

WASHINGTON CREDIT UNIONS

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Washington State Issues Working Group 2025-29 Policy Recommendations

These concepts were developed by the 2024 Washington State Issues Working Group and are now under review by the Washington Governmental Affairs Committee.

The proposed issues and policy objectives provide guidance for GoWest state and federal legislative and regulatory teams to address, prepare for, or further develop between 2025 and 2029. Once adopted by the WA GAC, either as introduced or amended, the recommendations will be approved by the GoWest Board of Directors.

2024 Washington State Issues Working Group Members

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2024 State Issues Working Group Recommendations

Ensure credit unions have the authority to effectively meet the needs of business members

Issue: With demands from small businesses increasing as for-profit banks focus more on larger clients, credit unions have responded by working to increase access to capital and other business services. The current state-level operating environment has provided valuable flexibility to Washington credit unions albeit with some remaining inefficiencies and challenges.

At the same time the disconnect between DFI's current process and the NCUA's updated 2017 MBL regulations presents an either/or choice in which neither scenario is the simplest and most effective set of requirements and presents a choice between two imperfect systems.

Solution: While we do not anticipate NCUA's position has substantively changed since 2017, in which obtaining parity with federal MBL regulations would require abandoning existing state flexibility, this has become an increasing area of concern for credit unions. Given the time passed since this was last raised at both the state and federal levels, GoWest will engage with state and federal regulators to highlight concerns given shifts in demands, and work to identify any potential paths to better align state and federal policies without sacrificing existing cap flexibility provided by the state.

Resolve issues with how state aims to apply sales tax on digital automated services

Issue: Despite no recent change in state policy (statute, regulations, other administrative guidance) there is a significant disconnect between the state Department of Revenue's interpretation of when sales tax is required for the purchase of digital automated services and interpretation by auditors,

accountants, legal experts, and financial institutions. Through limited samples of audits of banks, credit unions, and service providers, it has become clear that DOR has different understanding of existing exclusions in current law relevant to financial institutions, when itemizing sales tax is and is not appropriate, and when the presence of add-on or secondary features should trigger taxability. GoWest has been engaged with the agency since 2021 and has been in active negotiations since 2023.

Solution: Continue ongoing efforts with the state Department of Revenue and the Washington State Legislature to identify, find agreement on, and implement any administrative, regulatory, or statutory changes needed to ensure the digital automated services sales tax policy for credit unions is explicitly clear and does not increase costs for credit unions.

Ensure equity investment authority can be effectively utilized

Issue: Equity investment authority newly established in 2022 has led to some timing and predictability questions as credit unions attempt to utilize the new power. Feedback indicates that the Department of Financial Institutions has been a strong and productive partner in reviewing these applications but given the new nature of them is still refining what information is necessary when reviewing applications.

Solution: Work with DFI to assess any questions or trends they have identified in reviewing and approving applications and determine the agency's interest in streamlining the process by which smaller investments are approved. This may include identifying a threshold where investments meeting all statutory criteria be automatically approved if the credit union had met pre-determined criteria from DFI that the agency could audit to on its regular exam cycle. Additionally, with Oregon and Idaho subsequently passing Washington's equity investment provisions in recent years, would advocate that DFI recognize those higher maximum investment thresholds through out-of-state parity provisions.

Make financial education a required course and high school graduation requirement

Issue: Numerous recent studies and reports have highlighted the low levels of financial literacy among adults and students nationally. Additionally other states have made progress implementing and adding financial education courses in public schools.

Solution: Continue working with the Legislature, Washington State Treasurer's Office, Financial Education Public Private Partnership, and other stakeholders to pass legislation that requires financial education be taught and make it a high school graduation requirement.

Protect the ability of credit unions to purchase bank assets

Issue: Banks making the choice to sell some or substantially all of their assets to a credit union is a new occurrence in Washington state as of 2019, which has drawn questions from some lawmakers. Banking lobbyists have also been actively communicating to lawmakers supposed negatives about the concept despite it being in the best interests of their own members.

Solution: Continue to ensure that Washington lawmakers fully understand the overall scope of these transactions, the broader trends in financial services that have led to banks making this decision in certain cases, the regulatory review processes involved, and the benefits to Washington communities in support of the overall goal of ensuring the current regulatory approval process is maintained.

Allow compensation for associate board members

Issue: While state statute is clear on allowing credit unions to compensate board members, the act is silent on whether associate board members can receive compensation. Previous interpretive letters from DFI – most recently in 2015 – have not allowed compensating associate board members beyond expense reimbursement for training and travel costs. However, DFI is supportive of the use of associate board members and credit unions having the option to compensate them.

Solution: Given the increased number of credit unions utilizing associate board members, GoWest will work to amend the state credit union charter to allow for the compensation of associate board members the next time the credit union charter is amended. GoWest will also assess whether DFI could introduce this as agency-request legislation given its support in case that can happen before the next broader charter modernization effort.

