

HOUSE No.

The Commonwealth of Massachusetts

PRESENTED BY:

Shirley B. Arriaga

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>Shirley B. Arriaga</i>	<i>8th Hampden</i>	<i>1/16/2025</i>

HOUSE No.

[Pin Slip]

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Fourth General Court
(2025-2026)**

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 1

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

5 3 following sentence:

6 4

7 Any 1 or more mutual banks or subsidiary banking institutions and any 1 or more credit

8 5 unions may merge or consolidate into a single credit union upon terms approved by a

9 vote of at

10 6 least 2/3 of the board of each mutual bank and the board of directors of each credit

11 union, and

12 7 shall have been approved in writing by the commissioner.

13 8

14 SECTION 2. Said chapter 167I is hereby further amended by inserting after section 12

15 9 the following section:

16 10

17 Section 121/2. By any votes required and the filing of such documents as the

18 11 commissioner shall prescribe and under such terms and conditions as the

19 commissioner may

20 12 impose, a mutual bank, upon approval by the commissioner, shall be converted into a

21 credit

22 1 of 11

23 13 union chartered pursuant to chapter 171, and shall not, in connection with or upon

24 such

25 14 conversion, be subject to the requirements of the General Laws with respect to the

26 organization

27 15 and commencement of business of such a credit union. The depositors of any mutual

28 bank shall

29 16 become members of the credit union within 2 years after such transaction is approved

30 or for such

31 17 longer period as may be approved by the commissioner. A mutual bank so converted
32 into a credit

33 18 union shall have 2 years after such transaction is approved or for such longer period as
34 may be

35 19 approved by the commissioner to dispose of any asset or investment that is not
36 permissible for a

37 20 credit union.

38 21

39 If permissible under federal law, a mutual federal savings bank or a mutual federal
40 22 savings and loan association may also convert into a credit union under this section.

41 23

42 SECTION 3. Section 57 of chapter 171 of the General Laws, as so appearing, is hereby
43 24 amended by striking out the fourth paragraph.

44 25

45 SECTION 4. Section 67 of said chapter 171, as so appearing, is hereby amended by
46 26 adding after clause (v) the following 4 clauses:

47 27

48 (w) in asset-backed securities in an aggregate amount not to exceed 10% of the assets of

49 a

50 28 credit union;

51 29

52 (x) in the shares, stocks, or obligations of any organization organized and operated for

53 the

54 30 purpose of providing services which are closely related to banking as determined by

55 the

56 31 commissioner in an aggregate amount not to exceed 10% of the assets of a credit

57 union provided,

58 32 however, that such authority does not include the power to acquire control directly or

59 indirectly,

60 33 another financial institution, nor invest in shares, stocks or obligations of an insurance

61 company,

62 2 of 11

63 34 trade association, liquidity facility or any other similar organization, corporation, or

64 association

65 35 not otherwise permitted by chapter 171 of the general laws;

66 36

67 (y) to participate in the activities of the Massachusetts Capital Growth Corporation
68 37 created under chapter 40W by making capital available to the corporation by making
69 an
70 38 investment or deposit in or grant to said corporation, an affiliate or subsidiary of said
71 corporation
72 39 or any fund managed by said corporation in an aggregate amount not to exceed 10%
73 of the assets
74 40 of a credit union; and
75 41
76 (z) a credit union may or in participation with a federal credit union or foreign credit
77 42 union, as defined in section 1 of chapter 171, invest in, establish, operate or subscribe
78 for
79 43 services from another federal credit union, out-of-state credit union or any other
80 business entity
81 44 for the purpose of obtaining for or furnishing to the credit union technology, trust
82 services,
83 45 financial planning, compliance, internal audits, human resource or other operation
84 functions,
85 46 management staff or other banking services.

86 47

87 SECTION 5. Said chapter 171 is hereby further amended by striking out section 78A, as
88 48 so appearing, and inserting in place thereof the following section:

89 49

90 Section 78A. Any 1 or more credit unions, as defined in section 1 of chapter 171, may
91 50 merge or consolidate with 1 or more savings banks, as defined in section 1 of chapter
92 168, or 1

93 51 or more co-operative banks, as defined in section 1 of chapter 170, or 1 or more
94 subsidiary

95 52 banking institutions, as defined in section 1 of chapter 167H and section 4 of chapter
96 167I, with

97 53 either as the surviving corporation.

