

AN ACT

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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 2020”.

**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.

(4) “Commissioner” means the Commissioner of the Department of Insurance, Securities and Banking.

(5) “Corporate credit union” means a credit union whose field of membership consists primarily of other credit unions.

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

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

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

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

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

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

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

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

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

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

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

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

- (i) The circumstances leading to the deficient share to asset ratio no longer exist;
- (ii) The likelihood of further depreciation of the share to asset ratio is not probable;
- (iii) The return of the share to asset ratio to normal limits within a reasonable time for the credit union concerned is probable; and
- (iv) The probability of a further potential loss to the insurance fund is negligible.

(B) For the purposes of this paragraph, the term:

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

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

(18) "Insuring organization" means an organization that provides aid and financial assistance to credit unions that are in the process of liquidation or are incurring financial

difficulty by protecting share and deposit accounts in the credit unions against loss, either without limit or up to a specified level for each account.

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

(20) "Low-income area" means:

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

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

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

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

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

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

(G) Other area approved by the Commissioner.

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

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

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

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

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

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

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

**ENROLLED ORIGINAL**

(28) "Participation loan" means a loan made by multiple lenders to a member.

(29) "Person" means any natural person or organization.

(30) "Predominantly" means more than one half.

(31) "Service facility" means the place of business of a credit union where the credit union may transact business authorized by the credit union's board.

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

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

**TITLE II. CREDIT UNION ORGANIZATION.**

Sec. 201. District credit union charter application procedures.

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

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

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

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

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

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

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

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

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

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

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

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

**ENROLLED ORIGINAL**

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

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

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

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

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

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

**Sec. 202. Certificate of charter.**

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

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

(2) The Commissioner shall accept public comment on the application prior to deciding whether to grant final approval of the application, according to procedures established by the Commissioner by rule. Public comments shall be accepted for 30 days from the date of publication of notice of the application by the Commissioner pursuant to paragraph (1) of this subsection. Any result from the public comment period held under this section may not extend the approval or disapproval time frame as required in paragraph (3) of this subsection.

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

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

**ENROLLED ORIGINAL**

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

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

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

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

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

(D) The District credit union has obtained share insurance.

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

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

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

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

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

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

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

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

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

(a) The bylaws shall include the following provisions:

(1) The name of the District credit union;

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

**ENROLLED ORIGINAL**

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

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

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

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

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

(8) The powers and duties of board officers;

(9) The timing of the annual membership meeting;

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

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

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

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

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

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

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

**Sec. 204. Amendment of charter and bylaws.**

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

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

(c)(1) Amendments to the charter and any other amendments prescribed by the Commissioner by rule shall be submitted to the Commissioner. The Commissioner shall have the power to disapprove the proposed amendments within 30 days of submission. The amendment shall be deemed approved if the Commissioner does not disapprove the proposed amendment within 60 days after receiving it.

(2) If the Commissioner disapproves the proposed amendment, the District credit union may appeal the decision to the District of Columbia Court of Appeals in accordance with

**ENROLLED ORIGINAL**

section 110 of the District of Columbia Administrative Procedure Act, effective October 21, 1968 (82 Stat. 1209; D.C. Official Code § 2-510).

**Sec. 205. Name of District credit union.**

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

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

- (1) Use a name or title containing the phrase "credit union" or any derivation thereof;
- (2) Represent itself as a credit union; or
- (3) Conduct business as a credit union.

**Sec. 206. Service facilities.**

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

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

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

**Sec. 207. Fiscal year.**

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

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

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

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

(2) The Commissioner may grant extensions of time to obtain a new insurance commitment upon satisfactory evidence that the District credit union is not operating in an unsafe or unsound manner and that the District credit union has made, or is making, a substantial

effort to obtain a new insurance commitment, including substantial effort to achieve conditions necessary to obtain such a commitment.

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

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

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

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

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

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

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

(b)(1) If the laws or regulations governing credit unions in a non-District jurisdiction permit a District credit union operating in that jurisdiction to exercise additional powers not expressly permitted under this act, a District credit union conducting business in that non-District jurisdiction may request permission from the Commissioner to exercise those additional powers in the District. The Commissioner shall approve the exercise of additional power unless there are demonstrable safety and soundness implications.

