HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1733 CS PCB EDTB 05-01 Financial Institutions and Transactions
SPONSOR(S): Economic Development, Trade & Banking Committee, Bilirakis
TIED BILLS: **IDEN./SIM. BILLS:** CS/SB 1330

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Economic Development, Trade & Banking Committee	15 Y, 0 N	Sheheane	Carlson
1) Civil Justice Committee	4 Y, 0 N, w/CS	Billmeier	Billmeier
2) Commerce Council			
3)			
4)			
5)			

SUMMARY ANALYSIS

The bill updates credit union regulation in Florida. Specifically, the bill:

- Incorporates changes to provide consistency with the National Credit Union Administration;
- Removes obsolete language relating to the Florida Credit Union Guaranty Corporation, Inc;
- Updates the statutes to bring accounting concepts in line with Generally Accepted Accounting Principles;
- Revises procedures for the merger of credit unions;
- Removes specific powers of a credit union in favor of broader business powers;
- Modernizes terminology for responsibilities of the board of directors;
- Makes other clarifying and modernizing changes.

The bill will take effect July 1, 2005

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government - The bill provides the Office of Financial Regulation with rule-making authority in order to set out specific powers for credit unions that are consistent with standard financial institution practices. The bill also provides rule-making authority to establish criteria under which the office may place a credit union in involuntary liquidation.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Chapter 657, F.S., provides regulation for credit unions located in the state. A credit union is a cooperative, nonprofit association, organized for the purposes of encouraging thrift among members, creating sources of credit at fair and reasonable rates of interest, and providing an opportunity for its members to use and control their resources on a democratic basis in order to improve their economic and social condition.[1]

Intent to Organize

Any five or more residents of the state representing a limited field of membership may apply to the Office of Financial Regulation (office) for permission to organize a credit union. The application forms are prescribed by rule adopted by the Financial Services Commission (commission) and require a nonrefundable filing fee of $250. The application must contain the name and location of where the credit union will have its principal place of business, designation of the par value of each share of the credit union, designation of at least five persons who agree to serve on the board of directors and three other persons who agree to serve on the supervisory committee or auditing committee, any other information required by the commission or the office to be submitted to the corporation or insuring agency, and bylaws of the credit union in the form and substance required by the commission.[2]

The office has the power of investigation to the extent necessary to make any finding under chapter 657, F.S. The office may approve the application for a credit union, provided the office determines that there is a showing of sufficient interest on the part of the proposed limited field of membership, the qualifications of the proposed committee board members are sufficient, the organization of the credit union would benefit its members, and the limited field of membership is of sufficient financial viability to indicate reasonable promise of successful operation of the credit union.[3]

Place of Doing Business

Credit unions operating in this state are required to have one principal place of doing business designated in their bylaws.[4] A credit union may, with 30 days prior written notification, maintain branches at locations other than its main office or relocate branches previously established if it is determined by the board of directors to be reasonably necessary to furnish service to its members. Investments in such branch offices must comply with regulations set forth in s. 657.042(5).[5]

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[1] s. 657.003, F.S.
[2] s. 657.005, F.S.
[3] s. 657.005(5), F.S.
[4] s. 657.008, F.S.
[5] Section 657.042, F.S., provides that up to 5 percent of the capital of the credit union may be invested in real estate and improvements, including furniture, fixtures, and equipment utilized for the transaction of business.

Reserves and Loan Requirements

Each credit union is required to determine the total of all income for the period immediately before paying each dividend. Credit unions are required to set aside sums as a regular reserve according to a set schedule. The schedule requires credit unions to set aside five percent of the total of all income for the period until the regular reserve equals six percent of the risk assets, then two percent of the total of all income for the period until the regular reserve equals eight percent of the risk assets. When the ratio of regular reserves falls below the stated percent, it is to be replenished by regular contributions.[6]

Credit unions are required to maintain an account for loan losses. The amount in the account must equal the board's estimate of losses in the loan portfolio and be consistent with any commission rules. This account constitutes part of the regular reserve for the purpose of determining the ratio of regular reserves to risk assets.[7]