98 54

99 SECTION 6. Said chapter 171 is hereby further amended by striking out section 80A and
100 55 inserting in place thereof the following section:

101 3 of 11

102 56

103 Section 80A. (a) A credit union subject to this section may convert into a mutual savings

104 57 bank governed by chapter 168, a mutual co-operative bank governed by chapter 170, a
105 mutual

106 58 federal savings bank or a mutual federal savings and loan association which exist
107 under authority

108 59 of the United States. A mutual savings bank governed by chapter 168 or a mutual co-
109 operative

110 60 bank governed by chapter 170 may convert into a credit union. If permissible under
111 federal law,

112 61 a mutual federal savings bank or a mutual federal savings and loan association may
113 also convert

114 62 into a credit union. The conversion shall comply with all applicable federal laws and
115 regulations.

116 63 A credit union insured by the Massachusetts Credit Union Share Insurance
117 Corporation shall file

118 64 notification of its intent to convert with said corporation at least 90 days before the
119 date of the

120 65 proposed special meeting of the members of the credit union. A mutual savings or co-
121 operative

122 66 bank insured by the Depositors Insurance Fund shall file notification of its intent to
123 convert with

124 67 said fund at least 90 days before the date of the proposed special meeting of the
125 corporators or

126 68 shareholders of the mutual savings or cooperative bank. No credit union, mutual
127 savings bank, or

128 69 co-operative bank may convert pursuant to this section so long as any financial
129 assistance

130 70 provided by the Depositors Insurance Fund or the Massachusetts Credit Union Share
131 Insurance

132 71 Corporation to such credit union, mutual savings bank, or co-operative bank remains
133 unpaid or

134 72 has not been compromised or settled. Any such repayment, compromise or settlement
135 shall be

136 73 approved by the commissioner.

137 74

138 (b) A mutual savings bank, co-operative bank or credit union shall file with the

139 75 commissioner, at the same time, notices, disclosures and communications required by
140 or sent to

141 76 the National Credit Union Administration or the Federal Deposit Insurance
142 Corporation. The

143 77 commissioner may require changes and additions to said notices, disclosures or
144 communications,

145 78 except as required by federal law or regulation.

146 4 of 11

147 79

148 (c) A mutual savings bank, co-operative bank or credit union that is adequately

149 80 capitalized and has received at least a satisfactory rating in its most recent examination
150 for

151 81 compliance with the Community Reinvestment Act may submit a plan of conversion
152 approved

153 82 by a 2/3 vote of the entire board of directors or trustees to the commissioner. Unless
154 waived by

155 83 the commissioner, the plan shall include but not be limited to:

156 84

157 (1) a 3 year business plan for the appropriate chartered mutual savings bank, co-
158 operative

159 85 bank or credit union which shall include pro forma financial statements;

160 86

161 (2) a commitment by the converting credit union that it will not convert to a stock form

162 87 before the expiration of 1 year of the effective date of the conversion to a mutual
163 savings bank or
164 88 co-operative bank charter;
165 89
166 90
167 91
168 (3) an estimated budget for conversion expenses;
169 (4) financial statements for the most recently completed quarter;
170 (5) if applicable, the procedures and timing for termination of excess deposit insurance
171 92 from the Massachusetts Credit Union Share Insurance Corporation or the Depositors
172 Insurance
173 93 Fund; and
174 94
175 95
176 (6) other relevant information that the commissioner may reasonably require.
177 (d) Included with the plan shall be an information statement to be sent to corporators,
178 96 shareholders or members which shall fully and fairly disclose all significant terms and
179 steps to be

180 97 taken for the conversion and shall include but not be limited to:

181 98

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

183 5 of 11

184 99

185 (2) a statement of the major positive and negative business effects of the proposed

186 100 conversion;

187 101

188 102

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

190 (4) in the case of a credit union converting to a mutual savings bank or co-operative

191 bank,

192 103 (a) a disclosure that the conversion from a credit union to a mutual savings bank or

193 co-operative

194 104 bank could lead to a member losing ownership interest in the credit union if the

195 mutual savings

196 105 bank or co-operative bank subsequently converts to a stock institution and the

197 member does not

198 106 become a stockholder; and (b) a disclosure of any conversion related economic
199 benefit a director

200 107 or senior management official may receive including receipt of or an increase in
201 compensation

202 108 and an explanation of any foreseeable stock related benefits associated with a
203 subsequent

204 109 conversion to a stock institution. The explanation of stock related benefits shall
205 include a

206 110 comparison of the opportunities to acquire stock that are available to officials and
207 employees,

208 111 with those opportunities available to the general membership.

