



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2009

PRINTERS NO. 2986

PRIME SPONSOR: Schlegel-Culver

COST / (SAVINGS)

FUND	FY 2013/14	FY 2014/15
Banking Fund	\$0	\$0

SUMMARY: Updates and modernizes Title 17 (Credit Unions). This legislation would take effect in 60 days.

ANALYSIS: This legislation amends the Credit Union Code to make a number of technical and modernizing changes to the current statute.

Definitions: Several definitions are updated to reflect the merger of the Department of Banking and the Securities Commission, and a new definition of "officer" is added.

Articles of incorporation: A credit union is required to maintain a copy of its articles of incorporation and all amendments.

Bylaws: A credit union is required to maintain a copy of its original bylaws and all amendments.

Language providing for the amendment or repeal of board-initiated bylaws (by a two-thirds vote of responding members) is repealed.

The provisions for member-initiated amendments to the bylaws are amended to remove requirements that the petition is obtained from the Department of Banking and Securities (DOBS) and that the petition is filed with DOBS.

Fees and charges: Credit unions are allowed to collect fees paid to outside collectors for other share or loan service related amounts that are owed to the credit union (in addition to fees for the collection of a loan balance, allowed by current law). Likewise, credit unions may recoup actual sums expended in collection activities, including the use of credit union personnel.

Loan interest: The current cap of 15% annual interest on loans made by credit unions is removed and replaced with language that will bring the cap into parity with the cap for federally-chartered credit unions (currently 18%).

Loans: The prohibition on making a loan with preferential terms (a loan with terms that would not be available to any other member) is extended to include immediate family members of a director, officer or member of a committee, as well as individuals having common interests in a business enterprise with a director, officer or member of a committee.

Inactive accounts: The amount of time required before an inactive account may be transferred to a special account is reduced to five years to reflect changes to PA's escheat requirements.

Notice to members: In addition to notices delivered in person or by mail, credit unions are allowed to provide required notices by fax, email or other electronic communication.

Expulsion, suspension and withdrawal: Provisions for the expulsion of members are amended to allow a credit union to expel a member for cause by a majority vote of a quorum of directors pursuant to a written policy adopted by the board. "Cause" includes a loss to the credit union, a violation of the membership agreement or inappropriate behavior (physical or verbal abuse of staff or other members). Members are required to be given written notice of expulsion policies, and a member has the right to request a hearing before the board to reconsider the expulsion.

A credit union is allowed to terminate membership, if the member withdraws to less than one share.

A member who is expelled or withdraws will have no further voting rights, but is not released from any obligation owed to the credit union.

A member who is expelled may only be readmitted by a majority vote of the board. An expelled member may apply for readmission only once in any 12-month period.

A credit union may suspend services to a member for cause, as provided in a policy adopted by the board. Suspended members may maintain a share account and continue to vote at meetings.

FISCAL IMPACT: This legislation would have no adverse fiscal impact on Commonwealth funds.

PREPARED BY: Tim Rodrigo
House Appropriations Committee (R)

DATE: May 5, 2014

Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.