Compliance Bulletin

November 1, 2024
AB 2062 – California Credit Union State-Charter Modernization

In September 2024, California Governor Gavin Newsom signed **Assembly Bill 2062 (AB 2062)**, a California Credit Union League-sponsored bill. AB 2062 modernizes the California Credit Union Law, including updates on automated membership eligibility, remote meeting protocols, and investments in credit union service organizations (CUSOs).

I. Effective Date

- January 1, 2025

II. Applicability

- AB 2062 applies to California state-licensed credit unions and state-licensed credit unions doing business in California.

III. Key Provisions of AB 2062

A. Savings Capital

Purpose/Scope

Prior to 2019, "savings capital" was defined as member payments on shares. This provision was deleted in 2018 to align with federal law; however, the term continued to be referenced without definition throughout other provisions of the Credit Union Law.

Provisions of AB 2062

- Reinstates the definition of "savings capital."
- Makes conforming changes throughout the Credit Union Law to reference this definition.

Citation

Cal. Financial Code §14400 and 14406

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B. Applications for Membership

Purpose/Scope

Existing law requires a credit union's directors to approve applications for membership, with the option to delegate. However, the use of automated systems to determine eligibility was not explicitly authorized.

Provisions of AB 2062

Authorizes directors or their delegates to use an automated system to establish membership eligibility pursuant to a board-approved written membership plan if **all of** the following conditions are met:

1. The automated system is regularly tested for compliance with laws related to admitting persons for members and the credit union's field of membership.
2. An application for new membership approved using an automated system is reviewed by the directors or their delegates within five business days to ensure compliance with applicable laws.
3. The written membership plan includes a plan to address an approved application determined not to be in compliance with applicable laws.

Citation

Cal. Financial Code §14456

C. Declaration of Dividends

Purpose/Scope

Current law requires board-set dividend policies, but some credit unions find that boards may not adjust quickly to changing interest rates.

Provisions of AB 2062

- Allows the board to delegate duties, including the duty to determine the interest rate on obligations with members, declare dividends on shares and determine the interest rate paid on certificates for funds, and determine the dividend rates on share accounts, to an asset-liability management committee or similar committee.

Citation

Cal. Financial Code §14456

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D. Investments in Credit Union Service Organizations (CUSOs)

Purpose/Scope

Currently, credit unions may invest in, among other things, credit union service organizations (CUSOs), pursuant to Financial Code §14651. However, the ability to invest in a CUSO that is formed by both credit unions and other CUSOs is not currently addressed.

Provisions of AB 2062

- Clarifies that a credit union may own a CUSO formed by another CUSO.

Citation

Amends Cal. Financial Code §14651

E. Sale of Credit Union Assets

Purpose/Scope

Existing law prohibits credit union officers, directors, or employees to directly or indirectly purchase, or have an interest in the purchase of:

- Any credit union asset for less than its current market value.
- Any credit union obligation or asset for less than its book value, unless all directors of the credit union approve the purchase by resolution and provide a copy of that resolution to the Commissioner of the Department of Financial Protection and Innovation (DFPI) immediately upon adoption.

Provisions of AB 2062

- Adds that if an officer, director, or employee violates the prohibition on purchasing assets or obligations below market or book value, they will be liable for up to twice the market value or book value of the assets purchased. Of note:
    - To determine the market value of an asset, the credit union may average two valuations from separate third-party professionals recognized in the industry for assessing the market value of comparable private-party purchases.
    - The bill removes the prohibition on purchasing assets for less than book value, so sales of assets are now governed solely by market value, not both market value and book value. The method for determining the book value of an obligation must be set in a written policy that complies with generally accepted accounting principles and is approved by the board.
    - The prohibition does not apply to the purchase of used credit union equipment or furnishings by an officer or director if the asset's market value is $500 or less.
- The bill also allows the credit union to give a gift to an officer or director, provided the gift's market value does not exceed $500.

Citations

Cal. Financial Code §§14765 and 14766

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F. Virtual Member Meetings

Purpose/Scope

Under current California Credit Union Law, credit union members are required to hold an annual meeting to elect directors, a supervisory committee (as specified), and, if outlined in the bylaws, a credit committee. The time, place, and notice for the annual meeting are determined according to the credit union's bylaws.

Special meetings may be called either by the board of directors or upon the written request of 10 members or 3 percent of the membership, whichever is greater. Notice of any special meeting must be provided to all members, specifying the date, time, place, and purpose.

Currently, effective January 1, 2024, through December 31, 2025, Cal. Corporations Code §7510(f) allows nonprofit mutual benefit corporations to conduct annual meetings remotely. Remote participation can be provided via a live audiovisual feed, and an audio-only option must also be available if chosen by the participant. The corporation cannot impose restrictions on how members choose to participate in these meetings.

Provisions of AB 2062

- Authorizes credit unions to conduct annual or special meetings of shareholders entirely or partially through electronic means as set forth under Cal. Corporations Code §7510(f), unless prohibited by its articles or bylaws. The meeting may be held via electronic transmission, video screen communication, conference calls, or other remote communication methods, **as long as** the credit union implements reasonable measures to:
    - Provide members and proxyholders (if allowed) a reasonable opportunity to participate and vote on matters, with the ability to follow the proceedings in real time.
    - Maintain a record of votes or actions taken by members or proxyholders (if allowed) via electronic transmission, video communication, conference calls, or other remote methods.
    - Verify that each individual voting remotely is a member or proxyholder (if allowed).
- Allows credit unions to hold a meeting entirely through remote communication, provided that any member unable to participate using the selected method is given a reasonable alternative. A minor disruption to the audio or audiovisual feed does not require the credit union to end the meeting or be deemed noncompliant with these requirements.

Update on AB 2908

AB 2908, signed in July 2024, extends remote meeting provisions indefinitely by removing the sunset date under Cal. Corporations Code §7510(f).

Citations

- Cal. Financial Code §§14804, 14805 and Cal. Corporations Code §7510(f)

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If you have any questions regarding this information, contact the Compliance Hotline at 844.731.6072 or CANV@VICLARITYUS.COM.

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