



2007 ASSEMBLY BILL 897

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

1 **AN ACT** *to renumber* 186.314 (intro.) and 214.66 (intro.); *to amend* 186.235 (7)
2 (a) (intro.) and 214.40 (3); and *to create* 186.117, 186.314 (1m) (title), 186.314
3 (2), 214.66 (1m) (title) and 214.66 (2) of the statutes; **relating to:** community
4 reinvestment assessments and ratings of credit unions, the conversion of credit
5 unions to mutual savings banks, providing an exemption from emergency rule
6 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

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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:

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

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

6 **(2) FILING.** No later than March 1 of each year, a credit union shall file with
7 the office of credit unions a community credit needs statement. In addition to the

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1 community credit needs statement, the office of credit unions may require a credit
2 union to file additional information in making an assessment of the credit union
3 under sub. (3) and in considering an application of a credit union that is listed under
4 sub. (5).

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

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

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

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

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

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

24 (f) Evidence of prohibited discriminatory or other illegal credit practices by the
25 credit union.

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1 (g) The credit union's record of opening and closing branch offices and of
2 providing services at branch offices.

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

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

9 (j) The credit union's participation in government-insured, guaranteed, or
10 subsidized loan programs for housing, small businesses, or small farms.

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

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

16 (m) The credit union's participation in credit counseling services in its
17 community.

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

20 **(4) ASSESSMENT REPORT; CONFIDENTIALITY.** (a) The office of credit unions shall
21 prepare a written report summarizing the results of each assessment under sub. (3).
22 The office of credit unions shall provide the credit union that is the subject of the
23 report with a copy of the report and, except as provided in par. (b), shall make the
24 report available for public inspection. The report shall include a numerical rating
25 of the credit union's performance in helping to meet the credit needs of its community.

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1 The numerical rating shall use a 1 to 5 rating system, with 1 representing excellent
2 performance and 5 representing unsatisfactory performance.

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

8 **(5) USE OF ASSESSMENT UPON CONSIDERATION OF CERTAIN APPLICATIONS.** The office
9 of credit unions shall consider the assessment of a credit union under sub. (3)
10 whenever the office of credit unions considers any of the following applications from
11 the credit union:

12 (a) An application to invest under s. 186.11 (1) (e).

13 (b) An application to establish a branch office under s. 186.113 (1).

14 (c) An application to operate a remote terminal in a mobile facility under s.
15 186.113 (15) (a).

16 (d) An application to merge with a credit union under s. 186.31.

17 (e) An application to acquire or merge with an out-of-state credit union under
18 s. 186.41 (2) (a).

19 **(6) ASSESSMENT AS BASIS FOR DENIAL OF APPLICATION.** The office of credit unions
20 may use the assessment of a credit union under sub. (3) as a basis for denying an
21 application of the credit union that is listed under sub. (5).

22 **(7) LIMITATION OF AUTHORITY.** If a credit union fails to maintain a rating of 3 or
23 better in the annual assessment performed by the office of credit unions under sub.
24 (3), the office of credit unions may limit the credit union's exercise of powers under
25 ss. 186.113 and 186.115.

ASSEMBLY BILL 897**SECTION 1**

1 **(8) HEARING.** The office of credit unions may hold a public hearing on an
2 application of a credit union that is listed under sub. (5) if the office of credit unions
3 receives an objection to the application that is based on any of the factors used in
4 making the assessment under sub. (3).

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

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

11 186.235 **(7)** (a) (intro.) Employees Except as provided in s. 186.117 (4) (a),
12 employees of the office of credit unions and members of the review board shall keep
13 secret all the facts and information obtained in the course of examinations or
14 contained in any report provided by a credit union other than any semiannual or
15 quarterly financial report that is regularly filed with the office of credit unions. This
16 requirement does not apply in any of the following situations:

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

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

19 186.314 **(1m)** (title) TO FEDERAL CREDIT UNION.

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

21 186.314 **(2)** TO MUTUAL SAVINGS BANK. (a) A credit union may convert to a mutual
22 savings bank by complying with pars. (b) to (d).

