HOUSE FILE 131
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 35)

(As Amended and Passed by the House March 6, 2023)

[= New Language by the House

* = Language Stricken by the House

A BILL FOR

An Act relating to matters under the purview of the credit union division of the department of commerce.

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

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

The credit union may deposit, maintain, pledge and assign for the benefit of the public officer in the manner provided in this chapter, securities approved by the public officer, the market value of which is not less than ~~one hundred ten~~ one hundred percent of the total deposits of public funds placed by that public officer in the credit union, less the amount of deposits that are federally insured. The securities shall consist of any of the following:

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

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

[Sec. 3. Section 12C.16, Code 2023, is amended by adding the following new subsection:

NEW SUBSECTION. 3. If the credit rating of the national cooperative bank or the federal home loan bank of Des Moines,

Iowa, is lowered to a rating not within the two highest classifications of prime as established by at least one of the standard rating services approved by the superintendent of banking by rule pursuant to chapter 17A, or a corporate credit union's capital levels fall below the well-capitalized standard in 12 C.F.R. pt. 704, then the national cooperative bank, federal home loan bank of Des Moines, Iowa, or corporate credit union shall immediately notify the treasurer of state and each credit union that is securing public deposits by use of a letter of credit issued by the bank or corporate credit union. Each credit union, upon such a notification from the national cooperative bank, federal home loan bank of Des Moines, Iowa, corporate credit union, or treasurer of state, shall immediately return the deposits, with interest accrued to the date of notification, to the public units that are secured by letter of credit.

Sec. 4. Section 12C.17, subsection 1, paragraph c, Code 2023, is amended to read as follows:

c. The securities shall be deposited with the federal reserve bank, national cooperative bank, the federal home loan bank of Des Moines, Iowa, ~~a corporate central credit union organized under section 533.213,~~ or a corporate credit union whose activities are subject to regulation by the national credit union administration pursuant to a bailment agreement or a pledge custody agreement.]

Sec. 5. Section 533.205, subsection 8, Code 2023, is amended to read as follows:

8. ~~A credit union director shall not receive compensation for service as a director. However, a director may be reimbursed~~ Subject to its bylaws, a credit union may provide compensation to directors for their service and reimburse directors for reasonable expenses directly related to such service.

[Sec. 6. Section 533.205, Code 2023, is amended by adding the following new subsections:

NEW SUBSECTION. 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.

NEW 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.

NEW SUBSECTION. 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.]

Sec. 7. Section 533.206, Code 2023, is amended to read as follows:

533.206 Meetings of the board.

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

2. With respect to a newly chartered credit union, the board of directors shall meet not less frequently than monthly during

each of the first five years of the credit union's existence.

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

Sec. 8. Section 533.210, subsections 1 and 2, Code 2023, are amended to read as follows:

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

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

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

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

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

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

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

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

Sec. 9. Section 533.304, subsection 2, Code 2023, is amended to read as follows:

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

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

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

* [*c.* Shares or equity interests of any corporation or other entity which develops or utilizes new or innovative technologies that are or may be applicable to the provision of financial services or products, subject to the approval of the superintendent.]