

COLORADO CREDIT UNIONS

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2024 Colorado State Issues Working Group Recommendations

The 2024 Colorado State Issues Working Group is recommending the following policy concepts for review by the Colorado Governmental Affairs Committee to be used by GoWest in identifying state advocacy priorities for 2025-2029. The proposal is broken down into two distinct sections with one focusing on broader issues of operational significance and the other focused specifically on modernizing the state credit union charter.

2024 Colorado State Issues Working Group Members

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State policy issues of importance

- **Allow banks to sell some or all their assets to credit unions**

Challenge: Current Colorado code does not explicitly include credit unions as allowable purchasers for the assets of state-chartered banks. Banks increasingly want the option to sell their assets to credit unions.

Solution: Seek legislative approval for the DORA-recommended policy to add credit unions as approved purchasers of bank assets.

- **Enable credit unions to hold unlimited public funds**

Challenge: Current Colorado statute does not allow credit unions to partner with the state or local municipalities to hold public funds. Banks have continued closing branches in Colorado creating challenges especially for some small and rural municipalities to access banking services.

Solution: Update Colorado state statute to explicitly allow credit unions to accept unlimited public funds.

- **Artificial Intelligence**

Challenge: Recent Colorado legislation and discussion in the Colorado Artificial Intelligence Impact Task Force have led to regulation over the use of artificial intelligence that add limits to how the technology can or could be used and creates additional risk for credit unions.

Solution: Promote artificial intelligence legislation that respects and understands federal lending laws, allows credit unions a right to cure or limit liability, and continues to allow credit unions to use artificial intelligence to add value and provide top-tier service to their members.

- **Interchange on sales tax**

Challenge: While Congress and federal regulatory bodies consider significant changes to interchange on credit and debit transactions, retail lobbying groups in some states have been working to introduce and pass legislation exempting sales tax and other items from interchange, which presents significant operational challenges for financial institutions, card issuers, and payment processors. While only one state, Illinois, has seen this legislation pass (and is currently subject to active litigation) groups are looking at other states to introduce the concept, including Colorado.

Solution: Actively engage with legislators to educate them on the interchange and related payment systems, the operational challenges associated with this concept, and highlight how state-by-state action is highly problematic for addressing a national payment landscape.

- **Make financial education a required course and high school graduation requirement**

Issue: With various reports flagging the concerning lack of financial literacy in American adults and other states increasingly making this topic part of K-12 curriculum, credit unions too often see firsthand the challenges their members face in making responsible financial decisions.

Solution: Work with the Legislature, Treasurer's Office, and other interested stakeholders to pass legislation that requires financial education to be taught in school and make it a high school graduation requirement.

- **Prevent unintended consequences from employer-related bills impacting operations**

Challenge: Credit unions strive to be a great place to work, supporting employees' needs and recognizing the value of having a high-quality workforce to serve their members. While often well-intended, the Colorado legislature continues to pass and consider legislation that significantly increases costs, is challenging to implement, and sometimes includes loopholes or unintended consequences.

Solution: Support direct or indirect (via partnerships with other key stakeholders) engagement to identify and address technical issues, potential loopholes, or policy design challenges that do not fully effectuate the intended outcome while also creating additional risks (implementation or litigation) for daily operations.

Modernizing the Colorado Credit Union Act

- **Updating the Purpose and Description**

Challenge – Colorado statute 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 effectively operate in the state.

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 union's executive leadership.

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

- **Meeting Flexibility**

Problem – Colorado Division of Financial Services requires meetings of the board of directors to occur at least once each month and does not explicitly grant flexibility for virtual options.

Solution – Operationalize modern governance processes by reducing the number of required board of directors' meetings, ensuring there is clear authority for board participation virtually, and provide clear allowance for annual membership meetings to be held online.

- **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 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 that are tasked with approving certain FOM expansions of their peers, creating a challenging and bureaucratic process for FOM expansions.

Solution - Delegate FOM expansion requests to the Commissioner.

- **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

- **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.