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OFFICE OF THE  
SECRETARY

**MURIEL BOWSER**  
MAYOR

MAR 13 2019

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW  
Suite 504  
Washington, DC 20004

Dear Chairman Mendelson:

Today, I am transmitting to the Council of the District of Columbia for its consideration and enactment, the "Credit Union Act of 2019." The purpose of the Bill is to authorize the Department of Insurance, Securities and Banking ("DISB") to charter, supervise, regulate, examine, and exercise other powers related to the operation of credit unions.

This legislation would allow for the chartering of credit unions under District of Columbia law for the first time since 1964. While there are more than 70 credit unions operating in the District, each of those credit unions, including the District Government Employees Federal Credit Union, operates pursuant to a federal charter from the National Credit Union Administration. Unfortunately, the District lost the ability to charter its own credit unions in the mid-1960s when the United States Congress repealed the District's credit union law, which had been in effect since 1932.

The legislation is largely based upon the Model Credit Union Act, which has been developed over the past four decades by the Credit Union National Association, the national trade association for state-chartered credit unions. The key purposes of the legislation are to reenact District credit union legislation, to make the proposed law responsive to the needs of credit unions serving members in the District of Columbia, and to make a District credit union charter attractive to prospective organizing groups, as well as federal credit unions operating under the FCUA. Overall, the legislation seeks to ensure sound regulatory oversight while permitting the cooperative and democratic strengths of credit unions to grow in response to new technology and member demand for services.

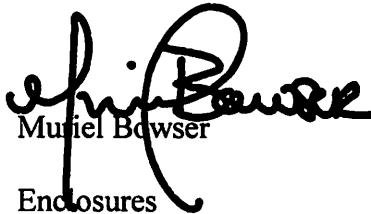
The legislation includes many creative provisions to assist in the formation and maintenance of District-chartered credit unions, including:

- The Commissioner's ability to define forms of capital in addition to share accounts, membership shares, reserves, and undivided earnings;
- The Commissioner's ability to approve fields of membership without specific limitations or organizational names being placed on the form of the entity; and
- Authorization for District-chartered credit unions to conduct business outside of the District.

This legislation is less restrictive than the FCUA, and creates the opportunity for District-chartered credit unions to offer a wide variety of financial and non-financial services to members, while preserving effective supervisory, enforcement and suspension powers within DISB.


Accordingly, I urge the Council to act favorably and expeditiously on the proposed Bill.

Sincerely,



Muriel Bowser

Enclosures

  
Chairman Phil Mendelson  
at the request of the Mayor

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A BILL

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IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

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Chairman Phil Mendelson, at the request of the Mayor, introduced the following bill,  
which was referred to the Committee \_\_\_\_\_.

To provide for the organization, operation, and supervision of cooperative, not-for-profit  
thrift and credit associations to be known as credit unions and to define their  
powers.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA,  
That this act may be cited as the "Credit Union Act of 2019".

**TITLE I. DEFINITIONS.**

Sec. 101. Definitions.

For the purposes of this act, the term:

(1) "Capital" means share accounts, membership shares, reserves,  
undivided earnings, and other forms of capital that are approved by the Commissioner.

(2) "Charitable donation account" means an account owned by a credit  
union that is held in a segregated custodial account or special purpose entity and  
specifically identified as a charitable donation account whereby, no less frequently than  
every 5 years and upon termination of the account, at least 51% of the total return on  
assets in the account is distributed to one or more charitable organizations or non-profit  
entities.

38 (3) "Commissioner" means the Commissioner of the Department of  
39 Insurance, Securities and Banking.

40 (4) "Corporate credit union" means a credit union whose field of  
41 membership consists primarily of other credit unions.

42 (5) "Credit union" means a cooperative, not-for-profit association  
43 organized for the purposes of encouraging thrift among its members, creating a source of  
44 credit at fair and reasonable rates of interest, and providing an opportunity for its  
45 members to use and control their own money on a democratic basis in order to improve  
46 their economic and social condition.

47 (6) "Credit union service organization" means an organization,  
48 corporation, or association providing services associated with the general purposes of a  
49 credit union or engaging in activities incidental to the operations of a credit union.

50 (7) "Deposits" means a balance held by a District credit union and  
51 established by a District credit union member or non-member, another credit union, or a  
52 government unit in accordance with standards specified by the District credit union  
53 including balances designated as deposits, deposit certificates, checking accounts, or  
54 accounts by other names. Ownership of a deposit account does not confer membership or  
55 voting rights and does not represent an interest in the capital of the District credit union  
56 upon dissolution or conversion to another type of institution. A deposit account is a debt  
57 owed by the District credit union to the account holder.

58 (8) "Department" means the Department of Insurance, Securities and  
59 Banking.

60 (9) "District credit union" means a credit union organized under this act.

61 (10) "Family member" includes persons related by blood, marriage, or  
62 living in the same household with a person within the field of membership, including  
63 foster, step and adopted children as well as surviving spouses of persons who were within  
64 the field of membership of the credit union at the time of their death.

65 (11) "Federal credit union" means a credit union organized and operating  
66 under the laws of the United States.

67 (12) "Fixed asset" shall have the meaning accorded the term under  
68 generally accepted accounting principles including structures, office furnishing, office  
69 machines, land, computer hardware and software, automated terminals, and heating and  
70 cooling equipment.

71 (13) "Foreign credit union" means a credit union organized and operating  
72 under the laws of another state, territory, or other foreign jurisdiction.

73 (14) "Government unit" means any board, agency, department, authority,  
74 instrumentality, or other unit or organizations of the District, federal, state, county,  
75 municipal, or other level of government.

76 (15)(A) "Insolvent" means the condition that results when the total amount  
77 of a credit union's shares exceeds the present cash value of its assets after providing for  
78 liabilities unless:

79 (i) The Commissioner determines that the circumstances  
80 leading to the deficient share to asset ratio no longer exist;

81 (ii) The likelihood of further depreciation of the share to  
82 asset ratio is not probable;

83 (iii) The return of the share to asset ratio to its normal limits  
84 within a reasonable time for the credit union concerned is probable; and

85 (iv) The probability of a further potential loss to the  
86 insurance fund is negligible.

87 (B) For the purposes of this definition, the following additional  
88 definitions are applicable:

89 (i) "Cash value of assets" means the recorded value of any  
90 asset account, provided accepted accounting principles and practices are followed, and  
91 the provisions of law, regulations, and the credit union's bylaws are met.

92 (ii) "Liabilities" means recorded liabilities that are due and  
93 payable, excluding member and nonmember shares.

94 (16) "Insuring organization" means an organization that provides aid and  
95 financial assistance to credit unions that are in the process of liquidation or are incurring  
96 financial difficulty in order that the share and deposit accounts in the credit unions shall  
97 be protected or guaranteed against loss, without limit or up to a specified level for each  
98 account.

99 (17) "Loans" means the extension of credit under either an open-end or  
100 closed-end agreement.

101 (18) "Low-income area" means:

102 (A) An area that wholly consists of or is wholly located within an  
103 Empowerment Zone or Enterprise Community designated under section 1391 of the  
104 Internal Revenue Code (26 U.S.C. § 1391);

- 105 (B) An area where the percentage of the population living in  
106 poverty is at least 20 percent;
- 107 (C) An area in a metropolitan area where the median family  
108 income is at or below 80 percent of the metropolitan area median family income or the  
109 national metropolitan area median family income, whichever is greater;
- 110 (D) An area outside of a metropolitan area, where the median  
111 family income is at or below 80 percent of the statewide non-metropolitan national non-  
112 metropolitan area median family income, whichever is greater;
- 113 (E) An area where the unemployment rate is at least 1.5 times the  
114 national average;
- 115 (F) An area meeting the criteria for economic distress that may be  
116 established by the Community Development Financial Institutions Fund of the United  
117 States Department of the Treasury; or
- 118 (G) Other area approved by the Commissioner.
- 119 (19) “Member” means a person who has met the membership criteria of  
120 the credit union and has been accepted into membership of the credit union.
- 121 (20) “Membership share” means the balance required by the board of  
122 directors to establish membership in the credit union.
- 123 (21) “Net worth” means the retained earnings balance of the credit union,  
124 as determined under generally accepted accounting principles, and other forms of capital  
125 approved by the Commissioner pursuant to rulemaking.

126 (22) "Officer" means the chair, vice chair, treasurer and secretary, and any  
127 other individual appointed by the board of directors to serve as an officer of the credit  
128 union.

129 (23) "Official" means any member of the board of directors, a member of  
130 a committee, or an individual appointed by the board to serve as an officer of the credit  
131 union.

132 (24) "Organization" means any corporation, association, partnership,  
133 limited liability company, limited liability partnership, joint venture, trust, or other legal  
134 entity.

135 (25) "Person" means any natural person or organization.

136 (26) "Predominantly" means more than one half.

137 (27) "Service facility" means a place of business of a credit union, where  
138 the credit union may transact business authorized by the credit union board.

139 (28) "Shares" means a balance held by a credit union and established in  
140 accordance with standards specified by the credit union including shares, share accounts,  
141 share certificates, share draft accounts, custodial accounts, individual retirement accounts  
142 established pursuant to United States tax law, payable on death accounts, trust accounts,  
143 money market accounts, share checking accounts, business share accounts or other  
144 similar accounts as the District credit union may adopt. "Shares" does not include  
145 membership shares.

146 (29) "Supplemental capital" means other forms of capital approved by the  
147 Commissioner that is subordinate to shares, other liabilities and share insurance.

148 **TITLE II. CREDIT UNION ORGANIZATION.**



149           Sec. 201. District credit union charter application procedures.

150           (a) An organizing group consisting of 7 or more persons of legal age, within the  
151 credit union's field of membership, the majority of whom are residents of the District,  
152 may apply to organize and charter a District credit union by filing a written charter  
153 application with the Commissioner. The application shall be prepared and filed in  
154 accordance with the forms and procedures prescribed by the Commissioner by rule.

155           (b) The charter application required in subsection (a) of this section shall include:

156                   (1) The name of the District credit union, which shall include the phrase  
157 "credit union" and the location of the proposed District credit union's principal office;

158                   (2) The initial field of membership of the District credit union;

159                   (3) The term of the existence of the organization, which may be perpetual;

160                   (4) The par value of shares of the District credit union, each of which must  
161 be at least \$5 in value;

162                   (5) The proposed charter statement for the District credit union;

163                   (6) The names, addresses, and taxpayer identification numbers of the  
164 organizers and the number of shares subscribed to by each organizer;

165                   (7) The names, addresses, and taxpayer identification numbers of the  
166 initial board of directors and supervisory committee selected pursuant to subsection (d) of  
167 this section, and the number of shares, if any, subscribed to by each;

168                   (8) Articles of incorporation, which the Commissioner shall have the  
169 authority to approve, prepared in accordance with the rules set forth by the  
170 Commissioner;

171 (9) Bylaws prepared by the organizers that are consistent with this act for  
172 the general governance of the District credit union and comply with the form the  
173 Commissioner prescribes by rule; and

174 (10) Any other information the Commissioner requires by rule.

175 (c) The organizers shall prepare bylaws consistent with this act for the general  
176 governance of the District credit union and comply with the form the Commissioner  
177 prescribes by rule.

178 (d) The organizers shall select an odd number of directors, not less than 5 and not  
179 more than 15, who are eligible for membership and who agree to become members and  
180 serve on the board of directors. Additionally, the organizers may select 3 or 5 people to  
181 serve on the supervisory committee who are eligible for membership, agree to become  
182 members, and agree to serve on the supervisory committee. The persons selected to serve  
183 on the board of directors and supervisory committee shall execute an agreement of  
184 service, on a form the Commissioner prescribes by rule, to serve in these capacities until  
185 the first annual meeting or until the election of their respective successors, whichever is  
186 later.

187 (e) The organizers shall apply for insurance on share and deposit accounts  
188 pursuant to section 208 prior to, or at the same time as, the time the organizers file the  
189 charter application with the Commissioner.

190 (f) The organizers shall forward to the Commissioner the chartering fee, the  
191 duplicate charter statement, bylaws, agreements of service, articles of incorporation, and  
192 proof of application for insurance on share and deposit accounts.

