

**533.205 Board of directors — duties — penalties.**

1. Within five days following the organizational meeting and each annual meeting, the directors shall elect the following officers from the membership of the board of directors:

- a. A chairperson of the board.
- b. A vice chairperson.
- c. A secretary.
- d. A financial officer whose title shall be designated by the board.

2. a. The board of directors shall appoint the following committees:

- (1) A credit committee of not less than three members.
- (2) An auditing committee of not less than three members.

b. The board may also appoint alternate members of the credit committee or the auditing committee.

c. Only a member of the board or a member of the state credit union may be appointed to the credit committee or to the auditing committee.

d. The board may appoint an executive committee to act on the board's behalf.

3. The duties and responsibilities of a director and of the board of directors shall include but are not limited to all of the following:

a. General management of the affairs of the state credit union.

b. Setting the amount of the surety bond that shall be required of all officers and employees handling money.

c. Attendance at no less than seventy-five percent of the regular board meetings held during the calendar year.

d. Periodic review of the original records of the state credit union, or comprehensive summaries prepared by the officers of the state credit union, pertaining to loans, security interests, and investments.

e. Review of the adequacy of the state credit union's internal controls.

f. Periodic review of utilization of security measures.

g. Establishing education and training programs to ensure that the director possesses adequate knowledge to manage the affairs of the state credit union.

4. a. Directors of a state credit union shall discharge the duties of their position in good faith and with that diligence, care, and skill which ordinarily prudent persons would exercise under similar circumstances in like positions.

b. The directors have a continuing responsibility to assure themselves that the state credit union is being managed according to law and that the practices and policies adopted by the board are being implemented.

5. a. The board of directors shall name or employ an individual who performs active executive or official duties for the state credit union as its chief executive officer.

b. The board shall fix the tenure and provide for the reasonable compensation of the chief executive officer.

c. The chief executive officer may be a member of the board of directors.

6. a. The chief executive officer or the chief executive officer's designee shall determine the compensation and tenure of employees of the state credit union.

b. An employee of the state credit union shall not be a member of the board of directors.

c. For purposes of [this section](#), an "employee of the state credit union" means an individual employed by the state credit union other than the chief executive officer.

7. A state credit union may pay an overdraft of a director, officer, or employee of the state credit union on an account at the state credit union, subject to the rules of the superintendent, when the payment of funds is made in accordance with any of the following:

a. A written, preauthorized, interest-bearing extension of credit plan that specifies a method of repayment.

b. A written, preauthorized transfer of collected funds from another account of the account holder at the state credit union.

c. The overdraft is paid pursuant to an overdraft protection plan or courtesy pay program.

8. A credit union director may be reimbursed for reasonable expenses directly related to service as a director. Subject to its bylaws, a credit union may provide compensation to

members of the credit union's board, elected pursuant to [section 533.204](#), in an amount not to exceed sixteen thousand dollars per year per board member for a credit union with one billion dollars or greater in assets, or not to exceed eight thousand dollars per year per board member for a credit union with less than one billion dollars in assets.

9. The superintendent may impose a penalty, after notice in writing and opportunity for a hearing, for a violation of [this section](#). If a state credit union fails to satisfactorily resolve the matter within sixty days from receipt of such notice, the superintendent may impose a penalty against the state credit union in an amount not to exceed one hundred dollars per day per violation for each day that the violation remains unresolved.

10. A director of a state credit union shall not receive terms or be paid a rate of interest on deposits by a state credit union of which the person is a director that are more favorable than that provided to any other member under similar circumstances. Any waiver of ordinary or customary charges related to deposit accounts shall not violate [this subsection](#).

11. A director of a state credit union shall not purchase any assets from, lease any assets from, sell any assets to, or lease any assets to a state credit union of which the person is a director except upon terms not less favorable to the state credit union than those offered to or by other persons. All purchases from, leases from, sales to, and leases to a director shall receive prior approval from the majority of the board of directors voting in the absence of the interested director.

12. A director of a state credit union shall not receive anything of value, other than compensation and expense reimbursement authorized by [this section](#), for procuring, or attempting to procure, any loan or extension of credit to the state credit union or for procuring, or attempting to procure, an investment by the state credit union.

