

HOUSE No. 1033

The Commonwealth of Massachusetts

PRESENTED BY:

Patricia A. Haddad

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to strengthen the state credit union charter.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Patricia A. Haddad</i>	<i>5th Bristol</i>	<i>1/18/2023</i>
<i>Rodney M. Elliott</i>	<i>16th Middlesex</i>	<i>4/28/2023</i>
<i>Jack Patrick Lewis</i>	<i>7th Middlesex</i>	<i>12/5/2023</i>

HOUSE No. 1033

By Representative Haddad of Somerset, a petition (accompanied by bill, House, No. 1033) of Patricia A. Haddad relative to credit unions. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Third General Court
(2023-2024)**

An Act to strengthen the state credit union charter.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The first paragraph of section 4 of chapter 167I of the General Laws, as
2 appearing in the 2020 Official Edition, is hereby amended by inserting after the first sentence the
3 following sentence:-

4 Any 1 or more mutual banks or subsidiary banking institutions and any 1 or more credit
5 unions may merge or consolidate into a single credit union upon terms approved by a vote of at
6 least 2/3 of the board of each mutual bank and the board of directors of each credit union, and
7 shall have been approved in writing by the commissioner.

8 SECTION 2. Said chapter 167I is hereby further amended by inserting after section 12
9 the following section:-

10 Section 121/2. By any votes required and the filing of such documents as the
11 commissioner shall prescribe and under such terms and conditions as the commissioner may
12 impose, a mutual bank, upon approval by the commissioner, shall be converted into a credit

13 union chartered pursuant to chapter 171, and shall not, in connection with or upon such
14 conversion, be subject to the requirements of the General Laws with respect to the organization
15 and commencement of business of such a credit union. The depositors of any mutual bank shall
16 become members of the credit union within 2 years after such transaction is approved or for such
17 longer period as may be approved by the commissioner. A mutual bank so converted into a credit
18 union shall have 2 years after such transaction is approved or for such longer period as may be
19 approved by the commissioner to dispose of any asset or investment that is not permissible for a
20 credit union.

21 If permissible under federal law, a mutual federal savings bank or a mutual federal
22 savings and loan association may also convert into a credit union under this section.

23 SECTION 3. Section 57 of chapter 171 of the General Laws, as so appearing, is hereby
24 amended by striking out the fourth paragraph.

25 SECTION 4. Section 67 of said chapter 171, as so appearing, is hereby amended by
26 adding after clause (v) the following 4 clauses:-

27 (w) in asset-backed securities in an aggregate amount not to exceed 10% of the assets of a
28 credit union;

29 (x) in the shares, stocks, or obligations of any organization organized and operated for the
30 purpose of providing services which are closely related to banking as determined by the
31 commissioner in an aggregate amount not to exceed 10% of the assets of a credit union provided,
32 however, that such authority does not include the power to acquire control directly or indirectly,
33 another financial institution, nor invest in shares, stocks or obligations of an insurance company,

34 trade association, liquidity facility or any other similar organization, corporation, or association
35 not otherwise permitted by chapter 171 of the general laws;

36 (y) to participate in the activities of the Massachusetts Capital Growth Corporation
37 created under chapter 40W by making capital available to the corporation by making an
38 investment or deposit in or grant to said corporation, an affiliate or subsidiary of said corporation
39 or any fund managed by said corporation in an aggregate amount not to exceed 10% of the assets
40 of a credit union; and

41 (z) a credit union may or in participation with a federal credit union or foreign credit
42 union, as defined in section 1 of chapter 171, invest in, establish, operate or subscribe for
43 services from another federal credit union, out-of-state credit union or any other business entity
44 for the purpose of obtaining for or furnishing to the credit union technology, trust services,
45 financial planning, compliance, internal audits, human resource or other operation functions,
46 management staff or other banking services.

