

A BILL

23-189

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA



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To provide for the establishment, organization, operation, and supervision of cooperative, nonprofit 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) “Board” means a board of directors unless the context indicates a different meaning.

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

(3) “Charitable donation account” means an account owned by a credit union that is held in a segregated custodial account or special purpose entity and is 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 nonprofit entities.

30 (4) "Commissioner" means the Commissioner of the Department of Insurance,
31 Securities and Banking.

32 (5) "Corporate credit union" means a credit union whose field of membership
33 consists primarily of other credit unions.

34 (6) "Credit union" means a cooperative, not-for-profit association organized for
35 the purposes of encouraging thrift among its members, creating a source of credit at fair and
36 reasonable rates of interest for its members, and providing an opportunity for its members to use
37 and control their own money on a democratic basis to improve their economic and social
38 condition.

39 (7) "Credit union service organization" means an organization, corporation, or
40 association providing services associated with the general purposes of a credit union or engaging
41 in activities incidental to the operations of a credit union.

42 (8) "Deposit" means a balance held by a District credit union and established by a
43 District credit union member or non-member, another credit union, or a government unit, in
44 accordance with standards specified by the District credit union, including balances designated
45 as deposits, deposit certificates, checking accounts, or accounts by other names.

46 (9) "Deposit account" means a debt owed by the District credit union to the
47 account holder. Ownership of a deposit account does not confer membership or voting rights and
48 does not represent an interest in the capital of the District credit union upon dissolution or
49 conversion of the credit union into another type of institution.

50 (10) "Department" means the Department of Insurance, Securities and Banking.

51 (11) "District credit union" means a credit union organized under this act.

52 (12) "Federal credit union" means a credit union organized and operating under
53 the laws of the United States.

54 (13) "Field of membership" means the people who meet the criteria of a credit
55 union and are eligible to become members of that credit union.

56 (14) "Fixed asset" includes structures, office furnishing, office machines, land,
57 computer hardware and software, automated terminals, and heating and cooling equipment.

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

60 (16) "Government unit" means any board, agency, department, authority,
61 instrumentality, or other unit or organization of the District, federal, state, county, municipal, or
62 other level of government.

63 (17)(A) "Insolvent" means the condition that results when the total amount of a
64 credit union's shares exceeds the present cash value of the credit union's assets after providing
65 for liabilities, unless the Commissioner determines that:

66 (i) The circumstances leading to the deficient share to asset ratio
67 no longer exist;

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

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

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

74 (B) For the purposes of this paragraph, the following additional definitions
75 are applicable:

76 (i) "Cash value of the credit union's assets" means the recorded
77 value of any asset account; provided, that accepted accounting principles and practices are
78 followed and the applicable provisions of law, regulations, and the credit union's bylaws are met.

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

81 (18) "Insuring organization" means an organization that provides aid and financial
82 assistance to credit unions that are in the process of liquidation or are incurring financial
83 difficulty by protecting share and deposit accounts in the credit unions against loss, either
84 without limit or up to a specified level for each account.

85 (19) "Loan" means the extension of credit under either an open-end or closed-end
86 agreement.

87 (20) "Low-income area" means:

88 (A) An area that wholly consists of, or is wholly located within, an
89 enterprise community or empowerment zone, as designated pursuant to section 13301 of the
90 Internal Revenue Code of 1986, approved August 10, 1993 (107 Stat. 543; 26 U.S.C. § 1391);

91 (B) An area where 20% of the population is living at or below 80% of the
92 area median family income;

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93 (C) An area in a metropolitan area where the median family income is at
94 or below 80% of that metropolitan area median family income or the national metropolitan area
95 median family income, whichever is greater;

96 (D) An area outside of a metropolitan area, where the median family
97 income is at or below 80% of the statewide non-metropolitan area family income or the national
98 non-metropolitan area median family income, whichever is greater;

99 (E) An area where the unemployment rate is 1.5 times the national
100 average;

101 (F) An area meeting the criteria for economic distress that may be
102 established by the Community Development Financial Institutions Fund, established by section
103 104 of the Community Development Banking and Financial Institutions Act of 1994, approved
104 September 23, 1994 (108 Stat. 2166; 12 U.S.C. § 4703); or

105 (G) Other area approved by the Commissioner.

106 (21) "Member" means a person who has met the membership criteria of a credit
107 union and has been accepted into membership of that credit union.

108 (22) "Membership share" means the balance required by the board of directors of
109 a credit union to establish membership in the credit union.

110 (23) "Net worth" means the retained earnings balance of the credit union, based
111 on generally accepted accounting principles, and other forms of capital approved by the
112 Commissioner through rulemaking.

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113 (24) “NCUA” means the National Credit Union Administration Board established
114 under Title II of the Federal Credit Union Act, approved October 19, 1970 (84 Stat. 994; 12
115 U.S.C. § 1781 *et seq.*)

116 (25) “Officer” means the chair, vice chair, treasurer, secretary, and any other
117 individual appointed by the board of directors of the credit union to serve as an officer of the
118 credit union.

119 (26) “Official” means any member of the board of directors of the credit union, a
120 member of a committee of the credit union, or an individual appointed by the board of directors
121 of the credit union to serve as an officer of the credit union.

122 (27) “Organization” means any corporation, association, partnership, limited
123 liability company, limited liability partnership, joint venture, trust, or other legal entity.

124 (28) “Participation loan” means a loan made by multiple lenders to a member.

125 (29) “Person” means any natural person or organization.

126 (30) “Predominantly” means more than one half.

127 (31) “Service facility” means the place of business of a credit union, where the
128 credit union may transact business authorized by the credit union’s board.

129 (32) “Share” means a balance held by a credit union and established in
130 accordance with standards specified by the credit union, including shares, share accounts, share
131 certificates, share draft accounts, custodial accounts, individual retirement accounts established
132 pursuant to United States tax law, payable on death accounts, trust accounts, money market

133 accounts, share checking accounts, business share accounts, or other similar accounts as the
134 District credit union may adopt. “Share” does not include membership shares.

135 (33) “Supplemental capital” means capital approved by the Commissioner that is
136 subordinate to shares, other liabilities, and share insurance.

137 **TITLE II. CREDIT UNION ORGANIZATION.**

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

139 (a) An organizing group consisting of 7 or more persons within the credit union’s field of
140 membership, the majority of whom are residents of the District, may apply to organize and
141 charter a District credit union by filing a written charter application with the Commissioner. The
142 application shall be prepared and filed by the organizers in accordance with the forms and
143 procedures prescribed by the Commissioner by rule.

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

145 (1) The name of the District credit union, which shall include the phrase “credit
146 union” and the location of the District credit union’s principal office;

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

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

149 (4) The par value of shares of the District credit union, each of which shall be \$5
150 or more in value;

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

152 (6) The names, addresses, and taxpayer identification numbers of each organizer
153 of the District credit union and the number of shares subscribed to by each organizer;

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154 (7) The name, address, and taxpayer identification number of each member of the
155 initial board of directors of the District credit union and each member of the supervisory
156 committee of the District credit union, selected pursuant to subsection (c) of this section, and the
157 number of shares, if any, subscribed to by each;

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

160 (9) Bylaws prepared by the organizers of the District credit union, which are
161 consistent with this act for the general governance of the District credit union and comply with
162 the form the Commissioner prescribes by rule; and

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

164 (c)(1) The organizers shall select an odd number of directors, not fewer than 5 and not
165 more than 15, who are eligible for membership and who agree to become members and serve on
166 the board of directors.

167 (2) The organizers of the District credit union may select 3 or 5 people to serve on
168 a supervisory committee. People chosen to serve on a supervisory committee shall be people
169 who are eligible for membership in the District credit union, agree to become members of the
170 credit union, and agree to serve on the supervisory committee.

171 (3) The persons selected to serve on the board of directors and a supervisory
172 committee shall execute an agreement of service, on a form the Commissioner prescribes by rule,
173 to serve in these capacities until the first annual meeting or until the election of their respective
174 successors, whichever is later.

175 (d) The organizers of the District credit union shall apply for insurance on share and
176 deposit accounts pursuant to section 208 prior to, or at the same time as, the time when the
177 organizers file the charter application with the Commissioner.

178 (e) The organizers shall forward, to the Commissioner, the chartering fee, the duplicate
179 charter statement, bylaws, agreements of service, articles of incorporation, and proof of
180 application for insurance on share and deposit accounts.

181 (f) The Commissioner shall issue the applicant, in a time period prescribed by the
182 Commissioner by rule, a certification letter in a form that enables the applicant to obtain
183 necessary routing, transit, and bank identification numbers, and to secure the necessary
184 contractual arrangements required of a full-service financial institution.

185 Sec. 202. Certificate of charter.

186 (a) The following procedures shall apply upon the filing of a complete charter application
187 pursuant to section 201:

188 (1) The Commissioner shall prepare a periodic bulletin listing all pending charter
189 applications. The bulletin shall be published in the District of Columbia Register and be
190 available from the Commissioner.

191 (2) The Commissioner shall accept public comment on the application prior to
192 deciding whether to grant final approval of the application, according to procedures established
193 by the Commissioner by rule. Public comments shall be accepted for 30 days from the date of
194 publication of notice of the application by the Commissioner pursuant to paragraph (1) of this

195 subsection. Any result from the public comment period held under this section may not extend
196 the approval or disapproval time frame as required in paragraph (3) of this subsection.

