

Introduced: 6/14/72
Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2 HOUSE BILL NO. 833

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for state chartered credit unions."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 6 is amended by adding a new chapter to read:

9 CHAPTER 40. ALASKA CREDIT UNION ACT.

10 ARTICLE 1. FORMATION AND MANAGEMENT OF CREDIT UNIONS.

11 Sec. 06.40.010. FORMATION OF CREDIT UNION. (a) A credit union may
12 be formed by seven or more residents of this state who meet the require-
13 ment of common interest contained in sec. 60 of this chapter by sub-
14 scribing for shares of the credit union in the aggregate amount of \$200
15 and executing two copies of articles of incorporation and bylaws of the
16 credit union consistent with the provisions of this chapter and regula-
17 tions of the commissioner of commerce. The term "commissioner" shall be
18 used throughout this chapter to mean the commissioner of commerce.

19 (b) The incorporators shall forward the articles of incorporation,
20 bylaws and required fees to the commissioner. If the commissioner finds
21 that they conform to law, he shall within 30 days issue a certificate of
22 approval and return a copy of the articles of incorporation, certificate
23 and bylaws to the incorporators to be preserved in the permanent files
24 of the credit union. No credit union may transact business until formal
25 approval of the charter has been received.

26 Sec. 06.40.020. ARTICLES OF INCORPORATION. (a) The articles of incor-
27 poration shall state the name of the credit union; the term of existence;
28 the par value of its shares, which shall be in \$5 multiples, not less
29 than \$5 nor more than \$25; and the names and addresses of the incorporators.

1 (b) Amendments to the articles of incorporation shall be submitted
2 to the commissioner and shall be effective upon written approval of the
3 commissioner. No fee may be charged for the approval of amendments.

4 Sec. 06.40.030. BYLAWS. The incorporators shall adopt the initial
5 bylaws of the credit union. The directors of the credit union may alter,
6 amend or repeal the bylaws or adopt new bylaws by a two-thirds vote of the
7 authorized number of members of the board at any duly held meeting if the
8 members of the board have been given prior written notice of the meeting
9 containing a copy of the proposed amendment. Bylaws may contain provisions
10 for the regulation and management of the affairs of the credit union not
11 inconsistent with the law or the articles of incorporation. Amendments to the
12 bylaws shall become effective only upon approval in writing by the commissioner.

13 Sec. 06.40.040. NAME. (a) The name of a credit union chartered
14 under this chapter shall include the words "credit union" and the
15 name of the city in which the credit union is to have its principal
16 place of business. A credit union may not adopt the same name as that
17 of any other existing credit union.

18 (b) It shall be a misdemeanor for any person, except corporations
19 formed under the provisions of this chapter or another credit union law,
20 or an association of credit unions and its chapters, to conduct business
21 under a name or title which contains the words "credit union" or a deriva-
22 tion of them, or to represent himself in his advertising or otherwise
23 as conducting business as a credit union.

24 Sec. 06.40.050. INITIAL DIRECTORS AND COMMITTEES. The incorpora-
25 tors shall select at least five persons to serve on the board of
26 directors, three persons to serve on the supervisory committee, and
27 persons to serve on other committees required by the articles or bylaws.
28 The selected persons will serve in these capacities until the first
29 annual meeting of the members and the election of their successors.

1 Sec. 06.40.060. MEMBERSHIP. (a) The membership of a credit
2 union shall be limited to persons having an identifiable common inter-
3 est who have met the requirements stated in the articles of incorpora-
4 tion and the bylaws. Identifiable common interests include, but are
5 not limited to, similar occupation, employment or association, or
6 residence in an identifiable community or rural area.

7 (b) Societies and associations composed of individuals who are
8 eligible for membership may be admitted to membership in the same
9 manner and under the same conditions as individuals.

10 (c) Existing credit unions may admit as members low-income
11 persons, as defined by the commissioner, for whom credit union services
12 are otherwise unavailable.

