

Date of Hearing: April 2, 2018

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Monique Limón, Chair

AB 2862 (Limón) – As Introduced February 16, 2018

SUBJECT: Credit unions

SUMMARY: Makes changes to the Financial Code to align state law with federal law giving state-chartered credit unions parity with state-chartered banks along with other substantive and conforming changes as specified. Specifically, **this bill:**

- 1) Provides a clear exemption for Credit Unions in the escrow law giving state-chartered credit unions parity with state-chartered banks.
- 2) Adds new language to the Financial Code covering Charitable Donation Accounts (CDA's) providing state credit unions parity with federal credit unions.
- 3) Allows a credit union to purchase, in whole or in part, eligible loans and obligations as specified, requiring various conditions be met including requiring the board of directors of a credit union to adopted policies governing these purchases.
- 4) Allows a credit union investing to fund an employee benefit plan obligation to make specified purchases without prior approval by the Department of Business Oversight (DBO).
- 5) Updates the savings capital structure policy by repealing and amending specified financial code dealing with the Savings Capital Structure Policy.

EXISTING LAW: The California Credit Union Law provides for the regulation of credit unions by the Commissioner of DBO. This law permits a credit union to make certain investments, including, among others, investing in securities and other specified assets and investments authorized by the commissioner. Under existing law, except as otherwise provided a willful or knowing violation of this law is a crime. Additionally, existing law requires the board of directors of a credit union to establish a written savings capital structure policy that sets out the various terms and conditions upon which credit union shares may be issued, paid for, transferred, and withdrawn. Existing law authorizes the board of directors to declare dividends according to the intervals, formula, and periods provided in the policy. Existing law also requires that the savings capital of a credit union consist of the payments made by members on shares as set forth in the savings capital structure policy.

FISCAL EFFECT: Unknown

COMMENTS: Credit unions in California operate under a dual licensing framework. Credit unions are chartered or “licensed” by the State of California or by the federal government. Charter type determines what agency the credit union is supervised by, on the federal level the regulator is the National Credit Union Administration (NCUA) and on the state level the regulator is the Department of Business Oversight. DBO and NCUA conduct periodic examinations of California credit unions for safety and soundness as well as consumer protections. The state charter provides similar authorities, requirements and characteristics as the federal charter. In order to remain competitive in the dual chartering system individual states

periodically update their charters to meet the needs of state-chartered credit unions and their credit union members.

As of the end of 2017, there were 130 state-chartered credit unions headquartered in California and 188 federally chartered credit unions (total of 318 credit unions). The California credit union charter must be updated through legislation to remain competitive and provide parity with the federal charter and regulations.

REGISTERED SUPPORT / OPPOSITION:

Support

National Credit Union League (sponsor)

Opposition

None on file

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