

3. OCU may, by rule, authorize credit unions to exercise any power under the notice, disclosure, or procedural requirements governing federally chartered credit unions or to make any loan or investment or exercise any right, power, or privilege of federally chartered credit unions permitted under federal law, if the credit union review board approves. Such a rule may not restrict powers granted credit unions or affect provisions of the Wisconsin Consumer Act.

This bill makes the following changes to these provisions: 1) with respect to item 1., above, 30 days after an activity or power becomes authorized for federally chartered credit unions, the activity or power also becomes authorized for Wisconsin chartered credit unions unless otherwise noted by an OCU general order within this 30-day period; 2) with respect to item 2., above, OCU specifies the activity, power, product, or service that may be undertaken, exercised, or offered by a credit union by OCU guidance, not OCU rule; and 3) item 3., above, is repealed.

Credit union property

Under current law, a credit union may purchase, hold, and dispose of property as necessary for or incidental to its operations.

This bill specifies that a credit union may purchase, lease, hold, and convey certain real estate, including real estate conveyed to the credit union in satisfaction of a debt or foreclosed real estate, subject to guidance by the OCU and a five-year limit on holding the real estate.

Off-site ATMs

Under current law, a bank, savings bank, savings and loan association, or credit union (collectively, financial institution) may acquire, place, and operate, or participate in the acquisition, placement, and operation of, at locations away from

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the financial institution, what is variously referred to as customer bank communications terminals, remote terminals, or remote service units, in accordance with rules established by OCU and DFI's Division of Banking (division). These devices are terminals or other facilities that are not located at a financial institution and through which customers and financial institutions may engage in electronic transactions that are incidental to the conduct of the business of financial institutions (collectively, off-site ATMs).

Under current rules of OCU and the division, a financial institution must provide advance written notice to OCU or the division before acquiring, placing, or operating an off-site ATM. This bill repeals these rules.

Current statutes provide that OCU or the division may, by order, authorize the installation and operation of an off-site ATM in a mobile facility, after notice and hearing upon the proposed service stops of the mobile facility. This bill repeals these provisions.

Vacancy on board of directors

Current law allows the board of directors of a credit union to remove a director. Within 60 days after the date of removal of a director, the board of directors must appoint a director to fill the vacancy. This bill requires a credit union's board of directors to fill any vacancy, including a vacancy resulting from removal of a director, within 90 days.

Nonmember loan participation

Under current law, a credit union may make loans to members upon terms approved by the credit committee, loan officer, or board of directors.

This bill specifies that a credit union may allow nonmember loan participation as a joint applicant, co-obligor, cosigner, co-borrower, surety, or guarantor.

Supplemental capital

This bill specifies that credit unions may issue or offer supplemental forms of capital approved by OCU.

Charges for credit union examinations

Current law generally requires OCU to conduct, at least once every 18 months, examinations of credit unions in which OCU examines the credit union's records and accounts. OCU must charge the credit union for the cost of the examination and the credit union must pay the charge on the day on which the examination is completed.

The bill requires the credit union to pay the charge within 30 days of the completion of OCU's examination.

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

- 1 **SECTION 1.** 186.07 (7) of the statutes is amended to read:
- 2 186.07 (7) VACANCIES. Within 60 90 days after the date of a removal vacancy
- 3 on the board of directors, the board of directors shall appoint a director to fill the

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1 vacancy. The appointee shall serve until a successor is elected at the next annual
2 membership meeting.

3 **SECTION 2.** 186.098 (1) of the statutes is amended to read:

4 186.098 (1) LOAN APPROVAL. The credit union may make loans to members upon
5 terms approved by the credit committee, loan officer, or board of directors. The credit
6 union may also permit a nonmember to participate in an obligation or extension of
7 credit to a member as a joint applicant, co-obligor, cosigner, co-borrower, surety, or
8 guarantor.

9 **SECTION 3.** 186.11 (2) of the statutes is renumbered 186.11 (2) (a) and amended
10 to read:

11 186.11 (2) (a) ~~A~~ Subject to pars. (b) and (c), a credit union may purchase, hold,
12 and dispose of property as necessary for or incidental to its operations.

13 **SECTION 4.** 186.11 (2) (b) and (c) of the statutes are created to read:

14 186.11 (2) (b) Subject to guidance issued by the office of credit unions, a credit
15 union may purchase, lease, hold, and convey the following types of real estate:

16 1. Real estate conveyed to the credit union in satisfaction of debts previously
17 contracted in the course of the credit union's business.

18 2. Real estate purchased at sale on judgments, decrees, or mortgage
19 foreclosures under securities held by the credit union, but a credit union may not bid
20 at a sale a larger amount than is necessary to satisfy its debts and costs.