13 (d) An individual who leaves the field of membership may retain
14 his membership at the discretion of the board of directors.

15 Sec. 06.40.070. POWERS. A credit union may

16 (1) have perpetual succession by its corporate name unless
17 its duration is limited by its articles of incorporation;

18 (2) adopt and use a seal, which may be altered at pleasure;

19 (3) sue and be sued, complain and defend, in its corporate
20 name;

21 (4) make contracts, purchase, hold and dispose of property
22 necessary or incidental to its operations;

23 (5) require the payment of an entrance fee or annual member-
24 ship fee;

25 (6) receive from its members payments on shares, deposits
26 or special purpose thrift accounts;

27 (7) lend its funds to its members and invest surplus funds
28 as provided in this chapter;

29 (8) borrow from any source, in an aggregate amount not

1 exceeding 50 per cent of its paid in and unimpaired capital and surplus,
2 and to discount or sell any eligible obligations, subject to regulations
3 prescribed by the commissioner;

4 (9) make deposits in banks chartered by this state or the
5 federal government, in trust companies and in central credit unions;

6 (10) hold membership in other credit unions organized under
7 this chapter and in organizations composed of credit unions;

8 (11) declare dividends, pay interest on deposits and pay
9 interest refunds to borrowers as provided in this chapter;

10 (12) assess charges to members in accordance with the bylaws
11 for failure to meet their obligations to the credit union;

12 (13) sell travelers checks, money orders and other money-type
13 instruments;

14 (14) act as fiscal agents for and to receive deposits from
15 this state, the federal government or political subdivisions of either;

16 (15) perform trust services for its members, including the
17 trust estates of deceased members, and to act as a custodian of quali-
18 fied pension funds of self-employed individuals under the provisions
19 of P.L. 89-809;

20 (16) sell all or a part of its assets or purchase all or a
21 part of the assets of another credit union, subject to the approval of
22 the commissioner;

23 (17) exercise the incidental powers necessary to enable it
24 to carry out effectively the business and purposes for which it is
25 incorporated, including the inherent powers generally implied for
26 general corporations organized under the laws of this state.

27 Sec. 06.40.080. MEMBERS MEETINGS. The annual meeting and special
28 meetings of the members of the credit union shall be held at the time,
29 place and in the manner prescribed in the bylaws. At the meetings

1 a member shall have only one vote, irrespective of his shareholdings.
2 No member may vote by proxy, but a society, association, partnership
3 or corporation, having membership in the credit union, may be repre-
4 sented and vote by one of its members or shareholders who has been
5 duly authorized by its governing body.

6 Sec. 06.40.090. BOARD OF DIRECTORS. (a) The business affairs,
7 funds and records of the credit union shall be directed by a board of
8 directors, of an odd number not less than five, to be elected at the
9 annual members meeting by and from the members. All members of the
10 board shall hold office for the term provided in the bylaws. The
11 board of directors shall fill vacancies occurring in the board, until
12 successors elected at the next annual members meeting have been
13 qualified. The board shall appoint the members of the supervisory
14 committee and other committees required by the bylaws and shall fill
15 vacancies occurring in these committees.

16 (b) The board of directors shall meet as often as necessary,
17 but not less than once each month. The board may appoint from its
18 members an executive committee of not less than three directors who
19 may be authorized to act for the board in all respects, subject to
20 conditions and limitations prescribed by the board.

21 (c) No member or the board or any committee may be compensated
22 for his service, but reasonable life, health, accident and similar
23 insurance protection for a director is not considered compensation
24 within the meaning of this section. A member, while on official
25 business of the credit union authorized by the board of directors may
26 be reimbursed for necessary expenses incidental to the performance
27 of the business.

