Government of the District of Columbia
Office of the Chief Financial Officer

Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Jeffrey S. DeWitt** **Chief Financial Officer** Jeffrey S. DeWitt
DATE:	**January 10, 2019**
SUBJECT:	**Fiscal Impact Statement – Credit Union Act of 2019**
REFERENCE:	**Draft Bill as shared with the Office of Revenue Analysis on January 4, 2019**

Conclusion

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill.

Background

Credit unions are nonprofit financial cooperatives that receive deposits from, and make loans to, members with a defined common interest. Credit unions may be federally or state-chartered.[1] The District's authority to charter and regulate credit unions was repealed in 1964 and all District credit unions were given the opportunity to transition to a federal credit union.[2] All credit unions currently operating in the District are federal credit unions subject to regulation under the Federal Credit Union Act.[3]

The bill reauthorizes the Department of Insurance, Securities, and Banking (DISB) to charter, supervise, and regulate credit unions in the District. The DISB Commissioner must review a charter application for a District credit union – which must include a charter statement, articles of incorporation, bylaws, and a chartering fee – and approve it within 90 days.[4] The credit union must provide proof it has applied for share and deposit insurance[5] before the Commissioner will approve

---

[1] All but three states and the District of Columbia have their own state chartering authority.
[2] Effective August 1, 1964 (78 Stat. 377, Pub. L. 88-395, § 1).
[3] 12 U.S.C. § 1751 et seq.
[4] The bill authorizes the Commissioner to extend the review period by 60 days as necessary.
[5] The bill requires a credit union to obtain share and deposit insurance from the National Credit Union Administration (NCUA) or another DISB-approved share guaranty corporation.

its application. After the Commissioner has approved an application, the Commissioner is responsible for regular examinations[6] and oversight to ensure the soundness of practices and solvency of the credit union. The bill authorizes the Commissioner to require the merger or dissolution of a District credit union, to approve or disapprove the expansion of a District credit union to do business outside the District, and to approve or disapprove the expansion of a foreign credit union[7] into the District. DISB will deposit any chartering, examination, or other fees received from its regulation of credit unions into the Securities and Banking Trust Fund.[8]

The bill also establishes the requirements under which a District credit union must operate. These requirements include the threshold of board of director's approvals needed to amend the credit union's charter, remove a member or officer, or change the corporate status of the credit union; an annual audit requirement; limitations on how a credit union can lend money to its members; and the authorized investments for a credit union's own capital. The bill authorizes a number of corporate status changes including voluntary liquidation, voluntary merger, conversion to a different credit union,[9] and conversion of a bank to a credit union.

The bill allows a District credit union to apply for designation as a low-income credit union if at least 50 percent of its members reside in a low-income area or are qualified to receive economic benefits. The bill presumes that full- and part-time students and members of the United States military qualify as credit union members who receive economic benefits. Unlike a standard District credit union, the bill allows a low-income credit union to receive funds and supplemental capital from non-members.

The bill exempts District credit unions from income tax while real property and tangible personal property are taxable, under District law[10].

Financial Plan Impact

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. There are currently no credit unions seeking to charter in the District, and DISB expects chartering activity to be slow in the first few years following the bill's implementation. DISB can absorb any costs associated with chartering, supervising, and regulating credit unions within its existing resources.

The bill also allows DISB to charge fees for reviewing charter applications, recover costs in the event of a liquidation or conservatorship, and rely on a National Credit Union Administration examination in lieu of doing its own. DISB will deposit any new fees generated from the bill's implementation into the Securities and Banking Trust Fund. DISB will need to seek budget authority to spend any new revenues to cover or mitigate future costs.

---

[6] The Commissioner may hire a third party to conduct an examination or rely on an examination performed by NCUA.

[7] The bill defines a foreign credit union as one organized under the laws of another state, territory, or foreign jurisdiction.

[8] Department of Insurance and Securities Regulation Establishment Act of 1996, effective May 21, 1997 (D.C. Law 11-268; D.C. Official Code § 31-107).

[9] A District credit union could convert to a federal or foreign credit union.

[10] The bill also exempts District credit union's capital and other kinds of property from District taxes, however such taxes are not currently part of District law.

The bill's tax provisions are consistent with how the District treats credit unions under current law and there is no cost associated with reaffirming this exemption. Credit unions are subject to real property and personal property taxation.