

To: Honorable Members – State Senate  
From: Tom Liebe, Vice President - Government Affairs  
Re: Support Senate Bill 520 and Senate Amendment 1

The purpose of this memo is to provide a basic outline of **SB 520/SA1**, which modify numerous sections of the Administrative Code governing credit unions. This legislation was initiated as part of the Assembly's 'Right the Rules' process and represents a consensus proposal by credit unions and their regulators. SB 520/SA 1 is supported by The Wisconsin Credit Union League and their members and we ask that you consider adopting these important measures.

Modifications included in the bill and amendment are essential to providing clarity for credit unions, reorganizing some rules as well as updating out-of-date, contradictory or simply unnecessary notations, phrases or sections of the DFI-OCU code.

Modifications in SB 520/SA 1 to credit union rules and regulations are as follows:

#### **DFI-CU 54 Real Estate Mortgage Loans**

- Require a final report showing status of *current* lien.
  - This is for real estate loans and to ensure that CU's are able to verify the *current* lien on an equity real estate loan.

#### **DFI-CU 57 Retention of Credit Union Books and Records**

- Delete the references to the specific publication "January 1996 edition of the technical publication of the Financial Managers Society, Inc. of Chicago, Illinois, titled "Financial Institutions Record Retention Manual."
  - The publication should not exist in rules. Lawmakers have no input in the development of the book and ability to review or modify.
  - Eliminating the reference to this single publication provides regulators and credit unions flexibility in selecting records retention guides.

#### **DFI-CU 59 Miscellaneous Investments by Credit Unions**

- Delete specific reference to "fitch" and "AA" rating and replace with "nationally recognized statistical rating organization in one of its 2 highest rating categories"

- This change give regulators and credit unions more flexibility in choosing from multiple rating agencies and rates. In addition, it protects them both in a situation where the old agency may cease to exist, become a new company or change the way it rates certain investments.
- Raise certain investment limit to \$100,000 and add language to have the amount indexed to avoid changes to amount every few years.
  - Today, an individual credit union may not invest more than \$50,000 (**established in the 1970's**) in securities issued by any one individual institution without the prior approval of the director of credit unions.

#### **DFI-CU 60 Savings, Dividend Periods and Early Withdrawal Penalties**

- Update many references 'certificates of deposit' to 'term share account'.
  - Under federal Truth in Savings rules, it is illegal to use the terms CD or Certificates of Deposit in connection with a credit union member account.
  - Federal law already defines and references 'term share account'.

#### **DFI-CU 61 – Credit Union Purchase or Acquisition of Conditional Sales Contracts or Similar Instruments Executed by Credit Union Members**

- Replace numerous references to “conditional sales contracts” and replace with “credit sales transactions”.
  - “Conditional sales contracts” is an archaic term and “credit sales transactions” is widely understood and used.

#### **DFI-CU 65 Credit Union Service Organizations**

- Delete rule and let NCUA guidance for federally insured credit unions control (NCUA Rules & Regulations Part 712 & 741).
  - OCU rule is essentially moot since NCUA recently updated their CUSO rules and they now apply to all state (*federally insured*) credit unions.

#### **DFI-CU 66 Credit Union Limited Services Offices Located Out-of-State**

- Delete the notation under 66.02(2).
  - Forms referenced here do not exist.

#### **DFI-CU 67 – Certified Public Accountant Audits of Credit Unions in Lieu of Examinations by the State of Wisconsin**

- Delete section.
  - The Legislature removed the statutory authority for this section a decade ago.

## **DFI-CU 68 Investment Authority Parity with Federal Credit Unions**

- CU 68.02 remove notation.
- CU 68.06 (2) Add “unless the OCU Director approves different amount”
  - Notation refers to a regulation from 1984.
  - Allows flexibility for regulator and credit unions.

## **DFI-CU 70 Participation Loan Authority Parity with Federal Credit Unions**

- Delete rule.
  - NCUA rule (NCUA Rules & Regulations Parts 701 & 741) that took effect in September 2013 applies to all state (*federally insured*) credit unions.