197 (3)(A) The Commissioner shall, pursuant to subsection (b) of this section,
198 approve or disapprove the charter application, and provide the reasons for approving or
199 disapproving the application, within 90 days after receipt of the application. The Commissioner
200 may extend this 90-day period for up to an additional 60 days.

201 (B) No application required by this section shall be complete unless it is
202 accompanied by an application fee in an amount to be established by the Commissioner and
203 made payable to the District Treasurer.

204 (C) No credit union shall commence operation until the organizers have
205 submitted evidence that the required insurance has been acquired.

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

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

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

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

216 (D) The District credit union has received share insurance.

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

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

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

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

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

227 (d) If a certificate of charter is denied, the Commissioner shall notify the organizers of the
228 District credit union and set forth the reasons for the denial. The District credit union organizers
229 may appeal the Commissioner's decision to the District of Columbia Court of Appeals in
230 accordance with section 110 of the District of Columbia Administrative Procedure Act, effective
231 October 21, 1968 (82 Stat. 1209; D.C. Official Code § 2-510).

232 (e) The filing of an appeal under this section shall not stay the effect of the denial or any
233 other action of the Commissioner to the appealing party, unless the District of Columbia Court of
234 Appeals determines, after giving the appealing party notice and an opportunity to be heard, that
235 failure to grant a stay would be detrimental to the interests of policyholders, shareholders,
236 creditors, or the public.

237 (f) The organizers may not transact any District credit union business until a certificate of
238 charter has been issued and received.

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

240 (a) The bylaws shall include the following provisions:

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

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

243 (3) Qualifications for membership in the District credit union, including the
244 minimum number of shares, and the payment of an entrance or membership fee, if any, required
245 for membership, and the policies for expelling a member;

246 (4) The number of directors, the length of terms a director may serve, and the
247 permissible term length of any interim director;

248 (5) The qualifications for eligibility to serve on the District credit union's board;

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

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

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

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

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

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

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

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

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

263 (15) Any other provision required by the Commissioner by rule.

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

267 Sec. 204. Amendment of charter and bylaws.

268 (a) The charter may be amended by the members at any regular or special meeting, if the
269 call of the meeting includes the proposed amendment and a quorum of members and at least 2/3
270 of directors are present at the meeting. The amendment shall be approved by at least 2/3 of the
271 members present and voting.

272 (b) The bylaws may be amended by a 2/3 vote of the board of directors at any regular or
273 special meeting if the call of the meeting includes the proposed amendment and a quorum is
274 present.

275 (c)(1) Amendments to the charter and any other amendments prescribed by the
276 Commissioner by rule shall be submitted to the Commissioner. The Commissioner shall have the
277 power to disapprove the proposed amendments within 30 days of submission. The amendment

278 shall be deemed approved if the Commissioner does not disapprove the proposed amendment
279 within 60 days after receiving it.

280 (2) If the Commissioner disapproves the proposed amendment, the District credit
281 union may appeal the decision to the District of Columbia Court of Appeals in accordance with
282 section 110 of the District of Columbia Administrative Procedure Act, effective October 21,
283 1968 (82 Stat. 1209; D.C. Official Code § 2-510).

284 Sec. 205. Name of District credit union.

285 (a) The name of a District credit union shall include the phrase "credit union". No District
286 credit union may adopt a name identical to the name of any other federal or foreign credit union
287 doing business in the District, or a name similar to the name of any federal or foreign credit
288 union doing business in the District that will be misleading or cause confusion.

289 (b) No person, other than a District credit union, a federal credit union, a foreign credit
290 union, an association of credit unions, or an organization or corporation whose membership or
291 ownership is limited to credit unions or credit union organizations may:

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

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

295 (3) Conduct business as a credit union.

296 Sec. 206. Service facilities.

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

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

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

303 Sec. 207. Fiscal year.

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

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

307 (a) Each District credit union shall apply for insurance on its shares and deposits, as
308 provided by NCUA or comparable insurance approved by the Commissioner. Any District credit
309 union insured by NCUA shall comply with all federal requirements that apply to credit unions
310 insured by NCUA, notwithstanding any contrary provisions of this act.

311 (b)(1) A District credit union that has lost its commitment for share and deposit insurance
312 shall, within 30 days of having lost that commitment, begin to liquidate, merge with an insured
313 credit union, or apply in writing to the Commissioner for additional time to obtain another
314 insurance commitment.

315 (2)The Commissioner may grant extensions of time to obtain a new insurance
316 commitment upon satisfactory evidence that the District credit union is not operating in an
317 unsafe or unsound manner and that the District credit union has made, or is making, a substantial
318 effort to obtain a new insurance commitment, including substantial effort to achieve conditions
319 necessary to obtain such a commitment.

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

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

326 (e) A District credit union shall not be subject to this section if that District credit union's
327 debt and equity capital consist primarily of funds from other credit unions and any membership
328 shares issued by another District credit union.

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

330 (a) A District credit union may conduct business outside of the District upon approval
331 from the Commissioner. The Commissioner shall approve a District credit union's request to
332 conduct business outside of the District if:

333 (1) The non-District jurisdiction permits the District credit union to conduct
334 business in that jurisdiction; and

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

337 (b)(1) If the laws or regulations governing credit unions in a non-District jurisdiction
338 permit a District credit union operating in that jurisdiction to exercise additional powers not
339 expressly permitted under this act, a District credit union conducting business in that non-District
340 jurisdiction may request permission from the Commissioner to exercise those additional powers

341 in the District. The Commissioner shall approve the exercise of additional power unless there are
342 demonstrable safety and soundness implications.

343 (2) The District credit union may exercise the additional power referenced in this
344 subsection in the District if the Commissioner approves the District credit union's request to
345 exercise additional power within 60 days after receiving a completed request. The request shall
346 be deemed disapproved if the Commissioner does not act within 60 days after receiving a
347 completed request.

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

351 Sec. 210. Foreign credit unions.

352 (a) The Commissioner shall allow a foreign credit union to conduct business as a credit
353 union in the District if the following conditions are met:

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

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

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

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

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

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

364 (2) Is not financially solvent;

365 (3) Does not insure its accounts to the same extent as District credit unions
366 established under this act;

367 (4) Is not examined and supervised by a regulatory agency of the jurisdiction in
368 which it is organized;

369 (5) Is in violation of its charter as determined by its chartering jurisdiction;

370 (6) Does not charge interest in compliance with the provisions of section 702
371 when making loans in the District;

372 (7) Does not comply with the consumer protection laws, regulations, or rules
373 applicable to District credit unions established pursuant to this act;

374 (8) Fails to provide the Commissioner with a copy of the report of examination of
375 its regulatory agency or to submit to an annual examination by the Commissioner;

376 (9) Fails to designate or maintain an agent for the service of process in the
377 District;

378 (10) Fails to comply with District laws, regulations, or orders;

379 (11) Engages in, or is likely to engage in, a pattern of unsafe or unsound practices;

380 (12) Will likely have a substantially adverse impact on the financial, economic, or
381 other interests of residents of the District; or

382 (13) Is prohibited from operating in the jurisdiction in which it is organized.

383 (c) The Commissioner may cooperate with credit union regulators in other states or
384 jurisdictions to implement this section and may share information received in administering this
385 act with those regulators.

386 (d) The Commissioner may enter into supervisory agreements or other agreements with
387 foreign credit unions and their regulators to prescribe the applicable rules governing the powers
388 of District branches and service facilities of foreign credit unions. Any agreement made pursuant
389 to this subsection may address items including corporate governance, operations, and conflict of
390 law and may prescribe the procedures to coordinate, among applicable regulators, the
391 application, supervision, and examination processes with respect to foreign credit unions.

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

395 (f)(1) A foreign credit union from a jurisdiction that allows credit unions to exercise
396 additional powers not allowed in the District may request permission from the Commissioner to
397 exercise those additional powers in the District. The Commissioner may approve the exercise of
398 those additional powers in the District if there are no demonstrable safety and soundness
399 implications and the exercise of the additional power by the foreign credit union is in the best
400 interest of the District.

401 (2) Upon approval by the Commissioner, District credit unions established under
402 this act may exercise any additional powers approved for a foreign credit union to exercise
403 pursuant to this section.

404 **TITLE III. CREDIT UNION POWERS.**

405 Sec. 301. General Powers.

406 A District credit union may:

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

409 (2) Sue and be sued;

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

412 (4) Borrow from any source; except, that a District credit union shall notify the
413 Commissioner in writing of its intention to borrow in excess of 50% of the District credit union's
414 net worth, shares, and deposits;

415 (5) Purchase the assets of another credit union or sell all, or substantially all, of its
416 assets to another credit union;

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

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

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- 422 (8) Engage in activities and programs as requested by any government unit;
- 423 (9) Act as fiscal agent for, and receive payments on, share and deposit accounts
424 from any government unit;
- 425 (10) Make reasonable contributions to any nonprofit civic, charitable, or service
426 organization;
- 427 (11) Require the payment of an entrance fee, annual membership fee, or both, of
428 any person admitted to membership pursuant to the District credit union's bylaws;
- 429 (12) Receive deposits from its members in the form of shares and deposits, and
430 honor requests for withdrawals or transfers of all or any part of share and deposit accounts, in
431 any manner approved by the board of directors;
- 432 (13) Lend funds to its members;
- 433 (14) Discount and sell any obligations owed to the District credit union;
- 434 (15) Invest surplus funds as provided in this act;
- 435 (16) Invest in shares of other credit unions and make deposits in other financial
436 institutions and trust companies;
- 437 (17) Invest in credit union service organizations;
- 438 (18) Issue certificates of indebtedness to members that are subordinated to all
439 other claimants on the District credit union;
- 440 (19) Assess fees and charges to members;
- 441 (20) Declare dividends on shares, interest on deposit accounts, and pay interest
442 refunds to borrowers;

443 (21) Receive savings from non-members in the form of shares, if the District
444 credit union serves predominantly low-income members;

445 (22) Receive deposits from, or lend funds to, other District credit unions, federal
446 credit unions, or foreign credit unions;

447 (23) Sell insurance products, subject to applicable insurance laws;

448 (24) Purchase and maintain insurance:

449 (A) On behalf of:

450 (i) A current or former director, officer, employee, or agent of the
451 District credit union; or

452 (ii) A person who is or was serving at the request of the District
453 credit union as a director, officer, employee, or agent of another corporation, partnership, joint
454 venture, trust, or other enterprise; or

455 (B) To protect against any liability asserted against a person identified in
456 subparagraph (A) of this paragraph in any capacity arising out of that person's status related to
457 the District credit union, regardless of the District credit union's power to indemnify that person
458 against liability.

