July 1, 2024

Iowa Division of Credit Unions
Regulatory Advisory Bulletin

Board of Director Appointments:

Iowa law requires state-chartered credit unions to elect a Board of Directors, and for the Board of Directors to establish an Audit Committee, a Credit Committee, and elect the officers of the Board. Iowa Code section 533.205.

Board of Directors:

The Board of Directors requirements are set in the credit union's individual Bylaws; however, Iowa law dictates the Board shall consist of at least seven members, and shall always be composed of an odd number of directors. Iowa Code section 533.204. Each director shall serve a term of three years and such terms shall be staggered for each director. A Board of Directors must contain the following officers of the board: chairperson of the board, vice chairperson, secretary, and a financial officer whose title shall be designated by the board.

Employees of the credit union are prohibited from serving on the Board of Directors, with the exception of the Chief Executive Officer of the credit union. See Iowa Code section 533.205(5); (6). Board members are further prohibited from being related to any person employed by the credit union in a management position. See Iowa Code section 533.209A. This is consistent with the requirements established in Generally Accepted Accounting Principles.

The officers of the board are required to be elected by the Board of Directors within five days of each annual meeting and shall be listed by position on the Oath of Directors. See Iowa Code section 533.205. At the same time the Board of Directors shall establish the Audit and Credit Committees and name their members.

Compensation:

Iowa state-chartered credit unions are allowed to compensate elected board of directors, but are not required to compensate board of directors. Iowa Code section 533.205 (2024). Compensation must be authorized by the credit union bylaws and approved by the Superintendent of Credit Unions prior to initiating compensation. Compensation is limited to those board of directors elected in accordance with Iowa Code section 533.205 and is not authorized for honorary members, associate members, or committee members who are not elected board members.[1]

Credit unions with less than 1 billion dollars in assets may compensate each board member a maximum of $8,000 per year, plus reimbursement of reasonable expenses directly related to their service as a director.

[1] Individuals appointed to fill vacant elected board of director positions are eligible to receive compensation if the board is a compensated board and the appointed directors stand for retention election at the next annual meeting.

Credit unions with 1 billion dollars or more in assets may compensate each board member a maximum of $16,000 per year, plus reimbursement of reasonable expenses directly related to their service as a director.

Credit unions compensating their board of directors Credit unions will be required to submit annual statements of compensation. The IDCU will review compensation compliance during regular examinations.[2]

Credit unions which choose not to compensate board of director members may continue to reimburse board of director members for reasonable expenses directly related to their service as a director.

Credit unions must account for board compensation through the income statement. Accounting should be consistent with GAAP and reported under miscellaneous non-interest expenses on the Call Report. Credit Unions must also report board compensation on the 990 forms, in accordance with the form's instructions.[3]

Director restrictions and liabilities:

Board of director and committee members are restricted from participating in decisions for which they have a conflict of interest. Iowa Code section 533.209. Board of director members are prohibited from serving on the board of a credit union in which any person employed in the senior management of their credit union is a relative of blood or marriage. Iowa Code section 533.209A. A board of director may not receive from their credit union loan rates, terms, or conditions on a loan or line of credit which are more favorable than those of a comparable existing loan or line of credit provided to other members. Loans to all directors shall not exceed 25% of the assets of the credit union. Iowa Code section 533.315(3) (2024).
Board of director members are further prohibited from:

1. Receiving terms or being paid a rate of interest on a deposit which is more favorable that that provided other comparable members of their credit union;
2. Purchasing assets from, leasing assets from, selling assets to, or leasing assets to their credit union except on terms not less favorable available to other persons and any such agreements must first be approved by the majority of the remaining board; and
3. Receiving anything of value other than allowable compensation and reimbursements for procuring or the attempt to procure any loan or line of credit to the credit union or investment by the credit union;

Iowa Code section 533.205 (2024).
Board of director members who are compensated may be held personally financially liable under Iowa law for decisions they make on the board which violate Iowa law.[4]

Audit Committee (533.208):

The Audit Committee consists of no less than three board members or members of the credit union. See Iowa Code section 533.205(2). No appointed officer of the Board of Directors, no credit union employees, no members of the credit committee may be active members of the audit

[2] The IDCU may instruct a credit union not to compensate the board of directors if the financial condition is unsafe or unsound.

[3] Credit unions should consult with their CPA or legal counsel to determine proper tax implications.

[4] Board of directors may seek contribution from other board members in the event of financial liability as well as seek to recoup funds from credit union members who knowingly accepted or received a dividend or distribution which violation Iowa Code Chapter 533. See Iowa Code section 533.205 (2024).

committee. Iowa Code section 533.205; Oath of Directors, https://creditunions.iowa.gov/credit-unions/oath-directors or https://creditunionsportal.iowa.gov.

The audit committee is responsible for examining the affairs of the credit union no less than annually, including an audit of the credit union's financial records. The audit committee is also required to perform a member account verification no less than every two years. The audit committee is responsible for providing a report to the credit union members at each annual meeting of the membership.

Special meetings of the credit union members may be called by a majority of the audit committee in order to consider any matters submitted to the audit committee. Additionally, the audit committee is responsible for review of the actions of the board itself. The audit committee may suspend any officer, director, or member of the committee if the audit committee deems the action "necessary to the proper conduct of the state credit union." See Iowa Code section 533.208(3).

No member of the audit committee may be allowed to review actions they are responsible for in the course of any paid employment. See Iowa Code section 533.209.

Credit Committee (533.205):
The credit committee shall have responsibility for the general supervision of all loans to members. The credit committee may appoint one or more loan officers to approve or reject loans subject to written policies and procedures adopted by the credit committee. The credit committee, separate from the audit committee, may include members of the board of directors or members of the credit union.

Katie Averill



Superintendent of Credit Unions

KA/jcp