193 (g) In a time period the Commissioner prescribes by rule, the Commissioner shall  
194 issue the applicant a certification letter in a form that enables the applicant to obtain  
195 necessary routing, transit, and bank identification numbers, and to secure the necessary  
196 contractual arrangements required of a full-service financial institution.

197 Sec. 202. Certificate of charter.

198 (a) Upon the filing of a complete charter application pursuant to section 201, the  
199 following procedures shall apply:

200 (1) The Commissioner shall prepare a periodic bulletin listing all pending  
201 applications. The bulletin shall be published in the District of Columbia Register and be  
202 available from the Commissioner.

203 (2) Prior to deciding whether to grant final approval of the application, the  
204 Commissioner shall accept public comment on the application and may hold a public  
205 hearing on the application, according to procedures established by the Commissioner by  
206 rule.

207 (3) The Commissioner shall, pursuant to subsection (b) of this section,  
208 approve or disapprove the charter application, and provide the reasons for approving or  
209 disapproving the application, within 90 days after receipt of the application. The  
210 Commissioner may extend this 90-day period for up to an additional 60 days. No  
211 application required by this section shall be complete unless it is accompanied by an  
212 application fee in an amount to be established by the Commissioner and made payable to  
213 the D.C. Treasurer. No applicant shall commence operations until the applicant has  
214 submitted evidence that the required insurance has been acquired.

215 (b)(1) A charter application may be approved, and a certificate of charter may be  
216 issued, if the charter application, the charter statement, and bylaws conform to this act  
217 and the Commissioner determines that:

218 (A) The characteristics of the field of membership set forth in the  
219 proposed bylaws are favorable to the economic viability of the proposed District credit  
220 union;

221 (B) The reputation and character of the initial board of directors  
222 and supervisory committee provide assurance that the District credit union's affairs will  
223 be properly administered;

224 (C) The applicant has provided a viable plan for conducting  
225 business that demonstrates a likelihood for success; and

226 (D) The proposed District credit union has received share  
227 insurance.

228 (2) The Commissioner may disapprove the charter application and not  
229 issue a certificate of charter for a new District credit union if the Commissioner finds  
230 that:

231 (A) There are no grounds for the likelihood of economic success  
232 for the District credit union;

233 (B) The leadership of the proposed District credit union is not  
234 qualified; or

235 (C) The proposed District credit union has failed to obtain share  
236 insurance.

237 (c) If a certificate of charter is issued, the Commissioner shall return a copy of the  
238 bylaws and one of the duplicate originals of the certificate of charter to the organizers or  
239 their representatives. The original charter statement and bylaws shall be preserved in the  
240 permanent files of the District credit union.

241 (d) If a certificate of charter is denied, the Commissioner shall notify the  
242 organizers and set forth reasons for the denial. The District credit union organizers may  
243 appeal the Commissioner's decision to the District of Columbia Court of Appeals in  
244 accordance with section 11 of the District of Columbia Administrative Procedure Act,  
245 approved October 21, 1968 (82 Stat. 1203; D.C. Official Code § 2-510).

246 (e) The filing of an appeal under this section shall not stay the application of the  
247 denial or any other action of the Commissioner to the appealing party unless the court,  
248 after giving the appealing party notice and an opportunity to be heard, determines that  
249 failure to grant a stay would be detrimental to the interest of policyholders, shareholders,  
250 creditors, or the public.

251 (e) The organizers may not transact any District credit union business until a  
252 certificate of charter has been issued and received.

253 Sec. 203. Form of charter statement and bylaws.

254 (a) The bylaws shall include the following minimum provisions:

255 (1) The name of the District credit union;

256 (2) The field of membership of the District credit union;

257 (3) Qualifications for membership in the District credit union, including,  
258 but not limited to, the minimum number of shares, and the payment of an entrance or

259 membership fee, if any, required for membership, and the policies for expelling a  
260 member;

261 (4) The number of directors, the length of terms they may serve and,  
262 specifically, the permissible term length of any interim director;

263 (5) Any qualification for eligibility to serve on the District credit union's  
264 board;

265 (6) The number of District credit union employees that may serve on the  
266 board, if any;

267 (7) The frequency of regular meetings of the board, and the manner in  
268 which members of the board are to be notified of meetings;

269 (8) The powers and duties of board officers;

270 (9) The timing of the annual membership meeting;

271 (10) The manner in which vacancies shall be filled which shall be either  
272 until a successor is elected at the next membership meeting or for the remainder of the  
273 unexpired term;

274 (11) The manner in which members may call a special membership  
275 meeting;

276 (12) The manner in which members are to be notified of membership  
277 meetings;

278 (13) The number of members constituting a quorum at a membership  
279 meeting and at a meeting of the board of directors;

280 (14) Provisions, if any, for the indemnification of directors, officers,  
281 employees, and others by the District credit union, if not included in the articles of  
282 incorporation; and

283 (15) Any other provision required by the Commissioner as promulgated by  
284 rule.

285 (b) The Commissioner may provide a model District credit union charter  
286 statement and model District credit union bylaws, consistent with this act, which may be  
287 used by District credit union organizers in preparing a District credit union charter  
288 application.

289 Sec. 204. Amendment of charter and bylaws.

290 (a) The charter may be amended by the members at any regular or special meeting  
291 for which the call of the meeting includes the proposed amendment, and at which a  
292 quorum of members and at least 2/3 of directors are present. The amendment must be  
293 approved by at least 2/3 of the members present and voting.

294 (b) The bylaws may be amended by a 2/3 vote of the board of directors at any  
295 regular or special meeting for which the call of the meeting includes the proposed  
296 amendment and a quorum is present.

297 (c) Amendments to the charter and any other amendments prescribed by the  
298 Commissioner by rule shall be submitted to the Commissioner, who shall have the power  
299 to disapprove the proposed amendments within 30 days. If the Commissioner disapproves  
300 the proposed amendment, the District credit union may appeal the decision to the District  
301 of Columbia Court of Appeals in accordance with section 11 of the District of Columbia  
302 Administrative Procedure Act, approved October 21, 1968 (82 Stat. 1203; D.C. Official

303 Code § 2-510). If after 60 days, the Commissioner has not disapproved the proposed  
304 amendment, the amendment shall be deemed approved.

305 Sec. 205. Name of District credit union.

306 (a) The name of a District credit union shall include the phrase "credit union". No  
307 District credit union may adopt a name identical to the name of any other federal or  
308 foreign credit union doing business in the District, or a name similar to the name of any  
309 federal or foreign credit union doing business in the District that would be misleading or  
310 cause confusion.

311 (b) Other than a District credit union, a federal credit union, a foreign credit  
312 union, an association of credit unions, or an organization or corporation whose  
313 membership or ownership is limited to credit unions or credit union organizations, no  
314 person may:

315 (1) Use a name or title containing the phrase "credit union" or any  
316 derivation thereof;

317 (2) Represent itself as a credit union; or

318 (3) Conduct business as a credit union.

319 Sec. 206. Service facilities.

320 (a) A District credit union may change its principal office upon written notice to  
321 the Commissioner and the members of the District credit union.

322 (b) A District credit union may maintain other service facilities, including  
323 automated teller machines, at locations other than its principal office upon written  
324 notification to the Commissioner.



325 (c) A District credit union may join with one or more other credit unions or other  
326 financial organizations in the operation of automated teller machines or other service  
327 facilities.

328 Sec. 207. Fiscal year.

329 The fiscal year of each District credit union chartered under this act shall end on  
330 December 31.

331 Sec. 208. Application for share and deposit insurance.

332 (a) Each District credit union shall apply for insurance on its shares and deposits  
333 as provided by the National Credit Union Administration Board under Title II of the  
334 Federal Credit Union Act, as amended (12 U.S.C. § 1781 *et. seq.*), or comparable  
335 insurance approved by the Commissioner. Any District credit union insured by the  
336 National Credit Union Administration (“NCUA”) shall comply with all federal  
337 requirements that apply to credit unions insured by the NCUA, notwithstanding any  
338 contrary provisions of this act. District credit unions with debt and equity capital  
339 consisting primarily of funds from other credit unions and any membership shares issued  
340 by another District credit union shall not be subject to the requirements of this section.

341 (b) A District credit union that has lost its commitment for share and deposit  
342 insurance shall, within 30 days, commence steps to liquidate, merge with an insured  
343 credit union, or apply in writing to the Commissioner for additional time to obtain  
344 another insurance commitment. The Commissioner may grant extensions of time to  
345 obtain the insurance commitment upon satisfactory evidence that the District credit union  
346 has made or is making a substantial effort to achieve the condition precedent to issuance

347 of the commitment, and the District credit union is not operating in an unsafe or unsound  
348 manner.

349 (c) No person shall be granted a certificate of charter by the Commissioner to  
350 form a District credit union unless the person has obtained a commitment for insurance of  
351 its share and deposit accounts.

352 (d) The Commissioner may make reports of condition and examination findings  
353 available to, and may accept any report of examination made on behalf of, the appropriate  
354 insuring organization.

355 Sec. 209. Conducting business outside the District of Columbia.

356 (a) Upon the approval of the Commissioner, a District credit union may conduct  
357 business outside of the District. The Commissioner shall approve a District credit union's  
358 request to conduct business outside of the District if:

359 (1) The jurisdiction permits the District credit union to conduct business in  
360 the jurisdiction; and

361 (2) The Commissioner does not identify any safety or soundness  
362 implications with the expanding operations.

363 (b) If the laws or regulations governing credit unions in a non-District jurisdiction  
364 permit a District credit union operating in that jurisdiction to exercise additional powers  
365 not expressly permitted under this act, the District credit union conducting business  
366 outside the District may request authority from the Commissioner to exercise the  
367 additional powers in the District. The Commissioner shall approve the exercise of the  
368 additional power unless there are demonstrable safety and soundness implications. If the  
369 Commissioner approves the request to exercise an additional power within 60 days after

370 receiving a completed request, the District credit union may exercise the additional power  
371 in the District. If the Commissioner does not act within 60 days after receiving a  
372 completed request, the request shall be deemed disapproved.

373 (c) The Commissioner may enter into supervisory agreements or other agreements  
374 with the credit union regulators in other states or jurisdictions to prescribe the applicable  
375 rules governing the powers and authorities of foreign branches and other facilities of  
376 District credit unions.

377 Sec. 210. Foreign credit unions.

378 (a) A foreign credit union may conduct business as a credit union in the District, if  
379 the Commissioner approves. The Commissioner shall approve if the following conditions  
380 are met:

381 (1) The jurisdiction in which the foreign credit union is organized  
382 authorizes it to do business in the District;

383 (2) District credit unions are permitted to do business in the jurisdiction in  
384 which the foreign credit union is organized;

385 (3) The foreign credit union has substantially the same characteristics, and  
386 operates in a similar manner, as District credit unions; and

387 (4) The foreign credit union submits any applicable fee.

388 (b) The Commissioner may, at any time, revoke a foreign credit union's authority  
389 to do business in the District if the Commissioner determines that a foreign credit union:

390 (1) Is not established under laws similar to this act;

391 (2) Is not financially solvent;

- 392 (3) Does not insure its accounts to the same extent as District credit unions  
393 established under this act;
- 394 (4) Is not examined and supervised by a regulatory agency of the  
395 jurisdiction in which it is organized;
- 396 (5) Is in violation of its charter as determined by its chartering jurisdiction;
- 397 (6) Does not charge interest in compliance with the provisions of section  
398 802 when making loans in the District;
- 399 (7) Does not comply with the consumer protection laws, regulations, or  
400 rules applicable to District credit unions established pursuant to this act;
- 401 (8) Fails to provide the Commissioner with a copy of the report of  
402 examination of its regulatory agency or to submit to an annual examination by the  
403 Commissioner;
- 404 (9) Fails to designate or maintain an agent for the service of process in the  
405 District;
- 406 (10) Fails to comply with District laws, regulations, or orders;
- 407 (11) Engages in, or is likely to engage in, a pattern of unsafe or unsound  
408 practices;
- 409 (12) Will likely have a substantially adverse impact on the financial,  
410 economic or other interests of residents of the District; or
- 411 (13) Is prohibited from operating in the jurisdiction in which it is  
412 organized.