47 SECTION 5. Said chapter 171 is hereby further amended by striking out section 78A, as
48 so appearing, and inserting in place thereof the following section:-

49 Section 78A. Any 1 or more credit unions, as defined in section 1 of chapter 171, may
50 merge or consolidate with 1 or more savings banks, as defined in section 1 of chapter 168, or 1
51 or more co-operative banks, as defined in section 1 of chapter 170, or 1 or more subsidiary
52 banking institutions, as defined in section 1 of chapter 167H and section 4 of chapter 167I, with
53 either as the surviving corporation.

54 SECTION 6. Said chapter 171 is hereby further amended by striking out section 80A and
55 inserting in place thereof the following section:-

56 Section 80A. (a) A credit union subject to this section may convert into a mutual savings
57 bank governed by chapter 168, a mutual co-operative bank governed by chapter 170, a mutual
58 federal savings bank or a mutual federal savings and loan association which exist under authority
59 of the United States. A mutual savings bank governed by chapter 168 or a mutual co-operative
60 bank governed by chapter 170 may convert into a credit union. If permissible under federal law,
61 a mutual federal savings bank or a mutual federal savings and loan association may also convert
62 into a credit union. The conversion shall comply with all applicable federal laws and regulations.
63 A credit union insured by the Massachusetts Credit Union Share Insurance Corporation shall file
64 notification of its intent to convert with said corporation at least 90 days before the date of the
65 proposed special meeting of the members of the credit union. A mutual savings or co-operative
66 bank insured by the Depositors Insurance Fund shall file notification of its intent to convert with
67 said fund at least 90 days before the date of the proposed special meeting of the incorporators or
68 shareholders of the mutual savings or cooperative bank. No credit union, mutual savings bank, or
69 co-operative bank may convert pursuant to this section so long as any financial assistance
70 provided by the Depositors Insurance Fund or the Massachusetts Credit Union Share Insurance
71 Corporation to such credit union, mutual savings bank, or co-operative bank remains unpaid or
72 has not been compromised or settled. Any such repayment, compromise or settlement shall be
73 approved by the commissioner.

74 (b) A mutual savings bank, co-operative bank or credit union shall file with the
75 commissioner, at the same time, notices, disclosures and communications required by or sent to
76 the National Credit Union Administration or the Federal Deposit Insurance Corporation. The
77 commissioner may require changes and additions to said notices, disclosures or communications,
78 except as required by federal law or regulation.

79 (c) A mutual savings bank, co-operative bank or credit union that is adequately
80 capitalized and has received at least a satisfactory rating in its most recent examination for
81 compliance with the Community Reinvestment Act may submit a plan of conversion approved
82 by a 2/3 vote of the entire board of directors or trustees to the commissioner. Unless waived by
83 the commissioner, the plan shall include but not be limited to:

84 (1) a 3 year business plan for the appropriate chartered mutual savings bank, co-operative
85 bank or credit union which shall include pro forma financial statements;

86 (2) a commitment by the converting credit union that it will not convert to a stock form
87 before the expiration of 1 year of the effective date of the conversion to a mutual savings bank or
88 co-operative bank charter;

89 (3) an estimated budget for conversion expenses;

90 (4) financial statements for the most recently completed quarter;

91 (5) if applicable, the procedures and timing for termination of excess deposit insurance
92 from the Massachusetts Credit Union Share Insurance Corporation or the Depositors Insurance
93 Fund; and

94 (6) other relevant information that the commissioner may reasonably require.