Credit unions are to consider all loans as risk assets except: those fully secured by a pledge of shares or deposits in the lending credit union equal to and maintained to at least the amount of the loan outstanding; loans which are purchased from liquidating credit unions and guaranteed by the corporation or insured by the National Credit Union Administration or other insuring agencies; and investments in or loans to the corporation. All investments that have remaining maturities greater than 3 years and uninsured or non-guaranteed deposits and shares in financial depository institutions, except deposits in the Federal Reserve Bank, the Federal Home Loan Bank, the Southeast Corporate Federal Credit Union, and any other corporate credit union are considered risk assets. All investments in commercial paper and bonds, all investments in banker's acceptances, all investments in federal funds, all investments authorized as special reserves or reserves for contingencies, and all fixed assets greater than the statutory limit imposed by chapter 657, F.S., unless a specific reserve has been established for the excess, are considered risk assets.[8]

Violations and Imminent Insolvency

The office has authority to direct the Florida Credit Union Guaranty Corporation[9] or the National Credit Union Administration to assume control of the property, assets, and business of a member credit union and to operate it subject to the office's direction in cases of unsafe or unsound practices, violations of chapter 657, F.S., violations of commission rules, cases of threatened imminent insolvency, or when a majority of the board of directors of the credit union have been removed or resigned.[10]

If the office finds that a credit union is bankrupt or insolvent, or is transacting business in an unsafe or unauthorized manner and that it may be threatened with imminent insolvency, and liquidation is in the best interest of its members, the office may order the credit union placed in involuntary liquidation and appoint a liquidator to take charge of the assets and affairs of the credit union.[11]

A credit union may choose to dissolve voluntarily and liquidate its affairs after following specific provisions including notifying the office and the National Credit Union Administration of the time and place of the board of director's meeting of dissolution.[12]

Mergers

A state or federal credit union may merge with another state or federal credit union under the existing certificate of authorization of the other credit union, pursuant to any plan agreed upon by the majority of

[6] s. 657.043(1), F.S.
[7] s. 657.043(2), F.S.
[8] s. 657.043(4), F.S.
[9] The Florida Credit Union Guaranty Corporation was liquidated in 1995 and no longer exists.
[10] s. 657.062, F.S.
[11] s. 657.063, F.S.
[12] s. 657.064, F.S.

the board of directors of each credit union joining the merger. The office must approve a merger and other specific measures must be met, including paying a nonrefundable fee of $500[13] and obtaining a "certificate of merger" granted by the office.[14]

Conversions (s. 657.066, F.S.)

A credit union organized under chapter 657, F.S., may convert to a federal credit union and any federal credit union may convert to a credit union organized pursuant to chapter 657, F.S., providing the conversion is approved by the authority under which the newly converted credit union will operate. The proposed conversion is to be by resolution by the board of directors and require an affirmative vote of the absolute majority of the board of directors. Upon adoption of the resolution, a copy of the resolution is to be mailed to each member along with pertinent information pertaining to a meeting to be held regarding the conversion. Each credit union member is mailed a ballot and may vote on the conversion. Any ballot received by the credit union prior to the meeting called to consider the conversion will be counted along with votes cast at the meeting.

Within 10 days after the approval of the membership, the board of directors must send a copy of the resolution adopted to the authority under which the newly converted credit union will operate. Upon written approval of the proper authority supervising the newly converted credit union, the converting credit union will be come a credit union under chapter 657, F.S., or a credit union operating under the laws of the United States, depending on the conversion. All assets then become the property of the newly converted credit union and all shares and deposits remain in tact. A federal credit union seeking to become a state chartered credit union will pay a nonrefundable filing fee of $500. Every conversion must be completed within 90 days after the approval of the proper supervisory authority and once approved, the old certificate of authorization is then canceled.

Central Credit Unions (s. 657.068, F.S.)

Any directors of seven credit unions organized pursuant to chapter 657, F.S., or organized pursuant to federal law and operating in the state may apply for a certificate to operate as a central credit union. Membership in a central credit union is limited. A central credit union has all the powers of any credit union organized under chapter 657, F.S., and may also may make loans to other credit unions, purchase shares and make deposits in other credit unions, and obtain assets and liabilities of any credit union operating in this state which liquidates.