413 (c) In order to implement this section, the Commissioner is authorized to  
414 cooperate with credit union regulators in other states or jurisdictions and may share with  
415 the regulators the information received in administering this act.

416 (d) The Commissioner is authorized to enter into supervisory agreements or other  
417 agreements with foreign credit unions and their regulators to prescribe the applicable  
418 rules governing the powers of District branches and service facilities of foreign credit  
419 unions. Any agreement made pursuant to this subsection may address items including  
420 corporate governance, operations, and conflict of law, and may prescribe the procedures  
421 to coordinate, among applicable regulators, the application, supervision, and examination  
422 processes with respect to foreign credit unions.

423 (e) The Commissioner may adopt rules for the periodic examination and  
424 investigation of the operations of a foreign credit union operating in the District. The  
425 cost of examination and supervision shall be assessed to the foreign credit union.

426 (f) A foreign credit union from a state that allows credit unions to exercise  
427 additional powers not allowed in the District may request permission from the  
428 Commissioner to exercise the additional powers in the District. The Commissioner may  
429 approve the exercise of additional powers in the District if there are no demonstrable  
430 safety and soundness implications and the exercise of the additional power by the foreign  
431 credit union is in the best interest of the District. If the Commissioner approves the  
432 exercise of the additional powers for a foreign credit union, District credit unions  
433 established under this act may exercise those additional powers approved for a foreign  
434 credit union upon the approval of the Commissioner.

435 **TITLE III. CREDIT UNION POWERS.**

436           **Sec. 301. General Powers.**

437           **A District credit union may:**

438                   **(1) Enter into contracts or other agreements, as necessary, to provide the**  
439 **services authorized by this act;**

440                   **(2) Sue and be sued;**

441                   **(3) Acquire, lease as lessor or lessee, hold, assign, pledge, mortgage, sell,**  
442 **or otherwise dispose of real or personal property or assets, either in whole or in part;**

443                   **(4) Borrow from any source, provided that a District credit union must**  
444 **notify the Commissioner in writing of its intention to borrow in excess of 50% of its net**  
445 **worth, shares and deposits;**

446                   **(5) Purchase the assets of another credit union or sell all, or substantially**  
447 **all, of its assets to another credit union;**

448                   **(6) Offer related financial services, including electronic fund transfers,**  
449 **safe deposit boxes, negotiable instruments, leasing and correspondent arrangements with**  
450 **or to other financial institutions and their members;**

451                   **(7) Hold membership in other District credit unions, federal credit unions**  
452 **or foreign credit unions, and in credit union-related trade associations and organizations;**

453                   **(8) Engage in activities and programs as requested by any government**  
454 **unit;**

455                   **(9) Act as fiscal agent for, and receive payments on, share and deposit**  
456 **accounts from any government unit;**

457                   **(10) Make reasonable contributions to any nonprofit civic, charitable or**  
458 **service organization;**

- 459 (11) Require the payment of an entrance fee or annual membership fee, or  
460 both, of any person admitted to membership, pursuant to the District credit union's  
461 bylaws;
- 462 (12) Receive deposits from its members in the form of shares and deposits  
463 and honor requests for withdrawals or transfers of all or any part of share and deposit  
464 accounts, in any manner approved by the board of directors;
- 465 (13) Lend funds to its members;
- 466 (14) Discount and sell any obligations owed to the District credit union;
- 467 (15) Invest surplus funds as provided in this act;
- 468 (16) Invest in shares of other credit unions and make deposits in other  
469 financial institutions and trust companies;
- 470 (17) Invest in credit union service organizations;
- 471 (18) Issue certificates of indebtedness to members that are subordinated to  
472 all other claimants on the District credit union;
- 473 (19) Assess fees and charges to members;
- 474 (20) Declare dividends on shares and interest on deposit accounts and pay  
475 interest refunds to borrowers;
- 476 (21) Receive savings from non-members in the form of shares, if the  
477 District credit union serves predominantly low-income members;
- 478 (22) Receive deposits from or lend funds to other District credit unions,  
479 federal credit unions or foreign credit unions;
- 480 (23) Sell insurance products subject to applicable insurance laws;
- 481 (24) Purchase and maintain insurance:

482 (A) On behalf of:

483 (i) A current or former director, officer, employee, or agent

484 of the District credit union; or

485 (ii) A person who is or was serving at the request of the

486 District credit union as a director, officer, employee, or agent of another corporation,

487 partnership, joint venture, trust or other enterprise

488 (B) To protect against any liability asserted against a person

489 identified in paragraph (A) of this subsection in any capacity arising out of the person's

490 status related to the District credit union, regardless of the District credit union's power to

491 indemnify the person against liability.

492 (25) Offer services permitted for state chartered and national banks,

493 savings and loans, mutual savings banks, their subsidiaries and affiliates, including

494 electronic fund transfers, safe deposit boxes, trust services, the issuance of negotiable

495 instruments, and leasing and correspondent arrangements with other financial institutions;

496 (26) Receive payments on share, share draft, and share certificate

497 accounts;

498 (27) Enter into lease agreements, lease contracts and lease-purchase

499 agreements with members;

500 (28) Indemnify or limit the personal liability of officials in accordance

501 with the District credit union's articles of incorporation and bylaws;

502 (29) Act as agent for any electric, electric distribution, gas, water,

503 telephone, or other utility company operating within the District in receiving money due

504 for utility services furnished by it;



505                   (30) Exercise the powers granted to corporations and nonprofit  
506 corporations; provided, that in the event of a conflict between laws governing those  
507 corporations and this act, the provisions of this act shall govern;

508                   (31) Offer debt cancellation and debt suspension contracts;

509                   (32) Receive supplemental capital from members and non-members; and

510                   (33) Exercise other powers that will not impair the safe and sound  
511 operation of a District credit union, and that are approved by the Commissioner by rule.

512                   Sec. 302. Incidental Powers.

513                   A District credit union may exercise all incidental powers, as permitted by law  
514 and within the purposes stated in this act, that are convenient, suitable or necessary to  
515 enable the District credit union to carry out the purposes of this act.

516                   Sec. 303. Parity.

517                   The Commissioner may authorize District credit unions to exercise, and the  
518 Commissioner may establish conditions or limitations for the exercise of, any of the  
519 powers conferred upon federal credit unions and upon foreign credit unions operating in  
520 the District.

521                   **TITLE IV. CREDIT UNION MEMBERSHIP.**

522                   Sec. 401. Membership.

523                   (a) The membership of a District credit union shall be determined by the board of  
524 directors of the District credit union and shall consist of persons who have been duly  
525 admitted as members.

526 (b) Each person otherwise eligible for membership to become or remain a  
527 member must purchase and maintain a share, share draft, or share certificate account in  
528 the minimum amount required.

529 (c) A member may make an initial installment on the purchase of a membership  
530 share and take up to 6 months to complete the purchase. If the balance in any of a  
531 member's accounts is not equal to the minimum balance required for a membership  
532 share, the member must restore the balance to the minimum within 6 months or the  
533 membership may be terminated pursuant to section 407.

534 (d) In the case of a joint account, each joint account holder may apply for  
535 membership, and, if the District credit union's bylaws provide, each member may  
536 maintain only the joint account so long as the balance is at least equal to the membership  
537 share amount for each member. A joint account does not entitle the joint account holder  
538 to vote.

539 (e) Each member is entitled to one vote, regardless of the number of shares held.

540 Sec. 402. Organizations that qualify for District credit union membership.

541 Any incorporated or unincorporated organization, and the organization's  
542 employees, may be admitted to membership in the same manner and under the same  
543 conditions as individuals.

544 Section 403. Service to low-income consumers.

545 (a) A District credit union, including a District credit union in the process of  
546 incorporating under this act, may submit an application to the Commissioner to be  
547 designated as a "low-income credit union".

548 (b) The Commissioner may approve the application if at least 50% of members to  
549 be served, as determined by the Commissioner, are:

550 (1) Within a recognizable geographic area primarily located in a low  
551 income area; or

552 (2) Qualified to receive benefits from any program designed to revitalize  
553 the local economy or assist the economically disadvantaged.

554 (c) For purposes of this section, natural persons enrolled as full-time or part-time  
555 students in a college, university, high school, or vocational school shall be conclusively  
556 presumed to satisfy the provisions of subsection (b) of this section.

557 (d) For purposes of this section, members of the United States military on active  
558 duty and stationed overseas shall be conclusively presumed to satisfy the provisions of  
559 subsection (b) of this section.

560 (e) The application specified in subsection (a) of this section shall be developed  
561 by rule promulgated by the Commissioner.

562 (f) The Commissioner shall approve or disapprove an application to be designated  
563 as a low-income credit union within 60 days of receiving a completed application, except  
564 in cases where the application is submitted as part of the charter application described in  
565 section 202. In those cases, the application to be designated as a low-income credit union  
566 shall be approved or disapproved in the same time period and manner prescribed in  
567 section 202(a)(3) and (b).

568 (g) In addition to the powers granted under this title:

569 (1) A low-income credit union may receive funds from non-members.

570

571 (3) A low-income credit union may receive supplemental capital from  
572 members and non-members. The offer and sale of supplemental capital shall be subject to  
573 regulations promulgated by the Commissioner that shall address issues of safety and  
574 soundness, including the supplemental capital's maturity, term of sale, terms of capital,  
575 total amount of supplemental capital that may be outstanding at one time, redemption,  
576 and eligibility of the investors. In addition, supplemental capital shall be subject to all of  
577 the following:

578 (A) The supplemental capital shall be established as an uninsured  
579 supplemental capital or other form of non-share account;

580 (B) The supplemental capital may not be insured by the National  
581 Credit Union Share Insurance Fund ("NCUSIF") or any other governmental or private  
582 entity;

583 (C) The supplemental capital holder's claim against the low-  
584 income credit union shall be subordinate to all other claims including those of  
585 shareholder's creditors, and the NCUSIF, or an approved insurer.

586 (D) The supplemental capital may not be pledged or provided by  
587 the accountholder as a security on a loan or other obligation with the low-income credit  
588 union or any other party.

589 (h) Supplemental capital authorized in this section does not limit the authority of  
590 the Commissioner to approve other forms of equity capital.

591 Sec. 404. School service facilities.

592 (a) As used in this section the following terms shall have the following meanings:

593 (1) "School" shall mean any accredited educational institution;

594 (2) "Student" shall mean an individual enrolled in a school;

595 (3) "Student service facility" shall mean the designation provided to a  
596 District credit union's facilities that provide in-school financial services and offer  
597 financial education to students.

598 (b) A District credit union may, upon agreement with a school's governing body,  
599 open and maintain a student service facility.

600 Sec. 405. Retention of membership.

601 Unless the District credit union's bylaws state otherwise, once a person becomes a  
602 member of a District credit union in accordance with this act, that person may remain a  
603 member of that District credit union until the person chooses to withdraw from the  
604 membership of the District credit union, or is terminated under section 407.

605 Sec. 406. Liability of members.

606 The members of a District credit union shall not be personally or individually  
607 liable for the payment of the District credit union's debts solely by virtue of their  
608 membership in the District credit union.

609 Sec. 407. Termination of membership.

610 (a) The board of directors may expel a member for cause by a majority vote of a  
611 quorum of directors, pursuant to a written policy adopted by the board. For the purposes  
612 of this section, "cause" includes a loss to the District credit union, a violation of the  
613 membership agreement or any policy or procedure adopted by the board, or inappropriate  
614 behavior such as physical or verbal abuse of District credit union members or staff. All  
615 members shall be given written notice of all policies and procedures that have been

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616 adopted by the board. Any person expelled by the board shall have the right to request a  
617 hearing before the board to reconsider the expulsion.

618 (b) Consistent with section 401(c), a District credit union may terminate the  
619 membership of any member who withdraws his or her shares to less than one par share.

620 (c) Persons whose membership has been terminated, whether by withdrawal or  
621 expulsion, shall have no further rights in the District credit union, but are not released  
622 from any obligation owed to the District credit union.