95 (d) Included with the plan shall be an information statement to be sent to corporators,
96 shareholders or members which shall fully and fairly disclose all significant terms and steps to be
97 taken for the conversion and shall include but not be limited to:

98 (1) a statement as to why the board is considering the conversion;

99 (2) a statement of the major positive and negative business effects of the proposed
100 conversion;

101 (3) the impact on the member's financial and other interests in the credit union;

102 (4) in the case of a credit union converting to a mutual savings bank or co-operative bank,
103 (a) a disclosure that the conversion from a credit union to a mutual savings bank or co-operative
104 bank could lead to a member losing ownership interest in the credit union if the mutual savings
105 bank or co-operative bank subsequently converts to a stock institution and the member does not
106 become a stockholder; and (b) a disclosure of any conversion related economic benefit a director
107 or senior management official may receive including receipt of or an increase in compensation
108 and an explanation of any foreseeable stock related benefits associated with a subsequent
109 conversion to a stock institution. The explanation of stock related benefits shall include a
110 comparison of the opportunities to acquire stock that are available to officials and employees,
111 with those opportunities available to the general membership.

112 (e) A converting credit union shall file with the commissioner a plan of conversion and
113 an information statement at least 120 days before the date of the proposed special meeting of the
114 members. The commissioner may require reasonable changes to the plan of conversion and
115 information statement. The commissioner may also require any equitable disclosure he
116 determines applicable to the proposed conversion. The commissioner may specify the form, type
117 and other material aspects of the plan of conversion and information statement to be sent to
118 members except to the extent that it does not conflict with federal law or regulation.

119 (f) The commissioner shall review the contents of the plan before the board of directors
120 of the credit union presents the conversion plan to the members for a vote. The commissioner

121 shall authorize the distribution of the conversion plan and information statement only if the
122 commissioner is satisfied of all of the following:

123 (1) the plan discloses to the members information concerning the advantages and
124 disadvantages of the proposed conversion;

125 (2) the information statement discloses the impact on the member's financial and other
126 interests in the credit union; and

127 (3) the conversion would not be made to circumvent a pending supervisory action that is
128 initiated by the commissioner or other regulatory agency because of a concern over the safety
129 and soundness of the credit union.

130 (g) The commissioner shall render a decision within 30 days from the date of the filing of
131 the plan or any amendment thereof. Upon authorization by the commissioner of the distribution
132 of the contents of the conversion plan and information statement, the converting credit union
133 shall call a special meeting of the members to vote on the conversion plan. At least 30 days
134 before the special meeting, the converting credit union shall mail to each member a notice of the
135 special meeting, the conversion plan and information statement.

136 (h) The plan of conversion of a credit union shall be approved by a majority vote of those
137 members voting. A member may vote on the proposal to convert in person or by electronic
138 means at the special meeting held on the date set for the vote or by written ballot filed by the
139 qualified voter. The vote on the conversion proposal shall be by secret ballot and conducted by
140 an independent entity. The independent entity shall be a company with experience in conducting
141 corporate elections. A director or officer of the converting credit union, or an immediate family

142 member of a director or officer, shall not have an ownership interest in, or be employed by, the
143 entity.

144 (i) A converting credit union or an officer or director thereof shall not directly or
145 indirectly give or offer or provide a chance to win a lottery or anything of substantial value, as
146 determined by the commissioner, to the membership or a member of the credit union, for an
147 action related to the conversion to a mutual bank or as an inducement to vote on the plan of
148 conversion.

149 (j) The provisions on notice to members and voting procedures in this section shall
150 govern the process for converting to a mutual bank notwithstanding other provisions of this
151 chapter or a by-law of the converting credit union to the contrary.

152 (k) Certified copies of the results of the board of the converting mutual savings bank, co-
153 operative bank or credit union meetings and votes of the membership meetings of the credit
154 union shall be filed with the commissioner. The credit union shall also certify that the
155 information statement, plan, and other written materials provided to members were identical to
156 those materials considered satisfactory by the commissioner.

157 (l) If the commissioner disapproves of the methods by which the membership votes were
158 taken or the procedures applicable to the votes, the commissioner may direct that a new vote be
159 taken. If the commissioner does not disapprove of the methods by which the membership vote
160 was taken within 10 days after the notification is given, the vote shall be considered approved.