Proposed Changes

Definitions (Section 1)

The bill amends the definitions of "imminently insolvent" and "insolvent" to remove an allowance for loan losses used when calculating equity values for a credit union. Currently, when calculating equity values, a credit union is considered "imminently insolvent" when the institution has equity, less the allowance for loan losses, of less than two percent of its total assets, after adjustment for apparent losses. The new definition of "imminently insolvent" will be when the institution has equity of less than two percent of its total assets, after adjustments for apparent losses.

Currently, "insolvent" means: a condition in which equity, less the allowance for loan losses, and all assets of a financial institution are insufficient to meet liabilities; the financial institution is unable to meet current obligations as they mature even though assets may exceed liabilities; or the capital accounts, or equity, less the amount for loan losses in the case of a credit union, of a financial institution are exhausted by losses and no immediate prospect of replacement exists.

[13] The $500 fee may be waived by the office for a merger that is the result of possible insolvency pursuant to s. 657.065(5), F.S.
[14] s. 657.065, F.S.

The bill amends the definition to provide that "insolvent" means: the capital accounts, or equity in the case of a credit union, and all assets of a financial institution are insufficient to meet liabilities; the financial institution is unable to meet current obligations as they mature even though assets may exceed liabilities; or the capital accounts, or equity in the case of a credit union, of a financial institution are exhausted by losses and no immediate prospect of replacement exists.

Service of Process (Section 2)

The bill provides procedures for service of process on all financial institutions in Florida. The bill provides that process against any financial institution authorized to transact business in this state may be served in accordance with chapters 48[15], 49[16], 607[17], or 608[18], F.S. The bill provides that a financial institution may designate a registered agent as the financial institution's agent for service of process, notice, or demand required or permitted by law to be served on the institution. In the case where a financial institution's agent cannot be served, or the institution has no registered agent, service may be made to any executive officer of the institution at its principal place of business in the state.

If service cannot be made to the registered agent or an executive officer of the financial institution, then service may be made to any officer, director, or business agent of the financial institution at either its principal place of business or any other branch, office, or place of business in the state. The bill provides that these provisions relating to serving notice or demand are not the only means for serving notice or demand on a financial institution.

Fiscal Year (Section 3)

Current law states that a credit union's last day of the fiscal year will be on the last day of December. The bill makes the last day of the fiscal year for all financial institutions the last day of December.

Florida Credit Union Guaranty Corporation, Inc. (numerous sections of the bill)

The bill removes references to the Florida Credit Union Guaranty Corporation, Inc. The Florida Credit Union Guaranty Corporation no longer exists.

Emergency Order (Section 6)

The bill provides the office with the authority to issue an emergency order in the case of a failing financial institution. The emergency order may authorize: the merger of any failing financial entity with an appropriate state financial entity; an appropriate state financial entity to acquire assets and assume liabilities of any such failing financial entity, including rights, powers, and responsibilities as fiduciary in instances where the failing financial institution is engaged in the exercise of trust powers; the conversion of any such financial entity into a state entity; or the chartering of a new state financial entity to acquire assets and assume liabilities of any such failing financial entity, and to assume rights, powers, and responsibilities as fiduciary in cases where such entity is engaged in the exercise of trust powers.

The bill provides that any findings that would cause the office to take action on an emergency order must be based upon reports furnished by a state or federal financial institution examiner or other reasonable evidence. The office may disallow illegally obtained currency, monetary instruments, funds, or other financial resources from the capitalization requirements of the financial institution codes. The bill provides for the stockholders of a failing bank, association, or trust company that is acquired by

[15] Process and Service of Process
[16] Constructive Service of Process
[17] Corporations
[18] Limited Liability Companies

another bank or trust company to be entitled to the same procedural rights and to compensation for the remaining value of their shares as is provided for dissenters in s. 658.04, F.S., except that they will have no right to vote against the transaction. The bill moves the emergency powers authority from chapter 658, F.S.,[19] to chapter 655, F.S.,[20] to include all financial institutions.