Modernize and digitize state's lien and auto titling program

Issue: Washington's Department of Licensing's overall processes and systems in place to manage the state's lien and titling program for vehicles is outdated. The process still includes some manual and paper-based processes and should be thoroughly reviewed and modernized to ultimately reduce errors and delays, increase efficiency, save time and money for consumers, DOL, lenders, and titling agencies, and ensure a more streamlined process. The Legislature passed a transportation budget proviso in 2024 at the request of Washington's credit unions directing DOL to study and report back on the current landscape and how to create and implement a fully digitized system.

Solution: GoWest will continue working with DOL, legislators, and credit union representatives to identify the full scope of process reforms to the state's consultants as they develop the report in 2024-25. The long-term goal remains a fully digital lien and titling process with near-term priorities focused on ensuring the department solidifies a timeline and implementation plan.

Remove barriers by eliminating field of membership restrictions

Issue: Field of membership requirements do not fit a modern socioeconomic system, especially as consumer expectations evolve, the pandemic has increased the number of people moving across state lines, and too many people remain under resourced and outside of the formal financial system. Despite having a broad statewide field of membership policy in Washington, the remaining restrictions serve as both an operational barrier for credit unions and can lead consumers to believe they cannot become a member.

Washington state-chartered credit unions are also disadvantaged compared to border states that receive statewide field of membership in Washington without reciprocal treatment in those states. This persists despite passage of 2019 legislation that explicitly grants the Washington regulator authority to grant out-of-state fields of membership.

Solution: GoWest will work to remove barriers to credit unions' ability to serve the people and communities they wish to serve regardless of geographical location. GoWest will promote greater cooperation and partnerships across our six-state footprint and nationally throughout the credit union league and national partner system.

Improve housing access and affordability

Issue: Housing access and affordability have become one of the most important issues facing Washington residents given the state's high housing costs, both to purchase and rent, and not enough construction of affordable units to keep pace with demand. The Legislature has done some work in recent years to address these issues and will continue putting new concepts forward to help address the issue.

Solution: GoWest will continue to identify active or future legislative proposals that credit unions can support and participate in broader efforts to promote increased housing development. Examples that may be under legislative review in future years that align with credit union policies and operations include efforts to increase state funding for down-payment assistance and improve how those programs work and become accessible to buyers and work in concert with credit union lending. We will also work to identify technical barriers that make local housing collaboration and financial analysis challenging, including provisions where statewide area median income factors do not align with local market factors.

Expand state partnership opportunities

Issue: The Legislature has shown increased interest in partnering with and providing funding for programs that interact with credit unions to maximize the impact of state funding and priorities to address a range of issues. One example of this is already underway with 14 credit unions partnering with the GoWest Foundation to implement the Small Business Resiliency Loan with the Washington State Department of Commerce.

Solution: GoWest will continue to identify and engage in legislative and rulemaking opportunities that allow credit unions to deploy or leverage state funding toward programs that benefit people and communities.

Modernize Linked Deposit Program

Issue: Washington's Linked Deposit Program, which allows the state Treasurer to accept reduced returns on a certain amount of state funds in return for financial institutions passing along reduced lending rates to certified women, minority, and veteran-owned businesses, may not best leverage state dollars for maximum impact based on the current program design. The effectiveness of the mechanism is also greatly reduced during periods of low rates and/or high government grants as was experienced during the pandemic.

Solution: GoWest will continue to build on discussions with the State Treasurer's Office, lawmakers, the Office of Women and Minority Business Enterprise, and credit union leaders, to identify program modernization policies to ensure the greatest impact.

Public deposits system upgrades

Issue: The system for reporting monthly balances and other information required for approved public depositories through the State Treasurer's Office is not the same for all credit unions and lacks some of the modernized reporting capabilities available to banking institutions.

Solution: GoWest will continue work with the State Treasurer's Office to ensure the reporting system is upgraded and provides fully online reporting capabilities for all credit unions and work directly with credit unions that need to transfer to the updated reporting system in order for all credit unions to be in the same portal.

Encourage state adoption of digital identification technology

Issue: An increasing number of states have implemented or are considering the creation of a state-based system for digital state identification, which can be stored on a mobile device, and provides an internal identity verification process. Legislation was introduced in 2023 that highlighted some of the challenges and privacy concerns of other stakeholders.

Solution: GoWest will discuss the issue with DOL and other stakeholders to assess broader interest in Washington creating a state-based digital identification product and support efforts to

implement to ensure credit unions have modern tools to adequately verify the identity of members in-person and remotely.

Update automatic federal parity

Issue: Automatic parity for Washington state charters to the federal credit union charter was updated most recently in 2022 with the current statute allowing automatic parity up through June 9, 2022.

Solution: GoWest will update the automatic federal parity strike date the next time the state charter is amended as has become normal course of business in any charter update or modernization effort.

Excess share insurance

Issue: While the issue remains between Excess Share Insurance and the Washington State Office of the Insurance Commissioner, adequate coverage is not available to Washington credit unions.

Solution: Go West will communicate with ESI as they navigate conversations with OIC and support as is helpful efforts to modernize the excess share insurance requirements by increasing the insurance limits and allowing for individual accounts to be insured.