

COMMERCE: Kinley, Chair; Priebe and Rife

SENATE FILE 127  
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Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act relating to the powers, membership, directors, and  
2 officers, and other requirements of credit unions.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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SF 127

1 Section 1. Section 533.4, subsection 5, Code 1987, is  
2 amended by adding the following new paragraph.

3 NEW PARAGRAPH. i. Commercial paper issued by United  
4 States corporations as defined by rule.

5 Sec. 2. Section 533.4, subsection 7, Code 1987, is amended  
6 to read as follows:

7 7. Assess fines as may be provided by the bylaws for  
8 ~~failure-to-make-repayments-on-loans-and-payments-on-shares~~  
9 ~~when-due, provided no such fine shall exceed one percent per~~  
10 ~~month on amounts in arrears or five cents, whichever is the~~  
11 ~~larger.~~

12 Sec. 3. Section 533.4, Code 1987, is amended by adding the  
13 following new subsection:

14 NEW SUBSECTION. 27. Indemnify a director or officer or  
15 former director or officer of the credit union, or a person  
16 who may have served at its request as a director or officer of  
17 another credit union, against expenses actually and reasonably  
18 incurred by that person in connection with the defense of an  
19 action, suit, or proceeding, civil, or criminal, in which the  
20 person is made a party by reason of being or having been such  
21 director or officer, except in relation to matters to which  
22 the person is adjudged in the action, suit, or proceeding to  
23 be liable for negligence or misconduct in the performance of  
24 duty; and to make any other indemnification that is authorized  
25 by the articles of incorporation or bylaws, or a resolution  
26 adopted after notice by the members entitled to vote.

27 Sec. 4. Section 533.5, Code 1987, is amended by striking  
28 the section and inserting in lieu thereof the following:

29 533.5 MEMBERSHIP.

30 The membership of a credit union consists of those persons  
31 in the common bond, duly admitted, who have paid any required  
32 one-time or periodic membership fee, or both, have subscribed  
33 to one or more shares, and have complied with the other  
34 requirements specified by the articles of incorporation and  
35 bylaws. To continue membership, a member must comply with any

1 changes in the par value of the share. Credit union  
2 organization shall be available to groups of individuals who  
3 have a common bond of association such as, but not limited to,  
4 occupation, common employer, or residence within specified  
5 geographic boundaries. Changes in the common bond may be made  
6 by the board of directors. If adopted as a policy by the  
7 board of directors of a credit union, members who cease to  
8 meet qualifications of membership may retain their credit  
9 union membership and all membership privileges.

10 Organizations, incorporated or otherwise, may be members.

11 Sec. 5. Section 533.9, unnumbered paragraph 1, Code 1987,  
12 is amended to read as follows:

13 Within five days following the organization meeting and  
14 each annual meeting the directors shall elect from their own  
15 number a chairperson of the board, a vice chairperson,  
16 ~~president and a secretary, of whom the last two may be the~~  
17 ~~same individual, and also~~ a chief financial officer whose  
18 title shall be designated by the board of directors, a credit  
19 committee of not less than three members, and an auditing  
20 committee of not less than three members, and may also elect  
21 alternate members of the credit committee. The board may  
22 appoint an executive committee to act on its behalf when  
23 designated for that purpose. It shall be the duty of the The  
24 directors to have general management of the affairs of the  
25 credit union, ~~particularly to.~~

26 Sec. 6. Section 533.9, subsections 1 through 7, and  
27 unnumbered paragraph 2, Code 1987, are amended by striking the  
28 subsections and unnumbered paragraph.

29 Sec. 7. Section 533.11, subsections 1 and 2, Code 1987,  
30 are amended to read as follows:

31 1. Make or cause to be made an examination of the affairs  
32 of the credit union at least quarterly semi-annually,  
33 including an audit of its books and, ~~in the event said~~ if the  
34 committee feels such action to be necessary, it shall call the  
35 members together thereafter after the audit and submit to them

1 its report.

2 2. Make or cause to be made an annual ~~audit and~~ report and  
3 submit ~~the same~~ it at the annual meeting of the members.