459 (25) Offer services permitted for state-chartered banks and national banks,
460 savings and loans, mutual savings banks, and their subsidiaries and affiliates, including
461 electronic fund transfers, safe deposit boxes, trust services, the issuance of negotiable
462 instruments, and leasing and correspondent arrangements with other financial institutions;

463 (26) Receive payments on share, share draft, and share certificate accounts;

464 (27) Enter into lease agreements, lease contracts, and lease-purchase agreements
465 with members;

466 (28) Indemnify or limit the personal liability of officials in accordance with the
467 District credit union's articles of incorporation and bylaws;

468 (29) Act as agent for any electric, electric distribution, gas, water, telephone, or
469 other utility company operating within the District in receiving money due for utility services
470 furnished by it;

471 (30) Exercise the powers granted to corporations and nonprofit corporations;
472 except, that, in the event of a conflict between laws governing corporations and nonprofit
473 corporations and this act, the provisions of this act shall govern;

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

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

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

478 Sec. 302. Incidental powers.

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

482 Sec. 303. Parity.

483 The Commissioner may authorize District credit unions to exercise, and the
484 Commissioner may establish conditions or limitations for the exercise of, any of the powers
485 conferred upon federal credit unions and upon foreign credit unions operating in the District.

486 **TITLE IV. CREDIT UNION MEMBERSHIP.**

487 Sec. 401. Membership.

488 (a) The board of directors of a District credit union shall determine the membership of a
489 District credit union, which shall consist of persons who have been duly admitted as members.

490 (b) Each person otherwise eligible for membership to become or remain a member of a
491 District credit union shall purchase and maintain a share, share draft, or share certificate account
492 in the minimum amount required by the District credit union.

493 (c) A member may make an initial installment on the purchase of a membership share
494 and complete the purchase by no more than 6 months from the payment of the first installment.

495 (d) If the balance in any of a member's accounts is less than the minimum balance
496 required for a membership share, the member shall restore the balance to the minimum within 6
497 months of having fallen below the minimum balance, or the membership may be terminated
498 pursuant to section 407.

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

503 (f) Each member is entitled to one vote, regardless of the number of shares held by that
504 member.

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

506 Any incorporated or unincorporated organization, and the organization's employees, may
507 be admitted to membership in a District credit union in the same manner and under the same
508 conditions as individuals.

509 Section 403. Service to low-income consumers.

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

513 (b)(1) The Commissioner may approve an application for designation as a low-income
514 credit union if the Commissioner determined that 50% or more of the members to be served by
515 the District credit union:

516 (A) Reside within a recognizable geographic area primarily located in a
517 low-income area; or

518 (B) Are qualified to receive benefits from any program designed to
519 revitalize the local economy or assist the economically disadvantaged.

520 (2) For purposes of this subsection, the following shall be deemed to satisfy the
521 requirements of this subsection:

522 (A) Natural persons enrolled as full-time or part-time students in a college,
523 university, high school, or vocational school; and

524 (B) Members of the United States military on active duty and stationed
525 overseas.

526 (c) The Commissioner shall develop the application specified in subsection (a) of this
527 section by rule.

528 (d) The Commissioner shall approve or disapprove an application to be designated as a
529 low-income credit union within 60 days of receiving a complete application; except, that where
530 the application is submitted as part of the charter application, as described in section 202, the
531 application to be designated as a low-income credit union shall be approved or disapproved in
532 the same time period and manner prescribed in section 202(a)(3) and (b).

533 (e) In addition to the powers granted under this title, a low-income credit union may
534 receive funds from non-members and supplemental capital from members and non-members.

535 (f)(1) The Commissioner shall regulate the offer and sale of supplemental capital.
536 Regulations promulgated by the Commissioner shall address issues of safety and soundness,
537 including the maturity of the supplemental capital, terms of sale, terms of capital, total amount of
538 supplemental capital that may be outstanding at one time, redemption, and eligibility of the
539 investors. In addition, supplemental capital:

540 (A) Shall be established as an uninsured supplemental capital or other
541 form of non-share account;

542 (B) May not be insured by the National Credit Union Share Insurance
543 Fund (“NCUSIF”) or any other governmental or private entity; and

544 (C) May not be pledged or provided by the accountholder as a security on
545 a loan or other obligation with the low-income credit union or any other party.

546 (2) A supplemental capital holder's claim against a low-income credit union shall
547 be subordinate to all other claims against the low-income credit union, including those of
548 shareholder's creditors, the NCUSIF, and an approved insurer.

549 (g) The supplemental capital authorized in this section shall not limit the authority of the
550 Commissioner to approve other forms of equity capital.

551 Sec. 404. School service facilities.

552 (a) For the purposes of this section, the term:

553 (1) "School" means any accredited educational institution.

554 (2) "Student" means an individual enrolled in a school.

555 (3) "Student service facility" means a District credit union facility that provides
556 in-school financial services and offers financial education to students.

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

559 Sec. 405. Retention of membership.

560 Unless the District credit union's bylaws state otherwise, a person who has become a
561 member of a District credit union in accordance with this act may remain a member of that
562 District credit union until that person chooses to withdraw from the membership of the District
563 credit union, or is terminated under section 407.

564 Sec. 406. Liability of members.

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

568 Sec. 407. Termination of membership.

569 (a)(1) For the purposes of this section, the term "cause" includes a loss to the District
570 credit union, a violation of the membership agreement or any policy or procedure adopted by the
571 board, or inappropriate behavior such as physical or verbal abuse of a District credit union
572 member or staff.

573 (2) All members shall be given written notice of all policies and procedures that
574 have been adopted by the board.

575 (b) The board of directors may expel a member for cause by a majority vote of a quorum
576 of directors, pursuant to a written policy adopted by the board. A person expelled by the board
577 shall have the right to request a hearing before the board to reconsider the expulsion.

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

580 (d) A person whose membership has been terminated, whether by withdrawal or
581 expulsion, shall have no further rights in the District credit union, but is not released from any
582 obligation owed to the District credit union.

583 (e) A person who has been expelled as provided by this act may not be readmitted to
584 membership except upon approval by a majority vote of the board after application and proof
585 that the expelled person remains within the District credit union's field of membership, has

586 adequately explained, addressed, or remedied the conditions leading to expulsion and will abide
587 by the terms and conditions of membership. Only one application for readmission made be
588 submitted within a 12-month calendar period.

589 Sec. 408. Suspension of services.

590 A District credit union may, for cause, as defined in section 407, suspend certain services
591 to a District credit union member under a policy adopted by the District credit union's board of
592 directors. Members whose service is suspended may maintain a share account and continue to
593 vote at annual and special meetings.

594 Sec. 409. Meetings of members.

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

597 (b) There shall be no voting by proxy, except on the election of directors, proposals for
598 merger, or proposals for voluntary dissolution. All voting on the election of directors shall be by
599 ballot, but when there is no contest, written ballots need not be cast. A member may vote by
600 absentee ballot, mail ballot, or other method if the bylaws so provide.

601 (c) A member who is less than 18 years of age may not vote or hold office in the District
602 credit union.

603 (d) An organization having membership in a District credit union may be represented and
604 have its vote cast by an officer of the organization or a designated agent authorized by the
605 organization's governing body. A copy of the authorization shall be provided to the District
606 credit union before a vote is cast by a designated agent of the organization.

607 Sec. 410. Special membership meetings.

608 A District credit union's bylaws may prescribe the manner in which a special meeting of
609 the members may be called by the members or the board of directors, or both.

610 **TITLE V. CREDIT UNION GOVERNANCE.**

611 Sec. 501. Authority and duty of directors.

612 (a) The business and affairs of a District credit union shall be managed by the board of
613 directors of the District credit union. The duties of the board of directors of a District credit
614 union include the following duties:

615 (1) The board shall:

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

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

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

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

623 (E) Authorize the employment and compensation of the chief executive
624 officer;

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

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

627 (H) Review and approve the annual audit;

- 628 (I) Appoint any committees the board deems necessary;
629 (J) Establish conditions under which a member may be removed for cause,
630 as defined in section 407; and
631 (K) Perform any other duties, or authorize any other actions, that are not
632 inconsistent with this act or the District credit union's bylaws.

