

A/B

823

COMMITTEE REPORT

2/26/76

HOUSE

JUDICIARY

Mr. Speaker:

Date 3/2/76

The Committee on COMMERCE has had SSHP B23

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

() recommends it DO PASS WITH ATTACHED AMENDMENT(S)

(X) recommends it BE REPLACED WITH CS FOR FILED AND THAT

CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

recommends: _____
Ludd
recommends: do not pass

recommends: _____

recommends: _____

recommends: _____

_____ Chairman

March 3, 1976

MEMORANDUM

TO: Bob Bradley

FROM: Terry Berman
Administrative Assistant

SUBJECT: HB 823, Credit Unions

Credit unions were first established by law in the United States in 1909 under state law in Massachusetts, following an investigation by the State Banking Commissioner there who found several informal employee state associatic in operation. He felt that these ought to be encouraged.

A Federal Credit Union Act was enacted in 1934, defining a credit union as "a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes."

Currently, there are credit union laws in forty-four states. No such law exists in Alaska. The state charters account for 45% of the credit unions in the United States indicating the relative strength of the State system.

SSHB 823 provides for state charters of credit unions that would come under the Department of Commerce. It is less restrictive than the federal act, as all existing state laws are, allowing credit unions to serve their members to even a greater measure. A credit union is distinct from a financial institution in that it is not pursuing profits and is "a dedicated group of people who believe that by this method a better life can be provided for all those in the group who join the credit union."

Since their expenses are low due to volunteer leadership, they can afford to make the types of loans that may be passed over by commercial banks because the loans are not the most profitable. Without credit unions, many parties who are considered good risks are not able to obtain loans.

Perhaps the most important service of a credit union is the education of the members in the management and control of their own money. Allowing the credit union to provide extensive services reinforces this. Since the motivation of a credit union is to be helpful to its members instead of to make profits, credit unions are not apt to take risks which endanger their solvency. In fact, because of social responsibility, they tend to stay within their means. This results in expansion of services coming with expansion of the credit union's assets.

State credit union legislation will allow greater access to credit by individuals and small business organizations in Alaska. It gives greater freedom to credit unions in choosing exactly how they will serve their members.

BV
4
927

WJ

March 16, 1976

Alaska Credit Union League
3500 Eide Street
Anchorage, Alaska 99502

File

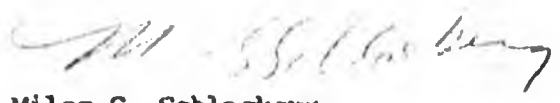
Attention: Mr. William Samples

Dear Mr. Samples:

Re: SS HB 823 - State Credit Union Law

It was a pleasure talking to you and Messrs. Wilson and Vlahovich and Mrs. Pearson about this bill on the afternoon of March 4. At this point, I cannot tell you what this Department's position will be, but I want to express my appreciation of the clarifications you provided me. The changes you've suggested, including eliminating the central credit union, the state credit union insurance fund, and the credit union advisory board, satisfy a number of our objections. We will give your proposed redraft prompt consideration.

Sincerely,



Miles S. Schlosberg
Director

MSS:bjl

cc: Langhorne A. Motley, Commissioner, Department of Commerce and Economic Development

STATE OF ALASKA
Inter-Department Route Slip

TO:
MAIL STATION NUMBER 3100

DEPARTMENT Home Commerce

ATTENTION Jill Demas

- | | |
|--|--|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note & Return |
| <input type="checkbox"/> Signature | <input type="checkbox"/> Initial & Return |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Return As Requested |
| <input type="checkbox"/> Contact Me | <input type="checkbox"/> Return For Approval |
| <input type="checkbox"/> Prepare Reply | <input type="checkbox"/> Necessary Action |
| <input type="checkbox"/> For Your File | <input type="checkbox"/> Your Information |

Remarks:

*See - Jud
Jud. (Copy for File)*

FROM:
MAIL STATION NUMBER 0800

DEPARTMENT Commerce

BY Pam Beale DATE 3/22

THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
 Second Session - Ninth Legislature

I. REQUEST

Bill No. SHB 823

Title: An Act Providing for State Chartered Credit Unions

Requested by: McKinnon

Date: March 15, 1976

Return Date Requested: March 15, 1976

Agency: Commerce & Economic Dev.

Program: Public Protection

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Banking, Securities, Small Loans & Corp.

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES		166.1	215.2	236.7	260.3	286.3
200 TRAVEL		6.0	8.8	9.7	10.7	11.8
300 CONTRACTUAL		16.5	9.9	11.0	12.1	13.3
400 COMMODITIES		1.5	1.6	1.8	2.0	2.2
500 EQUIPMENT		4.0	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		194.1	235.5	259.2	285.1	313.6

B. FUNDING: (Thousands of dollars)

GENERAL FUND		194.1	235.5	259.2	285.1	313.6
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	6 /	1 /	/	/	/
MAN MONTHS (P./T.)	/	12 /	12 /	/	/	/

III. Analysis

Fiscal Year 77

Personal Services

1 Supervisor Range 21A Sal & Ben 34,209=	34,209
4 Examiners Range 19A Sal & Ben 29,606=	118,475
1 Clerk Typist II Range 7A Sal & Ben 13,475=	13,475

Assuming that 1/2 of the 37 Federal Credit Unions in Alaska will convert to state charter. This would give state credit unions approximately, \$165.6 Million in total assets. Conversion & chartering will be nominal the first FY and it is believed the above personnel can manage. Examinations will have to be performed on all credit unions the second year thus increasing travel along with the addition of one new person to handle the investigation and chartering of new offices. It normally takes 4 men 15 days per \$10 Million of assets to perform an examination. One supervisor and an assistant supervisor will be needed in the office for reviewing reports, investigating and chartering, therefore total examining force would be 6 persons.

Travel 6,000

Second year travel was increased by 2.0 plus 10% as examination & investigating activity will pick up. 10% increase used there-after.

Contractual 16,500

First year contractual expenditures estimated at 9.0 an additional 7.5 should be allocated to provide for a Credit Union Supervisor of another state to come under contract to draft regulations and supervise the initial set up of a Credit Union Section a three month period should be sufficient time to accomplish this. 10% inflation FY 78/81

Commodities 1,500

10% inflation for FY 78-81

Equipment 4,000

Total Fiscal Year 77.....194,108