

OFFICE OF THE TREASURER
STATE OF WASHINGTON

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Public Deposit Protection Commission

2021 Report

November 1, 2020 – October 31, 2021

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 the state of Washington

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 events 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 2021 report is an update on events and actions taken since November 2020, 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 2021. By comparison, 12 banks were closed at the height of the banking crisis in 2010. One public depository bank was acquired by another institution in 2021.

As of October 31, 2021 (the most current data available at the time of this report), 59 PDPC banks and 21 PDPC credit unions held nearly \$9.6 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 the state of Washington. These safeguards continue to protect all public deposits.

Deposits

As of October 31, 2021, insured deposits in banks represented 4 percent of \$9.476 billion in total deposits. These public depositories have pledged additional collateral to protect uninsured public deposits.

To date, 21 credit unions have been approved to accept public deposits. As of October 31, 2021, 16 of those credit unions held \$98.9 million in public deposits, which are either insured by the National Credit Union Administration (NCUA) or secured by collateral.

Total deposits in all public depositories is approximately \$9.6 billion.

Closures

State and federal regulators did not close any Public Depository Banks or Credit Unions in 2021.

Mergers and Acquisitions

One of Washington's Public Depository Banks was acquired by another institution in 2021. The date of acquisition as well as the individual financial institutions involved is as follows:

February 5, 2021: Banner Bank (Walla Walla, WA) completed its acquisition of Islander's Bank (Friday Harbor, WA)

Other Changes

Through October 2021, no new financial institutions were approved to act as public depositories.

Trustee Changes

Through October 2021, no new entities were approved to act in the capacity of third-party trustee and perform the function of safekeeping securities pledged by public depositories intended to protect uninsured public deposits.

Credit Unions

Effective July 1, 2011, the Legislature allowed state-chartered credit unions to take public deposits. 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. In 2021, the Legislature removed the population restriction on depositors, allowing all credit unions to accept uninsured public deposits.

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 depositories to recover the public funds held by the bank.

The Federal Deposit Insurance Corporation (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 which is 52 percent of the original \$15.144 million assessment. The FDIC has not distributed any dividends since 2018.

Public Deposit Protection Commission Resolutions

Since the last PDPC annual report, the Commission met on December 22, 2020. At that meeting, the Chair notified the Commission regarding letters of authorization issued by the Chair authorizing approval or termination requests of financial institutions for public depository status in accordance with Resolution 2018–3; and letters of resolution issued by the Chair authorizing requests to approve, rescind, or extend out-of-state and alien bank accounts in accordance with Resolution 2018–2. No new PDPC resolutions were adopted.

Looking Ahead:

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