4 Sec. 8. Section 533.34, subsection 1, Code 1987, is  
5 amended to read as follows:

6 1. A state credit union may convert into a federal credit  
7 union with the approval of the administrator of the national  
8 credit union administration and by the affirmative vote of a  
9 majority of the credit union's members ~~eligible to~~ who vote on  
10 the proposal. This vote, if taken, shall be at a ~~special~~  
11 meeting called for that purpose and shall be in the manner  
12 prescribed by the bylaws. ~~Any member eligible to vote and not~~  
13 ~~present at the meeting may, within twenty days after the date~~  
14 ~~on which the meeting was held, vote in favor of conversion by~~  
15 ~~signing a statement in a form satisfactory to the~~  
16 ~~superintendent. This vote shall have the same force and~~  
17 ~~effect as if cast at the meeting.~~

18 Sec. 9. Section 533.38, unnumbered paragraph 1, Code 1987,  
19 is amended to read as follows:

20 A corporate central credit union may be established.  
21 Credit unions organized under this chapter, the Federal Credit  
22 Union Act, or any other credit union act and credit union  
23 organizations may be members. In addition, regulated  
24 financial institutions, nonprofit organizations, and  
25 cooperative organizations may be members to the extent and  
26 manner provided for in the bylaws of the corporate central  
27 credit union. The corporate central credit union shall have  
28 all the powers, restrictions, and obligations imposed upon, or  
29 granted to a credit union under this chapter, except that the  
30 corporate central credit union may exercise any of the  
31 following additional powers subject to the adoption of rules  
32 by the superintendent pursuant to chapter 17A and with the  
33 prior written approval of the superintendent:

34 Sec. 10. NEW SECTION. 533.48 INVESTMENT IN BANKS OR  
35 SAVINGS AND LOAN ASSOCIATIONS.

1 1. INVESTMENTS IN BANKS. A credit union may, with the  
2 prior approval of the superintendent, invest in the capital  
3 stock, obligations, or other securities of a bank.  
4 2. INVESTMENT IN SAVINGS AND LOANS. A credit union may,  
5 with the prior approval of the superintendent, invest in the  
6 capital stock, obligations, or other securities of a state  
7 savings and loan association.  
8 3. FINDINGS REQUIRED. The superintendent shall not grant  
9 an approval under subsection 1 or 2, except after making one  
10 of the following findings:  
11 a. Based upon a preponderance of the evidence presented,  
12 the proposed investment will not have the immediate effect of  
13 significantly reducing competition between depository  
14 financial institutions located in the same community as the  
15 institution whose shares would be acquired.  
16 b. Based upon a preponderance of the evidence presented,  
17 the proposed investment would have an anticompetitive effect  
18 as described in paragraph "a", but other factors, specifically  
19 cited, outweigh the anticompetitive effect so that there would  
20 be a net public benefit as a result of the investment.  
21 4. COMPETITION PRESERVED. The subsequent liquidation of a  
22 bank or state savings and loan association whose shares are  
23 acquired under this section shall not prevent the subsequent  
24 incorporation of another bank or savings and loan association  
25 in the same community, and the superintendent of banking shall  
26 not find the liquidation of such a bank to be grounds for  
27 disapproving the incorporation of another bank in the same  
28 community under section 524.305, and the superintendent of  
29 savings and loan associations shall not find the liquidation  
30 of such a savings and loan association to be grounds for  
31 disapproving the incorporation of another savings and loan  
32 association in the same community under chapter 534.

33 EXPLANATION

34 This bill modifies the existing powers of credit unions,  
35 and alters membership standards, the powers and

1 responsibilities of directors and officers, and other aspects  
2 of credit union operation.

3 Section 1 grants credit unions the power to make  
4 investments in commercial paper issued by United States  
5 corporations.

6 Section 2 permits member fines to be imposed as provided by  
7 a credit union's bylaws, and removes current restrictions  
8 limiting the acts for which fines may be imposed and the  
9 amount of a fine.

10 Section 3 permits a credit union to indemnify directors,  
11 officers, former directors, and former officers, in certain  
12 circumstances, except in a case of liability for negligence or  
13 misconduct in the performance of duty.

14 Section 4 rewrites the provisions regarding persons  
15 eligible for membership in a credit union, and requires the  
16 existence of a "common bond", as defined by a credit union's  
17 board of directors.

18 Section 5 permits the election of a chief financial officer  
19 and appointment of an executive committee, in addition to the  
20 existing officers and committees and eliminates the office of  
21 president.

22 Section 6 removes limits upon the scope of the director's  
23 role in general management affairs of a credit union.

24 Section 7 provides for semiannual rather than quarterly  
25 examination and audit of a credit union and eliminates the  
26 annual audit.

27 Section 8 permits conversion into a federal credit union  
28 upon approval of a majority of members voting on the proposal,  
29 rather than the existing requirement for a majority of all  
30 members eligible to vote.

31 Section 9 permits nonprofit organizations to join a  
32 corporate central credit union as members.

33 Section 10 adds a new section 533.48 related to investments  
34 in a bank or savings and loan association by a credit union  
35 upon the approval of the superintendent of credit unions.