Updating and Removing Obsolete References (Sections 1,7,8)

The bill removes obsolete language relating to the "central credit union." The bill amends the definition of "deposits" to clarify that a deposit is money placed into the credit union by members upon which interest may be paid. The bill amends the definition of "equity" to mean undivided earnings, regular reserves, and other reserves, and removes the allowance for loan losses in the definition. The bill expands the definition of "reside" to mean to live or work in a certain area, with respect to credit union membership, and "shares" to mean money paid into the credit union on which dividends may be paid. The bill removes the definition of "unimpaired capital." These changes bring conformity with federal regulations.

The bill provides that proposed organizers of a new credit union must file an application for authority to the office, removing the requirement for a notice of intent. The application is to include the name and location of where legal service shall be served to the proposed credit union. The bill removes obsolete references to "corporation" and "insuring agency" and replaces with "National Credit Union Administration." The bill provides that preopening costs in connection with the credit union must be paid by organizers or a sponsor and may not be reimbursed. Certain costs may be recorded, but not reimbursed.

Bylaws (Section 9)

The bill gives the office the authority to disapprove bylaw amendments that are not in compliance with applicable statutes or rules.

Place of Doing Business (Section 10)

The bill provides that legal process shall be served at the credit union's principal place of doing business. The principal place of doing business may change by amendment to the credit union's bylaws. The bill provides that a credit union may maintain branch locations only if it is operating in a safe and sound manner. The bill removes a 5%-of-capital limit on investments in branch offices and requires a foreign credit union to have accounts in its Florida branches to be insured by the National Credit Union Administration, removing a reference to the Florida Credit Union Guaranty Corporation.

Board of Directors (Section 11)

The bill requires the board of directors to ensure that the general direction of business affairs is managed in a manner consistent with safe and sound credit union practices. The bill removes a requirement that any officer or employee who handles funds obtain a surety bond in an amount determined by the board of directors in compliance with commission rules and instead requires them to obtain and maintain officer and director liability insurance and blanket bond coverage under such terms, amounts, and limitations prescribed by commission rule.

The bill removes a requirement for the board of directors to establish the maximum amount of credit which may be extended to a member and to establish written credit policies, including security requirements and terms of repayment. The bill clarifies that the board of directors is to establish broad written policies governing all areas of operations in accordance with commission rules. The bill allows

[19] Banks and Trust Companies
[20] Financial Institutions Generally

the board of directors to designate any board member to act as the chief executive officer. The bill removes a requirement that applications for membership be approved or denied as prescribed in the bylaws and instead allows approval or denial to be determined by the policy of the board of directors. The bill removes a requirement that a record of a membership officer's approval or denial of membership be made available to the board for inspection.

The bill removes a requirement that the board authorize any interest refunds to members from income earned and received in proportion to the interest by them on classes of credit. The bill requires the board to designate a depository for credit union funds and allows the board to delegate certain functions under s. 657.021, F.S. The bill removes the non-delegable authority of the board to designate a depository for funds of the credit union. It also removes references to specific board powers in favor of a broader power to govern all areas of credit union operations.

Board Meetings (Section 12)

The bill changes the time requirement for the organizational meeting of the board from within 7 days after the annual member meeting to within 31 days of the meeting.

Membership (Section 13)

The bill provides good cause as a basis for closing the account and terminating the membership of a member. The bill will broaden the ability for a credit union to close the account of a member who has not otherwise caused financial loss to the credit union.

Membership Meetings (Section 14)

The bill removes a reference to "mail" ballots for members to be distributed in advance as prescribed in the bylaws. This is to allow for distribution of ballots by other means as well as mail.

Supervisory or Audit Committee (Section 15)

The bill requires that notice of any practice that may materially affect or potentially materially affect the safety and soundness of the credit union be provided to the board, the office, and the National Credit Union Administration.

Credit Committee and Credit Manager (Section 16)

The bill provides that credit decisions by a credit manager be made under written conditions of the board and as provided in credit union bylaws.