21 3. Subject to the approval of the office of credit unions, real estate acquired or
22 held by the credit union for any other purpose.

23 (c) Real estate acquired under par. (b) may not be held for more than 5 years,
24 unless an extension is granted by the office of credit unions.

25 **SECTION 5.** 186.113 (15) (a) of the statutes is amended to read:

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1 186.113 **(15)** (a) Directly or indirectly, acquire, place, and operate, or
2 participate in the acquisition, placement, and operation of, at locations other than
3 its offices, remote terminals, in accordance with rules established by the office of
4 credit unions. The rules shall provide that any remote terminal shall be available
5 for use, on a nondiscriminatory basis, by any state or federal credit union which has
6 its principal place of business in this state, by any other credit union obtaining the
7 consent of a state or federal credit union which has its principal place of business in
8 this state and is using the terminal and by all members designated by a credit union
9 using the terminal. This subsection does not authorize a credit union which has its
10 principal place of business outside the state to conduct business as a credit union in
11 this state. The remote terminals also shall be available for use, on a
12 nondiscriminatory basis, by any state or national bank, state or federal savings bank
13 or state or federal savings and loan association, whose home office is located in this
14 state, if the bank, savings bank or savings and loan association requests to share its
15 use, subject to the joint rules established under s. 221.0303 (2). ~~The office of credit
16 unions by order may authorize the installation and operation of a remote terminal
17 in a mobile facility, after notice and hearing upon the proposed service stops of the
18 mobile facility.~~

19 **SECTION 6.** 186.113 (26) of the statutes is created to read:

20 186.113 **(26)** SUPPLEMENTAL CAPITAL. Issue or otherwise offer supplemental
21 forms of capital in such form and with such conditions as are approved by the office
22 of credit unions.

23 **SECTION 7.** 186.115 (2) of the statutes is amended to read:

24 186.115 **(2)** RULES GUIDANCE. The activities, powers, products, and services
25 that may be undertaken, exercised, or offered by credit unions under sub. (1) are

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1 limited to those specified by rule of guidance issued by the office of credit unions. The
2 office of credit unions may direct any credit union to cease any activity, the exercise
3 of any power, or the offering of any product or service authorized by rule this
4 guidance. Among the factors that the office of credit unions may consider in so
5 directing a credit union are the credit union's net worth, assets, management rating
6 and liquidity ratio and its ratio of net worth to assets.

7 **SECTION 8.** 186.118 (1) of the statutes is amended to read:

8 186.118 (1) In addition to any activity or power authorized under ss. 186.098,
9 186.11, 186.113, 186.114, and 186.115, and ~~186.235 (21)~~, a credit union organized
10 under s. 186.02 may engage in any activity or exercise any power that is listed by the
11 office of credit unions under sub. (2) (a) ~~or~~, (3) (b) 1., or (3m) (b) 1.

12 **SECTION 9.** 186.118 (3) (a) (intro.) of the statutes is amended to read:

13 186.118 (3) (a) (intro.) After April 18, 2014, and before the effective date of this
14 paragraph [LRB inserts date], if any activity or power incidental to the business
15 of a credit union that is not listed under sub. (2) (a) becomes authorized for federally
16 chartered credit unions, within 30 days after the activity or power becomes
17 authorized the office of credit unions shall make a determination as to whether the
18 activity or power should also be authorized for credit unions organized under s.
19 186.02. In making this determination, the office of credit unions shall consider the
20 degree to which the following apply with respect to the activity or power:

21 **SECTION 10.** 186.118 (3m) of the statutes is created to read:

22 186.118 (3m) (a) On or after the effective date of this paragraph [LRB inserts
23 date], if any activity or power incidental to the business of a credit union that is not
24 listed under sub. (2) (a) or (3) (b) 1. becomes authorized for federally chartered credit
25 unions, 30 days after the activity or power becomes authorized the activity or power

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1 shall also be authorized for credit unions organized under s. 186.02 unless otherwise
2 noted by general order of the office of credit unions within this 30-day period. In
3 making the determination whether to issue such a general order, the office of credit
4 unions shall consider the degree to which the following apply with respect to the
5 activity or power:

6 1. It is necessary, convenient, or useful for effectively carrying out the mission
7 or business of a credit union.

8 2. It is the functional equivalent or logical outgrowth of activities or powers that
9 are part of the mission or business of a credit union.

10 3. It involves risks similar in nature to those already assumed as part of the
11 business of the credit union and it is not likely to be detrimental to the overall safety
12 and soundness of the credit union.