13. *a.* In addition to any other liability imposed by law upon the directors of a state credit union, the directors of a state credit union shall be liable for all of the following:

(1) The directors of a state credit union who vote for, or assent to, the declaration of any dividend or other distribution of the assets of the state credit union to the state credit union's members in willful or negligent violation of [this chapter](#), any restrictions contained in the articles of incorporation, or any order by the superintendent restricting the payment of dividends or other distribution of assets, shall be jointly and severally liable to the state credit union for the amount of the dividend which is paid, or the value of such assets which are distributed, in excess of the amount of such dividend or distribution which could have been paid or distributed had the violation not occurred.

(2) The directors of a state credit union who vote for, or assent to, any distribution of the assets of the state credit union to the state credit union's members during the dissolution of the state credit union without the payment and discharge of, or making adequate provision for, all known debts, obligations, and liabilities of the state credit union shall be jointly and severally liable to the state credit union for the value of the distributed assets to the extent that such debts, obligations, and liabilities of the state credit union are not thereafter paid and discharged.

(3) The directors of a state credit union who willfully or negligently vote for, or assent to, a loan or an extension of credit in violation of [this chapter](#) shall be jointly and severally liable to the state credit union for the total amount of any loss sustained by the state credit union.

(4) The directors of a state credit union who willfully or negligently vote for, or assent to, any investment of funds of the state credit union in violation of [this chapter](#) shall be jointly and severally liable to the state credit union for the amount of any loss sustained by the state credit union on the investment of funds.

*b.* A director shall not be liable under paragraph "a" if the director relied and acted in good faith on information that was held out to the director to be correct by any officer of the state credit union, or was stated in a written report by a certified public accountant or firm of certified public accounts. A director shall not be deemed to be negligent if the director in good faith exercised the diligence, care, and skill which an ordinarily prudent person would exercise as a director under similar circumstances.

*c.* When deemed necessary by the superintendent, and after affording an opportunity for a hearing upon adequate notice, the superintendent may require that a director whom the superintendent reasonably believes to be liable to a state credit union pursuant to paragraph

“a” to place in an escrow account in an insured credit union located in this state, as directed by the superintendent, an amount sufficient to discharge any liability which may accrue pursuant to paragraph “a”. Upon a final determination of the amount of liability owed pursuant to paragraph “a”, the superintendent shall pay over the amount due to the state credit union from the escrow account. Any portion of the escrow account in excess of the amount of liability owed shall be refunded on a pro rata basis to the directors required to contribute to the escrow account pursuant to this paragraph.

d. The liability provisions of [this subsection](#) shall not apply to a director of a credit union who is not directly compensated for services as a director other than the reimbursement of actual expenses.

14. a. Any director held liable for the payment of a dividend or other distribution of assets of a state credit union under [subsection 13](#) shall be entitled to contribution from any member of the state credit union who accepted or received a dividend or other distribution of assets, knowing that the dividend or distribution of assets was made in violation of [this chapter](#), in proportion to the amount received by each member.

b. Any director held liable under [subsection 13](#) shall be entitled to contribution from any other director found to be similarly liable.

15. a. A director of a state credit union who is present at a meeting of the state credit union’s board of directors shall be presumed to have assented to any matter taken up by, or action taken by, the board, unless the director dissents by doing any of the following:

(1) Has the director’s dissent entered into the minutes of the board meeting.

(2) Files the director’s written dissent with the individual acting as the secretary of the board meeting before the adjournment of the board meeting.

(3) Forwards the director’s written dissent by registered or certified mail to the board secretary of the state credit union promptly after the adjournment of the board meeting.

b. The right to dissent pursuant to paragraph “a” shall not apply to a director who votes in favor of the action of the board.

16. Any action seeking to impose liability under [this section](#), other than liability for contribution, shall be commenced within five years of the event giving rise to the liability.

[2007 Acts, ch 174, §22; 2011 Acts, ch 34, §124; 2012 Acts, ch 1020, §8; 2013 Acts, ch 17, §2; 2016 Acts, ch 1030, §6; 2017 Acts, ch 138, §11; 2024 Acts, ch 1096, §2, 3](#)

Subsection 8 amended  
NEW subsections 10 - 16