

Legislative Update

Georgia Credit Union Executives Association | March 2024

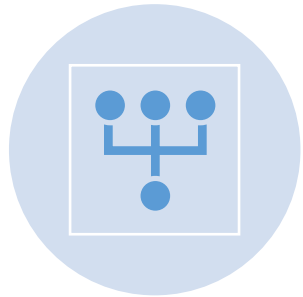
Environmental Questions from 2023



Federal: Government shutdown?



State: Election-itis?



Regulatory: Shift of NCUA Board?



National Trades: Focus?

Environmental Questions for 2024



Federal: Continual Threats of Shutdown, Large Bill Package Amendments (?)



State: Legislative Session Impact on Credit Unions – ends March 28



Regulatory: NCUA Board Shift, CFPB, Federal Reserve - Focus on Fees



Elections: May 21 for Primary, November 5 for General

Industry Issues – Federal Level

Credit Card Interchange: US Sen. Durbin’s efforts to restrict interchange fees and broaden routing rules to credit continue, with bills and amendment attempts to large funding packages. While proponents cite it would limit interchange caps to FIs \$100B+, the negative impact to consumers and FIs would be wider.

- US Rep. Nikema Williams spearheaded letter to Federal Reserve on their proposed rule to further limit debit interchange. Other Georgians who signed onto this: US Rep. Buddy Carter, US Rep. Mike Collins, and US Rep. Hank Johnson.
- Hearing on credit card interchange in Sen. Durbin’s committee – which is not the committee of jurisdiction – **set for April 9th**.

Overdraft Fee Scrutiny: Efforts by members of Congress and CFPB to pressure FIs to revisit (or eliminate) overdraft fees continue. Expect “junk fee refrain” to broaden in scope.

SECURE Act (remote notary): Bill needed due to disparity for GA consumers; consistent support from US Sen. Warnock and US House has passed.

CTR Thresholds: US Rep. Loudermilk’s efforts to raise the CTR threshold above the \$10,000 limit; shifting it to an indexed number would bring positive compliance relief.

Industry Issues – State Level (GA)

Interchange: Merchant groups have introduced state-level legislation to leverage US Sen. Durbin's attempts in DC and upend the interchange process across the country. A small coalition of banker trades, Visa, LSCU, and other FI lobbyists is against this significant threat in Georgia.

- Three bills: one would remove sales tax from interchange calculation, which would negatively impact credit unions and our members and create a precedent for arbitrary interchange restrictions at the state and federal levels.
- Thank you to Sen. Billy Hickman for withdrawing the bill. Two other bills would create an off-session study on the issue—one that is moving is by Rep. Todd Jones.
- The threat in the State House is HIGH.

Taxation: State Leaders have moved forward with multiple bills that have broad tax exemption changes and/or outright removal for a wide range of industries, which was an output of the 2023 tax hearings in the off session to analyze all tax credits and exemptions to determine ROI from foregone state revenue.

- **Intangible Tax**: Intangible tax exemption for credit union members has been under fire for years.

Industry Issues – State Level (GA)

Charter Enhancements (2023): DBF charter enhancement bill (HB 876) , which stemmed from the state law review taskforce, changes included:

- Enhance FOM to include LLCs.
- Define the “executive officer” of a credit union and reiterate current loan restriction language that applies to officers, directors, and committee members.
- Clarify how the board of director elections and committee assignments were originally set and that minutes of the meetings of members, board, AND committees are required.
- Align with nonprofit law on how a special meeting is called, with protections for credit unions (the nonprofit threshold of 5% of membership can be expanded to a higher 25% if denoted in bylaws), as well as set clear standards that a special meeting could be called by the board chair, president/CEO, or 20% of directors ... and not just one.
- Align the definition of “subsidiary” with federal law to create consistency, correct language to ensure out-of-state credit unions have the appropriate level of approval, and adjust unsecured loan approval thresholds for small (under \$20M) credit unions.

State Charter Protection: Amended two bills (SB 414/HB 1113) that restricted the ability for credit unions to engage with DBF and DBF to engage with industry.

Industry Issues – State Level (GA)

MCC Credit Card: MCC firearms anti-tracking bill (HB 1018), but only after days of work by the entire FI coalition and VISA to limit the scope.

- This bill seeks to prohibit tracking firearms purchases with a merchant category code,
- Working in conjunction with GBA, CBA and LSCU: secured amendments to narrow the focus, as well as ensure it did not impact fraud prevention procedures.
- Work continues to prevent it from being amended with interchange – NRA on board.

P2P: Legislative focus around P2P, agreement issues, requiring FIs to be responsible for inaccurate transfers, and as of late – desire to create a “cooling off” period.

Adverse Actions: HB 1205 would create intense restrictions on large FIs for any adverse action, tying it to social/political issues.

- While the asset threshold is \$100B, it would create a dangerous precedent, confusion with members, and increase litigious activity against any FI who happened to decline a transaction, a loan, close an account and beyond. And, the bill would require FIs to make public their private lending criteria (among other items).

Industry Issues – State Level (GA)

Lending: Range of bills that impact auto lending presently underway.

- Collections process: bill altered trespass law/prevent any access to property without permission. This has the unintended consequence of stopping auto repos and foreclosures.
- Titling: HB 1100 to help remove the electronic titling issues experienced around the state (PASSED fully!)
- Auto buying services: HB 1234 that would have unintentionally limited credit union auto buying services. Auto Dealer Association has committed to work with us to prevent their efforts from impacting us.
- Title Printing

Commercial Lending: Georgia has seen significant traction of bills to permit commercial PACE financing product seen in 30+ states assessed by local-governments at the same level as taxes, and loans are not eligible collateral with FHLB – this concept is likely to pass in some form (likely HB 206).

- To protect commercial lending: work to obtain proactive amendments to restrict these loans, frequency, add limitations on amount and LTV of loans, and strengthen FI consent.

Industry Issues – State Level (GA)

Bankruptcy Exemptions: HB 628 seeks to increase the bankruptcy exemptions to help individuals keep their homes (modified now to be \$21,500/\$43,000 to \$35,000/\$60,000).

UCC/Wire Transfer: Uniform Commercial Code bill (HB 1240) seeks to update large amounts of state law on financial transactions to ensure consistency across state-lines, address digital currencies, and address potential liability with wire transfers.

Trigger Leads: HB 1040 would limit use of credit report lists triggered by an application of credit to provide unsolicited offers to borrower.

- While this bill would not stop consumers from receiving misleading solicitations that appear like it is coming from the loan originator, it may deter some of that practice.

Overdraft: Early efforts by legislators to regulate fees, including overdrafts - with attempts to tie overdraft fees to the rate of maternal mortality.

Industry Issues – State Level (GA)

Privacy/Data Selling: Hearing this week on SB 473 to create a state-level data privacy standard. Bill has changed throughout process; all exemptions removed in Senate but has been rewritten in House – and includes exemption for GLBA. Without this rewrite, this bill would make Georgia stricter than the California data privacy regime.

Remote Online Notary: Multiple remote online notary (RON) bills, including SB 425 who has prevented RON from moving forward in past. Bill would allow RON, is absent his typical class action status, and more changes are expected due to concerns on commercial properties.

- This bill would create bright lines around current unauthorized practice of law, with new penalties for any nonattorney that creates conveyances (so if any FIs do not use attorneys for loans that touch real property, they would need to do so going forward).

ESG: Multiple legislative efforts to pass anti-ESG measures punitive to FIs; worked with collation and HB 485 was what passed fully last week. Work continues.