13 (b) 1. The office of credit unions shall promulgate a rule adding an activity or
14 power to the list of activities and powers established under subs. (2) (a) and (3) (b)
15 1. unless the office of credit unions has issued a general order otherwise as provided
16 in par. (a).

17 2. The office of credit unions shall submit the proposed rule under subd. 1. to
18 the legislative reference bureau in an electronic format approved by the legislative
19 reference bureau, and the legislative reference bureau shall publish the proposed
20 rule in the notice section of the Wisconsin administrative register under s. 35.93.

21 3. Sections 227.114 (4) and (6), 227.115, 227.135, 227.137, 227.14 (2) (a) 6., (2g),
22 (4), and (4m), 227.15, 227.16, 227.17, 227.18, 227.185, 227.19, and 227.30 do not
23 apply to the office of credit unions in promulgating a rule under subd. 1. or to any rule
24 promulgated by the office of credit unions under subd. 1. Guidelines prescribed by

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1 executive order of the governor do not apply to the office of credit unions in
2 promulgating a rule under subd. 1.

3 **SECTION 11.** 186.118 (4) of the statutes is amended to read:

4 186.118 (4) The office of credit unions shall publish and maintain on the
5 department of financial institutions' Internet site the list of activities and powers
6 under ~~sub.~~ subs. (2) (a), (3) (b) 1., and (3m) (b) 1.

7 **SECTION 12.** 186.118 (5) of the statutes is amended to read:

8 186.118 (5) If the office of credit unions promulgates a rule listing an activity
9 or power as provided in sub. (2) (a) ~~or~~, (3) (b) 1., or (3m) (b) 1., subs. (2) (b) and (c) ~~and~~,
10 (3) (b) 2. and 3., and (3m) (b) 2. and 3. do not apply to any subsequent rule modifying
11 or eliminating the listed activity or power.

12 **SECTION 13.** 186.235 (14) (c) of the statutes is amended to read:

13 186.235 (14) (c) In addition to the annual assessment, each credit union shall
14 be charged for the cost of every examination made. The examination charge shall
15 include the prorated amount of salaries and expenses of all examiners and other
16 employees actively engaged in the examination, the salaries and expenses of any
17 other person whose services are required in connection with the examination and
18 any examination report and any other expenses which may be directly attributable
19 to the examination. The examination charge shall be paid ~~on~~ within 30 days of the
20 day on which the examination is completed.

21 **SECTION 14.** 186.235 (21) of the statutes is repealed.

22 **SECTION 15.** 214.04 (21) (b) of the statutes is amended to read:

23 214.04 (21) (b) The rules of the division shall provide that any remote service
24 unit shall be available for use, on a nondiscriminatory basis, by any state or federal
25 savings bank which has its principal place of business in this state, by any other state

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1 or federal savings bank obtaining the consent of a state or federal savings bank that
2 has its principal place of business in this state and is using the terminal and by all
3 customers designated by a savings bank using the unit. This paragraph does not
4 authorize a savings bank which has its principal place of business outside this state
5 to conduct business as a savings bank in this state. A remote service unit shall be
6 available for use, on a nondiscriminatory basis, by any credit union, state or national
7 bank or state or federal savings and loan association, whose home office is located
8 in this state, if the credit union, bank or savings and loan association requests to
9 share its use, subject to joint rules established by the division of banking, the office
10 of credit unions and the division. ~~The division by order may authorize the~~
11 ~~installation and operation of a remote service unit in a mobile facility, after notice~~
12 ~~and hearing upon the proposed service stops of the mobile facility.~~

13 **SECTION 16.** 215.13 (46) (a) 1. of the statutes is amended to read:

14 215.13 (46) (a) 1. Directly or indirectly, acquire, place, and operate, or
15 participate in the acquisition, placement, and operation of, at locations other than
16 its home or branch offices, remote service units, in accordance with rules established
17 by the division. Remote service units established in accordance with such rules are
18 not subject to sub. (36), (39), (40) or (47) or s. 215.03 (8). The rules of the division shall
19 provide that any such remote service unit shall be available for use, on a
20 nondiscriminatory basis, by any state or federal savings and loan association which
21 has its principal place of business in this state, by any other savings and loan
22 association obtaining the consent of a state or federal savings and loan association
23 which has its principal place of business in this state and is using the terminal and
24 by all customers designated by a savings and loan association using the unit. This
25 paragraph does not authorize a savings and loan association which has its principal