633 (2) Additionally, the board shall:

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

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

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

638 (D) Determine the amount that may be loaned to a member together with
639 the terms and conditions of loans;

640 (E) Declare dividends on shares and set the rate of interest on deposits;

641 and

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

643 (b) The duties listed in paragraph (1) of subsection (a) of this section shall not be
644 delegated by the District credit union's board of directors. The duties listed in paragraph (2) of
645 subsection (a) this section may be delegated to a committee, officer, or employee, of the District
646 credit union with appropriate reporting to the board.

647 Sec. 502. Election of directors.

648 (a)(1) A board shall:

649 (A) Consist of an odd number of directors;

650 (B) Be at least 5 in number; and

651 (C) Be elected by and from natural person members.

652 (2) A District credit union’s bylaws shall set forth the qualifications for
653 nomination to the board.

654 (b) All members of the board shall hold office for the terms provided for in the bylaws.
655 Terms may be staggered so that an approximately equal number of terms expire each year.

656 (c) A director shall hold office for the term for which the director was elected and until a
657 successor is elected and qualified.

658 Sec. 503. Appointment of committees.

659 (a) The board of directors shall appoint an audit committee of no fewer than 3 members
660 of the District credit union, who may, but need be, members of the board of directors. The board
661 shall appoint the audit committee at an organizational meeting held within 30 days of each
662 annual election of directors for the terms provided in the bylaws.

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

665 (c) Unless specifically prohibited by the bylaws, committee members may participate in
666 and act at any meeting of the committee through the use of communications equipment;
667 provided, that all persons participating in the meeting can speak with and hear each other at the
668 same time. Participation in a meeting in this manner shall constitute attendance.

669 (d) Unless specifically prohibited by the bylaws, any action required by this act to be
670 taken at a committee meeting, or any other action that may be taken at a committee meeting, may
671 be taken without a meeting, if all members of the committee sign a consent to the action in a
672 writing that sets forth the action taken. Consent shall be evidenced by one or more written
673 approval, each of which shall set forth the action taken and bear the signature of one or more
674 committee members.

675 Sec. 504. Vacancies.

676 (a) A seat on a District credit union's board of directors or on one of the District credit
677 union's committees will be considered vacant if a board or committee member:

- 678 (1) Resigns from his or her position on the board or committee;
- 679 (2) Is removed from the board or committee;
- 680 (3) Is unable to carry out his or her duties as a board or committee member; or
- 681 (4) Is made ineligible by operation of law.

682 (b) The board of directors shall fill any vacancies occurring on the board or on any board-
683 appointed committee from among the District credit union's natural person members.

684 Sec. 505. Compensation of officials.

685 (a)(1) A District credit union may compensate an officer, director, or committee member
686 for the member's services to the District credit union.

687 (2) Life, health, accident, and similar insurance protection provided by a District
688 credit union to an officer, director, or committee member shall not be considered compensation.

689 (b) A District credit union may reimburse directors, officers, and committee members for
690 necessary expenses incidental to the performance of the official business of the District credit
691 union.

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

693 (a) No director or officer of a District credit union shall be liable, and no cause of action
694 may be brought against a director or officer of a District credit union, for damages resulting
695 from:

696 (1) The exercise of judgment or discretion in connection with the duties or
697 responsibilities of the director or officer unless the act or omission involved willful or wanton
698 conduct; or

699 (2) An act or omission in rendering official service unless the act or omission
700 involved willful or wanton conduct.

701 (b) For the purposes of this section, the term “willful or wanton conduct” means a course
702 of action that shows an actual or deliberate intention to cause harm or violate a statute, or, if not
703 intentional, that shows an utter indifference to, or conscious disregard for, the safety of others or
704 their property.

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

708 (d) In discharging his or her duties, a director may rely on information, opinions, reports,
709 or statements, including financial statements and other financial data, if prepared or presented
710 by:

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

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

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

717 (e) A director may not rely on information, opinions, reports, or statements described in
718 subsection (d) of this section if the director has knowledge concerning the matter in question that
719 makes reliance on the information, opinion, report, or statement unwarranted.

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

722 Sec. 507. Conflicts of interest.

723 Directors, committee members, and officers shall disclose all existing and potential
724 conflicts of interest to the board of directors. No director, committee member, officer, or
725 employee of a District credit union shall, in any manner, directly or indirectly, participate in the
726 deliberation upon, or the determination of, any question affecting his or her pecuniary interest or
727 the pecuniary interest of any corporation, partnership, or association in which he or she is
728 directly or indirectly interested.

729 Sec. 508. Officers.

730 (a) The board of directors, at their organizational meeting, shall elect from their own
731 number, a chairperson of the board, a treasurer, and a secretary. The board may also elect any
732 other officers of the board that are specified in the bylaws.

733 (b) The term of an officer shall be for one calendar year, or until a successor is chosen
734 and has been duly qualified, unless otherwise provided in the bylaws.

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

736 (d) Notwithstanding any other provision of this act, a District credit union may use any
737 title it chooses for officials holding the positions described in this section, provided that the titles
738 are not misleading.

739 Sec. 509. Meetings of directors.

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

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

745 (c) Unless specifically prohibited by the bylaws, any action required by this act to be
746 taken at a meeting of the board of directors, or any other action that may be taken at a meeting of
747 the board of directors, may be taken without a meeting if a consent, in writing, setting forth the
748 action taken, is signed by all the directors entitled to vote with respect to the subject matter

749 thereof. Consent shall be evidenced by one or more written approvals, which describe the action
750 taken.

751 Sec. 510. Audits.

752 (a) Unless the District credit union has been audited by a licensed public accountant or
753 other qualified person or firm, the audit committee shall make, or cause to be made, a
754 comprehensive annual audit of the books and affairs of the District credit union. The audit
755 committee shall submit a report of each annual audit to the board of directors and a summary of
756 that report to the members of the District credit union at the next annual meeting of the District
757 credit union.

758 (b) The audit committee shall make, or cause to be made, any supplementary audits,
759 examinations, and verifications of members' accounts that it considers necessary or that are
760 required by the Commissioner or the board of directors of the District credit union. The audit
761 committee shall submit reports of these supplementary audits to the board of directors.

762 Sec. 511. Suspension and removal powers.

763 (a) The board of directors may suspend any member of the District credit union's board
764 of directors for cause, as defined in section 407, by a 2/3 vote of a quorum of the board. The
765 board member shall be suspended until the next members' meeting, which shall be held no fewer
766 than 7 days and not more than 60 days after the suspension. The suspended board member shall
767 be notified of the details of the member's suspension and shall have a right to request a hearing
768 before the board to reconsider the suspension prior to the next membership meeting.

769 (b) Any suspended board member may be removed by a majority vote of a quorum of
770 members at a properly called membership meeting. The suspended board member shall be
771 notified of the details of the board member's removal. At the membership meeting, the
772 suspended board member shall have the right to appear and be heard. The suspension shall be
773 acted upon by the members and the suspended board member shall be removed from or restored
774 to office.

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

779 **TITLE VI. MEMBER ACCOUNTS.**

780 Sec. 601. Shares and membership shares.

781 (a) Shares and membership shares shall be subscribed to and paid for in the manner
782 prescribed in the bylaws.

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

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

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

787 (e) Shares may be subscribed to, paid for, and transferred in the manner prescribed in the
788 bylaws.

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

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

795 Sec. 602. Dividends.

796 (a) The board of directors may, after making provisions for required reserves, declare
797 dividends to be paid on share accounts and membership shares, if any, from the net earnings or
798 undivided earnings, as provided in the bylaws. The board may authorize the intervals and periods
799 for dividend payments.

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

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

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

807 Sec. 603. Deposit Accounts.

808 (a) A District credit union may accept deposit accounts from its members, other District
809 credit unions, federal credit unions, foreign credit unions, and government units, subject to the

810 terms, rates, and conditions established by the board of directors and applicable local and federal
811 laws and regulations.

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

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

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

819 Sec. 604. Withdrawals.

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

823 (b) Share, membership share, and deposit accounts shall be subject to any withdrawal
824 notice requirement imposed by the bylaws.

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

827 Sec. 605. Accounts for minors.

828 Payments on share and deposit accounts may be received from a minor with consent from
829 the minor's parent or guardian. The minor may withdraw funds from these accounts, including
830 the dividends and interest thereon. If shares are issued in the name of a minor, the redemption of

831 any part or all of the shares, or a withdrawal of funds by payment to the minor of the shares or
832 funds, and any declared dividends or interest, releases the District credit union from all
833 obligations to the minor as to the shares redeemed or funds withdrawn.

834 Sec. 606. Joint accounts.

835 (a) A member may designate any person or persons to own a share account with the
836 member, in joint tenancy with the right of survivorship, as a tenant in common, or under any
837 other form of joint ownership permitted by law and allowed by the District credit union.

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

843 (c) If more than one joint owner seeks District credit union membership through a joint
844 account, each prospective member shall meet any membership requirements described in the
845 District credit union's bylaws.

846 Sec. 607. Payable on death accounts.

847 Notwithstanding any other provision of law, a District credit union may establish share
848 and deposit accounts payable to one or more persons during their lifetimes, and upon the death of
849 every included account holder to one or more payable on death payees. A transfer to a payable
850 on death payee is effective by reason of the account contract and shall not be considered a
851 testamentary transfer.

852 Sec. 608. Trust accounts.

853 (a) Share and deposit accounts may be owned by one or more members in trust for one or
854 more beneficiaries or by one or more nonmembers in trust for one or more beneficiaries who are
855 members.

