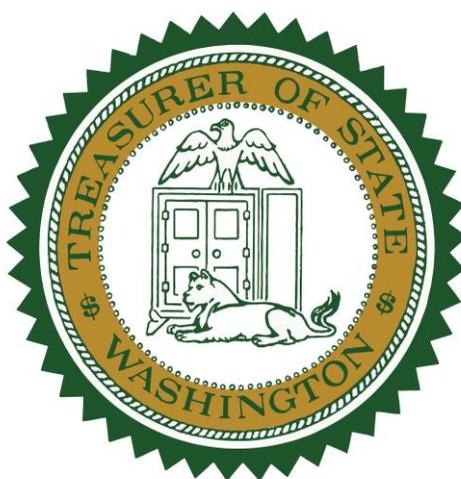


Public Deposit Protection Commission

2019 Report

November 1, 2018 – October 31, 2019



Office of the

State Treasurer

Duane A. Davidson, CPA
State Treasurer

A report to the Legislature providing an update on recent events, responses and issues related to modernizing and improving the protection of public deposits in Washington state

Executive Summary:

Washington law, [RCW 43.08.300](#), requires the state treasurer to report annually to the Legislature on actions taken by the Public Deposit Protection Commission (PDPC) and the treasurer regarding public deposit protection. Reports issued starting in 2009 provide an accounting of the issues and actions taken by the PDPC and the treasurer to protect public deposits. Recent reports are available on the [PDPC reports to the Legislature webpage](#). This 2019 report is an update on events and actions taken since December, 2018 when the last report was published.

Washington's public depositories continue to provide secure banking services for state and local government entities. No financial institutions serving government depositors were closed in 2019. By comparison, 12 banks were closed at the height of the banking crisis in 2010.

One public depository bank was acquired by another institution and five additional institutions were approved as public depositories in 2019.

As of October 31, 2019 (the most current data available at the time of this report), 60 PDPC banks and 20 PDPC credit unions held nearly \$9 billion in public deposits.

Reforms enacted by the 2009 and 2016 Legislatures, signed into law by the governor, overseen by the Public Deposit Protection Commission, and implemented by the state treasurer were highly effective at protecting all public deposits in Washington state. These safeguards continue to protect all public deposits.

Summary of Deposits:

As of October 31, 2019, insured deposits in banks represented 4% of \$8.9 billion in total deposits. These public depositories have pledged additional collateral to protect uninsured public deposits.

To date, 20 credit unions have been approved to accept public deposits. As of October 31, 2019, fourteen of those credit unions held \$93,687,090 in public deposits, which are either National Credit Union Administration (NCUA) insured or secured by collateral.

Summary of Closures:

State and federal regulators did not close any Public Depository Banks or Credit Unions in 2019.

Summary of Mergers and Acquisitions:

One of Washington's Public Depository Banks was acquired by another institution in 2019. The date of acquisition as well as the individual financial institutions involved are as follows:

3/29/2019: Sound Credit Union (Tacoma) completed its acquisition of the Bank of Washington (Lynnwood)

Summary of Other Changes:

In addition to participant changes through mergers and acquisitions, the following financial institutions were also approved in 2019 to act as public depositaries:

1/17/2019: Bank of Eastern Oregon (Heppner, OR)

1/17/2019: HAPO Community Credit Union (Richland)

3/14/2019: Luther Burbank Savings (Santa Rosa, CA)

3/14/2019: North Coast Credit Union (Bellingham)

9/11/2019: OUR Community Credit Union (Shelton)

Summary of Trustee Changes:

Through November 2019, no new entities were approved to act in the capacity of third-party trustee and perform the function of safekeeping securities pledged by public depositaries intended to protect uninsured public deposits.

Credit Unions:

Effective July 1, 2011, the Legislature allowed state-chartered credit unions to take public deposits. Then in 2012, the Legislature also allowed qualifying federally-chartered credit unions to accept public deposits and increased the deposit limits for all PDPC credit unions from \$100,000 to \$250,000 to match maximum deposit insurance limits provided by the NCUA. In 2018, the Legislature passed Substitute House Bill (SHB) 1209 permitting credit unions to accept public deposits in excess of insured limits from depositors located within a county with a population of three hundred thousand persons or less.

Recovering funds:

On January 16, 2009, the Bank of Clark County failed and more than \$15 million in public funds was temporarily lost due to lack of insurance or sufficient collateral. This temporary loss of public deposits triggered a first-ever assessment on other public depositaries to recover the public funds held by the bank.

The FDIC periodically distributes dividends from the sale of assets related to the Bank of Clark County failure. These funds are returned to the PDPC banks that were assessed to cover the public depositor losses in 2009. To date, the total amount recovered and refunded is \$7,804,599.14 (52% of the original \$15.144 million assessment). The FDIC has not distributed any dividends since 2018.

PDPC Resolutions:

No PDPC Resolutions were adopted through November 2019.

Looking Ahead:

The Office of the State Treasurer continues to work with state and federal regulators to keep up with changing conditions in public depositaries to ensure the safety and soundness of public funds on deposit at banks and credit unions.