## **DFI-CU 72 Member Business Loans**

- Remove 72.12 and 72.13
  - These sections are not in compliance with Generally Accepted Accounting Principles.

## **DFI-CU 74 Incidental Powers Activity Authority Parity with Federal Credit Unions – Debt Cancellation Contracts and Debt Suspension Agreements**

- Revise rule to clarify that it relates solely to ‘debt cancellation contracts and debt suspension agreements.’
- Require OCU publish a list of state incidental powers.
- Provide that OCU shall within 30 days of a new federal incidental power make a determination whether said power shall also be afforded to state credit unions and, if approved, add said power to the state incidental powers list. (Due to the technical nature of these possible additions, exclude this decision from the definition of rule under Ch. 227)
  - Creating a clear list of incidental powers already authorized for federal credit unions puts state credit unions on equal footing with their federally chartered counterparts.

If you have any questions or concerns about financial services in general, or this proposal in particular, please do not hesitate to contact me.



**Public Hearing of the Senate Committee on Financial Institutions and Rural Issues**

**Senate Bill 520 – Bank Records Retention**

**February 4, 2014**

**Testimony of Richard McGuigan, Executive Vice President**

**Community Bankers of Wisconsin**

Thank you Chair Schultz and Members of the Committee. My name is Richard McGuigan, Executive Vice President of the Community Bankers of Wisconsin (CBW). CBW is a statewide trade association representing the interests of Wisconsin community banks doing business in over 900 offices across Wisconsin.

I appear before you today in support of SB 520. CBW would like to thank Senator Lasee and others for introducing this important legislation.

If passed, SB 520 would streamline the records retention requirements as well as provide for industry uniformity for implementing these requirements for all Wisconsin state chartered banks, savings banks, savings and loans as well as credit unions.

Today, almost all aspects of banking are regulated by law or regulation including record retention requirements. Some of these federal regulations with specific timeframes for records retention include the Equal Credit Opportunity Act, Truth in Lending Act, Bank Secrecy Act and Electronic Funds Transfer Act.

Banks have many legitimate business reasons to retain documents, including for future litigation matters, internal and external audits, bank supervision and compliance with regulatory requirements. SB 520 provides financial institutions with the flexibility they need in designing their document retention systems while assuring the confidentiality of information contained in these records.



# DAVID CRAIG

STATE REPRESENTATIVE

CHAIRMAN, ASSEMBLY COMMITTEE ON FINANCIAL INSTITUTIONS

Senate Committee on Financial Institutions and Rural Issues

Public Hearing, February 4, 2013

Senate Bill 520 Testimony

Representative David Craig, 83<sup>rd</sup> Assembly District

Chairman Schultz and Committee Members,

Thank you for hearing testimony on the Assembly Committee on Financial Institutions' 2<sup>nd</sup> *Right the Rules* bill, Senate Bill 520.

This legislation is the 2<sup>nd</sup> product produced by our committee as part of the *Right the Rules* project. This section of administrative code was first discussed by our committee back in August of 2013. Discussed again in November and December of 2013, this legislation has received input from stakeholders, the Department of Financial Institutions and members of our Assembly committee, and is another example of how our committee can help our state's job creators.

SB 520 primarily impacts the credit union regulations of our state through various changes which not only update our administrative code but also attempt to reduce the double burden that credit unions face when trying to navigate the complex state and federal rules. While no single part of this bill is in itself a "game changer," the entirety of this bill would allow our state's credit unions and banks to better compete with federally chartered financial institutions, as well as those institutions located just across our state lines.

This legislation is another step toward ensuring that our state responsibly regulates businesses while also recognizing that those businesses are job creators and should not be forced to comply with unnecessary burdens placed upon them by government. It is yet another bipartisan example of how our committee has come together to do what is right for both Wisconsin consumers and Wisconsin job creators in the financial services sector.

Thank you and I would be happy to answer any questions you may have on SB 520.