856 (b) Payment of part or all of a trust account to the party in whose name the account is
857 held shall, to the extent of the payment, discharge the liability of the District credit union to that
858 party and the beneficiary, and the District credit union shall be under no obligation to verify the
859 application of the payment.

860 Sec. 609. Trust services.

861 A District credit union may accept and execute trusts pursuant to the laws of the District.

862 Sec. 610. Liens.

863 (a) The District credit union shall have a lien on the membership share, shares, deposits,
864 and accumulated dividends and interest of a member in the member’s individual, joint, trust, or
865 payable on death account for any obligation owed to the District credit union by the member or
866 for any loan co-signed or guaranteed by the member; except, that a District credit union shall not
867 have a lien on any funds in an Individual Retirement Account or an account established pursuant
868 to the Internal Revenue Code of the United States.

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

873 Sec. 611. Reduction in membership shares.

874 (a) The board of a District credit union may propose a reduction in membership shares
875 when the losses of the District credit union resulting from a depreciation in value of its loans,
876 investments, or otherwise exceed the District credit union’s undivided earnings and reserves so
877 that the estimated value of the District credit union’s assets is less than its liabilities, and the
878 board of directors determines that the District credit union may be subject to involuntary
879 liquidation. The District credit union may, by a majority vote of those voting on the proposition,
880 order a reduction in the membership shares, and of each of its shareholders, to divide the loss in
881 proportion to the shares held by shareholders in their respective membership share accounts
882 (“order of reduction”).

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

886 (c) Deposit accounts and regular share accounts shall not be subject to a reduction in
887 shares pursuant to this section.

888 Sec. 612. Share and deposit insurance.

889 (a) A District credit union shall apply for and obtain insurance on its members’ share and
890 deposit accounts as provided by NCUA or comparable insurance approved by the Commissioner.

891 (b) No District credit union shall be granted a charter by the Commissioner unless the
892 District credit union has applied for and obtained insurance of its members’ share and deposit

893 accounts as provided by this section or received a written commitment to insure or guarantee
894 member accounts.

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

898 (d) A District credit union that has been denied a commitment of insurance or guarantee
899 of its members' share and deposit accounts or that has had that insurance or guarantee revoked,
900 cancelled, or terminated, shall, within 30 days of the effective date of the revocation,
901 cancellation, or termination, commence steps to liquidate, merge with an insured credit union, or
902 apply in writing to the Commissioner for an extension of time to obtain an insurance
903 commitment.

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

908 (f) In order to permit NCUA or an authorized share guaranty corporation to assess the
909 financial condition and performance of a District credit union, the Commissioner may provide
910 NCUA or an authorized share guaranty corporation with any and all reports of examination
911 conducted by the Commissioner, and copies of orders and notices issued by the Commissioner,
912 regarding any District credit union under the Commissioner's supervision.

913 (g) NCUA or an authorized share guaranty corporation shall provide to the Commissioner
914 copies of any reports of examinations conducted by NCUA or the authorized share guaranty
915 corporation on a District credit union.

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

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

922 Sec. 613. Authority to withhold payment.

923 (a) Nothing contained in this act shall be deemed to require a District credit union to
924 make any payment from an account to a depositor, shareholder, trust, or payable-on-death
925 account beneficiary, or any other person claiming an interest in any funds in an account, if the
926 District credit union has actual knowledge of the existence of a dispute between the depositors,
927 shareholders, beneficiaries, or other persons concerning their respective rights of ownership to
928 the funds contained in, proposed to be withdrawn from, previously withdrawn from, the account,
929 or if the District credit union is otherwise uncertain as to who is entitled to the funds pursuant to
930 the account agreement.

931 (b) The District credit union may, without liability, notify in writing, all depositors,
932 shareholders, beneficiaries, or other persons claiming an interest in the account of the District
933 credit union's uncertainty as to who is entitled to the funds or of the existence of any dispute and

934 may, without liability, refuse to disburse any funds contained in the account to any depositor,
935 shareholder, trust, payable on death account beneficiary of the account, or other persons claiming
936 an interest in the account until:

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

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

940 **TITLE VII. LOANS.**

941 Sec. 701. Purpose and conditions of loans.

942 A District credit union may issue loans to members for the purposes and on the
943 conditions prescribed by the board of directors. The board of directors shall establish written
944 policies with respect to granting loans and extending lines of credit, including the terms,
945 conditions and acceptable forms of security.

946 Sec. 702. Interest rate.

947 Notwithstanding the provisions of any other law in connection with extensions of credit,
948 a District credit union may elect to contract for and receive interest for extensions of credit
949 subject only to the provisions of this act and rules promulgated pursuant to this act.

950 Sec. 703. Other loan-related charges.

951 (a) Notwithstanding the provisions of any other law in connection with extensions of
952 credit, a District credit union may elect to contract for and receive fees and other charges for
953 extensions of credit in connection with making, closing, disbursing, extending, collecting,
954 renewing, or enforcing a debt in the event of a member's delinquency or breach of any obligation

955 under the District credit union's loan contract, subject only to the provisions of this act and rules
956 promulgated pursuant to this act.

957 (b) A contingency or hourly arrangement established under an agreement and entered into
958 by a District credit union with an attorney or collection agency to collect a loan of a member who
959 is in default shall be prima facie presumed reasonable.

960 Sec. 704. Loan limit.

961 The board of directors may place a limit on the aggregate amount to be loaned to, or co-
962 signed by, any one member. The aggregate of loans to any one member shall not exceed 5% of
963 the District credit union's capital or 1% of shares and deposits, whichever is greater. This limit
964 shall not apply to loans that are fully secured by shares or deposits in the District credit union.

965 Sec. 705. Lines of credit.

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

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

974 Sec. 706. Participation loans.

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

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

982 (c) A member benefiting from the proceeds of a participation loan need not be a member
983 of every credit union participating in the loan.

984 Sec. 707. Other loan programs.

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

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

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

994 (d) A District credit union may issue student loans to its members in accordance with
995 District law or scholarship programs that are subject to a federal or District law providing a
996 100% repayment guarantee.

997 Sec 708. Loans to officials.

998 (a) A District credit union may make loans to its officers, directors, and members of its
999 committees; provided, that the loan complies with all requirements of this act and is not on terms
1000 or conditions more favorable than those extended to other borrowers.

1001 (b) A District credit union may permit officers, directors, and members of its committees
1002 to act as co-makers, cosigners, or guarantors of loans to other members, subject to the
1003 requirements of subsection (a) of this section.

1004 **TITLE VIII. INVESTMENTS.**

1005 Sec. 801. Authorized investments.

1006 (a) A District credit union may invest in:

1007 (1) Securities, obligations, or other instruments issued by, or fully guaranteed as
1008 to principal and interest by, the United States or any agency or instrumentality thereof;

1009 (2) Trusts established for investing directly or collectively in the United States or
1010 any agency or instrumentality thereof;

1011 (3) Securities, obligations, or other instruments of the District, any state, the
1012 Commonwealth of Puerto Rico, and the several territories organized by Congress;

1013 (4) Securities, obligations, and other instruments that are backed by the full faith
1014 and credit of a political subdivision of a state or of a territory organized by Congress;

ENGROSSED ORIGINAL

1015 (5) Shares, deposits, share certificates, certificates of deposit, obligations, or other
1016 accounts of insured financial institutions organized under District or federal law;

1017 (6) Shares, deposits, or loans to insured District credit unions, federal credit
1018 unions, foreign credit unions, or corporate credit unions;

1019 (7) Deposits in, loans to, or shares of any Federal Reserve Bank or of any central
1020 liquidity facility established under District or federal law;

1021 (8) Shares, stocks, deposits in, loans to, or other obligations of any credit union
1022 service organization in a total amount not exceeding 10% of the District credit union's capital
1023 and deposits;

1024 (9) Shares of a cooperative society organized under the laws of the District,
1025 another state, or the United States in which the District credit union has some type of
1026 membership relationship in a total amount not to exceed 10% of the capital and deposits of the
1027 District credit union;

1028 (10) Stocks of corporations, not to exceed 5% of the credit union's capital and
1029 deposits;

1030 (11) Bonds or other obligations of corporations organized in the District, any
1031 state, the Commonwealth of Puerto Rico, or a territory organized by Congress; provided, that
1032 these investments are limited to bonds or other obligations rated among the 3 highest ratings
1033 established by one or more national rating service of corporate securities designated by the
1034 issuer;

ENGROSSED ORIGINAL

1035 (12) Participation loans with other District credit unions, federal credit unions,
1036 foreign credit unions, credit union-owned organizations, or other organizations existing primarily
1037 to serve credit unions or their members;

1038 (13) Fixed assets, subject to rules promulgated by the Commissioner;

1039 (14) Shares, obligations, and loans to a credit union trade association, or an
1040 organization owned by a credit union trade association organized under District law or the laws
1041 of the United States in a total amount not to exceed 10% of the capital and deposits of the
1042 District credit union;

1043 (15) Mortgages, securities, obligations, bonds, and stock of the Federal National
1044 Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National
1045 Mortgage Association, or other government sponsored enterprises as defined in section 3(8) of
1046 the Congressional Budget and Impoundment Control Act of 1974, approved July 12, 1974 (104
1047 Stat. 1388; 2 U.S.C. § 622(8));

1048 (16) Participations or obligations that have been subjected by one or more
1049 government agencies to a trust or trusts for which an executive department, agency, or
1050 instrumentality of the United States has been named to act as trustee;

1051 (17) Common trust or mutual funds whose investment portfolios consist of
1052 securities permitted for purchase by credit unions; and

1053 (18) A charitable donation account pursuant to a policy adopted by the board of
1054 directors.

