

House File 2328 - Introduced

HOUSE FILE 2328
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 569)

A BILL FOR

1 An Act relating to matters under the purview of the credit
2 union division of the department of commerce, and including
3 effective date provisions.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 533.209A Prohibited relationships.

2 A director shall not be related by consanguinity or affinity
3 within the third degree to any person employed by a state
4 credit union in a senior management position. For purposes
5 of this section, "*senior management position*" includes a state
6 credit union's chief executive officer, president, or manager;
7 assistant chief executive officer, assistant president, vice
8 president, or assistant manager; or chief financial officer or
9 treasurer.

10 Sec. 2. Section 533.301, subsection 1, paragraph c, Code
11 2014, is amended to read as follows:

12 c. Other state credit unions.

13 Sec. 3. Section 533.301, subsection 5, paragraph i, Code
14 2014, is amended to read as follows:

15 i. Corporate bonds as defined by and subject to terms
16 and conditions imposed by the superintendent, provided that
17 the superintendent shall not approve investment in corporate
18 bonds unless the bonds are ~~rated in the two highest grades~~
19 ~~of corporate bonds by a nationally accepted rating agency~~
20 investment grade. For purposes of this paragraph, "investment
21 grade" means the issuer of a security has an adequate capacity
22 to meet the financial commitments under the security for the
23 projected life of the asset or exposure, even under adverse
24 economic conditions. An issuer has adequate capacity to
25 meet the financial commitments of a security if the risk of
26 default by the obligor is low and the full and timely repayment
27 of principal and interest on the security is expected. A
28 state credit union may consider any or all of the following
29 nonexhaustive or nonmutually exclusive factors, to the extent
30 appropriate, with respect to the credit risk of a security:

- 31 (1) Credit spreads.
32 (2) Securities-related research.
33 (3) Internal or external credit risk assessments.
34 (4) Default statistics.
35 (5) Inclusion on an index.

1 (6) Priorities and enhancements.

2 (7) Price, yield, or volume.

3 (8) Asset class-specific factors.

4 Sec. 4. Section 533.301, subsection 28, Code 2014, is
5 amended to read as follows:

6 28. Sell, to persons in the field of membership, negotiable
7 checks, including traveler's checks; money orders; and other
8 similar money transfer instruments including international
9 and domestic electronic fund transfers and remittance ~~checks~~
10 transfers.

11 Sec. 5. NEW SECTION. 533.405A Involuntary dissolution.

12 1. If the superintendent has taken over management of the
13 property and business of a state credit union pursuant to
14 section 533.502, and determined that the state credit union
15 cannot be reorganized or merged with another credit union, the
16 superintendent may move for the involuntary dissolution of the
17 state credit union and shall apply to the district court for
18 appointment as receiver with the authority to dissolve the
19 state credit union.

20 2. If a state credit union is in the process of a
21 voluntary dissolution, and pursuant to section 533.405,
22 the superintendent finds that the state credit union is not
23 making reasonable progress toward terminating its affairs, the
24 superintendent may move for the involuntary dissolution of the
25 state credit union and shall apply to the district court for
26 appointment as receiver with the authority to dissolve the
27 state credit union.

28 3. The provisions of section 533.503 shall apply when the
29 superintendent is acting as receiver, and as receiver the
30 superintendent shall distribute the assets pursuant to the
31 provisions of section 533.404.

32 Sec. 6. Section 533.503, Code 2014, is amended by adding the
33 following new subsections:

34 NEW SUBSECTION. 2A. The superintendent as receiver may sue
35 and defend in the superintendent's name with respect to the

1 affairs of a state credit union.

2 NEW SUBSECTION. 5. The superintendent as receiver shall
3 hold all records of the receivership for a period of two years
4 after the court decree dissolving the state credit union
5 and discharging the receiver, and at the termination of the
6 two-year period, the records may then be destroyed.

7 Sec. 7. EFFECTIVE UPON ENACTMENT. The following provision
8 or provisions of this Act, being deemed of immediate
9 importance, take effect upon enactment:

10 1. The section of this Act amending section 533.301,
11 subsection 1, paragraph "c".

12 2. The section of this Act amending section 533.301,
13 subsection 5, paragraph "i".

14 EXPLANATION

15 The inclusion of this explanation does not constitute agreement with
16 the explanation's substance by the members of the general assembly.

17 This bill relates to matters under the purview of the credit
18 union division of the department of commerce.

19 The bill provides that a director shall not be related
20 by consanguinity or affinity within the third degree to any
21 person employed by a state credit union in a senior management
22 position. The bill defines "senior management position" to
23 include a credit union's chief executive officer, president,
24 or manager; assistant chief executive officer, assistant
25 president, vice president, or assistant manager; or chief
26 financial officer or treasurer.

27 The bill provides that a state credit union shall be
28 authorized to receive payments for ownership shares, for other
29 shares, or as deposits, from other credit unions. Currently,
30 this authorization applies strictly to other state credit
31 unions.

32 The bill modifies provisions relating to investments by a
33 state credit union in corporate bonds to delete a requirement
34 that the bonds are rated in the two highest grades of corporate
35 bonds by a nationally accepted rating agency and substituting

1 the requirement that the bonds be considered investment grade.
2 The bill defines "investment grade" to mean the issuer of
3 a security has an adequate capacity to meet the financial
4 commitments under the security for the projected life of the
5 asset or exposure, even under adverse economic conditions. The
6 bill provides that an issuer has adequate capacity to meet the
7 financial commitments of a security if the risk of default
8 by the obligor is low and the full and timely repayment of
9 principal and interest on the security is expected. The bill
10 specifies a list of nonexhaustive or nonmutually exclusive
11 factors which a credit union may consider, to the extent
12 appropriate, with respect to the credit risk of a security.

13 The bill changes a reference to "remittance checks" to
14 "remittance transfers" regarding the ability of a state credit
15 union to sell, to persons in the field of membership, specified
16 checks, money orders, and other similar money transfer
17 instruments.

18 Additionally, the bill establishes new involuntary
19 dissolution provisions relating to state credit unions. The
20 bill provides that if the superintendent has taken over
21 management of the property and business of a state credit
22 union and determined that the state credit union cannot
23 be reorganized or merged with another credit union, the
24 superintendent may move for the involuntary dissolution of the
25 state credit union and shall apply to the district court for
26 appointment as receiver with the authority to dissolve the
27 state credit union. Further, the bill provides that if a state
28 credit union is in the process of a voluntary dissolution, and
29 the superintendent of credit unions finds that the state credit
30 union is not making reasonable progress toward terminating
31 its affairs, the superintendent may move for the involuntary
32 dissolution of the state credit union and shall apply to the
33 district court for appointment as receiver with the authority
34 to dissolve the state credit union.

35 The bill adds two new provisions applicable to the

1 superintendent acting as receiver. The bill provides that
2 the superintendent as receiver may sue and defend in the
3 superintendent's name with respect to the affairs of a state
4 credit union, and shall hold all records of the receivership
5 for a period of two years after the court decree dissolving the
6 state credit union and discharging the receiver, which, at the
7 termination of the two-year period, may be destroyed.

8 The bill provides that the provisions relating to
9 authorization to receive specified payments from other credit
10 unions, and relating to the requirement that investments be
11 made in corporate bonds which are considered "investment
12 grade", take effect upon enactment.