

House File 131 - Introduced

HOUSE FILE 131
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 35)

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. Section 12C.16, subsection 1, paragraph b,
2 subparagraph (1), unnumbered paragraph 1, Code 2023, is amended
3 to read as follows:

4 The credit union may deposit, maintain, pledge and assign
5 for the benefit of the public officer in the manner provided
6 in [this chapter](#), securities approved by the public officer,
7 the market value of which is not less than ~~one hundred ten one~~
8 hundred percent of the total deposits of public funds placed
9 by that public officer in the credit union, less the amount
10 of deposits that are federally insured. The securities shall
11 consist of any of the following:

12 Sec. 2. Section 12C.16, subsection 1, paragraph b,
13 subparagraph (1), subparagraph division (d), Code 2023, is
14 amended to read as follows:

15 (d) ~~To the extent of the guarantee, loans, obligations, or~~
16 ~~nontransferable~~ Nontransferable letters of credit upon which
17 the payment of principal and interest is fully secured or
18 guaranteed by the United States of America, ~~or~~ an agency or
19 instrumentality of the United States of America, ~~a corporate~~
20 ~~central credit union organized under [section 533.213](#) the~~
21 national cooperative bank, the federal home loan bank, or a
22 any corporate credit union whose activities are subject to
23 regulation by the national credit union administration, and the
24 rating of any one of such credit unions remains within the two
25 highest classifications of prime established by at least one
26 of the standard rating services approved by the superintendent
27 of banking by rule pursuant to [chapter 17A](#) and whose capital
28 level remains well-capitalized pursuant to 12 C.F.R. pt. 704,
29 or any other entity approved by the treasurer of state. The
30 treasurer of state ~~shall~~ may adopt rules pursuant to chapter
31 17A to implement [this section](#).

32 Sec. 3. Section 533.205, subsection 8, Code 2023, is amended
33 to read as follows:

34 8. ~~A credit union director shall not receive compensation~~
35 ~~for service as a director. However, a director may be~~

1 ~~reimbursed~~ Subject to its bylaws, a credit union may provide
2 compensation to directors for their service and reimburse
3 directors for reasonable expenses directly related to such
4 service.

5 Sec. 4. Section 533.206, Code 2023, is amended to read as
6 follows:

7 **533.206 Meetings of the board.**

8 1. The board of directors shall hold at least six regular
9 board meetings each calendar year. No more than one regular
10 meeting shall be held in any one calendar month, nor shall
11 a credit union go longer than two consecutive months without
12 holding a board meeting. If a credit union has an individual
13 rating of a four or five, or a composite rating of three, four,
14 or five under the Iowa regulatory risk rating system, the board
15 shall meet monthly.

16 2. With respect to a newly chartered credit union, the board
17 of directors shall meet not less frequently than monthly during
18 each of the first five years of the credit union's existence.

19 3. Unless the bylaws provide otherwise, the board of
20 directors may permit any and all directors to participate in
21 all except one meeting per year of the board of directors
22 through the use of any means of communication by which all
23 directors participating in the meeting may simultaneously hear
24 each other and communicate during the meeting. A director
25 participating in a meeting by this means is deemed to be
26 present at the meeting.

27 Sec. 5. Section 533.210, subsections 1 and 2, Code 2023, are
28 amended to read as follows:

29 1. The board of directors may expel ~~any~~ a member of a state
30 credit union who has ~~failed to do either~~ engaged in any of the
31 following:

32 a. ~~Carry~~ Failing to carry out the member's obligations to
33 the state credit union.

34 b. ~~Comply~~ Failing to comply with the state credit union's
35 bylaws or policies.

1 c. Being physically or verbally abusive to credit union
2 members or staff.

3 d. Committing fraud, attempted fraud, or other illegal
4 conduct that a member has been convicted of in relation to the
5 credit union.

6 2. A member of a state credit union may be expelled by a
7 majority vote of the board of directors at a regular or special
8 meeting of the board.

9 a. An expelled member may request a hearing before the
10 ~~membership of the state credit union~~ superintendent, which
11 shall be held within ~~sixty~~ ninety days of an expelled member's
12 request.

13 b. At the hearing, the ~~membership~~ superintendent may
14 reinstate the expelled member ~~by majority vote, upon terms and~~
15 ~~conditions prescribed at the hearing~~ if the credit union fails
16 to prove the member was noncompliant with the obligations in
17 this section.

18 Sec. 6. Section 533.304, subsection 2, Code 2023, is amended
19 to read as follows:

20 2. A state credit union may invest in ~~either~~ any of the
21 following to the extent that the total investments under this
22 section shall not be more than five percent of the state credit
23 union's assets:

24 a. Shares or equity interests in venture capital funds that
25 agree to invest an amount equal to at least fifty percent of
26 the state credit union's investment in small businesses having
27 their principal offices within this state and having either
28 more than one-half of their assets within this state or more
29 than one-half of their employees employed within this state.

30 b. Shares or equity interests in small businesses having
31 their principal offices within this state and having either
32 more than one-half of their assets within this state or more
33 than one-half of their employees employed within this state. A
34 state credit union shall not invest in more than twenty percent
35 of the total capital and surplus of any one small business

1 under this paragraph.

2 c. Any other investment instrument as authorized by the
3 superintendent.

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 modifies the amount of securities that a credit
10 union may manage for the benefit of a public officer from 110
11 percent to 100 percent of the total deposits of public funds,
12 less the amount of deposits that are federally insured.

13 The bill provides that a public officer shall obtain
14 security for a deposit in excess of the amount federally
15 insured by acquiring a nontransferable letter of credit
16 from the United States, an agency or instrumentality of the
17 United States, a national cooperative bank, federal home loan
18 bank, any corporate credit union whose capital level remains
19 well-capitalized, or any other entity approved by the treasurer
20 of the state.

21 The bill modifies language to allow a credit union director
22 compensation subject to the bylaws of a credit union. Current
23 law does not allow compensation to a credit union director for
24 service.

25 The bill requires credit union boards to hold regular
26 meetings. A credit union with an individual rating of a four
27 or five, or a composite rating of three, four, or five under
28 the Iowa regulatory risk rating system is required to meet
29 monthly. A new credit union is required to meet monthly for
30 the first five years.

31 The bill expands activity that may constitute expulsion from
32 a credit union to include failing to participate in the affairs
33 of the credit union, being physically abusive to a credit union
34 member or staff, being verbally abusive to a credit union
35 member or staff, or committing fraud, attempted fraud, or other

1 illegal conduct resulting in a conviction in relation to the
2 credit union.

3 The bill modifies the expulsion hearing procedure. A member
4 may request a hearing before the credit union superintendent,
5 which shall occur 90 days after the member's request. The
6 superintendent of credit unions may reinstate the expelled
7 member if the credit union fails to prove the member was
8 noncompliant with the requirements of Code section 533.205.
9 Current law provides that the membership of a credit union may
10 reinstate an expelled member by majority vote upon the terms
11 and conditions prescribed at the hearing.

12 The bill provides that a credit union may invest in
13 investment instruments as authorized by the superintendent.