

ARIZONA CREDIT UNIONS

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

Summary of Legislative Recommendations

October 2023

Background

The Arizona State Issues Working Group performed a comprehensive review of the Arizona Credit Union Act. With those factors in mind, the AZ State Issues Working Group is recommending the following proposals for review by the Arizona Governmental Affairs Committee in identifying state advocacy priorities for 2024-2026.

Update the Purpose

Challenge – The definition of credit union under ARS 6-501 does not accurately reflect the purpose of a modern credit union.

Solution – Expand the purpose of a credit union to include “assisting members to manage and control their financial resources to improve their social and economic condition.” The expanded definition of purpose more accurately reflects the credit union purpose.

Streamline Regulatory Approval

Challenge – The current statute puts a burden on regulatory agencies to approve simple business decisions and governance changes creating unnecessary tasks and responsibilities.

Solution – Eliminate regulatory approval processes while maintaining regulatory authority to deny requests. Examples of things that should be deemed approved include branching requests, and bylaw amendments.

Improve Member Expulsion Process

Challenge – Arizona 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.

Revise Credit Union Board Duties

Challenge – Current statute requires the board to perform duties that should be delegated to the executive leadership of a credit union.

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

Remove Deposit Restrictions

Challenge – Only low-income designated credit unions are allowed to take non-member deposits.

Solution – Update the Act to allow for all credit unions to be able to seek deposits from any source.

Modernize Credit Union Powers

Challenge – The enumerated powers for Arizona credit unions are relatively small compared to most state acts.

Solution – Modernize the Powers section enumerating the powers granted to modern financial institutions.

Enhance Credit Union Parity

Challenge - Modern state credit union acts allow for credit unions to operate on a level playing field with other financial services providers.

Solution - Enhance the credit union parity statute (ARS 6-517) to allow credit unions all the rights, powers and privileges of any financial institution or out-of-state credit union.

Remove Barriers to Private Share Insurance

Challenge – Under ARS 6-501, an “Insuring Organization” includes NCUA or any “equivalent insurer.” Since NCUA is a government agency, there is potential uncertainty around what would be considered an “equivalent” insurer.

Solution – In the definition for insurance organization, remove the word “equivalent.” giving AZ DIFI the clear authority to approve alternative share insurance. (Note – This change does not authorize private share insurance but gives DIFI clear authority to approve.)

Modify Investment Authority

Challenge – The Arizona Credit Union Act provides limited investment authority. 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 expand the list of permissible investments to reflect modern investment authorities with approval of the regulator.

Other Technical Changes