

AMENDED IN ASSEMBLY MARCH 22, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 2014

Introduced by Committee on Banking and Finance (Wiggins (Chair), Bogh, Calderon, Chan, Chavez, Corbett, Correa, Cox, Houston, Leslie, Montanez, Strickland, and Vargas)

February 13, 2004

An act to amend Sections 14252 and 14703 of, *and to repeal Division 18 (commencing with Section 40000) of*, the Financial Code, relating to financial institutions.

LEGISLATIVE COUNSEL'S DIGEST

AB 2014, as amended, Committee on Banking and Finance. Credit unions : *home mortgage assistance*.

Existing law provides for the supervision and examination of credit unions by the Commissioner of Financial Institutions. Existing law requires a credit union to, within 105 days after the end of each fiscal year, file with the commissioner an audit report meeting specified requirements for the fiscal year.

This bill would allow a credit union with total assets of less than \$10,000,000 to instead file an alternative procedures audit acceptable to the commissioner, as specified. The bill would authorize the commissioner to reject an alternative procedures audit that he or she determines is not satisfactory and order the credit union to obtain an audit that is satisfactory.

Existing law requires a credit union to maintain an allowance for loan losses account in accordance with generally accepted accounting principles, and requires that an adjustment to be made at the close of an

accounting period in an amount equal to the balance in the provision for loan losses expense account, as specified.

This bill would delete the requirement that an adjustment be made.

Existing law establishes the California Home Loan Mortgage Act for the purpose of creating secondary market facilities for home mortgages and to authorize those facilities to provide specified assistance.

This bill would repeal the California Home Loan Mortgage Act.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 14252 of the Financial Code is amended
2 to read:

3 14252. (a) A credit union with total assets equal to or greater
4 than ten million dollars (\$10,000,000) shall, within 105 days after
5 the end of each fiscal year or within any extended time that the
6 commissioner may specify, file with the commissioner an audit
7 report for the fiscal year.

8 (b) The audit report called for in subdivision (a) shall comply
9 with all of the following provisions:

10 (1) The audit report shall contain the audited financial
11 statements of the credit union for, or as of the end of, the fiscal year,
12 prepared in accordance with generally accepted accounting
13 principles that the commissioner may specify, and any other
14 information that the commissioner may specify.

15 (2) The audit report shall be based upon an audit of the credit
16 union, conducted in accordance with generally accepted auditing
17 standards, and any other requirements that the commissioner may
18 specify.

19 (3) The audit report shall be prepared by an independent
20 certified public accountant or independent public accountant who
21 is acceptable to the commissioner.

22 (4) The audit report shall include, or be accompanied by, a
23 certificate or opinion of the independent certified public
24 accountant or independent public accountant that is satisfactory in
25 form and content to the commissioner. If the certificate or opinion
26 is qualified, the commissioner may order the credit union to take
27 any action that the commissioner may find necessary or advisable



1 to enable the independent certified public accountant or
2 independent public accountant to remove the qualification.

3 (c) A credit union with total assets less than ten million dollars
4 (\$10,000,000) shall, within 105 days after the end of each fiscal
5 year or within any extended time that the commissioner may
6 specify, file with the commissioner an audit report for the fiscal
7 year.

8 (d) The audit report called for in subdivision (c) may comply
9 with all the provisions of subdivision (b), or may consist of
10 alternative procedures acceptable to the commissioner. An
11 alternative procedures audit may be performed by any of the
12 following:

13 (1) An independent certified public accountant.

14 (2) An independent public accountant.

15 (3) The credit union's supervisory committee, provided that the
16 audit complies with the requirements of Section 14533.

17 (4) Any other person that the board of directors of the credit
18 union, in good faith, determines is qualified to conduct such an
19 audit.

20 (e) Notwithstanding subdivision (d), the commissioner may
21 reject an alternative procedures audit that he or she determines is
22 not satisfactory. If the commissioner rejects an alternative
23 procedures audit for any reason, he or she may order a credit union
24 to obtain an audit that is satisfactory to the commissioner.

25 (f) The commissioner may, by order or regulation, either
26 unconditionally or upon specified terms and conditions, grant an
27 exemption from this section in any case where the commissioner
28 finds that the requirements of this section are not necessary or
29 advisable.

30 SEC. 2. Section 14703 of the Financial Code is amended to
31 read:

32 14703. A credit union shall establish and maintain an
33 allowance for loan losses account in accordance with generally
34 accepted accounting principles. The commissioner may order the
35 credit union to increase the amount of its allowance for loan losses
36 account if the commissioner finds that the amount of the account
37 is not adequate.



- 1 *SEC. 3. Division 18 (commencing with Section 40000) of the*
- 2 *Financial Code is repealed.*

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