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

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

**Sec. 210. Foreign credit unions.**

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

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

**ENROLLED ORIGINAL**

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

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

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

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

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

(2) Is not financially solvent;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f)(1) A foreign credit union from a jurisdiction that allows credit unions to exercise additional powers not allowed in the District may request permission from the Commissioner to

exercise those additional powers in the District. The Commissioner may approve the exercise of those additional powers in the District if there are no demonstrable safety and soundness implications and the exercise of the additional power by the foreign credit union is in the best interest of the District.

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

**TITLE III. CREDIT UNION POWERS.**

**Sec. 301. General Powers.**

A District credit union may:

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

(2) Sue and be sued;

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

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

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

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

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

(8) Engage in activities and programs as requested by a government unit;

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

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

(11) Require the payment of an entrance fee, annual membership fee, or both, of any person admitted to membership pursuant to the District credit union's bylaws;

(12) Receive deposits from its members in the form of shares and deposits and honor requests for withdrawals or transfers of all or any part of share and deposit accounts in any manner approved by the board of directors;

(13) Lend funds to its members;

(14) Discount and sell any obligations owed to the District credit union;

(15) Invest surplus funds as provided in this act;

(16) Invest in shares of other credit unions and make deposits in other financial institutions and trust companies;

**ENROLLED ORIGINAL**

- (17) Invest in credit union service organizations;
- (18) Issue certificates of indebtedness to members that are subordinated to all other claimants on the District credit union;
- (19) Assess fees and charges to members;
- (20) Declare dividends on shares, interest on deposit accounts, and pay interest refunds to borrowers;
- (21) Receive savings from non-members in the form of shares, if the District credit union serves predominantly low-income members;
- (22) Receive deposits from, or lend funds to, other District credit unions, federal credit unions, or foreign credit unions;
- (23) Sell insurance products, subject to applicable insurance laws;
- (24) Purchase and maintain insurance:
  - (A) On behalf of:
    - (i) A current or former director, officer, employee, or agent of the District credit union; or
    - (ii) A person who is or was serving at the request of the District credit union as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise; or
  - (B) To protect against any liability asserted against a person identified in subparagraph (A) of this paragraph in any capacity arising out of that person's status related to the District credit union, regardless of the District credit union's power to indemnify that person against liability.
- (25) Offer services permitted for state-chartered banks and national banks, savings and loans, mutual savings banks, and their subsidiaries and affiliates, including electronic fund transfers, safe deposit boxes, trust services, the issuance of negotiable instruments, and leasing and correspondent arrangements with other financial institutions;
- (26) Receive payments on share, share draft, and share certificate accounts;
- (27) Enter into lease agreements, lease contracts, and lease-purchase agreements with members;
- (28) Indemnify or limit the personal liability of officials in accordance with the District credit union's articles of incorporation and bylaws;
- (29) Act as agent for any electric, electric distribution, gas, water, telephone, or other utility company operating within the District in receiving money due for utility services furnished by it;
- (30) Exercise the powers granted to corporations and nonprofit corporations; except, that, in the event of a conflict between laws governing corporations and nonprofit corporations and this act, the provisions of this act shall govern;
- (31) Offer debt cancellation and debt suspension contracts;
- (32) Receive supplemental capital from members and non-members; and
- (33) Exercise other powers that will not impair the safe and sound operation of the District credit union and that are approved by the Commissioner by rule.

Sec. 302. Incidental powers.

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

Sec. 303. Parity.

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

**TITLE IV. CREDIT UNION MEMBERSHIP.**

Sec. 401. Membership.

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

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

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

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

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

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

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

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

Sec. 403. Service to low-income consumers.

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

**ENROLLED ORIGINAL**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 404. School service facilities.

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

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

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

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

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

Sec. 405. Retention of membership.

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

Sec. 406. Liability of members.

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

Sec. 407. Termination of membership.

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

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

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

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

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

(e) A person who has been expelled as provided by this act may not be readmitted to membership except upon approval by a majority vote of the board after application and proof that the expelled person remains within the District credit union's field of membership, has adequately explained, addressed, or remedied the conditions leading to expulsion, and will abide by the terms and conditions of membership. Only one application for readmission may be submitted within a 12-month calendar period.

Sec. 408. Suspension of services.