ENGROSSED ORIGINAL

1055 (b)(1) In addition to the investments authorized in subsection (a) of this section, a District
1056 credit union may seek, by written application, the Commissioner's approval for:

1057 (A) An investment that is not authorized in subsection (a) of this section
1058 but is for purposes identified in this act; or

1059 (B) An investment of a type that is authorized by subsection (a) of this
1060 section but that exceeds the monetary threshold in subsection (a) of this section for that type of
1061 investment.

1062 (2) The Commissioner shall approve an application for a District credit union
1063 investment described in paragraph (1) of this subsection, if the Commissioner determines that:

1064 (A) The investment will benefit the members of the District credit union;
1065 and

1066 (B) The investment does not create any safety or soundness implications
1067 for the District credit union.

1068 (c) If the status or form of the District credit union's investment changes during the life of
1069 the investment, the District credit union may continue to hold and maintain the investment
1070 regardless of the change.

1071 (d) This section does not apply to funds invested in the District credit union's employee
1072 benefits plan. A District credit union investing to fund an employee benefits plan obligation shall
1073 not be subject to the investment limitations of this section if the investment is directly related to
1074 the District credit union's obligation under the employee benefit plan and the District credit

1075 union holds the investment only for so long as it has an actual or potential obligation under the
1076 plan.

1077 **TITLE IX. CHANGE IN CORPORATE STATUS**

1078 Sec. 901. Voluntary Liquidation.

1079 (a) A District credit union may, by a 2/3 vote of the board of directors and in the manner
1080 described in this section elect to voluntarily dissolve and liquidate its affairs.

1081 (b) The board shall notify the Commissioner of its vote to voluntarily dissolve and
1082 liquidate its affairs no later than 10 days after the vote. This notification shall be in writing and
1083 set forth the reasons for the proposed liquidation and a plan for liquidation, including any
1084 suspension of:

- 1085 (1) Payments on accounts;
- 1086 (2) Withdrawals of funds;
- 1087 (3) Transfers to loan accounts;
- 1088 (4) Investments;
- 1089 (5) New loans; or
- 1090 (6) Other similar financial transactions.

1091 (c) Upon documentation that the District credit union has complied with this section, the
1092 Commissioner shall certify that the District credit union has complied with this section and shall
1093 forward a copy of the certification to the District credit union.

1094 (d) The terms and conditions of a liquidation plan approved under this section shall go
1095 into effect immediately upon approval by the District credit union's members, pursuant to
1096 subsection (e) of this section.

1097 (e) Voluntary liquidation requires approval by a vote of 2/3 of the members present,
1098 either in person, by mail ballot, or by electronic means, at a regular meeting that specifically
1099 included the liquidation issue on the notice or by a special meeting called specifically to vote on
1100 the liquidation issue with a minimum of 25% of the total membership voting. When
1101 authorization for liquidation is to be obtained at a meeting of the members, notice in writing shall
1102 be given to each member, by first-class mail, at least 10 days, but not more than 30 days, prior to
1103 the meeting.

1104 (f) If liquidation is approved, the board of directors shall appoint a liquidating agent or
1105 committee for the purpose of conserving and collecting the assets, closing the affairs of the
1106 District credit union, and distributing the assets as required by this act.

1107 (g) A liquidating District credit union shall continue in existence for the purpose of
1108 discharging its debts, collecting on loans, distributing its assets, and doing all acts necessary to
1109 terminate operations. The liquidating District credit union may sue and be sued for the purpose
1110 of enforcing debts and obligations until the liquidating District credit union's affairs are fully
1111 concluded.

1112 (h) The liquidating agent or committee shall distribute the assets of the District credit
1113 union or the proceeds of any disposition of the assets in the sequence described in section
1114 1005(b).

1115 (i)(1) The liquidating agent shall execute a certificate of dissolution when the liquidating
1116 agent or committee determines that all assets from which there is a reasonable expectancy of
1117 recovery have been liquidated and distributed as set forth in this section. The certificate of
1118 dissolution shall be executed on a form prescribed by the Commissioner and filed, together with
1119 all pertinent books and records of the liquidating District credit union, with the Commissioner.

1120 (2) The liquidating agent or committee shall, within 3 years after issuance of a
1121 certificate of dissolution, discharge the debts of the District credit union, collect and distribute its
1122 assets, and do all other acts required to windup its business.

1123 (j)(1) The Commissioner may issue a cease and desist order against the liquidating agent
1124 or committee and appoint a new liquidating agent to complete the liquidation under the
1125 Commissioner's direction and control if the Commissioner determines that the liquidating agent
1126 or committee has failed to make reasonable progress toward liquidating the District credit
1127 union's affairs and distributing its assets, or has violated this act.

1128 (2) The Commissioner shall fill any vacancy caused by the resignation, death,
1129 illness, removal, desertion, or incapacity to function of the Commissioner's appointed liquidating
1130 agent.

1131 (k) Any funds that represent unclaimed dividends and shares in liquidation at the end of
1132 the liquidation shall remain in the hands of the board of directors, the liquidating agent, or
1133 committee, and shall be deposited by them, together with all the District credit union's books and
1134 papers, with the Commissioner. The Commissioner shall deposit the funds with the D.C.
1135 Treasurer.

1136 Sec. 902. Voluntary merger of credit unions.

1137 (a) A District credit union may, with the written approval of the Commissioner and
1138 subject to all applicable local and federal laws and regulations, merge with one or more other
1139 District credit unions, foreign credit unions, or federal credit unions. A District credit union
1140 merging with another District credit union may do so regardless of whether the credit unions
1141 serve the same field of membership.

1142 (b)(1) When a District credit union merges with one or more other District credit unions,
1143 the entities shall either designate one of them as the continuing credit union, or they shall
1144 structure a new credit union and designate it as the new credit union. All participating credit
1145 unions, other than the continuing or new credit union, shall be designated as merging credit
1146 unions.

1147 (2) When a District credit union merges with one or more foreign credit unions or
1148 federal credit unions, the District credit union shall be subject to all applicable local and federal
1149 laws and regulations governing the chartering jurisdiction.

1150 (c) In order to merge, participating credit unions shall prepare a merger plan. A merger
1151 plan which has been approved by a majority of the directors of all of the participating credit
1152 unions shall be submitted to the appropriate regulatory authorities for preliminary approval by
1153 the regulatory authority. If a merger plan includes the creation of a new credit union, all
1154 documents required by this act for the chartering of a new District credit union shall be submitted
1155 as part of the merger plan. Each participating credit union, except the continuing credit union,
1156 shall also submit in writing to the Commissioner:

1157 (1) The time and place of the meeting of the board of directors at which the
1158 merger plan was agreed upon;

1159 (2) The vote of directors in favor of the adoption of the merger plan; and

1160 (3) A copy of the resolution or other action by which the merger plan was agreed
1161 upon.

1162 (d)(1) Each merging District credit union shall conduct a membership vote on its
1163 participation in the plan at a special meeting called for that purpose, by mail ballot, or by
1164 electronic means. Members shall be provided written notice of the meeting, which shall state the
1165 purpose of the meeting, at least 10 days but not more than 30 days prior to the meeting.

1166 (2) If a majority of the voting members approve the merger plan, the District
1167 credit union shall submit a record of that fact to the Commissioner, indicating the vote by which
1168 the members approved the merger plan and copies of the notices provided to members, including
1169 copies of the membership meeting notice and mail or electronic ballot if the vote was conducted
1170 by mail or electronic means.

1171 (e) The Commissioner shall approve a merger plan after determining that the
1172 requirements of subsection (d) of this section have been met. If the merger plan includes the
1173 creation of a new District credit union, the new District credit union shall be approved pursuant
1174 to Title II of this act. The Commissioner shall notify all participating credit unions of the
1175 Commissioner's action on the merger plan.

1176 (f) Each merging credit union shall cease operations within 90 days of approval of a
1177 merger plan by the Commissioner. All property, property rights, and members' interests in each

1178 merging credit union shall vest in the continuing or new credit union, as applicable, without
1179 deed, endorsement, or other instrument of transfer. All debts, obligations, and liabilities of each
1180 merging credit union shall be deemed to have been assumed by the continuing or new credit
1181 union. The rights and privileges of the members of each merging credit union shall remain intact.
1182 If a person is a member of more than one of the participating credit unions that person shall be
1183 entitled to only one set of membership rights in the continuing or new credit union.

1184 (g) If the continuing or new credit union is chartered by another state or territory of the
1185 United States, it shall be subject to the requirements of section 210.

1186 Sec. 903. Credit union conversion.

1187 (a) A District credit union may be converted to a federal credit union or a foreign credit
1188 union, subject to rules issued by the Commissioner and applicable laws governing the
1189 prospective chartering jurisdiction.

1190 (b) A federal credit union or a foreign credit union may convert to a District credit union
1191 incorporated under this act if the converting federal or foreign credit union complies with all
1192 requirements of its current chartering jurisdiction and the requirements of the Commissioner and
1193 files proof of such compliance with the Commissioner.

1194 Sec. 904. Bank to credit union conversion.

1195 (a) A locally regulated or federally regulated bank may convert its charter to a District
1196 credit union charter under this act, subject to applicable local and federal laws and regulations
1197 governing the bank.