623 (d) A member who has been expelled as provided herein, may not be readmitted  
624 to membership except upon approval by a majority vote of the board after application and  
625 proof that the applicant remains within the District credit union's field of  
626 membership, has adequately explained, addressed or remedied the conditions leading to  
627 expulsion, and will abide by the terms and conditions of membership. A member may not  
628 make more than one application for readmission within a 12 month calendar period.

629 Sec. 408. Suspension of services.

630 A District credit union may, for cause as defined in section 407, suspend certain  
631 services to a District credit union member under a policy adopted by the District credit  
632 union's board of directors. Members with suspended services may maintain a share  
633 account, and continue to vote at annual and special meetings.

634 Sec. 409. Meetings of members.

635 (a) The annual meeting and any special meetings of the members of the District  
636 credit union shall be held in accordance with the District credit union's bylaws.

637 (b) There shall be no voting by proxy, except on the election of directors,  
638 proposals for merger, or proposals for voluntary dissolution. All voting on the election of

639 directors shall be by ballot, but when there is no contest, written ballots need not be cast.  
640 A member may vote by absentee ballot, mail ballot or other method if the bylaws so  
641 provide.

642 (c) A member may not vote or hold office if the member is less than 18 years of  
643 age.

644 (d) An organization having membership in the District credit union may be  
645 represented and have its vote cast by an officer of the organization or its designated agent  
646 so authorized by the organization's governing body, as evidenced by a copy of the  
647 authorization provided to the District credit union before the vote is cast.

648 Sec. 410. Special membership meetings.

649 The District credit union's bylaws also may prescribe the manner in which a  
650 special meeting of the members may be called by the members, or by the board of  
651 directors, or both.

652 **TITLE V. CREDIT UNION GOVERNANCE.**

653 Sec. 501. Authority and duty of directors.

654 The business and affairs of a District credit union shall be managed by the board  
655 of directors of the District credit union. The duties of the board include the duties  
656 enumerated in this section. The duties listed in paragraph (1) of this section may not be  
657 delegated by the District credit union's board of directors. The duties listed in paragraph  
658 (2) of this section may be delegated to a committee, officer, or employee, of the District  
659 credit union with appropriate reporting to the board.

660 (1) The board shall:

661 (A) Set the par value of shares, if any, of the District credit union;



662 (B) Set the minimum number of shares, if any, required for  
663 membership;

664 (C) Designate those persons or positions authorized to execute or  
665 certify documents or records on behalf of the District credit union;

666 (D) Authorize the purchase of adequate fidelity and insurance  
667 coverage for officers, directors, committee members, and employees, and for losses  
668 caused by persons outside the District credit union for which the District credit union  
669 may be liable;

670 (E) Authorize the employment and compensation of the chief  
671 executive officer;

672 (F) Approve an annual operating budget for the District credit  
673 union;

674 (G) Authorize the conveyance or lease of real property;

675 (H) Review and approve the annual audit;

676 (I) Appoint any committees deemed necessary;

677 (J) Establish conditions under which a member may be removed  
678 for cause, as defined in section 407; and

679 (K) Perform any other duties, or authorize any other actions, that  
680 are not inconsistent with this act or the District credit union's bylaws.

681 (2) In addition, the board shall:

682 (A) Establish policies under which the District credit union may  
683 borrow, lend and invest money to carry on the functions of the District credit union;

684 (B) Act upon applications for membership in the District credit  
685 union;

686 (C) Establish the loan policies under which loans may be  
687 approved;

688 (D) Declare dividends on shares and set the rate of interest on  
689 deposits;

690 (E) Determine the amount that may be loaned to a member  
691 together with the terms and conditions of loans; and

692 (F) Approve the charge-off of District credit union losses.

693 Sec. 502. Election of directors.

694 The board shall consist of an odd number of directors, at least 5 in number, to be  
695 elected by and from natural person members. Qualifications for nomination to the board  
696 shall be set forth in the District credit union's bylaws. All members of the board shall  
697 hold office for the terms that the bylaws provide, except that terms may be staggered so  
698 that an approximately equal number expire each year. A director shall hold office for the  
699 term for which he or she is elected and until his or her successor is elected and qualified.

700 Sec. 503. Appointment of committees.

701 (a) The board of directors shall appoint from among the members of the District  
702 credit union, an audit committee of not less than 3 persons at the organization meeting  
703 held within 30 days following each annual election for the terms that the bylaws provide.  
704 Members of the audit committee may, but need not be, on the board of directors.

705 (b) The board of directors may appoint other committees necessary or convenient  
706 to the operation of the District credit union.

707 (c) Unless specifically prohibited by the bylaws, committee members may  
708 participate in and act at any meeting of the committee through the use of communications  
709 equipment through which all persons participating in the meeting can speak with and hear  
710 each other at the same time. Participation in the meeting in this manner shall constitute  
711 attendance.

712 (d) Unless specifically prohibited by the bylaws, any action required by this act to  
713 be taken at a committee meeting, or any other action that may be taken at a committee  
714 meeting, may be taken without a meeting if a consent in writing setting forth the action  
715 taken is signed by all the members of the committee. The consents shall be evidenced by  
716 one or more written approvals, each of which sets forth the action taken and bears the  
717 signature of one or more committee members.

718 Sec. 504. Vacancies.

719 (a) A seat on a District credit union's board of directors or on one of the District  
720 credit union's committees will be considered vacant if the board or committee member  
721 resigns from his or her position on the board or committee, is removed, is unable to carry  
722 out his or her duties as a director or committee member, or is made ineligible by  
723 operation of law.

724 (b) The board of directors shall fill any vacancies occurring on the board from  
725 among the District credit union natural person members. The board shall also fill  
726 vacancies on any board-appointed committees from among the District credit union  
727 members.

728 Sec. 505. Compensation of officials.

729           A District credit union may compensate an officer, director or committee member  
730 for their services to the District credit union. Providing reasonable life, health, accident  
731 and similar insurance protection shall not be considered compensation. Directors, officers  
732 and committee members may be reimbursed for necessary expenses incidental to the  
733 performance of the official business of the District credit union.

734           Sec. 506. Limited liability of directors and officers.

735           (a) No director or officer of a District credit union shall be liable, and no cause of  
736 action may be brought against a director or officer of a District credit union for, damages:

737                   (1) Resulting from the exercise of judgment or discretion in connection  
738 with the duties or responsibilities of the director or officer, unless the act or omission  
739 involved willful or wanton conduct; or

740                   (2) Resulting from an act or omission in rendering official service, unless  
741 the act or omission involved willful or wanton conduct.

742           (b) As used in this section, “willful or wanton conduct” means a course of action  
743 that shows an actual or deliberate intention to cause harm or violate a statute, or that, if  
744 not intentional, shows an utter indifference to or conscious disregard for the safety of  
745 others or their property.

746           (c) Nothing in this section is intended to bar any cause of action against the  
747 District credit union or change the liability of the credit union arising out of an act or  
748 omission of any director, officer or person exempt from liability for negligence under this  
749 section.

750 (d) In discharging the duties of a director, a director is entitled to rely on  
751 information, opinions, reports, or statements, including financial statements and other  
752 financial data, if prepared or presented by:

753 (1) One or more officers or employees of the District credit union whom  
754 the director reasonably believes to be reliable and competent in the matters presented; or

755 (2) Legal counsel, public accountants, or other persons as to matters the  
756 director reasonably believes are within the person's professional or expert competence; or

757 (3) A committee of the board of directors of which the director is not a  
758 member if the director reasonably believes the committee merits confidence.

759 (e) A director is not entitled to rely on information, opinions, reports, or  
760 statements described in subsection (d) of this section if the director has knowledge  
761 concerning the matter in question that makes reliance on such information, opinions,  
762 reports, or statement unwarranted.

763 (f) A director is not liable for any action taken as a director, or any failure to take  
764 any action, if the director performed the duties of the director's office in compliance with  
765 this section.

766 Sec. 507. Conflicts of interest.

767 Directors, committee members, and officers shall disclose all existing and  
768 potential conflicts of interest. No director, committee member, officer, or employee of a  
769 District credit union shall, in any manner, directly or indirectly, participate in the  
770 deliberation upon or the determination of any question affecting that person's pecuniary  
771 interest or the pecuniary interest of any corporation, partnership, or association in which  
772 that person is directly or indirectly interested.

773           Sec. 508. Officers.

774           (a) At their organization meeting, the board of directors shall elect, from their  
775 own number, a chairperson of the board, treasurer, and a secretary. The board may also  
776 elect any other officers of the board that are specified in the bylaws.

777           (b) The terms of the officers shall be one year, or until their successors are chosen  
778 and have been duly qualified, unless otherwise provided in the bylaws.

779           (c) The duties of the officers shall be prescribed in the bylaws.

780           (d) Notwithstanding any other provision of this act, a District credit union may  
781 use any titles it chooses for the officials holding the positions described in this section, as  
782 long as the titles are not misleading.

783           Sec. 509. Meetings of directors.

784           (a) The board of directors shall meet on a regular basis, and at least quarterly.

785           (b) Unless specifically prohibited by the bylaws, directors may participate in and  
786 act at any meeting of the board through the use of communications equipment through  
787 which all persons participating in the meeting can speak with and hear each other at the  
788 same time. Participation in the meeting in this manner shall constitute attendance.

789           (c) Unless specifically prohibited by the bylaws, any action required by this act to  
790 be taken at a meeting of the board of directors, or any other action that may be taken at a  
791 meeting of the board of directors may be taken without a meeting if a consent in writing  
792 setting forth the action taken is signed by all the directors entitled to vote with respect to  
793 the subject matter thereof. The consents shall be evidenced by one or more written  
794 approvals, which describes the action taken.

795           Sec. 510. Audits.

796 (a) Unless the District credit union has been audited by a licensed public  
797 accountant or other qualified person or firm, the audit committee shall make, or cause to  
798 be made, a comprehensive annual audit of the books and affairs of the District credit  
799 union. It shall submit a report of each annual audit to the board of directors and a  
800 summary of that report to the members at the next annual meeting of the District credit  
801 union.

802 (b) The audit committee shall make, or cause to be made, any supplementary  
803 audits, examinations, and verifications of members' accounts that it deems necessary, or  
804 that are required by the Commissioner or by the board of directors. The audit committee  
805 shall submit reports of these supplementary audits to the board of directors.

806 Sec. 511. Suspension and removal powers.

807 (a) The board of directors, by a 2/3 vote of a quorum of the board, may suspend  
808 any member of the District credit union's board of directors, for cause, as defined in  
809 section 407, until the next members' meeting, which shall be held not less than 7 nor  
810 more than 60 days after the suspension. The suspended person will be notified of the  
811 details of the suspension, and shall have a right to request a hearing before the board to  
812 reconsider the suspension prior to the membership meeting.

813 (b) Any suspended member of the board of directors may be removed by a  
814 majority vote of a quorum of members at a properly called membership meeting. The  
815 removed person will be notified of the details of the removal. At the membership  
816 meeting, the suspended person shall have the right to appear and be heard. The  
817 suspension shall be acted upon by the members and the person shall be removed from, or  
818 restored to, office.

819 (c) The board of directors, by a 2/3 vote of a quorum of the board, may, for cause,  
820 as defined in section 407, suspend or remove any officer from his or her office. The  
821 officer affected will be notified of his or her suspension or removal and shall have the  
822 right to request a hearing before the board for reconsideration of the board's decision.

823 **TITLE VI. MEMBER ACCOUNTS.**

824 Sec. 601. Shares and membership shares.

825 (a) Shares and membership shares shall be subscribed to and paid for in the  
826 manner the bylaws prescribe.

827 (b) The par value of shares and membership shares shall be as prescribed in the  
828 bylaws.

829 (c) Membership shares may not be pledged as security on any loan.

830 (d) A District credit union may limit the number of shares that may be owned by a  
831 member.

832 (e) Shares may be subscribed to, paid for and transferred in the manner prescribed  
833 by the bylaws.

834 (f) The board of directors may establish different classes of share accounts  
835 classified in relation to different rights, restrictions and dividend rates.

