

**RCW 31.12.436 Investment of funds—When investment later becomes impermissible.** (1) A credit union may invest its funds in any of the following, as long as the investments are deemed prudent by the board:

(a) Loans held by credit unions, out-of-state credit unions, or federal credit unions; loans to members held by other lenders; and loans to nonmembers held by other lenders, with the approval of the director;

(b) Bonds, securities, or other investments that are fully guaranteed as to principal and interest by the United States government, and general obligations of this state and its political subdivisions;

(c) Obligations issued by corporations designated under 31 U.S.C. Sec. 9101, or obligations, participations or other instruments issued and guaranteed by the federal national mortgage association, federal home loan mortgage corporation, government national mortgage association, or other government-sponsored enterprise;

(d) Participations or obligations which 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;

(e) Share or deposit accounts of other financial institutions, the accounts of which are federally insured or insured or guaranteed by another insurer or guarantor approved by the director. The shares and deposits made by a credit union under this subsection (1)(e) may exceed the insurance or guarantee limits established by the organization insuring or guaranteeing the institution into which the shares or deposits are made;

(f) Common trust or mutual funds whose investment portfolios consist of securities issued or guaranteed by the federal government or an agency of the government;

(g) Up to five percent of the capital of the credit union, in debt or equity issued by an organization owned by the Northwest credit union association or its successor credit union association;

(h) Shares, stocks, loans, or other obligations of organizations whose primary purpose is to strengthen, advance, or provide services to the credit union industry or credit union members. A credit union may invest in or make loans to organizations under this subsection (1)(h) in an aggregate amount not to exceed ten percent of its assets. This limit does not apply to investments in, and loans to, an organization:

(i) That is wholly owned by one or more credit unions or federal or out-of-state credit unions; and

(ii) Whose activities are limited exclusively to those authorized by this chapter for a credit union;

(i) Loans to credit unions, out-of-state credit unions, or federal credit unions. However, the aggregate of loans issued under this subsection (1)(i) is limited to twenty-five percent of the total shares and deposits of the credit union making the loans;

(j) Key person insurance policies and investment products related to employee benefits, the proceeds of which inure exclusively to the benefit of the credit union;

(k) A registered investment company or collective investment fund, as long as the prospectus of the company or fund restricts the investment portfolio to investments and investment transactions that are permissible for credit unions;

(1) For credit unions that are approved public depositories, any securities listed in RCW 39.58.050 as eligible collateral for public deposits;

(m) Investments of the type in which the state treasurer may invest state funds pursuant to RCW 43.84.080; or

(n) Other investments approved by the director by rule or upon written application.

(2) To aid in achieving its business or operational objectives, a credit union may invest in equity interests in corporations or other limited liability entities, whether or not the principal business of such other corporation or entity is related to the credit union's business. An "equity interest" is an interest such as stock in a corporation or membership in a limited liability company or a limited partnership interest in which the credit union's liability is limited to the amount of its investment and the credit union does not take on general liability.

(a) The entity in which the credit union invests must be engaged in or planning or developing activity that is incidental to or complementary to the credit union's operations. Activity is incidental or complementary to the credit union's operations if it would be performed for or provided to the credit union, or if it would be performed for or provided to the credit union's members in relationship to products, services, or activities that the credit union performs for or provides to its members. Such activity may not pose a risk to the safety and soundness of the credit union or the credit union industry. The entity may be engaged in other activity that is not incidental to or complementary to the credit union's operations.

(b) A credit union may not invest in:

(i) A federal depository institution or state depository institution as those terms are defined in the federal deposit insurance act, 12 U.S.C. Sec. 1813; or

(ii) A bank holding company or savings bank holding company as those terms are defined in the federal bank holding company act, 12 U.S.C. Sec. 1841.

(c) Until January 1, 2025, the initial aggregate amount of funds invested under this subsection (2) shall not exceed 2.5 percent of the net worth of the credit union, and when combined with the amount of funds invested in organizations described in subsection (1)(h) of this section, shall not exceed 10 percent of the assets of the credit union, whichever is less.

(d) Beginning January 1, 2025, the initial aggregate amount of funds invested under this subsection (2) shall not exceed five percent of the net worth of the credit union, and when combined with the amount of funds invested in organizations described in subsection (1)(h) of this section, shall not exceed 10 percent of the assets of the credit union, whichever is less.

(e) A credit union may engage in an activity permitted under this section only with the prior authorization of the director and subject to such requirements, restrictions, or other conditions as the director may adopt by rule, order, directive, standard, policy, memorandum, or other written communication with regard to the activity. In approving or denying a proposed activity, the director shall consider the financial and management strength of the credit union and the relationship of the activity to the credit union's operations.

(3) If a credit union has lawfully made an investment that later becomes impermissible because of a change in circumstances or law, and the director finds that this investment will have an adverse effect on the safety and soundness of the credit union, then the director may require that the credit union develop a reasonable plan for the divestiture of the investment. [2022 c 15 § 4; 2019 c 19 § 6; 2017 c 61 § 12. Prior: 2015 c 123 § 4; 2015 c 114 § 11; 2013 c 34 § 8; 2001 c 83 § 19; 1997 c 397 § 36; prior: 1994 c 256 § 86; 1994 c 92 § 197; 1987 c 338 § 7; 1984 c 31 § 44. Formerly RCW 31.12.425.]

**Findings—Construction—1994 c 256:** See RCW 43.320.007.