1198 (b) The Commissioner shall prescribe procedures by which a locally regulated or
1199 federally regulated bank may convert to a District credit union charter, and those procedures
1200 shall include the following:

1201 (1) The converting bank shall prepare and submit to the Commissioner a
1202 conversion plan that provides how the converting bank will:

1203 (A) Comply with the membership requirements under this act, including
1204 the possible divestiture of customers who do not meet membership limitations;

1205 (B) Convert its board to a voluntary, non-paid structure if the District
1206 credit union does not provide for the compensation of its directors;

1207 (C) Divest its board of stock options;

1208 (D) Divest its capital stock;

1209 (E) Phase out all impermissible investments; and

1210 (F) Comply with District credit union business loan limitations.

1211 (2) A converting bank shall perform a complete policy review to address appraisal
1212 restrictions, lending restrictions, investment restrictions, corporate structure restrictions, and
1213 power structure to ensure compliance with this act and the Commissioner's rules.

1214 (c) The conversion plan shall be adopted by not less than a majority of the board of
1215 directors of the converting bank.

1216 (d) Upon approval of a plan of conversion by the board of directors of a converting bank,
1217 the conversion plan and certified copy of the resolution of the board of directors approving the
1218 conversion plan shall be submitted to the Commissioner for approval.

1219 (e) The Commissioner may authorize a District credit union resulting from a charter
1220 conversion under this act to:

1221 (1) Windup any activities that the converting bank legally engaged in at the
1222 effective time of the charter conversion but that otherwise are not permitted for District credit
1223 unions; or

1224 (2) Retain, for a transitional period, any assets that the converting bank legally
1225 held at the effective time of the charter conversion that otherwise may not be held by District
1226 credit unions.

1227 (f) The terms and conditions for the windup of activities under subsection (e)(1) of this
1228 section, and the retention of assets under subsection (e)(2) of this section shall be at the
1229 Commissioner's discretion; except, that the transitional period during which activities under
1230 subsection (e)(1) of this section may be carried out or assets retained under subsection (e)(2) of
1231 this section shall not exceed 10 years after the effective date of the charter conversion.

1232 **TITLE X. SUPERVISION AND REGULATION OF CREDIT UNIONS.**

1233 Sec. 1001. Supervision and regulation of credit unions.

1234 The Commissioner shall be responsible for the supervision and regulation of District
1235 credit unions. The Commissioner is the District's credit union regulatory authority, whose
1236 purpose shall be to protect members' financial interests, the interests of the general public, and to
1237 ensure that District credit unions remain viable and competitive.

1238 Sec. 1002. Deposit of fees in the Securities and Banking Trust Fund.

ENGROSSED ORIGINAL

1239 (a) The Commissioner shall deposit into the Securities and Banking Trust Fund (“Fund”)
1240 all funds received from, or in connection to the regulation of, District credit unions and foreign
1241 credit unions authorized to operate in the District and from the federal government, to the extent
1242 consistent with federal law.

1243 (b) Money in the Fund shall be available for expenses incurred in the supervision,
1244 examination, and regulation of credit unions under this act.

1245 (c) The Commissioner shall establish fees and assessments related to the supervision and
1246 regulation of credit unions through rulemaking.

1247 Sec. 1003. Powers of Commissioner.

1248 (a) The Commissioner may prescribe rules to implement any provision of this act,
1249 including defining any term not defined in the act.

1250 (b) The Commissioner may restrict withdrawals from share or deposit accounts, or both,
1251 of any District credit union, if the Commissioner determines that circumstances exist making a
1252 restriction necessary for the proper protection of shareholders or depositors.

1253 (c) The Commissioner may issue a cease and desist order if the Commissioner has
1254 reasonable cause to believe that a District credit union or a foreign credit union operating in the
1255 District is engaged in, or is about to engage in, an unsafe or unsound practice or is violating, or
1256 has violated, a material provision of any law, rule, or condition imposed in writing by the
1257 Commissioner or written agreement made with the Commissioner.

1258 (d) The Commissioner may suspend from office, or prohibit from participation in the
1259 conduct of the affairs of a District credit union, a District credit union director, committee
1260 member, or officer, if the Commissioner determines that:

1261 (1) The District credit union director, committee member, or officer has:

1262 (A) Committed any violation of a law, regulation, or a cease and desist
1263 order;

1264 (B) Engaged or participated in any unsafe or unsound practice in
1265 connection with the credit union; or

1266 (C) Committed or engaged in any act, omission, or practice that
1267 constitutes a breach of that person's fiduciary duty as a director, officer, or committee member;
1268 and

1269 (2) The conduct described in paragraph (1) of this subsection has resulted in, or
1270 will result in, substantial financial loss or other damage that seriously prejudices the interests of
1271 the credit union's members.

1272 (e) The Commissioner may prohibit a foreign credit union director, committee member,
1273 or officer from participation in the operation of a foreign credit union in the District, if the
1274 Commissioner determines that:

1275 (1) The foreign credit union director, committee member, or officer has:

1276 (A) Committed any violation of a law, regulation, or a cease and desist
1277 order;

1278 (B) Engaged or participated in any unsafe or unsound practice in
1279 connection with the credit union; or

1280 (C) Committed or engaged in any act, omission, or practice that
1281 constitutes a breach of that person's fiduciary duty as a director, officer, or committee member;
1282 and

1283 (2) The conduct described in paragraph (1) of this subsection has resulted in, or
1284 will result in, substantial financial loss or other damage that seriously prejudices the interests of
1285 the credit union's members.

1286 (f) The Commissioner shall have the power to subpoena witnesses and compel their
1287 attendance, to require the production of evidence, to administer oaths, and to examine any person
1288 under oath in connection with any hearing conducted by the Commissioner.

1289 (g) The Commissioner may suspend the operations of a District credit union or foreign
1290 credit union operating in the District, appoint a conservator to take possession or control of the
1291 business and assets of a District credit union, and may involuntarily merge or involuntarily
1292 liquidate a District credit union, in accordance with this act.

1293 (h) The Commissioner may suspend the declaration of dividends and the payment of
1294 interest if the Commissioner has reasonable cause to believe that the District credit union or
1295 foreign credit union operating in the District is insolvent.

1296 (i) The Commissioner shall not hold liable under this act any District credit union,
1297 foreign credit union operating in the District, or other person for acts or omissions made in
1298 reliance on any rule, interpretation, or opinion issued by the Commissioner.

1299 (j) The Commissioner may exercise all rights, authorities, and duties set forth in this act.

1300 Sec. 1004. Involuntary merger of credit union.

1301 (a) Notwithstanding any other provision of law, if the Commissioner determines that an
1302 emergency requiring expeditious action exists with respect to a District credit union, other
1303 alternatives are not reasonably available, and the public interest, including the interests of the
1304 members of the District credit union, would best be served by taking the following action, the
1305 Commissioner may:

1306 (1) Initiate the involuntary merger of a District credit union that is insolvent or is
1307 in danger of insolvency with any other District credit union;

1308 (2) If authorized under, and to the extent consistent with, applicable federal or
1309 state law:

1310 (A) Initiate actions designed to result in the involuntary merger of a
1311 District credit union that is insolvent or is in danger of insolvency with any federal or foreign
1312 credit union; or

1313 (B) Authorize a District credit union, federal credit union or foreign credit
1314 union to purchase any of the assets of, or assume any of the liabilities of, a District credit union
1315 that is insolvent or in danger of insolvency; or

1316 (3) Authorize a financial institution whose deposits or accounts are insured to
1317 purchase any of the assets of, or to assume any of the liabilities of, a District credit union that is
1318 insolvent or in danger of insolvency; except, that before exercising this authority the
1319 Commissioner shall attempt to effect a merger with or purchase and assumption by another

1320 District credit union, federal credit union, or foreign credit union as provided in paragraphs (1)
1321 and (2) of this subsection.

1322 (b) For purposes of the authority contained in this section, insured share and deposit
1323 accounts of the District credit union undergoing involuntary merger may, upon consummation of
1324 the purchase and assumption, be converted to insured deposits or other comparable accounts in
1325 the acquiring institution.

1326 Sec. 1005. Involuntary liquidation.

1327 (a)(1) If the Commissioner determines that any District credit union is bankrupt or
1328 insolvent, the Commissioner may issue a notice of involuntary liquidation, revoke the District
1329 credit union's charter, and appoint a liquidating agent.

1330 (2) The District credit union may request the appropriate court to stay execution
1331 of the action authorized by this subsection.

1332 (b) In the event of liquidation, the assets of the District credit union or the proceeds from
1333 any disposition of assets shall be applied and distributed in the following priority:

1334 (1) Secured creditors up to the value of their collateral;

1335 (2) Costs and expenses of liquidation;

1336 (3) Wages due the employees of the District credit union;

1337 (4) Taxes owed to any government unit;

1338 (5) Debts, other than taxes, owed to the United States;

1339 (6) General creditors, and secured creditors to the extent their claims exceed the
1340 value of their collateral;

ENGROSSED ORIGINAL

1341 (7) Costs and expenses incurred by creditors in successfully opposing the release
1342 of the District credit union from certain debts as allowed by the Commissioner;

1343 (8) Shareholders or depositors, to the extent of uninsured share or deposit
1344 accounts; and

1345 (9) Members, to the extent of membership shares.

1346 Sec. 1006. Conservatorship.

1347 (a) If the Commissioner determines that a District credit union is engaging in a materially
1348 unsafe or unsound practice, the Commissioner may, at the Commissioner's sole discretion and
1349 without advance notice:

1350 (1) Appoint an insuring organization or any other person as conservator, that shall
1351 immediately take possession and control of the business and assets of the District credit union,
1352 represent the best interests of the District credit union members, and be vested with the full
1353 power of management of the District credit union.