Activities of Directors, Officers, and Employees (Section 17)

The bill provides that an elected officer, director, or committee member of the credit union, other than the chief executive officer, may not be compensated for their services. This eliminates the treasurer from the right to compensation. The bill provides that a person may not serve as an officer, director, or committee member if that person has been convicted of certain crimes, or has been removed by any regulatory agency. It eliminates an exemption based on a showing of rehabilitation and upon a showing of ability to be bondable.

Powers (Section 18)

The bill provides for the powers of a credit union to include all the general powers authorized to corporations under chapter 607, F.S., broadens powers to make all conveyances of real and personal property valid and gives the commission authority to adopt rules to set forth powers for credit unions consistent with standard financial institutional practices, chapter 657, F.S., and financial institution

codes. It provides that certain powers exercised by a credit union must be approved by a rule of the commission or office. It also removes language relating to the specific powers of a credit union.

Accounts (Section 19)

The bill provides that an account will be considered dormant after a period of 12 months with no activity. Currently, an account is considered dormant after 24 months with no activity. The bill provides that when an account is dormant for 5 years, the account will be considered unclaimed property. Currently, an account is considered unclaimed property after it is dormant for 7 years.

The bill requires a credit union to insure its accounts through the National Credit Union Administration and allows a credit union to participate in electronic transfers of funds systems, provided its members are protected from unreasonable risks. The bill describes conditions under which a credit union may receive shares and deposits from its members and other credit unions. No credit union is to receive shares or deposits from persons, other than credit unions, who are not members of the credit union, except to a joint account in which one of the tenants is a member of the credit union.

Loan Powers (Section 20)

The bill provides that for credit unions that have been open for 5 years or more, the total unsecured obligations outstanding from any one member must not exceed the greater of $500 or 15 percent of the equity of the credit union.

For credit unions that have been open for less than 5 years, the bill provides that the limitation for total obligations outstanding to any member is 10 percent of the credit union's capital.

The bill removes a provision allowing a member to receive credit in installments or in one sum and to pay the whole or any part of his or her indebtedness on any day the credit union is open for business.

The bill provides that a credit union may issue credit cards and debit cards to allow members access to their accounts and gives the commission rule making authority to allow the use of such cards.

Extension of Credit to Directors (Section 21)

The bill provides that a credit union my extend credit to its executive directors, officers, and credit manager, members of its supervisory, audit, and credit committees provided that any loan that exceeds $20,000, except for share-secured or deposit-secured credit, is approved in advance by the board of directors with the interested person abstaining from voting. The bill provides that all loans exceeding $20,000 made to such persons be reviewed annually by the board of directors. This raises the loan amount from $5,000 to $20,000.

Investment Powers and Limitations (Section 22)

The bill allows a credit union to invest without limitation as to capital in stock of the Federal Home Loan Bank. The bill clarifies that certain investments may be made up to one percent of capital of the credit union, removing a reference to $15,000 or one percent of capital, whichever is greater. The bill allows a credit union to exceed limitations on investments in real estate and equipment for the credit union if, among other current requirements, the credit union prepares a plan to reduce the investment to statutory limits.

Reserves (Section 23)

The bill removes current reserve requirements that do not conform to the National Credit Union Administration and federal regulations. The bill provides that a credit union shall maintain an account for loan and lease losses. The bill requires the amount in the account to be consistent with applicable

United States generally accepted accounting principles. The account must be provided for before paying a dividend.

The bill moves conditions for which a credit union may borrow money from s. 657.031, F.S., to s. 657.043, F.S. A credit union may borrow money and issue evidences of indebtedness for loans in the usual course of its business and secure such obligations by mortgage or pledge of any of its assets. Aggregate borrowings are not to exceed 50 percent of the capital that is not impaired by losses of the credit union. This percentage limitation will not apply to loans from the National Credit Union Administration. The bill deletes the definition of "risk assets" and provisions relating to contingency reserves and other reserves.

Conservatorship (Section 24)

The bill provides that the office may appoint the National Credit Union Administration as a conservator when the office finds that a credit union: has engaged in any unsound practice; is violating the provisions of chapter 657, F.S.; is violating a commission rule, office order, or written agreement entered into with the office, in such a manner that the credit union is threatened with imminent insolvency; has had the majority of its board members removed or resign; is significantly undercapitalized and has no reasonable prospect of becoming adequately capitalized.