836 (g) Notwithstanding any other provision of law, funds deposited in a share  
837 account, share certificate, or any other program offered by the District credit union for the  
838 purpose of promoting consumer savings will not constitute consideration or a thing of  
839 value for the purposes of a promotional contest or raffle under District law.

840 Sec. 602. Dividends.



841 (a) At the intervals, and for the periods the board of directors may authorize, and  
842 after provision for required reserves, the board of directors may declare dividends to be  
843 paid on share accounts and membership shares, if any, from the net earnings or undivided  
844 earnings, as provided in the bylaws.

845 (b) Dividends may be paid at various rates with due regard to the conditions that  
846 pertain to each type of account such as minimum balance, notice and time requirements.

847 (c) A dividend need not be paid on membership shares, but if a dividend is paid, it  
848 may be added to the membership share held by each member.

849 (d) Dividends shall not be declared or paid at a time when the District credit union  
850 is insolvent or its net assets are less than its stated capital or when the payment thereof  
851 would render the District credit union insolvent or reduce its net assets below its stated  
852 capital.

853 Sec. 603. Deposit Accounts.

854 (a) A District credit union may accept deposit accounts from its members, other  
855 District credit unions, federal credit unions, foreign credit unions, and government units,  
856 subject to the terms, rates and conditions established by the board of directors and  
857 applicable local and federal laws and regulations.

858 (b) Interest may be paid on deposit accounts at various rates with due regard to  
859 the conditions that pertain to each type of account such as minimum balance, notice and  
860 time requirements.

861 (c) A District credit union may engage in savings or account programs established  
862 by federal, state or local governments.

863 (d) A District credit union designated as a low income credit union may accept  
864 non-member deposits.

865 Sec. 604. Withdrawals.

866 (a) Funds in share and deposit accounts may be withdrawn for payment to the  
867 account holder or to third parties, in the manner and in accordance with the procedures  
868 that are established by the board of directors, subject to any regulations the  
869 Commissioner prescribes.

870 (b) Share, membership share, and deposit accounts shall be subject to any  
871 withdrawal notice requirement that is imposed pursuant to the bylaws.

872 (c) A membership share may only be redeemed or withdrawn after termination of  
873 membership in the District credit union, at a value proportionate to its current value.

874 Sec. 605. Accounts for Minors.

875 Payments on share and deposit accounts may be received from a minor with  
876 consent from the minor's parent or guardian. The minor may withdraw funds from these  
877 accounts including the dividends and interest thereon. If shares are issued in the name of  
878 a minor, redemption of any part or all of the shares or a withdrawal of funds by payment  
879 to the minor of the shares or funds and any declared dividends or interest releases the  
880 District credit union from all obligations to the minor as to the shares redeemed or funds  
881 withdrawn.

882 Sec. 606. Joint accounts.

883 (a) A member may designate any person or persons to own a share account with  
884 the member, in joint tenancy with the right of survivorship, as a tenant in common or

885 under any other form of joint ownership permitted by law and allowed by the District  
886 credit union.

887 (b) Payment may be made, in whole or in part, to any of the joint owners, if an  
888 agreement permitting the payment was signed and dated by all persons when the shares  
889 were issued or thereafter. Payment made pursuant to this section discharges the District  
890 credit union from all claims for amounts paid, whether or not the payment is consistent  
891 with the beneficial ownership of the account.

892 (c) If more than one joint owner seeks District credit union membership through a  
893 joint account, each prospective member must meet any membership requirements  
894 described in the District credit union's bylaws.

895 Sec. 607. Payable on death accounts.

896 Notwithstanding any other provision of law, a District credit union may establish  
897 share and deposit accounts payable to one or more persons during their lifetimes, and on  
898 the death of every included account holder, to one or more payable on death payees. Any  
899 transfer to a payable on death payee is effective by reason of the account contract and  
900 shall not be considered a testamentary transfer.

901 Sec. 608. Trust accounts.

902 (a) Share and deposit accounts may be owned by one or more members in trust  
903 for one or more beneficiaries, or owned by one or more nonmembers in trust for one or  
904 more beneficiaries who are members.

905 (b) Payment of part or all of a trust account to the party in whose name the  
906 account is held shall, to the extent of the payment, discharge the liability of the District

907 credit union to that party and the beneficiary, and the District credit union shall be under  
908 no obligation to verify the application of the payment.

909 Sec. 609. Trust services.

910 District credit unions may accept and execute trusts pursuant to the laws of the  
911 District.

912 Sec. 610. Liens.

913 (a) The District credit union shall have a lien on the membership share, shares,  
914 deposits, and accumulated dividends and interest of a member in his or her individual,  
915 joint, trust, or payable on death account for any obligation owed to the District credit  
916 union by the member or for any loan co-signed or guaranteed by the member; provided,  
917 however, that a District credit union shall not have a lien upon any funds in an Individual  
918 Retirement Account or an account established pursuant to the Internal Revenue Code of  
919 the United States.

920 (b) The District credit union shall also have a right of immediate set-off with  
921 respect to every deposit and share account. The District credit union may refuse to allow  
922 withdrawals from any share or deposit account while the member has any outstanding  
923 obligation to the District credit union.

924 Sec. 611. Reduction in membership shares.

925 (a) Whenever the losses of any District credit union, resulting from a depreciation  
926 in value of its loans or investments or otherwise, exceed its undivided earnings and  
927 reserves so that the estimated value of its assets is less than its liabilities, and the board of  
928 directors determines that the District credit union may be subject to involuntary  
929 liquidation, the board may propose a reduction in membership shares. The District credit

930 union may, by a majority vote of those voting on the proposition, order a reduction in the  
931 membership shares, and of each of its shareholders, to divide the loss in proportion to the  
932 shares held by shareholders in their respective membership share accounts.

933 (b) If the District credit union thereafter realizes from its assets a greater amount  
934 than was fixed by the order of reduction, that excess shall be proportionately restored to  
935 the shareholders whose assets were reduced, but only to the extent of the reduction.

936 (c) Deposit accounts and regular share accounts will not be subject to a similar  
937 reduction in shares.

938 Sec. 612. Share and deposit insurance.

939 (a) A District credit union shall apply for and obtain insurance on its members'  
940 share and deposit accounts as provided by the National Credit Union Administration  
941 ("NCUA") under Title II of the Federal Credit Union Act (12 U.S.C. § 1781 *et. seq.*), or  
942 comparable insurance approved by the Commissioner.

943 (b) No District credit union shall be granted a charter by the Commissioner unless  
944 the District credit union has applied for and obtained insurance of its members' share and  
945 deposit accounts as provided by this section, or received a written commitment to insure  
946 or guarantee member accounts.

947 (c) A District credit union with debt and equity capital consisting primarily of  
948 funds received from other credit unions and any membership share issued by a District  
949 credit union shall not be subject to the requirements of this section.

950 (d) Any District credit union that has been denied a commitment of insurance or  
951 guarantee of its members' share and deposit accounts, or that has had that insurance or  
952 guarantee revoked, cancelled or terminated, shall within 30 days of the effective date of

953 the revocation, cancellation or termination, commence steps to liquidate, merge with an  
954 insured credit union, or apply in writing to the Commissioner for an extension of time to  
955 obtain an insurance commitment.

956 (e) The Commissioner may grant one or more extensions of time in which to  
957 obtain the insurance commitment upon satisfactory evidence that the District credit union  
958 has made, or is making, a substantial effort to satisfy the conditions precedent to the  
959 issuance of an insurance commitment.

960 (f) In order to permit the NCUA or an authorized share guaranty corporation to  
961 assess the financial condition and performance of a District credit union, the  
962 Commissioner may provide the organization with any and all reports of examination  
963 conducted by the Commissioner, and copies of orders and notices issued by the  
964 Commissioner, regarding any District credit union under the Commissioner's  
965 supervision.

966 (g) In addition to the primary guaranteed amount, an authorized share guaranty  
967 corporation or other insurance company may provide an excess coverage guarantee for  
968 the benefit of those District credit unions that voluntarily elect to obtain an additional  
969 guarantee.

970 (h) The NCUA or an authorized share guaranty corporation shall provide to the  
971 Commissioner copies of any reports of examinations conducted by that organization on  
972 District credit unions.

973 (i) The Commissioner may appoint the NCUA or any official of an authorized  
974 share guaranty corporation as liquidating agent of a District credit union. This  
975 appointment is limited to actions arising under sections 901 and 1005.

976           Sec. 613. Authority to withhold payment.

977           Nothing contained in this act shall be deemed to require a District credit union to  
978 make any payment from an account to a depositor, shareholder, any trust or payable-on-  
979 death account beneficiary, or any other person claiming an interest in any funds in an  
980 account, if the District credit union has actual knowledge of the existence of a dispute  
981 between the depositors, shareholders, beneficiaries, or other persons concerning their  
982 respective rights of ownership to the funds contained in, or proposed to be withdrawn, or  
983 previously withdrawn from the account, or in the event the District credit union is  
984 otherwise uncertain as to who is entitled to the funds pursuant to the account agreement.  
985 The District credit union may, without liability, notify, in writing, all depositors,  
986 shareholders, beneficiaries, or other persons claiming an interest in the account of its  
987 uncertainty as to who is entitled to the funds or the existence of any dispute, and may  
988 also, without liability, refuse to disburse any funds contained in the account to any  
989 depositor, shareholder, trust or payable on death account beneficiary thereof, or other  
990 persons claiming an interest therein, until:

991                   (1) Each of the depositors, shareholders, and beneficiaries has consented,  
992 in writing, to the requested payment; or

993                   (2) The payment is authorized or directed by a court of proper jurisdiction.

994           **TITLE VII. LOANS.**

995           Sec. 701. Purpose and conditions of loans.

996           A District credit union may loan to members for the purposes and upon the  
997 conditions prescribed by the board of directors. The board of directors shall establish

998 written policies with respect to granting loans and extending lines of credit, including the  
999 terms, conditions and acceptable forms of security.

1000 Sec. 702. Interest rate.

1001 Notwithstanding the provisions of any other law in connection with extensions of  
1002 credit, a District credit union may elect to contract for and receive interest for extensions  
1003 of credit subject only to the provisions of this act and rules promulgated under this act.

1004 Sec. 703. Other loan-related charges.

1005 Notwithstanding the provisions of any other law in connection with extensions of  
1006 credit, a District credit union may elect to contract for and receive fees and other charges  
1007 for extensions of credit, in connection with making, closing, disbursing, extending,  
1008 collecting, renewing or enforcing the debt in the event of the member's delinquency, or in  
1009 the event of the member's breach of any obligation under the District credit union's loan  
1010 contract, subject only to the provisions of this act and rules promulgated under this act. A  
1011 contingency or hourly arrangement established under an agreement entered into by a  
1012 District credit union with an attorney or collection agency to collect a loan of a member  
1013 in default shall be presumed prima facie reasonable.

1014 Sec. 704. Loan limit.

1015 The board of directors may place a limit upon the aggregate amount to be loaned  
1016 to, or co-signed by, any one member; provided that the aggregate of loans to any one  
1017 member shall not exceed 5% of the District credit union's capital or 1% of shares and  
1018 deposits, whichever is greater. This limit shall not apply to loans that are fully secured by  
1019 shares or deposits in the District credit union.

1020 Sec. 705. Lines of credit.



1021 (a) A District credit union may approve lines of credit to members, and loan  
1022 advances may be granted to members within the limit of the approved lines of credit. The  
1023 terms and conditions upon which a line of credit is extended to any member may be  
1024 different from the terms and conditions established for another member. Where a line of  
1025 credit has been approved, no additional credit application is required as long as the  
1026 aggregate indebtedness does not exceed the approved limit.

1027 (b) Lines of credit shall be subject to periodic review by the District credit union,  
1028 in accordance with the written policies adopted by the board of directors.

1029 Sec. 706. Participation loans.

1030 (a) A District credit union may participate in loans to District credit union  
1031 members jointly with other credit unions, credit union organizations, or other  
1032 organizations pursuant to written policies established by the board of directors.