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

Sec. 409. Meetings of members.

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

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

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

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

Sec. 410. Special membership meetings.

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

**TITLE V. CREDIT UNION GOVERNANCE.**

Sec. 501. Authority and duty of a board of directors.

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

(1) The board of directors shall:

- (A) Set the par value of shares, if any, of the District credit union;
- (B) Set the minimum number of shares, if any, required for membership;
- (C) Designate those persons or positions authorized to execute or certify documents or records on behalf of the District credit union;
- (D) Authorize the purchase of adequate fidelity and insurance coverage for officers, directors, committee members, and employees, and for losses caused by persons outside the District credit union for which the District credit union may be liable;
- (E) Authorize the employment and compensation of the chief executive officer;
- (F) Approve an annual operating budget for the District credit union;
- (G) Authorize the conveyance or lease of real property;

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(H) Review and approve the annual audit;  
(I) Appoint any committees the board considers necessary;  
(J) Establish conditions under which a member may be removed for cause, as defined in section 407; and  
(K) Perform any other duties, or authorize any other actions, that are not inconsistent with this act or the District credit union's bylaws.

(2) The board of directors shall:

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

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

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

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

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

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

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

**Sec. 502. Election of a board of directors.**

(a)(1) A board of directors shall:

(A) Consist of an odd number of directors;

(B) Be at least 5 in number; and

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

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

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

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

**Sec. 503. Appointment of committees.**

(a) The board of directors shall appoint an audit committee of no fewer than 3 members of the District credit union, who may, but need not be, members of the board of directors. The board shall appoint the audit committee at an organizational meeting held within 30 days of each annual election of directors for the terms provided in the bylaws.

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

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

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

**Sec. 504. Vacancies.**

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

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

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

**Sec. 505. Compensation of officials.**

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

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

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

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

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

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

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

(b) For the purposes of this section, the term "willful or wanton conduct" means a course of action that shows an actual or deliberate intention to cause harm or violate a statute, or, if not

intentional, shows an utter indifference to, or conscious disregard for, the safety of others or their property.

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

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

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

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

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

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

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

#### Sec. 507. Conflicts of interest.

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

#### Sec. 508. Officers.

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

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

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

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

Sec. 509. Meetings of directors.

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

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

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

Sec. 510. Audits.

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

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

Sec. 511. Suspension and removal powers.

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

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

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

**TITLE VI. MEMBER ACCOUNTS.**

Sec. 601. Shares and membership shares.

- (a) Shares and membership shares shall be subscribed to and paid for in the manner prescribed in the bylaws.
- (b) The par value of shares and membership shares shall be as prescribed in the bylaws.
- (c) Membership shares may not be pledged as security on any loan.
- (d) A District credit union may limit the number of shares that may be owned by a single member.
- (e) Shares may be subscribed to, paid for, and transferred in the manner prescribed in the bylaws.
- (f) The board of directors may establish different classes of share accounts, classified in relation to different rights, restrictions, and dividend rates.
- (g) Notwithstanding any other provision of law, funds deposited in a share account, share certificate, or any other program offered by the District credit union for the purpose of promoting consumer savings shall not constitute consideration or a thing of value for the purposes of a promotional contest or raffle under District law.

Sec. 602. Dividends.

- (a) The board of directors may, after making provisions for required reserves, declare dividends to be paid on share accounts and membership shares, if any, from the net earnings or undivided earnings, as provided in the bylaws. The board may authorize the intervals and periods for dividend payments.
- (b) Dividends may be paid at various rates with due regard to the conditions that pertain to each type of account, such as minimum balance, notice, and time requirements.
- (c) Dividends need not be paid on membership shares, but if a dividend is paid, it may be added to the membership share held by each member.
- (d) Dividends shall not be declared or paid at a time when the District credit union is insolvent, its net assets are less than its stated capital, or when the payment thereof would render the District credit union insolvent or reduce its net assets below its stated capital.

Sec. 603. Deposit Accounts.

- (a) A District credit union may accept deposit accounts from its members, other District credit unions, federal credit unions, foreign credit unions, and government units, subject to the terms, rates, and conditions established by the board of directors and applicable local and federal laws and regulations.
- (b) Interest may be paid on deposit accounts at various rates with due regard to the conditions that pertain to each type of account, such as minimum balance, notice, and time requirements.
- (c) A District credit union may engage in savings or account programs established by federal, state, or local governments.