The bill provides that in the event of conservatorship, the conservator may appoint the board of directors.

Involuntary Liquidation (Section 25)

The bill provides that if the office discovers that any credit union is insolvent or imminently insolvent, is transacting business in an unsafe or unsound manner, or is undercapitalized and has no reasonable prospect of becoming adequately capitalized, the office may order the credit union placed in involuntary liquidation and appoint a liquidator to take charge of the assets and affairs of the credit union. The bill provides the commission rule making authority to provide criteria for determining if a credit union is undercapitalized or adequately capitalized. The commission is to consider the definitions contained in Section 216, The Federal Credit Union Act, codified at 12 U.S.C. 1790d. The bill authorizes the liquidator to terminate any contract or agreement with any person to provide goods, products, or services if the performance of the contract would adversely affect the safety or soundness of the credit union.

Voluntary Liquidation (Section 26)

The bill provides for notice of a voluntary liquidation to be sent to the office and the National Credit Union Administration ten days before the board meets, removing a five day notice requirement.

Mergers (Section 27)

The bill substantially revises the law governing mergers of credit unions. It provides that credit unions may be merged with a surviving state credit union with the filing of an application and approval by the office. The application submitted to the office must include a merger plan and a certified copy of the authorizing resolutions of the board of directors of constituent credit unions, showing the approval by a majority of the entire board of directors of each credit union. There is currently a nonrefundable application fee of $500 and the fee may be waived in the case of insolvency.

The bill permits a state credit union to merge with a federal credit union, provided that the state credit union abides by any applicable federal regulations. The bill provides that if the resulting credit union is to be a state credit union, the merging credit unions must adopt a merger plan and agreement stating the method, terms and conditions of agreement of the merger. The board of directors of each constituent credit union must approve the merger plan and agreement, which must contain the

following: the name and address of the merging and surviving credit union; the date, time and place of the meeting where the merger plan and agreement was approved by the merging and the surviving credit unions' board of directors; the name and address of the main office of the surviving credit union and each continuing branch office; the names, terms, and board positions of the surviving credit union's board of directors; the names and title of each executive officer; a list of any amendments needed to the surviving credit union's bylaws and an attachment of amendments; a statement that the merger plan and agreement are subject to approval by the office and the National Credit Union Administration; any additional provisions not contrary to law as agreed to by the constituent credit unions and other provisions that the office may require to enable it to discharge its duties with respect to the merger.

The office shall approve the application and the merger plan and agreement if it finds that the surviving credit union's net worth is adequate and the merger will not impair the ongoing viability of the surviving credit union.

If the office does not approve the merger plan and agreement, it will state its objections and give an opportunity for the merger plan to be amended to eliminate any objections. Approval by the office of the application and merger plan is subject to the approval of the membership of the merging credit union who originally voted on the merger. The approval is to be documented by: the notice of intent to merge given to the surviving credit union; the notice of the meeting called to consider the merger, including the date, time, and purpose of the meeting; and the resolution adopted by the membership confirming the vote on the merger.

The merger will be revoked and terminated unless the approval of the merging credit union has been received by the office within 6 months of approval by the office. The office may extend this deadline for a period not to exceed 6 months.

A credit union may merge without the vote of the membership when the office determines that a credit union is in danger of insolvency or that the credit union is significantly undercapitalized and the merger will enable the credit union to avoid liquidation.

A merger with a resulting state credit union may not take place or be effective unless it is approved by the National Credit Union Administration and the office issues a certificate of merger. Upon consummation of the merger, the certificate of authorization of the merged credit union shall be returned to the proper authority to be cancelled. Also, at consummation, all property and property rights of, and members' interest in, the merged credit union shall vest in the surviving credit union without deed, endorsement, or other instrument of transfer, and all debts, obligations, and liabilities of the merged credit union must be assumed by the surviving credit union under the certificate of authorization under which the merger was effected.

All members of the surviving credit union have the same rights, privileges, and responsibilities after the merger is completed. The certificate of merger must be recorded in the public records of all counties in which the merging credit union owned any real property at the effective date of the merger.