209 112

210 (e) A converting credit union shall file with the commissioner a plan of conversion and

211 113 an information statement at least 120 days before the date of the proposed special
212 meeting of the

213 114 members. The commissioner may require reasonable changes to the plan of
214 conversion and

215 115 information statement. The commissioner may also require any equitable disclosure
216 he

217 116 determines applicable to the proposed conversion. The commissioner may specify
218 the form, type

219 117 and other material aspects of the plan of conversion and information statement to be
220 sent to

221 118 members except to the extent that it does not conflict with federal law or regulation.

222 119

223 (f) The commissioner shall review the contents of the plan before the board of directors
224 120 of the credit union presents the conversion plan to the members for a vote. The
225 commissioner

226 6 of 11

227 121 shall authorize the distribution of the conversion plan and information statement only
228 if the

229 122 commissioner is satisfied of all of the following:

230 123

231 (1) the plan discloses to the members information concerning the advantages and
232 124 disadvantages of the proposed conversion;

233 125

234 (2) the information statement discloses the impact on the member's financial and other

235 126 interests in the credit union; and

236 127

237 (3) the conversion would not be made to circumvent a pending supervisory action that is

238 128 initiated by the commissioner or other regulatory agency because of a concern over

239 the safety

240 129 and soundness of the credit union.

241 130

242 (g) The commissioner shall render a decision within 30 days from the date of the filing

243 of

244 131 the plan or any amendment thereof. Upon authorization by the commissioner of the

245 distribution

246 132 of the contents of the conversion plan and information statement, the converting

247 credit union

248 133 shall call a special meeting of the members to vote on the conversion plan. At least

249 30 days

250 134 before the special meeting, the converting credit union shall mail to each member a

251 notice of the

252 135 special meeting, the conversion plan and information statement.

253 136

254 (h) The plan of conversion of a credit union shall be approved by a majority vote of
255 those

256 137 members voting. A member may vote on the proposal to convert in person or by
257 electronic

258 138 means at the special meeting held on the date set for the vote or by written ballot
259 filed by the

260 139 qualified voter. The vote on the conversion proposal shall be by secret ballot and
261 conducted by

262 140 an independent entity. The independent entity shall be a company with experience in
263 conducting

264 141 corporate elections. A director or officer of the converting credit union, or an
265 immediate family

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267 142 member of a director or officer, shall not have an ownership interest in, or be
268 employed by, the

269 143 entity.

270 144

271 (i) A converting credit union or an officer or director thereof shall not directly or

272 145 indirectly give or offer or provide a chance to win a lottery or anything of substantial
273 value, as
274 146 determined by the commissioner, to the membership or a member of the credit union,
275 for an
276 147 action related to the conversion to a mutual bank or as an inducement to vote on the
277 plan of
278 148 conversion.

279 149
280 (j) The provisions on notice to members and voting procedures in this section shall
281 150 govern the process for converting to a mutual bank notwithstanding other provisions
282 of this
283 151 chapter or a by-law of the converting credit union to the contrary.

284 152
285 (k) Certified copies of the results of the board of the converting mutual savings bank, co
286 153 operative bank or credit union meetings and votes of the membership meetings of the
287 credit
288 154 union shall be filed with the commissioner. The credit union shall also certify that the
289 155 information statement, plan, and other written materials provided to members were
290 identical to

291 156 those materials considered satisfactory by the commissioner.

292 157

293 (l) If the commissioner disapproves of the methods by which the membership votes were

294 158 taken or the procedures applicable to the votes, the commissioner may direct that a

295 new vote be

296 159 taken. If the commissioner does not disapprove of the methods by which the

297 membership vote

298 160 was taken within 10 days after the notification is given, the vote shall be considered

299 approved.