1033 (b) If the aggregate amount of participation loans exceeds the District credit  
1034 union's lending limitations, the District credit union may originate the participation loans  
1035 only on a non-recourse basis. An interest in a participation loan may be negotiated to  
1036 another credit union, credit union organization or other approved organization.

1037 (c) The member benefiting from the proceeds of the loan need not be a member of  
1038 every credit union participating in the loan.

1039 Sec. 707. Other loan programs.

1040 (a) A District credit union may participate in any guaranteed loan program of the  
1041 federal or District government under the terms and conditions specified in the law under  
1042 which the type of program is provided.

1043 (b) A District credit union may purchase the conditional sales contracts, notes,  
1044 and similar instruments that evidence the indebtedness of its members, persons within its  
1045 field of membership, or members of another credit union, subject to applicable law.

1046 (c) A District credit union may finance for any person, the sale of the District  
1047 credit union's property, including property obtained as a result of defaults on obligations  
1048 owed to it.

1049 (d) A District credit union may make student loans to its members in accordance  
1050 with state law or scholarship programs that are subject to a federal or District law  
1051 providing a 100% repayment guarantee.

1052 Sec 708. Loans to officials.

1053 (a) A District credit union may make loans to its officers, directors, and members  
1054 of its committees, provided that the loan complies with all requirements of this act and is  
1055 not on terms or conditions more favorable than those extended to other borrowers.

1056 (b) A District credit union may permit officers, directors, and members of its  
1057 committees to act as co-makers, cosigners, or guarantors of loans to other members,  
1058 subject to the requirements of subsection (a) of this section.

1059 **TITLE VIII. INVESTMENTS.**

1060 Sec. 801. Authorized investments.

1061 (a) District credit unions may invest in:

1062 (1) Securities, obligations, or other instruments issued by, or fully  
1063 guaranteed as to principal and interest by, the United States or any agency or  
1064 instrumentality thereof;

- 1065                   (2) Trusts established for investing directly or collectively in the United  
1066 States or any agency or instrumentality thereof;
- 1067                   (3) Securities, obligations, or other instruments of the District, any state,  
1068 the Commonwealth of Puerto Rico, and the several territories organized by Congress;
- 1069                   (4) Securities, obligations and other instruments that are backed by the full  
1070 faith and credit of a political subdivision of a state, or of a territory organized by  
1071 Congress;
- 1072                   (5) Shares, deposits, share certificates, certificates of deposit, obligations,  
1073 or other accounts of insured financial institutions organized under District or federal law;
- 1074                   (6) Shares, deposits, or loans to insured District credit unions, federal  
1075 credit unions, foreign credit unions, or corporate credit unions;
- 1076                   (7) Deposits in, loans to, or shares of any Federal Reserve Bank or of any  
1077 central liquidity facility established under District or federal law;
- 1078                   (8) Shares, stocks, deposits in, loans to, or other obligations of any credit  
1079 union service organization, in a total amount not exceeding 10% of the District credit  
1080 union's capital and deposits;
- 1081                   (9) Shares of a cooperative society, in which the District credit union has  
1082 some type of membership relationship, organized under the laws of the District, the laws  
1083 of another state, or of the laws of the United States, in a total amount not exceeding 10%  
1084 of the capital and deposits of the District credit union;
- 1085                   (10) Stocks of corporations, not to exceed 5% of the credit union's capital  
1086 and deposits;

1087                   (11) Bonds or other obligations of corporations organized in the District,  
1088 any state, the Commonwealth of Puerto Rico and the several territories organized by  
1089 Congress; provided, that these investments shall be limited to bonds or other obligations  
1090 rated among the 3 highest ratings established by one or more national rating service of  
1091 corporate securities designated by the issuer;

1092                   (12) Participation loans with other District credit unions, federal credit  
1093 unions, foreign credit unions, credit union-owned organizations or other organizations  
1094 existing primarily to serve credit unions or their members;

1095                   (13) Fixed assets, subject to rules promulgated by the Commissioner;

1096                   (14) Shares, obligations, and loans to a credit union trade association or an  
1097 organization owned by a credit union trade association organized under District law or  
1098 the laws of the United States in a total amount not exceeding 10% of the capital and  
1099 deposits of the District credit union;

1100                   (15) Mortgages, securities, obligations, bonds and stock of the Federal  
1101 National Mortgage Association, the Federal Home Loan Mortgage Corporation, the  
1102 Government National Mortgage Association, and other government sponsored enterprises  
1103 as defined in section 3(8) of the Congressional Budget and Impoundment Control Act of  
1104 1974, approved July 12, 1974 (88 Stat. 297; 2 U.S.C. § 622(8));

1105                   (16) Participations or obligations that have been subjected by one or more  
1106 government agencies to a trust or trusts for which an executive department, agency, or  
1107 instrumentality of the United States has been named to act as trustee;

1108                   (17) Common trust or mutual funds whose investment portfolios consist of  
1109 securities permitted for purchase by credit unions; and

1110 (18) A charitable donation account pursuant to a policy adopted by the  
1111 board of directors, which may be amended from time to time.

1112 (b)(1) In addition to the investments authorized in subsection (a) of this section, a  
1113 District credit union may seek, by written application, the Commissioner's approval for:

1114 (A) An investment that is not authorized in subsection (a) of this  
1115 section, but is for purposes identified in this act; or

1116 (B) An investment of a type that is authorized by subsection (a) of  
1117 this section, but that exceeds the monetary threshold in subsection (a) of this section for  
1118 that type of investment.

1119 (2) The Commissioner shall approve an application for a District credit  
1120 union investment described in paragraph (1) of this subsection, if the Commissioner  
1121 determines that:

1122 (A) The investment will benefit the members of the District credit  
1123 union; and

1124 (B) The investment does not create any safety or soundness  
1125 implications for the District credit union.

1126 (c) If the status or form of the District credit union's investment changes during  
1127 the life of the investment, the District credit union may continue to hold and maintain the  
1128 investment regardless of the change.

1129 (d) This section does not apply to funds invested in the District credit union's  
1130 employee benefits plan. A District credit union investing to fund an employee benefits  
1131 plan obligation is not subject to the investment limitations of this section if the  
1132 investment is directly related to the District credit union's obligation under the employee

1133 benefit plan and the District credit union holds the investment only for so long as it has  
1134 an actual or potential obligation under the plan.

1135 **TITLE IX. CHANGE IN CORPORATE STATUS**

1136 Sec. 901. Voluntary Liquidation.

1137 (a) A District credit union may elect to dissolve voluntarily and liquidate its  
1138 affairs by a 2/3 vote of the board of directors and in the manner described in this section.

1139 (b) Within 10 days after the board of directors' vote to liquidate, the board shall  
1140 notify the Commissioner in writing, setting forth the reasons for the proposed liquidation,  
1141 and a plan for liquidation, including any suspension of:

1142 (1) Payments on accounts;

1143 (2) Withdrawals of funds;

1144 (3) Transfers to loan accounts;

1145 (4) Investments;

1146 (5) New loans; or

1147 (6) Other similar financial transactions.

1148 (c) Upon documentation that the credit union has complied with this section, the  
1149 Commissioner shall certify that the District credit union has complied with this section,  
1150 and shall forward a copy of the certification to the District credit union.

1151 (d) The terms and conditions of the liquidation plan approved under this section  
1152 shall go into effect immediately upon approval by the District credit union's members  
1153 pursuant to subsection (e) of this section.

1154 (e) Voluntary liquidation requires approval by a vote of 2/3 of the members  
1155 present, either in person, by mail ballot, or by electronic means at a regular meeting that

1156 specifically included the liquidation issue on the notice, or by a special meeting called  
1157 specifically to vote on the liquidation issue with a minimum of 25% of the total  
1158 membership voting. When authorization for liquidation is to be obtained at a meeting of  
1159 the members, notice in writing shall be given to each member, by first-class mail, at least  
1160 10 days, but not more than 30 days, prior to the meeting.

1161 (f) If liquidation is approved, the board of directors shall appoint a liquidating  
1162 agent or committee for the purpose of conserving and collecting the assets, closing the  
1163 affairs of the District credit union and distributing the assets as required by this act.

1164 (g) A liquidating District credit union shall continue in existence for the purpose  
1165 of discharging its debts, collecting on loans and distributing its assets, and doing all acts  
1166 required in order to terminate operations. The liquidating District credit union may sue  
1167 and be sued for the purpose of enforcing debts and obligations until its affairs are fully  
1168 concluded.

1169 (h) The liquidating agent or committee shall distribute the assets of the District  
1170 credit union or the proceeds of any disposition of the assets in the sequence described in  
1171 section 1005(b).

1172 (i) As soon as the liquidating agent or committee determines that all assets from  
1173 which there is a reasonable expectancy of recovery have been liquidated and distributed  
1174 as set forth in this section, the liquidating agent shall execute a certificate of dissolution  
1175 on a form prescribed by the Commissioner and file the certificate, together with all  
1176 pertinent books and records of the liquidating District credit union, with the  
1177 Commissioner, whereupon the District credit union shall be dissolved. The liquidating  
1178 agent or committee must, within 3 years after issuance of a certificate of dissolution,

1179 discharge the debts of the District credit union, collect and distribute its assets and do all  
1180 other acts required to wind up its business.

1181 (j) If the Commissioner determines that the liquidating agent or committee has  
1182 failed to make reasonable progress liquidating the District credit union's affairs and  
1183 distributing its assets or has violated this act, the Commissioner may issue a cease and  
1184 desist order against the liquidating agent or committee and appoint a new liquidating  
1185 agent to complete the liquidation under the Commissioner's direction and control. The  
1186 Commissioner shall fill any vacancy caused by the resignation, death, illness, removal,  
1187 desertion, or incapacity to function of the Commissioner's appointed liquidating agent.

1188 (k) Any funds that represent unclaimed dividends and shares in liquidation at the  
1189 end of the liquidation remain in the hands of the board of directors, the liquidating agent,  
1190 or committee, and must be deposited by them, together with all the District credit union's  
1191 books and papers, with the Commissioner, who shall deposit the funds with the D.C.  
1192 Treasurer.

1193 Sec. 902. Voluntary merger of credit unions.

1194 (a) A District credit union may, with the written approval of the Commissioner  
1195 and subject to all applicable local and federal laws and regulations, merge with one or  
1196 more other District credit unions, foreign credit unions or federal credit unions. A District  
1197 credit union merging with another District credit union may do so regardless of whether  
1198 the credit unions serve the same field of membership.

1199 (b) When a District credit union merges with one or more District credit unions,  
1200 they shall either designate one of them as the continuing credit union, or they shall  
1201 structure a new credit union and designate it as the new credit union. All participating



1202 credit unions other than the continuing or new credit union shall be designated as  
1203 merging credit unions. When a District credit union merges with one or more foreign  
1204 credit unions or federal credit unions, the District credit union shall be subject to all  
1205 applicable local and federal laws and regulations governing the chartering jurisdiction.

1206 (c) Any merger of District credit unions shall follow a merger plan. After  
1207 approval by a majority of the directors of all participating credit unions, the plan shall be  
1208 submitted to the appropriate regulatory authorities for preliminary approval. If the plan  
1209 includes the creation of a new credit union, all documents required by this act shall be  
1210 submitted as part of the plan. In addition, each participating credit union except the  
1211 continuing credit union shall submit the following in writing to the Commissioner:

1212 (1) The time and place of the meeting of the board of directors at which  
1213 the plan was agreed upon;

1214 (2) The vote of the directors in favor of the adoption of the plan; and

1215 (3) A copy of the resolution or other action by which the plan was agreed  
1216 upon.

1217 (d) Each merging District credit union shall conduct a membership vote on its  
1218 participation in the plan. Members shall be provided at least 10 days', but not more than  
1219 30 days', prior written notice of the meeting, with the notice stating the purpose of the  
1220 meeting. The vote shall be conducted at a special membership meeting called for that  
1221 purpose; by mail ballot; or by electronic means. If a majority of the members voting  
1222 approve the plan, the District credit union shall submit a record of that fact to the  
1223 Commissioner indicating the vote by which the members approved the plan, and  
1224 submitting copies of notices provided to members including copies of the membership

1225 meeting notice and mail or electronic ballot if the vote was conducted by mail or  
1226 electronic means.

