The Virgin Islands Consortium

Big Changes Coming To Credit Union Regulation In Territory

Business / **Published On May 16, 2015 01:06 PM /**

Ernice Gilbert May 16, 2015

ST. THOMAS -- The Committee on Rules and Judiciary approved a measure on Friday morning at the Earl B. Ottley Legislative Hall that would effectively place all the territory's non-federally chartered credit unions under the control of the Lieutenant Governor's Office, if approved by the full senate body and signed into law by Governor Kenneth Mapp.

Bill No. 31-0072, sponsored by Sen. Clifford Graham, received widespread support from members of the 31st Legislature, who saw the measure as essential in lawmakers' efforts to protect the territory's residents from fraudsters.

Graham, thanking senators for their approval, revealed how the bill was born.

"Bill No. 31-0072 is an act amending Title 13 of VI Code Chapter 7, Section 588, pertaining to the regulation of non-federally chartered credit unions in the territory," Graham began. "As you know, under the current law, non-federally chartered credit unions are under the purview of the Department of Licensing and Consumer Affairs.

The senator said the bill seeks to move the oversight from DLCA to the Lieutenant Governor's Office, under the Division of Banking and Insurance, because DLCA is limited in its resources and authority to take corrective action when necessary.

During a Committee on Finance hearing held on April 21, Graham said persons and organizations invited to testify favored the measure. However, they recommended moving the entire credit union segment under Title 9 of VI Code, Chapter 17a, which is related to banking and insurance, and the regulation and supervision thereof -- in effect making credit union regulation in the territory a standalone sector, even while it remained under the authority of the Lt. Gov's Office.

Sen. Novelle Francis called the bill "timely," commended Graham for his efforts and said he looked forward to the amendments. Sen. Marvin Blyden called the legislation a "no-brainer" and, like Francis, pledged his support once the amendments were added; and Sen. Jean Forde said the measure is "certainly not controversial," and described it as "nothing else but a house-keeping measure."

Sen. Janet Millin Young said she would add her name to the bill as one of its co-sponsors, because not only is she in full support of the measure, she also sees it as an opportunity to prevent situations like the Her Majesty Credit Union fraud scandal that rocked the territory in 2012 from reoccurring.

Million Young said when she was introduced to one of the partners of Her Majesty, he seemed like a "wonderful person," and said the man spoke to her about the various things he wanted to do for the territory.

"And then he reminded me of shows like American Greed," she said.

In January, 2013, federal regulators accused a Colorado man of running a bogus credit union scheme in the territory and bilking over $532,000 from unsuspecting Virgin Islanders in the process, according to the Denver Post.

The lawsuit was filed in U.S. District Court in Denver, Colorado, where the Securities and Exchange Commission said Stanley McDuffie — who the SEC and Colorado law enforcement say is also known as Stanley Roberson, Stanley Battle and Stanley Robertson-Baffle — accomplished his goal by offering unrealistic returns on certificates of deposit he advertised on the Internet.

The SEC said Her Majesty Credit Union was never actually established, and that it was little more than a funnel for McDuffie to siphon funds from a tiny office in Denver and later in Watkins, Colorado.

"This is what we're trying to avoid here in the United States Virgin Islands," Millin Young continued. "A lot of people lost money and they didn't just lose $2, they lost thousands of dollars. They lost retirement money."

She added: "So by having the Banking and Insurance Division of the Lieutenant Governor's Office be the one that deals with this -- like it deals with the banks and the federally-connected credit unions, it totally makes sense."

Later, Millin Young offered an amendment to the bill that added the changes suggested earlier. It was seconded by Sen. Nellie Rivera O'Reilly.

The bill was supported by all 7 members of the Committee on Rules and Judiciary and will now be sent to the full senate body for consideration.

Feature Image: Federal Credit Union located in Peter's Rest, St. Croix