

Questions & Answers from the Iowa Credit Union Act Update: Navigating HF 131 Changes Webinar

June 2024



Board of Directors Compensation

What does a credit union need to have in place before it can compensate its board of directors?

Iowa Division of Credit Unions (IDCU) would expect the credit union to have the following items:

- Resolution showing that the credit union has decided to compensate its board of directors
- Application for a change in bylaws (which can be found on IDCU's website)
- Policy to document how, when, and in what amount a board member is compensated.

Will there be a standard policy on ViClarity to look at for this?

Yes. ViClarity will provide a policy on director compensation, which will be available in July 2024.

Does your bylaw change, application approved, and policy need to be in place before compensating board members?

Yes. The credit union needs to have the bylaw amendment filed and the approval of the IDCU and have a policy in place before any compensation can be given.

Will board members have to fill out a I-9 /W-4 to be recorded in payroll?

IDCU does not have a good answer on this yet. There has been some discussion, specifically with the examination department within the IDCU that the financials should follow GAP accounting principles, and the compensation should be listed under salaries. In general, the credit union should consult its H.R. department in considering how to record the compensation.

The board may vote to be compensated for this year. However, since we're in June, and 1/2 the year is over, is this allowed?

No. The board may not be compensated retroactively.

What about compensating directors per meeting or per committee?

This is up to the credit union board of directors and needs to be included in the credit union policy. Credit unions should not expect those types of clarifications to be in the model bylaws.

Will we need a policy if the board opts out of compensation or elects not to?

No. However, the board will need to create a record documenting that it plans on not compensating its board members for examination purposes. This document can be easily effectuated by documenting the discussion of not compensating board members in meeting minutes.

For a more forward-thinking answer, the IDCU mentioned that when the update to the model bylaws is implemented, there will be an option to designate whether a credit union is compensating its board members.

*****UPDATE: According to guidance issued by IDCU, the IDCU is encouraging credit unions to develop policies and procedures for director meetings and attendance*****

If the board elects to compensate themselves, do the members have to vote on that?

In general, the membership does not have to vote on that. However, in order to be able to compensate a credit union's board members, an amendment to the credit union's bylaws will need to be filed with the IDCU. Some credit unions require that the membership vote on amendments to the bylaws. Therefore, if a credit union requires their membership to vote on an amendment to their bylaws, the decision to compensate their board members will ultimately be voted on by the membership.

How do you stop a board for overcompensating itself if the credit union truly cannot afford it?

IDCU will be monitoring credit union's financial health and will step in when a credit union cannot afford to compensate its board members. For example, if a credit union has a composite (CAMEL's) score of 3, 4, or 5, it is likely the Superintendent of Credit Unions will intervene and disallow the credit union to compensate their board members.

Board of Directors Meeting Requirements & Miscellaneous

Can we still use a surety bond to collateralize public funds?

Yes. Nothing in the legislation as to how those funds are collateralized was changed.

How soon will the IDCUs have guidance on its website in anticipation of the law's effective date?

IDCU is in the final stages of providing updated guidance which should be available by the end of June.

What kind of insurance do credit unions need to provide to board members?

See 12 CFR 701.33

Will the number of board meetings change require a policy or bylaw change?

There is no bylaw change required. However, the IDCU is going to be asking what the intent is for board meetings. To that end, while a policy is not required, the IDCU is going to need some documentation on how many times a board is meeting. This could, again, be effectuated through documentation in meeting minutes.

Could charge offs and dividend rate changes during off cycle meetings be sent out to board via email and approved via email?

IDCU does not have guidance on that answer at this time but will provide an answer when it publishes its guidance.

Member Expulsion and Complaints

Is there specific wording you would suggest we include in policy/procedures in regard to expelling a member when moving forward?

IDCU doesn't have specific wording in mind, but the credit union will be held responsible for documenting the reasons for the expulsion. As a suggestion, since the language of the bill is already fairly clear, following the language of the bill is a good starting point.

When the member exercises their right to have a meeting on their expulsion, will we be required to be in person or virtual during that meeting?

IDCU does not have an answer on this yet. However, the IDCU is aware of some of the issues that may arise (i.e. member becomes violent, etc.) and this may be something that is addressed on a case-by-case basis.

Is there a deadline to file a complaint?

It will be included in the guidance.

ICUL and its strategic partners are available to assist credit unions in understanding and adapting to changes from the Credit Union Code Update Bill (House File 131).

Iowa Credit Union League

- [Email the ICUL Team](#)
- [Iowa Credit Union Act Update: HF 131 Changes Webinar Recording](#)

ViClarity

- [Email ViClarity Experts](#)
- Hotline Phone: 844.731.6071
- As a member of ICUL, your credit union has access to a variety of compliance resources through ViClarity. [Learn more here.](#)

Iowa Division of Credit Unions

- [Official State of Iowa Website](#)
- Phone: 515.725.0505

Last Updated 7/8/2024