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1 place of business outside this state to conduct business as a savings and loan
2 association in this state. The remote service units also shall be available for use, on
3 a nondiscriminatory basis, by any credit union, state or national bank or state or
4 federal savings bank, whose home office is located in this state, if the credit union,
5 bank or savings bank requests to share its use, subject to the joint rules established
6 under s. 221.0303 (2). ~~The division by order may authorize the installation and~~
7 ~~operation of a remote service unit in a mobile facility, after notice and hearing upon~~
8 ~~the proposed service stops of the mobile facility.~~

9 **SECTION 17.** 221.0303 (2) of the statutes is amended to read:

10 **221.0303 (2) OPERATION AND ACQUISITION OF CUSTOMER BANK COMMUNICATIONS**
11 **TERMINALS.** A bank may, directly or indirectly, acquire, place, and operate, or
12 participate in the acquisition, placement, and operation of, at locations other than
13 its main or branch offices, customer bank communications terminals, in accordance
14 with rules established by the division. The rules of the division shall provide that
15 any such customer bank communications terminal shall be available for use, on a
16 nondiscriminatory basis, by any state or national bank and by all customers
17 designated by a bank using the terminal. This subsection does not authorize a bank
18 which has its principal place of business outside this state to conduct banking
19 business in this state. The customer bank communications terminals also shall be
20 available for use, on a nondiscriminatory basis, by any credit union, savings and loan
21 association, or savings bank, if the credit union, savings and loan association, or
22 savings bank requests to share its use, subject to rules jointly established by the
23 division of banking and the office of credit unions. ~~The division by order may~~
24 ~~authorize the installation and operation of a customer bank communications~~

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1 ~~terminal in a mobile facility, after notice and hearing upon the proposed service stops~~
2 ~~of the mobile facility.~~

3 **SECTION 18.** 227.01 (13) (yu) of the statutes is created to read:

4 227.01 (13) (yu) Relates to guidance issued by the office of credit unions under
5 s. 186.11 (2) (b) or 186.115 (2).

6 **SECTION 19.** 227.10 (2m) of the statutes is amended to read:

7 227.10 (2m) No agency may implement or enforce any standard, requirement,
8 or threshold, including as a term or condition of any license issued by the agency,
9 unless that standard, requirement, or threshold is explicitly required or explicitly
10 permitted by statute or by a rule that has been promulgated in accordance with this
11 subchapter, except as provided in s. 186.118 (2) (c) ~~and~~, (3) (b) 3., and (3m) (b) 3. The
12 governor, by executive order, may prescribe guidelines to ensure that rules are
13 promulgated in compliance with this subchapter.

14 **SECTION 20.** 227.14 (2) (a) 8. of the statutes is amended to read:

15 227.14 (2) (a) 8. The place where comments on the proposed rule should be
16 submitted and the deadline for submitting those comments, if the deadline is known
17 at the time the proposed rule is submitted to the legislative council staff under s.
18 227.15 or, for a rule promulgated under s. 186.118 (2) (a) ~~or~~, (3) (b) 1., or (3m) (b) 1.,
19 submitted as provided in s. 186.118 (2) (b) ~~or~~, (3) (b) 2., or (3m) (b) 2.

20 **SECTION 21.** 227.20 (3) (c) of the statutes is amended to read:

21 227.20 (3) (c) That all of the rule-making procedures required by this chapter
22 were complied with, except as provided in s. 186.118 (2) (c) ~~or~~, (3) (b) 3., or (3m) (b)
23 3.

24 **SECTION 22.** 227.24 (1) (b) of the statutes is amended to read:

Barman, Mike

From: LRB.Legal
To: Rep.Stafsholt@legis.wisconsin.gov
Subject: Draft review: LRB -5743/1
Attachments: 19-5743/1

State of Wisconsin - Legislative Reference Bureau
One East Main Street - Suite 200 - Madison

The attached draft was prepared at your request. Please review it carefully to ensure that it satisfies your intent. If you have any questions concerning the draft or would like to have it redrafted, please contact Aaron R. Gary, Senior Legislative Attorney, at (608) 504-5850, at aaron.gary@legis.wisconsin.gov, or at One East Main Street, Suite 200.

We will jacket this draft for introduction in the Assembly.

If the last paragraph of the analysis states that a fiscal estimate will be prepared, the LRB will submit a request to DOA when the draft is introduced. You may obtain a fiscal estimate on the draft prior to introduction by contacting our program assistants at LRB.Legal@legis.wisconsin.gov or at (608) 266-3561. If you requested a fiscal estimate on an earlier version of this draft and would like to obtain a fiscal estimate on the current version before it is introduced, you will need to request a revised fiscal estimate from our program assistants.

Please call our program assistants at (608) 266-3561 if you have any questions regarding this email.