

Assembly Bill No. 2014

CHAPTER 324

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.

[Approved by Governor August 27, 2004. Filed with Secretary of State August 30, 2004.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2014, 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 be made at the close of an accounting period in an amount equal to the balance in the allowance-for-loan-losses expense account.

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.

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

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

14252. (a) A credit union with total assets equal to or greater than ten million dollars (\$10,000,000) shall, within 105 days after the end of



each fiscal year or within any extended time that the commissioner may specify, file with the commissioner an audit report for the fiscal year.

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

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

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

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

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

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

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

(1) An independent certified public accountant.

(2) An independent public accountant.

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

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

(f) The commissioner may, by order or regulation, either unconditionally or upon specified terms and conditions, grant an



exemption from this section in any case where the commissioner finds that the requirements of this section are not necessary or advisable.

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

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

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