23 (b) The proposition for a conversion shall first be approved by a majority
24 recommendation of the directors of the credit union. The directors shall, by a
25 majority vote of the directors, set a date for a meeting of credit union members to vote

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1 on the conversion. Credit union members may also vote by written ballot to be filed
2 on or before the meeting date. Written notice specifying the purpose and subject
3 matter of the meeting and the date that is set for the meeting and for voting by
4 submission of a written ballot shall be sent to each member eligible to vote at the
5 member's address appearing on the records of the credit union. This notice shall be
6 sent to each credit union member 3 times, once not more than 95 days nor less than
7 90 days before the date of the meeting to vote on the conversion, once not more than
8 65 days nor less than 60 days before the date of the meeting to vote on the conversion,
9 and once not more than 35 days nor less than 30 days before the date of the meeting
10 to vote on the conversion. The 3rd such notice shall be accompanied by a written
11 ballot, shall clearly inform the member that the member may vote at the meeting or
12 by submitting the written ballot, and shall state the time and place of the meeting
13 in addition to the date of the meeting. Approval of the proposition for conversion
14 shall be by affirmative vote, in person or in writing, of a majority of the credit union
15 members voting at the meeting or by written ballot.

16 (c) A credit union that proposes to convert to a mutual savings bank under this
17 subsection shall file with the office of credit unions a notice of its intent to convert
18 and, within 10 days after the member vote on the conversion under par. (b), a
19 statement of the results of the member vote. If the credit union members vote to
20 approve the proposition for conversion, the member vote shall be verified by the office
21 of credit unions and, if the office of credit unions disapproves of the methods or
22 procedures used in relation to that member vote, the member vote shall be taken
23 again in the manner directed by the office of credit unions and consistent with the
24 requirements under par. (b).

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1 (d) Upon approval by the credit union members of the proposition for
2 conversion under par. (b), the credit union shall take all necessary action under ch.
3 214 to complete the conversion to a mutual savings bank. Within 10 days after
4 receipt from the division of banking of a certificate of incorporation as a mutual
5 savings bank, the credit union shall file a copy of the certificate with the office of
6 credit unions. The office of credit unions shall issue to a converting credit union a
7 certificate of conversion to a mutual savings bank if the office determines that the
8 conversion complies with this subsection and all requirements under ch. 214. The
9 date specified in the certificate of conversion is the effective date of the conversion.

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

21 (f) 1. In this paragraph, “senior management official” means a chief executive
22 officer, an assistant chief executive officer, a chief financial officer, and any other
23 senior executive officer as defined by the appropriate federal banking agency as
24 directed under 12 USC 1831i(f).

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1 2. No director or senior management official of a credit union may receive any
2 economic benefit in connection with a conversion of the credit union to a mutual
3 savings bank except that a director or senior management official may receive
4 director fees as well as compensation and other benefits paid to directors and senior
5 management officials of the converted mutual savings bank in the ordinary course
6 of business.

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

8 214.40 (3) A stock financial institution seeking to convert to a savings bank
9 under s. 214.66 (1m) shall, before declaring a dividend on its capital stock, transfer
10 not less than 50% of its net profits of the preceding half year to its paid-in surplus
11 until it has paid-in surplus equal to 20% of capital stock.

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

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

14 214.66 (1m) (title) FROM SAVINGS AND LOAN ASSOCIATION OR FEDERAL SAVINGS BANK.

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

16 214.66 (2) FROM CREDIT UNION. A credit union under ch. 186 may become a
17 mutual savings bank by doing all of the following:

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

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

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

25 **SECTION 10. Nonstatutory provisions.**

ASSEMBLY BILL 897**SECTION 10**

1 (1) INITIAL STATEMENTS AND RATING NOTICE. A credit union's initial community
2 credit needs statement required under section 186.117 (1) and (2) of the statutes, as
3 created by this act, shall be filed no later than March 1, 2009. A credit union shall
4 make its first rating notice posting, as required under section 186.117 (1) of the
5 statutes, as created by this act, no later than 30 days after the office of credit unions
6 has issued its first rating of the credit union under section 186.117 (4) (a) of the
7 statutes, as created by this act.

8 (2) RULE MAKING.

9 (a) The office of credit unions shall submit in proposed form the rules required
10 under section 186.117 (9) of the statutes, as created by this act, to the legislative
11 council staff under section 227.15 (1) of the statutes no later than the first day of the
12 6th month beginning after the effective date of this paragraph.

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

ASSEMBLY BILL 897**1 SECTION 11. Initial applicability.**

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

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

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

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

12 (END)