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

**Sec. 604. Withdrawals.**

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

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

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

**Sec. 605. Accounts for minors.**

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

**Sec. 606. Joint accounts.**

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

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

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

**Sec. 607. Payable on death accounts.**

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

Sec. 608. Trust accounts.

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

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

Sec. 609. Trust services.

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

Sec. 610. Liens.

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

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

Sec. 611. Reduction in membership shares.

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

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

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

Sec. 612. Share and deposit insurance.

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

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

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

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

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

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

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

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

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

Sec. 613. Authority to withhold payment.

(a) Nothing contained in this act shall be deemed to require a District credit union to make any payment from an account to a depositor, shareholder, trust, or payable-on-death account beneficiary, or any other person claiming an interest in any funds in an account, if the District credit union has actual knowledge of the existence of a dispute between the depositors, shareholders, beneficiaries, or other persons concerning their respective rights of ownership to the funds contained in, proposed to be withdrawn from, previously withdrawn from, the account,

or if the District credit union is otherwise uncertain as to who is entitled to the funds pursuant to the account agreement.

(b) The District credit union may, without liability, notify in writing, all depositors, shareholders, beneficiaries, or other persons claiming an interest in the account of the District credit union's uncertainty as to who is entitled to the funds or of the existence of a dispute and may, without liability, refuse to disburse any funds contained in the account to any depositor, shareholder, trust, payable on death account beneficiary of the account, or other persons claiming an interest in the account until:

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

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

## **TITLE VII. LOANS.**

### **Sec. 701. Purpose and conditions of loans.**

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

### **Sec. 702. Interest rate.**

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

### **Sec. 703. Other loan-related charges.**

(a) Notwithstanding the provisions of any other law in connection with extensions of credit, a District credit union may elect to contract for and receive fees and other charges for extensions of credit in connection with making, closing, disbursing, extending, collecting, renewing, or enforcing a debt in the event of a member's delinquency or breach of any obligation under the District credit union's loan contract, subject only to the provisions of this act and rules promulgated pursuant to this act.

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

### **Sec. 704. Loan limit.**

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

**Sec. 705. Lines of credit.**

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

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

**Sec. 706. Participation loans.**

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

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

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

**Sec. 707. Other loan programs.**

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

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

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

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

**Sec 708. Loans to officials.**

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

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

**TITLE VIII. INVESTMENTS.**

Sec. 801. Authorized investments.

(a) A District credit union may invest in:

- (1) Securities, obligations, or other instruments issued by, or fully guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof;
- (2) Trusts established for investing directly or collectively in the United States or any agency or instrumentality thereof;
- (3) Securities, obligations, or other instruments of the District, any state, the Commonwealth of Puerto Rico, and the several territories organized by Congress;
- (4) Securities, obligations, and other instruments that are backed by the full faith and credit of a political subdivision of a state or of a territory organized by Congress;
- (5) Shares, deposits, share certificates, certificates of deposit, obligations, or other accounts of insured financial institutions organized under District or federal law;
- (6) Shares, deposits, or loans to insured District credit unions, federal credit unions, foreign credit unions, or corporate credit unions;
- (7) Deposits in, loans to, or shares of any Federal Reserve Bank or of any central liquidity facility established under District or federal law;
- (8) Shares, stocks, deposits in, loans to, or other obligations of any credit union service organization in a total amount not exceeding 10% of the District credit union's capital and deposits;
- (9) Shares of a cooperative society organized under the laws of the District, another state, or the United States in which the District credit union has some type of membership relationship in a total amount not to exceed 10% of the capital and deposits of the District credit union;
- (10) Stocks of corporations, not to exceed 5% of the credit union's capital and deposits;
- (11) Bonds or other obligations of corporations organized in the District, any state, the Commonwealth of Puerto Rico, or a territory organized by Congress; provided, that these investments are limited to bonds or other obligations rated among the 3 highest ratings established by one or more national rating service of corporate securities designated by the issuer;
- (12) Participation loans with other District credit unions, federal credit unions, foreign credit unions, credit union-owned organizations, or other organizations existing primarily to serve credit unions or their members;
- (13) Fixed assets, subject to rules promulgated by the Commissioner;
- (14) Shares, obligations, and loans to a credit union trade association, or an organization owned by a credit union trade association organized under District law or the laws