161 (m) If the conversion to a mutual savings bank or co-operative bank is approved by the
162 credit union members or if the conversion to a credit union is approved by the boards of a mutual
163 savings or co-operative bank and the commissioner receives notification from the converting

164 mutual savings bank, co-operative bank or credit union that approvals required under state and
165 federal law and regulations, including approvals needed for deposit insurance by the Federal
166 Deposit Insurance Corporation or the National Credit Union Administration have been obtained,
167 and that any waiting period prescribed by federal law has expired, and in the case of conversion
168 to a mutual savings or co-operative bank, it will become a member of the Depositors Insurance
169 Fund and of the deposit insurance fund thereof, and further, in the case of conversion to a credit
170 union, it will become a member of the Massachusetts Credit Union Share Insurance Corporation
171 and of the share insurance fund thereof and has made all applicable payments thereto as
172 determined by the commissioner, a certificate to transact business shall be issued by the
173 commissioner as applicable. A conversion to a mutual savings, co-operative bank or a credit
174 union under this section shall not be consummated until arrangements satisfactory to the
175 Depositors Insurance Fund or to Massachusetts Credit Union Share Insurance Corporation, as
176 applicable, have been made and notice thereof has been received by the commissioner. After
177 receipt of the certificate to transact business, the converting mutual savings bank, co-operative
178 bank or credit union shall promptly file the certificate and its articles of organization with the
179 secretary of state. Upon the filing, the charter of the converting mutual savings bank, co-
180 operative bank or credit union shall automatically cease and the converting mutual savings bank,
181 co-operative bank or credit union shall become a mutual savings bank, co-operative bank or
182 credit union. Upon the conversion, the converted mutual savings bank, co-operative bank or
183 credit union shall possess all of the rights, privileges and powers granted to it by its articles of
184 organization and by the laws applicable to the type of mutual savings bank, co-operative bank or
185 credit union charter into which it converted, and all of the assets and business of the converting
186 mutual savings bank, co-operative bank or credit union shall be transferred to and vested in it

187 without any deed or instrument of conveyance; but the converting mutual savings bank, co-
188 operative bank or credit union may execute a deed or instrument of conveyance as is convenient
189 to confirm the transfer. The converted mutual savings bank, co-operative bank or credit union
190 shall be subject to all of the duties, relations, obligations and liabilities of the converting mutual
191 savings bank, co-operative bank or credit union, whether as debtor, depository or otherwise, and
192 shall be liable to pay and discharge the debts and liabilities, to perform all the duties in the same
193 manner and to the same extent as if the converted mutual savings bank, co-operative bank or
194 credit union had itself incurred the obligation or liability or assumed the duty or relation. Rights
195 of creditors of the converting mutual savings bank, co-operative bank or credit union and liens
196 upon the property of such mutual savings, co-operative bank or credit union shall be preserved
197 unimpaired and the converted mutual savings bank, co-operative bank or credit union shall be
198 entitled to receive, accept, collect, hold and enjoy all gifts, bequests, devises, conveyances and
199 appointments in favor of or in the name of the converting mutual savings bank, co-operative
200 bank or credit union and whether made or created to take effect before or after the conversion.

201 (n) If the conversion to a mutual federal savings bank or a mutual federal savings and
202 loan association is approved by the members the converting credit union shall provide
203 notification to the commissioner that all approvals under state and federal law and regulations
204 including approvals needed for deposit insurance by the Federal Deposit Insurance Corporation
205 have been obtained and that any waiting period prescribed by federal law has expired and shall
206 provide a certified copy of the approval of the federal mutual charter by the Office of Thrift
207 Supervision or any successor agency thereto. Upon acceptance of the federal charter, the
208 converting credit union's charter from the commonwealth shall cease to exist.

209 (o) A person who willfully violates the disclosure provisions of this section knowing the
210 disclosure made to be false or misleading in a material respect shall upon conviction be fined not
211 more than \$5,000 or imprisoned not more than 3 years, or both.