

COLORADO CREDIT UNIONS

Not-for-Profit. Cooperative. Local. Trusted.

Summary of Legislative Recommendations

November 2022

Background

The Colorado State Issues Working Group performed a comprehensive review of the Colorado Credit Union Act in preparation for the Act's upcoming Sunset Review process and other future legislative action. With those factors in mind, the CO State Issues Working Group is recommending the following proposals for review by the Colorado Governmental Affairs Committee in identifying state advocacy priorities for 2023-2026.

Modernizing the Colorado Credit Union Act

- **Updating the Purpose and Description**

Challenge – CRS 11.30.101 does not accurately reflect the purpose of a credit union and mis-defines credit unions. Not being defined as a financial institution eliminates the ability of a credit union to purchase and assume bank assets.

Solution – Define credit unions as financial institutions and expand the purpose of credit unions beyond loans and deposits and correctly identify as a modern financial services provider.

- **Member Expulsion**

Challenge – Colorado credit unions are not able to expel members for egregious, abusive, or costly behaviors. Instead, they must navigate a convoluted process to expel members including suspending services pending expulsion.

Solution – Make expulsion a delegable duty, outline reasons for expulsion, and create a member appeal process.

- **Share Account Requirement**

Challenge – While Colorado credit unions can establish zero-dollar par value members are required to have a share account to be a member.

Solution – Update the Act to allow for any product to satisfy membership requirements.

- **Board Duties**

Problem – Current statute requires the board to perform duties that should be delegated to the credit unions executive leadership.

Solution – Clarify board responsibilities and delegable duties and make sure those reflect a modern governance structure.

- **Flexible Fiscal Year**

Problem – The Colorado Credit Union Act requires state-chartered credit unions to have a fiscal year that ends December 31. This recently resulted in credit unions not having the flexibility to delay the adoption of CECL the way other types of financial institutions could. In addition, not having flexibility to set the fiscal year can increase the cost of statutorily required annual audits.

Solution – Create flexibility in the statute to allow credit unions to determine their fiscal year.

- **Investments**

Problem – The Colorado Credit Union Act provides investment authority in both rule and statute. In addition, the list of permissible investments needs to be updated to reflect modern investment practices and investment authorities that have already been approved on a one-off basis.

Solution – Outline appropriate investment authorities in statute while retaining the ability to do investment rulemaking in the future and expand the list of permissible investments to reflect modern investment authorities.

- **Remove Barriers to Private Share Insurance**

Problem – The Colorado Credit Union Act allows credit unions to have private share insurance but requires it to be comparable to federal insurance.

Solution – Remove the word comparable and clearly articulate that the commissioner has full discretion to approve alternative share insurance.

- **Charter Conversion**

Problem – The Colorado Credit Union Act does not contemplate a credit union converting to a bank or a bank conversion to a credit union.

Solution – Create a path in statute for two-way charter conversions

- **Purchase and Assumption Agreements**

Problem – The Colorado Credit Union Act does not contemplate a credit union purchasing all of a bank's assets and/or the assumption of liabilities.

Solution – Create a path in statute for credit unions to purchase banks assets and liabilities. (**Note:** This will provide a path for bank purchases and assumptions but may not be enough to allow for the purchase and assumption of a CO state-chartered bank as that is prohibited by the bank act.)

- **Remove field of membership approval from state board and grant authority to Commissioner**

Problem – The Colorado Credit Union Act creates an oversight board that is made up primarily of credit unions who are tasked with approving certain FOM expansions of their peers creating a challenging and bureaucratic process for FOM expansions.

Solution – The CO SIWG recommends delegating FOM expansion requests to the Commissioner.

Other Concepts

- **Update Rules and Bylaws** – Change rules and update bylaws including reducing the number of Board Meetings, compensating supervisory committee and associate board members, etc.
- **Unlimited Public Funds** – Pass legislation allowing credit unions to accept unlimited public funds statewide.
- **Updating Strike dates in Rules and Statutes**