Conversions (Section 28)

The bill does not make any substantive changes to the section of law relating to conversions. The bill reorganizes the section to make the provisions appear in order in the statute.

Technical Changes (Section 5)

The bill corrects a cross-reference in s. 655.411, F.S.

Repeals

The bill repeals the following sections of law:

Section 657.0315, F.S., relating to contracts for providing goods, products, or services. This section is now covered in s. 657.031, F.S.

Section 657.051, F.S., relating to the date of the end of the credit union fiscal year. This is now in s. 655.044, F.S.

Section 657.055, F.S., relating to retention and destruction of records. This is now covered in s. 655.91, F.S.

Section 657.068, F.S., relating to central credit unions. Central credit unions acted as a separate credit union for corporate entities. Now that corporate entities may use the services of a credit union just as a natural person, there is no longer a need for the central credit union.

Section 658.43(7), F.S., relating to the conditions under which the office or appropriate federal agency could take immediate action on a failing financial institution. This is now covered in newly created s. 655.4185, F.S.

C. SECTION DIRECTORY:

Section 1: Amends s. 655.005, relating to definitions.
Section 2: Creates s. 655.020, relating to service of process, notice or demand on financial institutions.
Section 3: Amends s. 655.044, relating to accounting practices.
Section 4: Amends s. 655.057, relating to records.
Section 5: Amends s. 655.411, F.S., correcting a cross reference.
Section 6: Creates s. 655.4185, relating to emergency action.
Section 7: Amends s. 657.002, relating to definitions.
Section 8: Amends s. 657.005, relating to applications for authority to organize a credit union.
Section 9: Amends s. 657.0061, relating to amendments to bylaws.
Section 10: Amends s. 657.008, relating to place of doing business
Section 11: Amends s. 657.021, relating to boards of directors.
Section 12: Amends s. 657.022, relating to executive officers.
Section 13: Amends s. 657.023, relating to credit union membership.
Section 14: Amends s. 657.024, relating to membership meetings.
Section 15: Amends s. 657.026, relating to supervisory or audit committees.
Section 16: Amends s. 657.027, relating to credit committees and credit managers.
Section 17: Amends s. 657.028., relating to activities of directors, officers and employees.
Section 18: Amends s. 657.031, relating to powers of a credit union.
Section 19: Amends s. 657.033, relating to credit union accounts.
Section 20: Amends s. 657.038, relating to credit union loan powers.
Section 21: Amends s. 657.039, relating to credit union loan powers and extensions of credit to directors.
Section 22: Amends s. 657.042, relating to investment powers and limitations.
Section 23: Amends s. 657.043, relating to reserves
Section 24: Amends s. 657.062, relating to conservatorship.
Section 25: Amends s. 657.063, relating to involuntary liquidation.
Section 26: Amends s. 657.064, relating to voluntary liquidation.
Section 27: Amends s. 657.065, relating to mergers of credit unions and other financial institutions.
Section 28: Amends s. 657.066, relating to conversion of a credit union.
Section 29: Repeals s. 658.43(7), F.S.
Section 30: Repeals ss 657.0325, 657.051, 657.055, and 657.068
Section 31: Provides an effective date of July 1, 2005.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   None.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   None.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

This bill will modernize the language currently contained in Chapters 655 and 657, Florida Statues. The changes proposed are largely technical in nature to make the language more consistent with regulations at the federal level. It does not impose any additional requirements or costs on the industry or the Office.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not reduce the percentage of state tax shared with municipalities or counties.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

The bill provides the Financial Services Commission with rule making authority to set specific powers for credit unions and to set out criteria under which the office may place a credit union in involuntary liquidation.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

The Civil Justice Committee considered the bill on April 6, 2005, and adopted two amendments. The first amendment allows credit unions to exercise powers consistent with chapters 655 and 657, Florida Statutes,

provided that the exercise of such powers is approved by the Financial Services Commission or the Office of Financial Regulation. The second amendment was a technical amendment to correct a drafting error in the bill's title. The bill, as amended, was reported favorably as a committee substitute.