300 161

301 (m) If the conversion to a mutual savings bank or co-operative bank is approved by the

302 162 credit union members or if the conversion to a credit union is approved by the boards

303 of a mutual

304 163 savings or co-operative bank and the commissioner receives notification from the

305 converting

306 8 of 11

307 164 mutual savings bank, co-operative bank or credit union that approvals required under

308 state and

309 165 federal law and regulations, including approvals needed for deposit insurance by the
310 Federal

311 166 Deposit Insurance Corporation or the National Credit Union Administration have
312 been obtained,

313 167 and that any waiting period prescribed by federal law has expired, and in the case of
314 conversion

315 168 to a mutual savings or co-operative bank, it will become a member of the Depositors
316 Insurance

317 169 Fund and of the deposit insurance fund thereof, and further, in the case of conversion
318 to a credit

319 170 union, it will become a member of the Massachusetts Credit Union Share Insurance
320 Corporation

321 171 and of the share insurance fund thereof and has made all applicable payments thereto
322 as

323 172 determined by the commissioner, a certificate to transact business shall be issued by
324 the

325 173 commissioner as applicable. A conversion to a mutual savings, co-operative bank or
326 a credit

327 174 union under this section shall not be consummated until arrangements satisfactory to
328 the

329 175 Depositors Insurance Fund or to Massachusetts Credit Union Share Insurance
330 Corporation, as

331 176 applicable, have been made and notice thereof has been received by the
332 commissioner. After

333 177 receipt of the certificate to transact business, the converting mutual savings bank, co-
334 operative

335 178 bank or credit union shall promptly file the certificate and its articles of organization
336 with the

337 179 secretary of state. Upon the filing, the charter of the converting mutual savings bank,
338 co

339 180 operative bank or credit union shall automatically cease and the converting mutual
340 savings bank,

341 181 co-operative bank or credit union shall become a mutual savings bank, co-operative
342 bank or

343 182 credit union. Upon the conversion, the converted mutual savings bank, co-operative
344 bank or

345 183 credit union shall possess all of the rights, privileges and powers granted to it by its
346 articles of

347 184 organization and by the laws applicable to the type of mutual savings bank, co-
348 operative bank or

349 185 credit union charter into which it converted, and all of the assets and business of the
350 converting

351 186 mutual savings bank, co-operative bank or credit union shall be transferred to and
352 vested in it

353 9 of 11

354 187 without any deed or instrument of conveyance; but the converting mutual savings
355 bank, co

356 188 operative bank or credit union may execute a deed or instrument of conveyance as is
357 convenient

358 189 to confirm the transfer. The converted mutual savings bank, co-operative bank or
359 credit union

360 190 shall be subject to all of the duties, relations, obligations and liabilities of the
361 converting mutual

362 191 savings bank, co-operative bank or credit union, whether as debtor, depository or
363 otherwise, and

364 192 shall be liable to pay and discharge the debts and liabilities, to perform all the duties
365 in the same

366 193 manner and to the same extent as if the converted mutual savings bank, co-operative
367 bank or

368 194 credit union had itself incurred the obligation or liability or assumed the duty or
369 relation. Rights

370 195 of creditors of the converting mutual savings bank, co-operative bank or credit union
371 and liens

372 196 upon the property of such mutual savings, co-operative bank or credit union shall be
373 preserved

374 197 unimpaired and the converted mutual savings bank, co-operative bank or credit union
375 shall be

376 198 entitled to receive, accept, collect, hold and enjoy all gifts, bequests, devises,
377 conveyances and

378 199 appointments in favor of or in the name of the converting mutual savings bank, co-
379 operative

380 200 bank or credit union and whether made or created to take effect before or after the
381 conversion.

382 201

383 (n) If the conversion to a mutual federal savings bank or a mutual federal savings and

384 202 loan association is approved by the members the converting credit union shall
385 provide

386 203 notification to the commissioner that all approvals under state and federal law and
387 regulations

388 204 including approvals needed for deposit insurance by the Federal Deposit Insurance
389 Corporation

390 205 have been obtained and that any waiting period prescribed by federal law has expired
391 and shall

392 206 provide a certified copy of the approval of the federal mutual charter by the Office of
393 Thrift

394 207 Supervision or any successor agency thereto. Upon acceptance of the federal charter,
395 the

396 208 converting credit union's charter from the commonwealth shall cease to exist.

397 10 of 11

398 209

399 (o) A person who willfully violates the disclosure provisions of this section knowing the

400 210 disclosure made to be false or misleading in a material respect shall upon conviction

401 be fined not

402 211 more than \$5,000 or imprisoned not more than 3 years, or both.