1227 (e) The Commissioner shall approve the merger plan after determining that the  
1228 requirements of subsection (d) of this section have been met. If the merger plan includes  
1229 the creation of a new District credit union, the organization of the new credit union must  
1230 be approved pursuant to Title II of this act. The Commissioner shall notify all  
1231 participating credit unions of the Commissioner's action on the plan.

1232 (f) Within 90 days of approval of the plan by the Commissioner, each merging  
1233 credit union shall cease operations. All property, property rights, and members' interests  
1234 in each merging credit union shall vest in the continuing or new credit union as  
1235 applicable without deed, endorsement, or other instrument of transfer, and all debts,  
1236 obligations, and liabilities of each merging credit union shall be deemed to have been  
1237 assumed by the continuing or new credit union. The rights and privileges of the members  
1238 of each merging credit union shall remain intact; however, if a person is a member of  
1239 more than one of the participating credit unions, that person shall be entitled to only one  
1240 set of membership rights in the continuing or new credit union.

1241 (g) If the continuing or new credit union is chartered by another state or territory  
1242 of the United States, it shall be subject to the requirements of section 210.

1243 Sec. 903. Credit union conversion.

1244 (a) A District credit union may be converted to a federal credit union or a foreign  
1245 credit union, subject to rules issued by the Commissioner and the applicable laws  
1246 governing its prospective chartering jurisdiction.

1247 (b) A federal credit union or a foreign credit union may convert to a District credit  
1248 union incorporated under this act. To effect this type of conversion, a converting federal  
1249 or foreign credit union must comply with all of the requirements of its current chartering  
1250 jurisdiction, the requirements of the Commissioner, and must file proof of compliance  
1251 with the Commissioner.

1252 Sec. 904. Bank to credit union conversion.

1253 (a) A locally regulated or federally regulated bank may convert its charter to a  
1254 District credit union charter under this act, subject to applicable local and federal laws  
1255 and regulations governing the bank. The converting bank must submit an adequate  
1256 conversion plan to the Commissioner for approval. The Commissioner shall prescribe  
1257 procedures for banks to convert to a credit union charter.

1258 (b) The procedures prescribed by the Commissioner shall include the following:

1259 (1) The converting bank must prepare and submit to the Commissioner a  
1260 conversion plan that provides:

1261 (A) How the converting bank will comply with the membership  
1262 requirements under this act, including the possible divestiture of customers who do not  
1263 meet the membership limitations;

1264 (B) How the converting bank will convert its board to a voluntary,  
1265 non-paid structure if the District credit union does not provide for the compensation of its  
1266 directors;

1267 (C) How the converting bank will divest its board of stock options;

1268 (D) How the converting bank will divest its capital stock;

1269 (E) How the converting bank will phase out all impermissible  
1270 investments; and

1271 (F) How the converting bank will comply with District credit union  
1272 business loan limitations.

1273 (2) The converting bank must perform a complete policy review to address  
1274 appraisal restrictions, lending restrictions, investment restrictions, corporate structure  
1275 restrictions and power structure in order to ensure compliance with this act and the  
1276 Commissioner's rules.

1277 (c) The conversion plan must be adopted by not less than a majority of the board  
1278 of directors of the converting bank.

1279 (d) Upon approval of a plan of charter conversion by the board of directors of the  
1280 converting bank, the conversion plan and certified copy of the resolution of the board of  
1281 directors approving the conversion plan must be submitted to the Commissioner for  
1282 approval.

1283 (e) The Commissioner may authorize a District credit union resulting from a  
1284 charter conversion under this act to do the following:

1285 (1) Wind up any activities that the converting bank legally engaged in at  
1286 the effective time of the charter conversion but that otherwise are not permitted for  
1287 District credit unions; or

1288 (2) Retain for a transitional period any assets that the converting bank  
1289 legally held at the effective time of the charter conversion that otherwise may not be held  
1290 by District credit unions.

1291 (f) The terms and conditions of winding up activities under paragraph (1) of this  
1292 subsection and the retention of assets under paragraph (2) of this subsection are subject to  
1293 the Commissioner's discretion. However, the transitional period during which activities  
1294 may be carried out under paragraph (1) of this subsection or assets may be retained under  
1295 paragraph (2) of this subsection may not exceed 10 years after the effective time of the  
1296 charter conversion.

1297 **TITLE X. SUPERVISION AND REGULATION OF CREDIT UNIONS.**

1298 Sec. 1001. Supervision and regulation of credit unions.

1299 The Commissioner shall be responsible for the supervision and regulation of  
1300 District credit unions. The Commissioner is the District's credit union regulatory  
1301 authority whose purpose is to protect members' financial interests, the interests of the  
1302 general public, and to ensure that District credit unions remain viable and competitive.

1303 Sec. 1002. Deposit of fees in the Securities and Banking Trust Fund.

1304 (a) The Commissioner shall deposit into the Securities and Banking Trust Fund all  
1305 funds received:

1306 (1) From, or connection to the regulation of, District credit unions and  
1307 foreign credit unions authorized to operate in the District; and

1308 (2) From the federal government to the extent consistent with federal law.

1309 (b) The money in the fund shall be available for expenses incurred in the  
1310 supervision, examination, and regulation of credit unions under this act.

1311 (c) The Commissioner shall establish fees and assessments by promulgating rules.

1312 Sec. 1003. Powers of Commissioner.

1313 (a) The Commissioner may prescribe rules to implement any provision of this act,  
1314 including defining any term not defined in the act.

1315 (b) The Commissioner may restrict withdrawals from share or deposit accounts,  
1316 or both, of any District credit union if the Commissioner determines that circumstances  
1317 exist making a restriction necessary for the proper protection of shareholders or  
1318 depositors.

1319 (c) The Commissioner may issue a cease and desist order if the Commissioner has  
1320 reasonable cause to believe that a District credit union or a foreign credit union operating  
1321 in the District:

1322 (1) Is engaged in, or is about to engage in, an unsafe or unsound practice;  
1323 or

1324 (2) Is violating, or has violated, a material provision of any law, rule,  
1325 condition imposed in writing by the Commissioner, or written agreement made with the  
1326 Commissioner.

1327 (d) The Commissioner may suspend from office, or prohibit from participation in  
1328 the conduct of the affairs of a District credit union, any District credit union director,  
1329 committee member, or officer, if the Commissioner determines that:

1330 (1) The director, officer, or member has engaged in any of the following  
1331 conduct:

1332 (A) The director, officer, or member has committed any violation  
1333 of a law, regulation or a cease and desist order;

1334 (B) The director, officer, or member has engaged or participated in  
1335 any unsafe or unsound practice in connection with the credit union; or

1336 (C) The director or officer has committed or engaged in any act,  
1337 omission, or practice that constitutes a breach of that person's fiduciary duty as a director,  
1338 officer or committee member; and

1339 (2) The conduct described in paragraph (1) of this subsection has resulted  
1340 in, or will result in, substantial financial loss or other damage that seriously prejudices the  
1341 interests of the credit union's members.

1342 (e) The Commissioner may prohibit any foreign credit union director, committee  
1343 member, or officer from participation in the operation of a foreign credit union in the  
1344 District, if the Commissioner determines that:

1345 (1) The director, officer, or member has engaged in any of the following  
1346 conduct:

1347 (A) The director, officer, or member has committed any violation  
1348 of a law, regulation or a cease and desist order;

1349 (B) The director, officer, or member has engaged or participated in  
1350 any unsafe or unsound practice in connection with the credit union; or

1351 (C) The director or officer has committed or engaged in any act,  
1352 omission, or practice that constitutes a breach of that person's fiduciary duty as a director,  
1353 officer or committee member; and

1354 (2) The conduct described in paragraph (1) of this subsection has resulted  
1355 in, or will result in, substantial financial loss or other damage that seriously prejudices the  
1356 interests of the credit union's members.

1357 (f) The Commissioner shall have the power to subpoena witnesses, compel their  
1358 attendance, require the production of evidence, administer oaths, and examine any person  
1359 under oath in connection with any hearing conducted by the Commissioner.

1360 (g) The Commissioner may suspend the operations of a District credit union or  
1361 foreign credit union operating in the District. The Commissioner may appoint a  
1362 conservator to take possession or control of the business and assets of a District credit  
1363 union, and may involuntarily merge or involuntarily liquidate the District credit union, in  
1364 accordance with this act.

1365 (h) The Commissioner may suspend the declaration of dividends and the payment  
1366 of interest if the Commissioner has reasonable cause to believe that the District credit  
1367 union or foreign credit union operating in the District is insolvent.

1368 (i) The Commissioner shall not hold any District credit union, foreign credit union  
1369 operating in the District, or other person liable under this act for acts or omissions made  
1370 in reliance on any rule, interpretation or opinion issued by the Commissioner.

1371 (j) The Commissioner has the power to exercise all other rights, authorities and  
1372 duties set forth in this act.

1373 Sec. 1004. Involuntary merger of credit union.

1374 (a) Notwithstanding any other provision of law, if the Commissioner determines  
1375 that:

1376 (1) An emergency requiring expeditious action exists with respect to a  
1377 District credit union;

1378 (2) Other alternatives are not reasonably available; and



1379 (3) The public interest, including the interests of the members of the  
1380 District credit union, would best be served by the action, the Commissioner may:

1381 (A) Initiate the involuntary merger of a District credit union that is  
1382 insolvent or is in danger of insolvency with any other District credit union;

1383 (B) If authorized under, and to the extent consistent with,  
1384 applicable federal or state law:

1385 (i) Initiate actions designed to result in the involuntary  
1386 merger of a District credit union that is insolvent or is in danger of insolvency with any  
1387 federal or foreign credit union; or

1388 (ii) Authorize a District credit union, federal credit union or  
1389 foreign credit union to purchase any of the assets of, or assume any of the liabilities of, a  
1390 District credit union that is insolvent or in danger of insolvency.

1391 (C) Authorize a financial institution whose deposits or accounts are  
1392 insured to purchase any of the assets of, or to assume any of the liabilities of, a District  
1393 credit union that is insolvent or in danger of insolvency, except that prior to exercising  
1394 this authority the Commissioner must attempt to effect a merger with any other District  
1395 credit union, or purchase and assumption by, another District credit union, federal credit  
1396 union, or foreign credit union as provided in subparagraphs (A) and (B) of this paragraph.

1397 (b) For purposes of the authority contained in this section, insured share and  
1398 deposit accounts of the District credit union undergoing involuntary merger may, upon  
1399 consummation of the purchase and assumption, be converted to insured deposits or other  
1400 comparable accounts in the acquiring institution.

1401 Sec. 1005. Involuntary liquidation.

1402 (a) If the Commissioner determines that any District credit union is bankrupt or  
1403 insolvent, the Commissioner may issue a notice of involuntary liquidation, revoke the  
1404 District credit union's charter, and appoint a liquidating agent. The District credit union  
1405 may request the appropriate court to stay execution of the action.

1406 (b) In the event of liquidation, the assets of the District credit union or the  
1407 proceeds from any disposition of assets shall be applied and distributed in the following  
1408 sequence:

- 1409 (1) Secured creditors up to the value of their collateral;
- 1410 (2) Costs and expenses of liquidation;
- 1411 (3) Wages due the employees of the District credit union;
- 1412 (4) Taxes owed to any government unit;
- 1413 (5) Debts, other than taxes, owed to the United States;
- 1414 (6) General creditors, and secured creditors to the extent their claims  
1415 exceed the value of their collateral;
- 1416 (7) Costs and expenses incurred by creditors in successfully opposing the  
1417 release of the District credit union from certain debts as allowed by the Commissioner;
- 1418 (8) Shareholders or depositors, to the extent of uninsured share or deposit  
1419 accounts; and
- 1420 (9) Members, to the extent of membership shares.

