



# HOUSE BILL 511: Credit Unions/Statutory Changes

**This Bill Analysis  
reflects the contents  
of the bill as it was  
presented in  
committee.**

2015-2016 General Assembly

<b>Committee:</b>	House Banking	<b>Date:</b>	April 23, 2015
<b>Introduced by:</b>	Reps. Ross, J. Bell, Bradford, Glazier	<b>Prepared by:</b>	Drupti Chauhan
<b>Analysis of:</b>	First Edition		Committee Counsel

**SUMMARY: House Bill 511 would:**

- *Replace the terms "insured bank or savings and loan association" with "federally insured depository institution".*
- *Provide an additional way that credit unions can invest their funds.*
- *Provide that certain officials of credit unions may also be reimbursed for "reasonable expenses".*

**SECTIONS 1-3– ESCROW AND TRUST ACCOUNTS**

**CURRENT LAW:**

Section 1: Deposits made in connection with the purchase or reservation of a condo unit must be deposited into a trust or escrow account in an insured bank or savings and loan association.

Section 2: Security deposits from tenants must be deposited into a trust account with a licensed and insured bank or savings institution located in the State.

Section 3: Advance payments other than security deposits for vacation rentals must be deposited into a trust account in an insured bank or savings and loan association in the State.

**BILL ANALYSIS and BACKGROUND:** Credit union and bank accounts are insured up to \$250,000 by the full faith and credit of the United States through the National Credit Union Administration and the Federal Deposit Insurance Corporation. Prior to December 2014, funds in escrow accounts at credit unions were not considered insured unless both parties were members of the credit union. Federal law was changed in December 2014 in the Credit Union Share Insurance Fund Parity Act which extended insurance coverage to escrow accounts. Sections 1-3 of House Bill 511 would make statutory changes so that credit unions were covered in the types of institutions that could offer trust and escrow accounts by using the term "federally insured depository institution".

**SECTION 4 – INVESTMENT OF FUNDS**

**CURRENT LAW:** State chartered credit unions may invest their capital, deposits, undivided profits, and reserve funds only in ways specified in G.S. 54-109.82 and G.S. 147.69.1 (investments allowed by the State Treasurer).

**BILL ANALYSIS:** Section 4 of the bill would allow the funds to also be invested in higher education bonds under G.S. 116D-2 if those bonds pledge the faith, credit and taxing power of the State for the payment of the principal of and interest on bonds and notes. Credit unions are already listed as eligible investors under G.S. 116D-2.

**SECTION 5 – COMPENSATION OF OFFICIALS**

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**CURRENT LAW:** Members of the board of directors or of the credit committee or supervisory committee cannot be compensated for this service but they may be provided reasonable life, health, accident, and similar insurance protection. Directors and committee members can be reimbursed for necessary expenses incidental to the performance of official business of the credit union.

**BILL ANALYSIS:** Section 5 would clarify that reimbursement could occur for reasonable expenses incidental to the performance of official business and that reimbursement can include the payment of expenses for one guest.

**EFFECTIVE DATE:** The bill would become effective when it becomes law.