



April 4, 2024

The Honorable Tim Grayson  
Member, California State Assembly  
1021 O Street, Suite 5510  
Sacramento, CA 95814

Re: AB 2062 (Grayson) Credit Unions- California Credit Union League Sponsor

The California Credit Union League (CCUL) is the proud sponsor of Assembly Bill 2062 and its efforts to update and strengthen the credit union state charter. Credit unions have the option of either being state-chartered or federally chartered entities. Federally chartered credit unions are regulated by the National Credit Union Administration (NCUA) and in California, state-chartered credit unions are regulated by the Department of Financial Protection and Innovation (DFPI). Both federal and state governments periodically update their charters to stay competitive in their appeal and to create an even playing field in the dual charter system. This bill makes necessary updates to the state charter that are outlined below and upholds the incentive for state-chartered credit unions to benefit from having a regulator with a local perspective. AB 2062 allows credit unions to keep up with the ever-changing landscape and best serve their members and communities across California.

### **Applications for Membership**

- Credit unions have expressed a desire for an amendment to the current statute, allowing them the option to implement an automated system for approval, provided the system aligns with the membership criteria established by the credit union's board.
- This measure amends FC §14456 to permit the option to implement an automated system for approval, provided the system aligns with the membership criteria established by the credit union's board.

### **Declaration of Dividends**

- Given the speed of the current interest rate environment, credit unions must be able to adjust their dividend rates quickly to remain competitive and operate in a safe and sound manner. We have heard from credit unions who believe that a credit union's board may not be able to react quickly enough in these circumstances.
- As such, these credit unions would like to see the state charter to be amended to stipulate that boards may delegate its authority to declare dividends or set dividend rates to an asset liability committee (ALCO) or other committees within the parameters established by the board.
- The bill revises the statute to stipulate the board may delegate its authority to declare dividends or set dividend rates to asset liability (ALCO) or other committees within the parameters established by the board.

### **Investments**

- Credit unions have run into problems investing in credit union service organizations (CUSOs) unless the CUSOs are solely owned by credit unions.
- FC §14651 states that “[e]very credit union may invest in the shares of stock of a corporation, or in membership or economic interests of a limited liability company, organized solely for the purpose of providing services to credit unions, provided the corporation or limited liability company is formed by a credit union or group of credit unions.”
- The language under §14651, “provided the corporation or limited liability company is formed by a credit union or group of credit unions...” lacks clarity on whether CUSOs would count as an acceptable forming entity.
- AB 2062 amends Fin. Code §14651 to clarify that credit union service organizations (CUSOs) count as an acceptable forming entity.

### **Savings Capital**

- The definition of “savings capital” is inconsistent and outdated.
  - FC§14400. The equity capital of the credit union shall consist of the credit union’s regular reserve account, the undivided earnings account, any appropriated undivided earnings accounts, and other forms of capital approved by the commissioner.
  - FC §15100. (b) Notwithstanding subdivision (a), no credit union policy shall permit a credit union to enter into obligations with an individual credit union member whereby the total obligations of that member, exclusive of amounts secured by shares or certificates for funds, exceed 10 percent of the aggregate dollar amount of the credit union’s savings capital
- This bill makes a technical change to amend the statute to define the term “savings capital.”

### **Virtual Member Meetings**

- Credit unions have conveyed to the League that in-person member meeting requirements are overly restrictive, impeding their capacity to host fully virtual meetings. They’ve noted that the option for virtual member meetings is more accessible for credit union members to attend compared to in-person meetings.
- Proposal: Codify under the California Credit Union Law that membership meetings may be fully remote – similar to the way a credit union’s board meeting may be held via videoconference – thus allowing every participant to be in a remote location with no designated meeting locations other than the online platform use, so long as the member can participate concurrently.

### **Sale of Credit Union Assets**

- Consider whether the sections of the California Credit Union Law pertaining to the sale of credit unions assets should be clarified to provide the institution with guidance on market value of the asset.
- There are currently two long-established sections with the California Credit Union Law pertaining to penalty provisions that raise concerns. They indicate:
  - FC §14765. No officer, director, or employee of a credit union shall purchase, directly or indirectly, or be interested in the purchase of, any of the credit union's assets for an amount less than the then current market value thereof. Every person violating this section shall be liable to the people of this state for each offense in the amount of twice the market value of the assets so purchased.
  - FC §14766. No officer, director, or employee of a credit union, directly or indirectly, shall purchase or be interested in the purchase of, any of the credit union's obligations or assets for an amount less than the book value thereof, unless all the directors of the credit union previously approve the purchase by resolution and a copy of the resolution is delivered to the commissioner immediately after adoption. Every person violating this section shall be liable to the people of this state for each offense in the amount of twice the book value of the assets so purchased.
- AB 2062 revises the statute to provide clarity to credit unions on how to value an asset for sale to an officer, a director or an employee.

The California Credit Union League is proud to sponsor AB 2062 and applauds Assembly Member Grayson for his efforts to enhance the credit union state charter allowing credit unions to better serve their membership and improve the financial well-being of our communities. We urge members of the California State Legislature to support AB 2062. If you have any questions regarding the California Credit Union League's position, please contact Robert Wilson at (916) 325-1366 or [robertw@ccul.org](mailto:robertw@ccul.org).