1421 Sec. 1006. Conservatorship.

1422 (a) If the Commissioner determines that any District credit union is engaging in  
1423 materially unsafe or unsound practices, the Commissioner may, at the Commissioner's  
1424 sole discretion and without advance notice:

1425 (1) Appoint an insuring organization or any other person as conservator,  
1426 who will immediately take possession and control of the business and assets of the  
1427 District credit union, who shall represent the best interests of the District credit union  
1428 members, and who shall be vested with the full power of management of the District  
1429 credit union.

1430 (2) Petition the Superior Court to appoint a receiver for the District credit  
1431 union, in the manner set forth in section 219 of the 21<sup>st</sup> Century Financial Modernization  
1432 Act of 2000, effective June 9, 2001 (D.C. Law 13-308; D.C. Official Code § 26-1401.19).

1433 (3) For the purposes of this section, “materially unsafe and unsound  
1434 practices” means that:

1435 (A)(1) Immediate action is necessary to conserve the assets of a  
1436 District credit union or protect the interests of the members of a District credit union; or

1437 (2) A District credit union, by resolution of its board of  
1438 directors, has consented to the Commissioner’s action; and

1439 (B)(1) The Commissioner receives written notification from the  
1440 appropriate authority that a director or officer of a District credit union has been  
1441 convicted of a criminal offense under 18 U.S.C. § 1956 or 1957;

1442 (2) There is a willful violation, by a District credit union or  
1443 any of its directors or officers, of a cease and desist order issued by the Commissioner; or

1444 (3) A District credit union, or any of its directors or  
1445 officers, engages in concealment of books, papers, records, or assets of the District credit  
1446 union or refusal to submit books, papers, records, or affairs of the District credit union for  
1447 inspection to any examiner or to any lawful agent of the Commissioner.

1448 (b) Not later than 15 days after the date on which the conservator takes possession  
1449 and control of the business and assets of a District credit union pursuant to subsection (a)  
1450 of this section, the District credit union may apply to the appropriate court for an order  
1451 requiring the Commissioner to show cause why the Commissioner or the conservator  
1452 designee should not be enjoined from continuing possession and control.

1453 (c) Except as provided in subsection (b) of this section, the conservator may  
1454 maintain possession and control of the business and assets of the District credit union and  
1455 may operate the District credit union until:

1456 (1) The Commissioner permits the District credit union's officials to  
1457 continue business subject to the terms and conditions the Commissioner imposes; or

1458 (2) The District credit union is involuntarily merged or involuntarily  
1459 liquidated in accordance with section 1005.

1460 (d) The Commissioner may appoint any person that the Commissioner considers  
1461 necessary in order to assist the conservator in carrying out the duties of the conservator  
1462 under this section.

1463 (e) After taking possession of the property and business of a District credit union,  
1464 through conservatorship or receivership, the conservator or receiver may terminate or  
1465 adopt any executory contract to which the credit union may be a party, including leases of  
1466 real or personal property. The termination of any contracts shall be made within 6 months  
1467 after obtaining knowledge of the existence of the contract or lease. Any provision in the  
1468 contract or lease that provides for damages, other than actual direct compensatory  
1469 damages determined as of the date of appointment of the conservator or receiver, shall  
1470 not be binding on the conservator, receiver, or District credit union.

1471 (f) All expenses incurred by the conservator in exercising the authority of that  
1472 office under this section with respect to any District credit union shall be paid out of the  
1473 assets of the District credit union, except that the Commissioner may waive all or a part  
1474 of these expenses.

1475 Sec. 1007. Examinations.

1476 (a) The Commissioner shall examine or cause to be examined each District credit  
1477 union on a regular basis. A District credit union and any of its officers and agents shall be  
1478 required to give the Commissioner or the Commissioner's agents full access to all books,  
1479 papers, securities, records, and other sources of information under their control unless the  
1480 disclosure of these sources of information is prohibited by law.

1481 (b) After any examination conducted pursuant to subsection (a), a report of the  
1482 examination shall be forwarded by the Commissioner or the Commissioner's designee to  
1483 the District credit union's chair of the board within 30 days after completion. The report  
1484 shall contain comments relative to the management of the affairs of the District credit  
1485 union and the general condition of its assets. Within 30 days after the receipt of the  
1486 report, the directors shall meet to consider and respond to matters contained in the report.

1487 (c) All information contained in or related to the examination report prepared by,  
1488 or on behalf of, the Commissioner shall be deemed the confidential property of the  
1489 Department and any dissemination of the contents of the examination report by any  
1490 officers, employees, or agents of the Department or the District credit union, for any  
1491 reason other than the business of the Department or the District credit union, shall be  
1492 guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$ 1,000

1493 for each violation. The contents of the examination report shall not be subject to  
1494 subpoena.

1495 (d) In lieu of making an examination of a District credit union, the Commissioner  
1496 may accept an examination of the credit union made by the National Credit Union  
1497 Administration (“NCUA”). The cost of any examination under this subsection shall be  
1498 borne by the District credit union, except that the costs of any regular or special  
1499 examination shall not be assessed more than once annually.

1500 (e) The Commissioner shall adopt rules that ensure consistency and due process in  
1501 the examination process. The Commissioner may also establish guidelines and provide  
1502 formal guidance, interpretive letters or other written materials that:

1503 (1) Define the scope of the examination process; and

1504 (2) Clarify examination items to be resolved.

1505 Sec. 1008. Records.

1506 (a) A District credit union shall maintain all books, records, accounting systems,  
1507 and procedures that accurately reflect its operations and enable the Commissioner to  
1508 readily ascertain the true financial condition of the District credit union and whether it is  
1509 complying with this act. These books, records, accounting systems, and procedures shall  
1510 be maintained at the District credit union’s principal place of business in accordance with  
1511 the District credit union’s record retention policy.

1512 (b) The Commissioner shall prescribe the minimum retention requirements for  
1513 District credit union records by rule.

1514 Sec. 1009. Records of the Department.

1515 (a) Information from the records of the Department related to District credit  
1516 unions shall only be disclosed as required by law.

1517 (b) A copy of any document on file with the Department that is certified by the  
1518 Commissioner as being a true copy, may be introduced as evidence in any court in the  
1519 District as if it were the original.

1520 (c) The following are confidential and privileged and not subject to public  
1521 disclosure:

1522 (1) Examination reports and related information from insurers or other  
1523 regulators;

1524 (2) Business plans and other proprietary information of a District credit  
1525 union, its subsidiaries or affiliates;

1526 (3) Reports of investigations; and

1527 (4) Notices related to enforcement actions and consent orders.

1528 (d) Examination reports furnished by the Commissioner remain the property of  
1529 the Department and no person to whom reports are furnished or any officer, director, or  
1530 employee thereof, may disclose or make public the reports or information contained in  
1531 the reports except information that is already in the public domain.

1532 (e) In a civil action in which the reports or information are sought to be  
1533 discovered or used as evidence, a party upon notice to the commission, may petition the  
1534 court for an in-camera review of the reports or information. The court may permit  
1535 discovery and introduction of only those portions of the report or information that are  
1536 relevant and otherwise unobtainable by the requesting party.

1537 (f) Violation of subsection (d) constitutes a misdemeanor punishable by a fine of  
1538 not more than \$1,000 for each violation, by imprisonment for not more than one year, or  
1539 both.

1540 Sec. 1010. Conflicts of interest.

1541 (a) No employee of the Department shall be an officer, director, committee  
1542 member, employee or attorney for any credit union, or receive, directly or indirectly, any  
1543 payment or gratuity from any credit union, or be indebted to any credit union, or engage  
1544 in negotiation of loans for others with any credit union. These specific restrictions are in  
1545 addition to any general conflict of interest statute applicable to District employees.

1546 (b) An employee of the Department may be a member of a credit union on the  
1547 same terms as are available to other credit union members and may do business at  
1548 another financial institution on the same terms as other customers.

1549 **TITLE XI. GENERAL PROVISIONS.**

1550 Sec. 1101. Tax exemption.

1551 (a) Credit unions organized under District law, their property, their franchises,  
1552 capital, reserves, surpluses, and other funds, and their income shall be exempt from all  
1553 taxation imposed by the by the District; except that real property, and tangible personal  
1554 property, of the District credit union shall be subject to District taxation to the same  
1555 extent as other similar property is taxed.

1556 (b) The participation by a District credit union in any government program  
1557 providing unemployment, social security, old age pension or other benefits shall not be  
1558 deemed a waiver of the taxation exemption hereby granted.

1559 Sec. 1102. Compliance review documents.



1560 (a) Compliance review documents are privileged and confidential and are  
1561 nondiscoverable and nonadmissible. However, a District credit union may, but is not  
1562 required to, provide access to compliance review documents to an affiliate, regulatory  
1563 agency, or share insurer, and the delivery of compliance review documents to an affiliate,  
1564 regulatory agency, or share insurer shall not constitute a waiver of the privilege granted  
1565 in this section.

1566 (b) This section shall not be construed to limit the discovery or admissibility in  
1567 any civil action of any documents other than compliance review documents.

1568 (c) For the purposes of this section, “compliance review documents” includes  
1569 documents used to evaluate and seek to improve the District credit union’s loan policies  
1570 or underwriting standards, asset quality, financial reporting to federal or state  
1571 governmental agencies, or compliance with federal or state statutory or regulatory  
1572 requirements.

1573 **TITLE XII. FISCAL IMPACT STATEMENT.**

1574 Sec. 1201. Fiscal impact statement.

1575 The Council adopts the fiscal impact statement in the committee report as the  
1576 fiscal impact statement required by section 4a of the General Legislative Procedures Act  
1577 of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

1578 **TITLE XIII. EFFECTIVE DATE.**

1579 Sec. 1301. Effective date.

1580 This act shall take effect following approval by the Mayor (or in the event of veto  
1581 by the Mayor, action by the Council to override the veto), and a 30-day period of  
1582 Congressional review as provided in section 602 (c)(1) of the District of Columbia Home

1583 Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-206(c)(1)), and  
1584 publication in the District of Columbia Register.


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 

**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

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**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.<sup>1</sup> 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.<sup>2</sup> All credit unions currently operating in the District are federal credit unions subject to regulation under the Federal Credit Union Act.<sup>3</sup>

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.<sup>4</sup> The credit union must provide proof it has applied for share and deposit insurance<sup>5</sup> before the Commissioner will approve

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<sup>1</sup> All but three states and the District of Columbia have their own state chartering authority.

<sup>2</sup> Effective August 1, 1964 (78 Stat. 377, Pub. L. 88-395, § 1).

<sup>3</sup> 12 U.S.C. § 1751 et seq.

<sup>4</sup> The bill authorizes the Commissioner to extend the review period by 60 days as necessary.

<sup>5</sup> 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.

The Honorable Phil Mendelson

FIS: "Credit Union Act of 2019," Draft Bill as shared with the Office of Revenue Analysis on January 4, 2019

its application. After the Commissioner has approved an application, the Commissioner is responsible for regular examinations<sup>6</sup> 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<sup>7</sup> 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.<sup>8</sup>

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,<sup>9</sup> 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<sup>10</sup>.

### **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.

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<sup>6</sup> The Commissioner may hire a third party to conduct an examination or rely on an examination performed by NCUA.

<sup>7</sup> The bill defines a foreign credit union as one organized under the laws of another state, territory, or foreign jurisdiction.

<sup>8</sup> 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).

<sup>9</sup> A District credit union could convert to a federal or foreign credit union.

<sup>10</sup> 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 Honorable Phil Mendelson**

**FIS: "Credit Union Act of 2019," Draft Bill as shared with the Office of Revenue Analysis on January 4, 2019**

**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.**

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Attorney General



ATTORNEY GENERAL  
KARL A. RACINE

Legal Counsel Division

**MEMORANDUM**

**TO:** Alana Intrieri  
Executive Director  
Office of Legislative Support

**FROM:** Janet M. Robins  
Deputy Attorney General  
Legal Counsel Division

**DATE:** January 8, 2019

**SUBJECT:** Legal Sufficiency Review–Draft “Credit Union Act of 2019”  
(AE-17-043 B)

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**This is to Certify that** this Office has reviewed the above-referenced draft legislation and found it to be legally sufficient. If you have any questions in this regard, please do not hesitate to call me at 724-5524.

  
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Janet M. Robins