28 (d) It is the duty of the directors to

29 (1) act upon applications for membership or to appoint one

1 or more membership officers other than the treasurer, assistant
2 treasurer, or loan officer, to act on membership applications under
3 procedures established by the board;

4 (2) purchase a blanket fidelity bond, in accordance with
5 the regulations of the commissioner, covering the officers, employees,
6 members of official committees, and agents of the credit union;

7 (3) determine the interest rate to be charged on loans and
8 to be paid on deposits, to authorize an interest refund to members
9 from income earned and received in proportion to the interest paid
10 by them, and to declare dividends on shares as provided in the bylaws;

11 (4) limit the number of shares and the amount of deposits
12 which may be owned by a member, and to fix the maximum amount which
13 may be loaned to an individual member;

14 (5) direct the investment of surplus funds, except that the
15 board may designate a committee of its number or a qualified individual
16 to have charge of making investments under rules and procedures
17 established by the board;

18 (6) authorize the employment of persons necessary to carry
19 on the business of the credit union and to establish the compensation
20 of employees, the treasurer and loan officers;

21 (7) designate a depository or depositories for the funds
22 of the credit union, authorize the conveyance of property, and borrow
23 or lend money to carry on the functions of the credit union;

24 (8) perform or authorize any action consistent with this
25 chapter not specifically reserved by the bylaws for the members.

26 Sec. 06.40.100. EXECUTIVE OFFICERS. (a) At the organization
27 meeting and within 30 days following each annual meeting of the
28 members, the directors shall elect from their own number an executive
29 officer, who may be designated as chairman of the board or president;

1 a vice-chairman of the board or one or more vice-presidents; a
2 treasurer; and a secretary, of whom the last two may be the same
3 individual. The persons elected shall be the executive officers of
4 the corporation. No executive officer, except the treasurer, shall
5 be compensated for his service. The terms of officers shall be one
6 year or until their successors have been chosen and duly qualified.

7 (b) The board of directors may employ an officer in charge of
8 operations whose title shall be either president or general manager
9 or may designate the treasurer or an assistant treasurer to act as
10 general manager and be in active charge of the affairs of the credit
11 union. The duties of the officers shall be as determined by the
12 bylaws.

13 (c) Before the officer in charge of operations may enter upon
14 his duties he shall give bond with good and sufficient surety, in an
15 amount and character to be determined by the board in compliance with
16 regulations prescribed by the commissioner.

17 Sec. 06.40.110. CREDIT COMMITTEE. (a) The board of directors
18 shall appoint a credit committee consisting of an odd number of members
19 of the credit union, no less than three, or, if provided in the bylaws,
20 appoint one or more loan officers empowered to approve loans under
21 the conditions prescribed by the board. No loan may be made unless
22 approved by the loan officer or credit committee.

23 (b) If a credit committee is provided for in the bylaws, it shall
24 hold meetings as often as the business of the credit union may require,
25 but not less frequently than once a month. Loans must be approved by
26 a majority of the committee who are present at the meeting at which
27 the application is considered. The credit committee may appoint one
28 or more loan officers, and delegate to him or them the power to approve
29 loans. Not more than one member of the credit committee may be

1 appointed as loan officer or assistant loan officer.

2 (c) No individual may disburse funds of the credit union for any
3 loan which has been approved by him in his capacity as a loan officer.

4 Sec. 06.40.120. SUPERVISORY COMMITTEE. (a) The supervisory
5 committee shall make a semiannual audit of the credit union and shall
6 submit a report of the audit to the board of directors and a summary
7 of that report to the members. The committee shall provide for
8 supplementary audits which it considers necessary or which may be
9 required by the commissioner, and submit reports of these supplementary
10 audits to the board of directors. The supervisory committee shall
11 also provide for verification of the passbooks and accounts of the
12 members with the records of the treasurer at least once every two years.

13 (b) The supervisory committee may by a unanimous vote suspend
14 any officer of the credit union or any member of the credit committee
15 or of the board of directors, until the next members meeting, which
16 shall be held not less than 7 nor more than 14 days after the suspen-
17 sion, at which meeting the suspension shall be acted on by the members.

