

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

House Bill 728 (Delegates McIntosh and Brinkley)
 (Co-Chairman, Task Force to Study the Modernization of Credit
 Union Law)

Commerce and Government Matters Finance

**Credit Unions - Credit Union Insurance Corporation - Credit Union Share
 Guaranty Corporations**

This bill provides for the phase-out of the Credit Union Insurance Corporation (CUIC) and repeals the requirements that members of a State-chartered credit union’s supervisory committee and credit committee be United States citizens.

The bill is effective July 1, 2002.

Fiscal Summary

State Effect: General fund revenues could increase by \$5,000 annually beginning in FY 2003. General fund expenditures could increase by \$3,000 every other year, offset by a \$3,000 general fund revenue increase, beginning in FY 2003.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF Revenue	\$8,000	\$5,000	\$8,000	\$5,000	\$8,000
GF Expenditure	3,000	0	3,000	0	3,000
Net Effect	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill prohibits CUIC from accepting applications for new membership from credit unions on or after the date that the Commissioner of Financial Regulation issues a certificate of authority to act as a credit union share guaranty corporation. The bill also requires credit unions insured with CUIC to obtain share guaranty insurance from either the National Credit Union Administration Share Insurance Program or a credit union share guaranty corporation regulated by the commissioner. Credit unions must comply within two years after the commissioner issues the first certificate. Within two years after CUIC no longer has any members, it must dissolve.

The bill provides for application procedures for a guaranty corporation wishing to become certified and requires certificate holders to pay a civil penalty of up to \$1,000 for each violation of the bill.

The bill requires the commissioner to examine the business of each credit union share guaranty corporation at least every 24 months and authorizes the commissioner to examine a corporation at any time reasonably necessary. A credit union share guaranty corporation must pay an annual assessment of \$5,000 and all of the expenses for travel, lodging, and meals associated with an examination.

The bill requires the commissioner to report annually by December 15 to the Senate Finance Committee and the House Commerce and Government Matters Committee on the phase-out of CUIC, including when the provisions of law regarding the phase-out and dissolution are no longer needed. The provisions relating to this report remain effective only through the date on which the commissioner advises that the phase-out of CUIC and transfer of its assets are complete.

Current Law: CUIC is a non-profit, non-stock corporation created by statute. It is not an agency or instrumentality of the State. Its purposes include insuring and guarantying the share and deposit accounts of member credit unions.

Background: Chapters 147 and 148 of 2001 required the Task Force to Study the Modernization of Credit Union Law to discuss the implications and make recommendations regarding the dissolution of CUIC, the policy and standard for the regulation by the commissioner of credit union share guaranty corporations, and any other issues appropriate for the General Assembly's consideration. This bill embodies the recommendations of that task force.

State Fiscal Effect: Currently, there is one credit union share guaranty corporation contemplated for certification under the bill. If that guaranty corporation were to become

certified, general fund revenues would increase by \$5,000 annually from the bill's assessment provision.

The bill requires the commissioner to examine a certified guaranty corporation at least every 24 months. It is estimated that the division's costs for travel, lodging, and meals associated with an examination would be approximately \$3,000 per examination. These costs would be reimbursed by the certificate holder.

The civil penalty provision of this bill is not expected to significantly affect State revenues.

Additional Information

Prior Introductions: None.

Cross File: SB 776 (Senators Astle and Hafer) (Co-Chairman, Task Force to Study the Modernization of Credit Union Law) – Finance.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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