

AMENDED IN ASSEMBLY JANUARY 7, 2008

AMENDED IN ASSEMBLY APRIL 24, 2007

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 1418

Introduced by Assembly Member Arambula

February 23, 2007

An act to add Section 14385 to the Financial Code, relating to credit unions.

LEGISLATIVE COUNSEL'S DIGEST

AB 1418, as amended, Arambula. Credit Union Membership Investment Model.

Existing law establishes a Credit Union Advisory Committee in the Department of Financial Institutions to advise the Commissioner of Financial Institutions and the Deputy Commissioner of Financial Institutions for the Division of Credit Unions; on matters relating to credit unions.

This bill would require the Credit Union Advisory Committee, by ~~July~~ *November* 1, 2009, to develop, in consultation with the commissioner, a Credit Union Membership Investment Model that would *serve as a framework for the Department of Financial Institutions to identify credit union best practices relating to community development, small business and microenterprise financing, and investments of credit union capital.* The bill would require the ~~Credit Union Membership Investment Model~~ *best practices* to meet specified ~~community reinvestment~~ objectives for credit unions. The bill would require the Credit Union Membership Investment Model to be posted on the department's Internet Web site *and updated as appropriate.* ~~The~~

bill would require the commissioner to report annually on the progress in implementing the model and highlight new best practices identified and shared during the year.

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. The Legislature finds and declares all of the
 2 following:

3 (a) California administers several programs to encourage
 4 investments by conventional banks and state regulated insurers in
 5 underserved communities and in small business and
 6 microenterprise, such as the California Capital Access Program,
 7 administered by the Treasurer, and the California Organized
 8 Investment Network, certified Community Development Financial
 9 Institutions, administered by the Department of Insurance.

10 (b) A variety of credit unions throughout the state have
 11 established programs that serve *credit union* members in
 12 communities that have been historically underserved by private
 13 equity, debt markets, and banks.

14 (c) As personal savings is one of the greatest sources of ~~start-up~~
 15 *startup* capital for small businesses and ~~microenterprise~~
 16 *microenterprises*, credit unions are in a position to assist *credit*
 17 *union* members in establishing savings accounts and ~~access~~
 18 *accessing* reasonable interest rates on personal loans and can play
 19 a foundational role in supporting entrepreneurship and community
 20 economic development.

21 (d) To promote economic development among credit union
 22 members in historically underserved communities, also known as
 23 emerging domestic markets, the Legislature intends to encourage
 24 state chartered credit unions to identify best practices within the
 25 credit union industry, and to deploy those practices, consistent
 26 with statutory and regulatory authorizations as may be provided
 27 by the Legislature or the Commissioner of Financial Institutions.

28 SEC. 2. Section 14385 is added to the Financial Code, to read:

29 14385. (a) On or before ~~July~~ *November* 1, 2009, the Credit
 30 Union Advisory Committee, in consultation with the commissioner,
 31 shall develop a Credit Union Membership Investment Model. The
 32 ~~Credit Union Membership Investment Model~~ *model* shall identify

1 *serve as a framework for the Department of Financial Institutions*
2 *to identify and distribute information on credit union best practices*
3 *practices. The model shall include best practices relating to*
4 *community development, small business and microenterprise*
5 *financing, and investments of credit union capital, that the*
6 ~~*committee and the commissioner believe are consistent with the*~~
7 ~~*legislative and regulatory authorities that may be provided laws*~~
8 ~~*and regulations applicable to credit unions, and that unions. The*~~
9 ~~*model shall provide for updating the best practices on a regular*~~
10 ~~*basis. The best practices shall meet the following objectives;*~~
11 ~~*consistent with credit union statutory and regulatory authorizations*~~
12 ~~*as may be authorized by the Legislature or the commissioner.:*~~

13 (1) Provide capital to ~~rebuild~~ *revitalize* lower income
14 communities through targeted lending.

15 (2) Promote community ownership of assets and savings.

16 (3) Provide financial instruments to increase entrepreneurial
17 capacity and wealth in low-income communities.

18 (4) *Use credit unions as financial and community intermediaries*
19 *that help communities where credit union members live and work*
20 *to leverage other forms of private capital for community*
21 *development purposes.*

22 (5) *Make the variety of credit union products and services more*
23 *transparent as a means to encourage community and economic*
24 *development partnerships.*

25 (b) The Credit Union Membership Investment Model, *including,*
26 *but not limited to, the process by which the best practices will be*
27 *identified and the current best practices themselves,* shall be posted
28 on the department's Internet Web site *and updated as appropriate.*

29 (c) The Credit Union Advisory Committee and the commissioner
30 shall, as part of the Credit Union Membership Investment Model,
31 identify and post best practices in a manner that distinguishes best
32 practices appropriate for credit unions according to their asset size,
33 type of charter, and field of membership.

34 ~~(d) The Credit Union Advisory Committee and the commissioner~~
35 ~~shall, as part of the Credit Union Membership Investment Model,~~
36 ~~identify best practices for making the variety of credit union~~
37 ~~products and services more transparent as a means to encourage~~
38 ~~community and economic development partnerships consistent~~
39 ~~with credit union statutory and regulatory authorizations as may~~
40 ~~be provided for by the Legislature or the commissioner.~~

- 1 *(d) The commissioner shall annually report, as part of any other*
- 2 *previously required annual report, on the progress in implementing*
- 3 *the model and highlight new best practices identified and shared*
- 4 *during the year.*