

# Iowa Credit Union Act Update: Navigating HF 131 Changes

Special guest Superintendent Katie Averill,  
Iowa Division of Credit Unions

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# Agenda

1. Review of legislative changes by topic:
  - Public deposits
  - Board compensation
  - Director liability/inside dealing
  - Board meeting frequency
  - Member expulsion
2. Q&A after each topic section
3. Legislation effective July 1, 2024



# Public Deposits

- Section 1 of the bill. Minor changes.
- Amends 12C.16 to say the value of the letter of credit to secure public deposits shall be no less than 100% of the public deposits—minus the amount federally insured.
- Federal Home Loan Bank is still the only option for letters of credit.

# Board Compensation

- Section 2 of the bill.
- HF 131 permits compensation for Iowa chartered CUs—in addition to reimbursement of expenses related to board duties.
- Compensation caps:
  - a) Credit unions under \$1 billion in assets: \$8,000 per year per director
  - b) Credit unions over \$1 billion in assets: \$16,000 per year per director.
- Directors must be elected to be compensated.

# Director Insider Dealing

- New language is similar to the banking code.
- Section 3, subsections 10-12 prohibit a director from:
  - a) Receiving more favorable terms on deposits;
  - b) Purchasing assets from or selling assets to the CU on favorable terms; or
  - c) Receiving anything of value in exchange for procuring a loan to the CU or an investment by the CU.
- Nothing new from existing fiduciary duty of a director.

# Director Liability

- New language mirrors banking code for directors. Only applies to boards that are compensated beyond expense reimbursement.
- Section 3, subsections 13-16 of bill states a director is liable for:
  - a) Voting to declare a dividend or distributing assets in willful/negligent violation of Chapter 533 or any regulatory order restricting payment of dividends;
  - b) Voting to distribute assets of the CU during dissolution without payment of known debts/obligations; or
  - c) Voting for a loan/extension of credit or investment of the CU's funds in violation of Chapter 533 if willful or negligent.
- **SAFE HARBOR:** Director is not liable for any of the above if relied in good faith on information provided by an officer of the CU or in a written report from a CPA (or firm). Director shall not be deemed negligent if exercised the diligence of a prudent person (reasonable care).
- Five-year statute of limitations from date of the event.

# Board Meeting Frequency

- Section 4 of the bill; requires at least six board meetings a year.
- Board can't go more than two consecutive months without a meeting and can't have more than one meeting a month.
- If a CU has a composite CAMELS rating of three, four or five—board must meet monthly.
- If a CU has an individual CAMELS rating of four or five—board must meet monthly.
- Reminder of 75% meeting attendance for directors.

# Member Expulsion

- Section 5; permits a board to expel a member for two new reasons:
  1. Being physically or verbally abusive to CU staff or members;
  2. Committing/attempting fraud or other illegal conduct that a member has been convicted of in relation to the credit union.
- HF 131 changes the appeal process so the expelled member may request a hearing before the Superintendent—not entire membership.
- Hearing must be held within 90 days of the request.
- The Superintendent may reinstate a member if the credit union hasn't complied with requirements of Chapter 533.



# Questions?



Thank you for  
attending!



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