1354 (2) Petition the Superior Court of the District of Columbia to appoint a receiver
1355 for the District credit union, in accordance with section 219 of the 21st Century Financial
1356 Modernization Act of 2000, effective June 9, 2001 (D.C. Law 13-308; D.C. Official Code § 26-
1357 1401.19).

1358 (3) For the purposes of this section, the term "materially unsafe and unsound
1359 practice" means a practice where:

1360 (A)(i) Immediate action is necessary to conserve the assets of a District
1361 credit union or to protect the interests of the members of the District credit union; or

1362 (ii) A District credit union, by resolution of its board of directors,
1363 has consented to the Commissioner's action; and

1364 (B)(i) The Commissioner receives written notification from the
1365 appropriate authority that a director or an officer of the District credit union has been convicted
1366 of a criminal offense under 18 U.S.C. § 1956 or 1957;

1367 (ii) There is a willful violation by a District credit union or a
1368 director or officer of the District credit union of a cease and desist order issued by the
1369 Commissioner; or

1370 (iii) A District credit union or a director or officer of the District
1371 credit union has engaged in the concealment of books, papers, records, or assets of the District
1372 credit union, or has refused to submit books, papers, records, or other sources of information
1373 relating to the affairs of the District credit union for inspection to any examiner or lawful agent
1374 of the Commissioner.

1375 (b) A District credit union may apply to the appropriate court for an order requiring the
1376 Commissioner to show cause why the Commissioner or the conservator designee should not be
1377 enjoined from continuing possession and control not later than 15 days after the date on which
1378 the conservator takes possession and control of the business and assets of a District credit union
1379 pursuant to subsection (a) of this section.

1380 (c) Except as provided in subsection (b) of this section, the conservator may maintain
1381 possession and control of the business and assets of the District credit union and may operate the
1382 District credit union until:

1383 (1) The Commissioner permits the District credit union's officials to continue
1384 business, subject to terms and conditions the Commissioner imposes; or

1385 (2) The District credit union is involuntarily merged or involuntarily liquidated in
1386 accordance with section 1005.

1387 (d) The Commissioner may appoint any person that the Commissioner considers
1388 necessary to assist the conservator in carrying out the duties of the conservator under this section.

1389 (e) A conservator or receiver may terminate or adopt any executory contract to which the
1390 credit union may be a party, including leases of real or personal property, within 6 months after
1391 obtaining knowledge of the existence of the contract or lease. Any provision in the contract or
1392 lease that provides for damages, other than actual direct compensatory damages determined as of
1393 the date of appointment of the conservator or receiver, shall not be binding on the conservator,
1394 receiver, or District credit union.

1395 (f) All expenses incurred by a conservator in exercising the authority of that office under
1396 this section with respect to any District credit union shall be paid out of the assets of the District
1397 credit union; except, that the Commissioner may waive all or a part of these expenses.

1398 Sec. 1007. Examinations.

1399 (a) The Commissioner shall examine or cause to be examined each District credit union
1400 on a regular basis. A District credit union and any of its officers and agents shall give full access
1401 to all books, papers, securities, records, and other sources of information (collectively "sources
1402 of information") under their control to the Commissioner or the Commissioner's agents, unless
1403 the disclosure of these sources of information is prohibited by law.

1404 (b) A report of the examination conducted pursuant to subsection (a) of this section
1405 (“examination report”) shall be forwarded by the Commissioner or the Commissioner’s designee
1406 to the District credit union’s chair of the board within 30 days after completion. The examination
1407 report shall contain comments relative to the management of the affairs of the District credit
1408 union and the general condition of District credit union’s assets. The directors of the District
1409 credit union shall meet to consider and respond to matters contained in the examination report
1410 within 30 days of receipt of the report.

1411 (c) All information contained in or related to the examination report prepared by, or on
1412 behalf of, the Commissioner shall be deemed the confidential property of the Department. Any
1413 officer, employee, or agent of the Department or the District credit union who disseminates the
1414 contents of an examination report for any reason other than the business of the Department or the
1415 District credit union. Violation of this subsection constitutes a misdemeanor and upon conviction
1416 thereof the misdemeanant shall be fined not more than \$ 1,000 for each violation. The contents
1417 of the examination report shall not be subject to subpoena.

1418 (d) The Commissioner may accept an examination of the credit union made by the
1419 NCUA in lieu of making an examination of a District credit union. The cost of any examination
1420 under this subsection shall be borne by the District credit union; except, that the costs of any
1421 regular or special examination shall not be assessed more than once annually.

1422 (e) The Commissioner shall adopt rules that ensure consistency and due process in the
1423 examination process. The Commissioner may also establish guidelines and provide formal
1424 guidance, interpretive letters, or other written materials that:

1425 (1) Define the scope of the examination process; and

1426 (2) Clarify examination items to be resolved.

1427 Sec. 1008. Records.

1428 (a) A District credit union shall maintain all books, records, accounting systems, and
1429 procedures that accurately reflect its operations and which enable the Commissioner to readily
1430 ascertain the true financial condition of the District credit union and whether it is complying with
1431 this act. These books, records, accounting systems, and procedures shall be maintained at the
1432 District credit union's principal place of business in accordance with the District credit union's
1433 record retention policy.

1434 (b) The Commissioner shall prescribe the minimum retention requirements for District
1435 credit union records by rule.

1436 Sec. 1009. Records of the Department.

1437 (a) Information from the records of the Department related to District credit unions shall
1438 only be disclosed as required by law.

1439 (b) A copy of any document on file with the Department that is certified by the
1440 Commissioner as being a true copy may be introduced as evidence in any court in the District as
1441 if it were the original.

1442 (c) The following documents are confidential and privileged and not subject to public
1443 disclosure:

1444 (1) Examination reports, as defined in section 1007, and related information from
1445 insurers or other regulators;

1446 (2) Business plans and other proprietary information of a District credit union,
1447 and its subsidiaries or affiliates;

1448 (3) Reports of investigations; and

1449 (4) Notices related to enforcement actions and consent orders.

1450 (d) Examination reports furnished by the Commissioner remain the property of the
1451 Department, and no person to whom an examination report is furnished or any officer, director,
1452 or employee thereof may disclose or make public the examination report or information
1453 contained in the examination report except information that is already in the public domain.

1454 Violation of this subsection constitutes a misdemeanor punishable by a fine of not more than
1455 \$1,000 for each violation, by imprisonment for not more than one year, or both.

1456 (e) Upon notice to the Commission, a party in a civil action in which an examination
1457 report or information discussed in this section are sought to be discovered or used as evidence
1458 may petition the court for an in-camera review of the examination report or information. The
1459 court may permit discovery and introduction of only those portions of the examination report or
1460 information that are relevant and otherwise unobtainable by the requesting party.

1461 Sec. 1010. Conflicts of interest.

1462 (a) In addition to any general conflict of interest statute applicable to District employees,
1463 no employee of the Department shall be an officer, director, committee member, employee, or
1464 attorney for any credit union, or receive, directly or indirectly, any payment or gratuity from any
1465 credit union, or be indebted to any credit union, or engage in the negotiation of loans for others
1466 with any credit union.

1467 (b) An employee of the Department may be a member of a credit union on the same
1468 terms as are available to other credit union members and may do business at another financial
1469 institution on the same terms as other customers.

1470 **TITLE XI. TAX EXEMPTION; COMPLIANCE REVIEW.**

1471 Sec. 1101. Tax exemption.

1472 (a) Credit unions organized under District law, their property, their franchises, capital,
1473 reserves, surpluses, and other funds, and their income shall be exempt from all taxation imposed
1474 by the by the District; except, that real property and tangible personal property of the District
1475 credit union shall be subject to District taxation to the same extent as other similar property is
1476 taxed.

1477 (b) The participation by a District credit union in any government program providing
1478 unemployment, social security, old age pension, or other benefits shall not be deemed a waiver
1479 of the taxation exemption granted under this section.

1480 Sec. 1102. Compliance review documents.

1481 (a) Compliance review documents are privileged and confidential and are
1482 nondiscoverable and nonadmissible in a civil action, except that a District credit union may
1483 provide access to compliance review documents to an affiliate, regulatory agency, or share
1484 insurer. The delivery of compliance review documents to an affiliate, regulatory agency, or
1485 share insurer shall not constitute a waiver of the privilege granted in this section.

1486 (b) This section shall not be construed to limit the discovery or admissibility in any civil
1487 action of any documents other than compliance review documents.

1488 (c) For the purposes of this section, the term “compliance review documents” includes
1489 documents used to evaluate and seek to improve the District credit union’s loan policies or
1490 underwriting standards, asset quality, financial reporting to a government unit, or to comply with
1491 federal or state statutory or regulatory requirements.

1492 **TITLE XII. GENERAL PROVISIONS.**

1493 Sec. 1201. Fiscal impact statement.

1494 The Council adopts the fiscal impact statement in the committee report as the fiscal
1495 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
1496 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

1497 Sec. 1202. Effective date.

1498 This act shall take effect following approval by the Mayor (or in the event of veto by the
1499 Mayor, action by the Council to override the veto), and a 30-day period of Congressional review
1500 as provided in section 602 (c)(1) of the District of Columbia Home Rule Act, approved
1501 December 24, 1973 (87 Stat. 813; D.C. Code § 1-206(c)(1)), and publication in the District of
1502 Columbia Register.