August 1, 2016

GENERAL LETTER CU 4-16
UPDATES TO CHAPTER 186 & RULES

TO ALL CREDIT UNIONS:

On March 30, 2016, Governor Walker signed into law, legislation that streamlines, clarifies and makes more transparent the laws and regulations affecting Wisconsin state-chartered credit unions. Wisconsin Act 304 took effect on April 1, 2016. The Wisconsin Credit Union League prepared the attached document that lists the changes to Wisconsin Statute Chapter 186 and two Administrative Rules. The Office of Credit Unions (OCU) has these additional comments:

- See General Letter CU 2-16, Fixed Asset Limit Removed, for additional information regarding the removal of the fixed asset limit.

- See General Letter CU 5-16, Sharing Examination Report, for additional information regarding the sharing of examination reports (Chapter 186.235 (7) (b) (3)).

- Wisconsin Administrative Code, DFI-CU 63.03 was changed and now allows a credit union to provide a written notice (instead of obtaining approval) before placing and operating an automated teller machine (ATM) at a location away from a credit union office. Notification can be via letter or email correspondence to the OCU. The notice should include a description of the location and the address of the ATM. Please note that credit unions may not commence the activity until written notice of a placement or change of placement of an ATM is provided.

- The Oath of Office form was updated (http://www.wdfi.org/fin/cu/applications.htm)

- The Wisconsin Credit Union League is forming a study group to look at the Model Bylaws. The Model Bylaws will be updated to reflect the recent changes to statutes and rules and additional changes that the study group proposes. It is anticipated that revised Model Bylaws will be completed later this year or early in 2017. At that time, all credit unions will be notified by OCU regarding the process to update the Bylaws for their credit union.
Questions regarding this letter should be directed to the Office of Credit Unions at (608) 261-9543.

Sincerely,

Kim Santos
Director
OFFICE OF CREDIT UNIONS

Enclosure
To: Brett A. Thompson
From: Sarah Wainscott, John Engel
Re: Act 304 modernizes Ch. 186 for state credit unions
Date: April 19, 2016

On March 30, 2016 Governor Walker signed into law legislation that streamlines, clarifies and makes more transparent the laws and regulations affecting 150 state-chartered credit unions.

Wisconsin Act 304 updates portions of the state statute relating to Wisconsin’s state-chartered credit unions, Chapter 186, and related provisions of the administrative code. It is the result of collaborative efforts by a study group of credit union presidents, The League’s Government Affairs Committee, The League, and other stakeholders including the Office of Credit Unions (OCU).

The Act took effect April 1, 2016. Various ii Releases are being updated at this time to incorporate the changes to the law.

Act 304 makes the following changes to Wis. Stats. Ch. 186:

1. Creates an exception that allows the OCU to accept an examination conducted within a reasonable period by the NCUA in lieu of an OCU examination. §186.235(16).

2. Authorizes credit unions and the OCU to provide confidential examination reports to the credit union’s attorneys, independent certified public accountants, or other consultants or advisers who have agreed in writing to maintain the confidentiality of the reports. §186.235(7m).

3. Removes the 1.0 percent of reserves annual limit on the amount that a credit union may make in donations and grants. Any such donation or grant must meet the approval of the board of directors, based on a determination that the donation or grant is in the best interest of the credit union and is reasonable given the credit union’s size and financial condition. §186.113(8).

4. Repeals the provision imposing a 5% of assets or 100% of irrevocable reserves limit on the value of fixed assets used for credit union operations. §186.11(2).

5. Provides that a member expelled from a credit union may petition the board of directors in writing for reconsideration of the member’s expulsion, but does not have a right to a hearing. §186.13.

6. Defines “net worth” as the aggregate of retained earnings of the credit union as determined by GAAP and other forms of capital as approved by OCU. The intent is to follow federal law and tie any future statutory limitations to the definition of net worth (and not reserves). §186.01(4).

7. Specifies that a credit union must maintain sufficient reserves to meet anticipated withdrawals, commitments, and loan demand and must maintain at least the level of reserves required by the National Credit Union Administration (NCUA). The QCU may
prescribe additional reserve requirements for an individual credit union based on examination findings or other reports available to the office. §186.17.

8. Creates a new provision relating to director conflict of interest transactions, defined as a transaction with the credit union in which a director of the credit union has a direct or indirect interest. The Act specifies that a conflict of interest transaction is not voidable by the credit union solely because of the director's interest in the transaction if the transaction was fair to the credit union or if the material facts were disclosed or known and the transaction was authorized, approved, or ratified in the manner specified. §186.07(8). The new law addresses the impact of a conflict on a credit union transaction. There still may be consequences to the director with the conflict such as removal, director liability and limitations on director indemnification. §§186.082-186.096.

9. Provides a new procedure under which a group of credit union members have a right, upon petition, to inspect and copy non-confidential portions of the credit union’s accounting books and records and the minutes of credit union proceedings at member, board, and committee meetings. At least one percent of the credit union’s members, with a minimum of 20 members and a maximum of 500 members, must sign a petition requesting the records. The petition must provide certain safeguards to the credit union. Each member who signs the petition must have been a member of the credit union for at least 180 days at the time the petitioners submit the petition to the credit union. This approach is similar to the NCUA rule for federal credit unions. §186.70.

10. Revises the contents of the oath of office that credit union directors, officers, committee members, and employees must take, to include avoiding initiating or participating in any action that may present a personal conflict of interest. §186.071(1)(e).

11. Repeals a never-used statutory provision authorizing ten or more credit unions, with the OCU’s approval, to form the Credit Union Finance Corporation. §186.22 (repealed).

12. Permits, to the extent permitted by a credit union’s bylaws, the officers elected by the board and the members of the credit committee to receive such compensation as the board authorizes, to be paid from the credit union’s earnings. §186.12(3).

The Act also makes the following changes to DFI’s administrative rules, effective May 1, 2016. The linked administrative code pages should automatically update on that date:

1. The Act allows a credit union to provide written notice, instead of obtaining express or implied prior approval, before placing and operating an automated teller machine at a location away from a credit union office. Similar changes were made to the rules for Wisconsin’s banks, savings banks, and savings and loans. Wis. Admin. Code DFI-CU 63.03.

2. The Act removes loan officers from the prohibition against preferential treatment for loan transactions. The prohibition remains in effect for loans involving directors, executive officers, credit committee members, and internal auditors. Wis. Admin. Code DFI-CU 69.02.