

House Study Bill 569 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED DEPARTMENT OF
COMMERCE/CREDIT UNION
DIVISION BILL)

A BILL FOR

1 An Act relating to matters under the purview of the credit
2 union division of the department of commerce.
3 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 5, paragraph i, Code
11 2014, is amended to read as follows:

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

- 28 (1) Credit spreads.
29 (2) Securities-related research.
30 (3) Internal or external credit risk assessments.
31 (4) Default statistics.
32 (5) Inclusion on an index.
33 (6) Priorities and enhancements.
34 (7) Price, yield, or volume.
35 (8) Asset class-specific factors.

1 Sec. 3. Section 533.301, subsection 28, Code 2014, is
2 amended to read as follows:

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

8 Sec. 4. NEW SECTION. 533.405A Involuntary dissolution.

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

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

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

29 Sec. 5. Section 533.503, Code 2014, is amended by adding the
30 following new subsections:

31 NEW SUBSECTION. 2A. The superintendent as receiver may sue
32 and defend in the superintendent's name with respect to the
33 affairs of a state credit union.

34 NEW SUBSECTION. 5. The superintendent as receiver shall
35 hold all records of the receivership for a period of two years

1 after the court decree dissolving the state credit union
2 and discharging the receiver, and at the termination of the
3 two-year period, the records may then be destroyed.

4

EXPLANATION

5

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

7

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

9

The bill provides that a director shall not be related
10 by consanguinity or affinity within the third degree to any
11 person employed by a state credit union in a senior management
12 position. The bill defines "senior management position" to
13 include a credit union's chief executive officer, president,
14 or manager; assistant chief executive officer, assistant
15 president, vice president, or assistant manager; or chief
16 financial officer or treasurer.

17

The bill modifies provisions relating to investments by a
18 state credit union in corporate bonds to delete a requirement
19 that the bonds are rated in the two highest grades of corporate
20 bonds by a nationally accepted rating agency and substituting
21 the requirement that the bonds be considered investment grade.
22 The bill defines "investment grade" to mean the issuer of
23 a security has an adequate capacity to meet the financial
24 commitments under the security for the projected life of the
25 asset or exposure, even under adverse economic conditions. The
26 bill provides that an issuer has adequate capacity to meet the
27 financial commitments of a security if the risk of default
28 by the obligor is low and the full and timely repayment of
29 principal and interest on the security is expected. The bill
30 specifies a list of nonexhaustive or nonmutually exclusive
31 factors which a credit union may consider, to the extent
32 appropriate, with respect to the credit risk of a security.

33

The bill changes a reference to "remittance checks" to
34 "remittance transfers" regarding the ability of a state credit
35 union to sell, to persons in the field of membership, specified

1 checks, money orders, and other similar money transfer
2 instruments.

3 Additionally, the bill establishes new involuntary
4 dissolution provisions relating to state credit unions. The
5 bill provides that if the superintendent has taken over
6 management of the property and business of a state credit
7 union and determined that the state credit union cannot
8 be reorganized or merged with another credit union, the
9 superintendent may move for the involuntary dissolution of the
10 state credit union and shall apply to the district court for
11 appointment as receiver with the authority to dissolve the
12 state credit union. Further, the bill provides that if a state
13 credit union is in the process of a voluntary dissolution, and
14 the superintendent of credit unions finds that the state credit
15 union is not making reasonable progress toward terminating
16 its affairs, the superintendent may move for the involuntary
17 dissolution of the state credit union and shall apply to the
18 district court for appointment as receiver with the authority
19 to dissolve the state credit union.

20 The bill adds two new provisions applicable to the
21 superintendent acting as receiver. The bill provides that
22 the superintendent as receiver may sue and defend in the
23 superintendent's name with respect to the affairs of a state
24 credit union, and shall hold all records of the receivership
25 for a period of two years after the court decree dissolving the
26 state credit union and discharging the receiver, which, at the
27 termination of the two-year period, may be destroyed.