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of the United States in a total amount not to exceed 10% of the capital and deposits of the District credit union;

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

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

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

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

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

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

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

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

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

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

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

(d) This section does not apply to funds invested in the District credit union's employee benefits plan. A District credit union investing to fund an employee benefits plan obligation shall not be subject to the investment limitations of this section if the investment is directly related to the District credit union's obligation under the employee benefit plan and the District credit union holds the investment only for so long as it has an actual or potential obligation under the plan.

**TITLE IX. CHANGE IN CORPORATE STATUS**

**Sec. 901. Voluntary Liquidation.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Sec. 902. Voluntary merger of credit unions.**

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

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

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

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

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

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

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

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

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

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

(f) Each merging credit union shall cease operations within 90 days of approval of a merger plan by the Commissioner. All property, property rights, and members' interests in each merging credit union shall vest in the continuing or new credit union, as applicable, without deed, endorsement, or other instrument of transfer. All debts, obligations, and liabilities of each merging credit union shall be deemed to have been assumed by the continuing or new credit union. The rights and privileges of the members of each merging credit union shall remain intact. If a person is a member of more than one of the participating credit unions that person shall be entitled to only one set of membership rights in the continuing or new credit union.

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

**Sec. 903. Credit union conversion.**

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

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

**Sec. 904. Bank to credit union conversion.**

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

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

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

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

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

(C) Divest its board of stock options;

(D) Divest its capital stock;

(E) Phase out all impermissible investments; and

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

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

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

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

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

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

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

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

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

Sec. 1001. Supervision and regulation of credit unions.

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

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

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

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

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

Sec. 1003. Powers of Commissioner.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Sec. 1004. Involuntary merger of credit union.

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

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

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

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

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

(3) Authorize a financial institution whose deposits or accounts are insured to purchase any of the assets of, or to assume any of the liabilities of, a District credit union that is

insolvent or in danger of insolvency; except, that before exercising this authority, the Commissioner shall attempt to effect a merger with, or purchase and assumption, by another District credit union, federal credit union, or foreign credit union as provided in paragraphs (1) and (2) of this subsection.

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

Sec. 1005. Involuntary liquidation.

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

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

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

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

Sec. 1006. Conservatorship.

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

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

(2) Petition the Superior Court of the District of Columbia to appoint a receiver for the District credit union, in accordance with section 219 of the 21st Century Financial

Modernization Act of 2000, effective June 9, 2001 (D.C. Law 13-308; D.C. Official Code § 26-1401.19).

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 1007. Examinations.

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

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

(c) All information contained in or related to the examination report prepared by, or on behalf of, the Commissioner shall be deemed the confidential property of the Department. No officer, employee, or agent of the Department or the District credit union may disseminate the contents of an examination report for any reason other than the business of the Department or the District credit union. Violation of this subsection constitutes a misdemeanor and upon conviction thereof the misdemeanant shall be fined not more than \$ 1,000 for each violation. The contents of the examination report shall not be subject to subpoena.

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

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

- (1) Define the scope of the examination process; and
- (2) Clarify examination items to be resolved.

Sec. 1008. Records.

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

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

**Sec. 1009. Records of the Department.**

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

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

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

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

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

(3) Reports of investigations; and

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

(d) Examination reports furnished by the Commissioner remain the property of the Department. No person to whom an examination report is furnished, or any officer, director, or employee thereof may disclose or make public the examination report or information contained in the examination report except information that is already in the public domain. Violation of this subsection constitutes a misdemeanor punishable by a fine of not more than \$1,000 for each violation, by imprisonment for not more than one year, or both.

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

**Sec. 1010. Conflicts of interest.**

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

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

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

Sec. 1101. Tax exemption.

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

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

Sec. 1102. Compliance review documents.

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

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

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

**TITLE XII. GENERAL PROVISIONS.**

Sec. 1201. Fiscal impact statement.

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

Sec. 1202. Effective date.

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

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

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Chairman  
Council of the District of Columbia

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Mayor  
District of Columbia