18 (c) The supervisory committee may by a majority vote call a
19 special meeting of the members to consider a violation of this chapter,
20 the charter or the bylaws, or a practice of the credit union considered
21 by the supervisory committee to be unsafe or unauthorized.

22 (d) A member of the supervisory committee may be suspended by a
23 majority vote of the board of directors. The members of the credit
24 union shall decide, at a meeting held not less than 7 nor more than
25 14 days after the suspension, whether the suspended committee member
26 shall be removed from or restored to the supervisory committee.

27 ARTICLE 2. SUPERVISION AND REGULATION OF CREDIT UNIONS.

28 Sec. 06.40.130. SUPERVISION BY COMMISSIONER OF COMMERCE. (a)
29 The commissioner of commerce has general supervision of credit unions,

1 subject to the provisions of this chapter, and shall appoint an assis-
2 tant director within the division of banking, securities, small loans
3 and corporations to supervise credit unions.

4 (b) The commissioner shall promulgate regulations for the adminis-
5 tration of this chapter, and prescribe the minimum amount of surety bond
6 coverage required of credit unions in relation to their assets, and may
7 establish chartering, supervisory and examination fees. The commissioner
8 shall prepare and supply without charge a form of articles of incorpora-
9 tion and of bylaws which shall be used by credit union incorporators.

10 (c) In promulgating regulations, the commissioner shall seek the
11 advice, counsel and guidance of the Credit Union Board established in
12 this chapter.

13 Sec. 06.40.140. EXAMINATIONS. (a) The commissioner or his
14 representative shall conduct an annual examination of each credit union
15 established under this chapter. A report of the examination will be
16 forwarded to the credit union within 30 days after completion of the
17 examination. The report shall contain comments on the general condition
18 of the assets and the management of the credit union. A general
19 meeting of the directors and committeemen shall be called within 30
20 days after receipt to consider the report, and copies of the report
21 shall be made available to all members of the credit union.

22 (b) A credit union, its officers and agents are required to give
23 the commissioner full access to all books, papers, securities, records
24 and other sources of information under their control. For purposes of
25 examination, the commissioner shall have the power to subpoena wit-
26 nesses, administer oaths, compel the giving of testimony and require
27 the submission of documents.

28 (c) The commissioner may accept, in lieu of examination by his
29 agency, the audit of a registered public accountant licensed in this

1 state, provided the cost of the audit is borne by the credit union
2 and the scope of the audit is equivalent to the examination made by
3 the commissioner.

4 Sec. 06.40.150. ANNUAL REPORTS. Credit unions organized under
5 this chapter shall submit annual reports to the commissioner on forms
6 supplied by him for that purpose, which reports shall be due on or
7 before February 1. A credit union failing to file by February 15
8 shall be levied a fine of \$5 per day until the report is filed.

9 Sec. 06.40.160. CREDIT UNION BOARD. (a) There is established
10 the Credit Union Board to consult with, advise and make recommenda-
11 tions to the commissioner in matters pertaining to credit unions.
12 The board consists of five persons of tested credit union experience
13 appointed by the governor. Appointments to the board shall be
14 for terms of two years, except that initial appointments shall be
15 two members for terms of one year and three members for terms of
16 two years. The chairman of the board shall be elected annually by
17 and from the members of the board.

18 (b) Members shall serve until their successors have been appointed
19 and qualified. If a vacancy occurs, the appointment to fill the vacancy
20 shall be made in the manner of the original appointment, but only for
21 the unexpired term.

22 (c) The first meeting of the board shall be called by the commis-
23 sioner and subsequent regular meetings shall be held at times and
24 places determined by the chairman and the commissioner, but at least
25 once every six months. Special meetings may be called by either the
26 chairman or the commissioner. The commissioner shall reimburse the
27 board members for their actual and necessary travel and subsistence
28 expenses.

29 Sec. 06.40.170. CENTRAL CREDIT UNION. (a) A central credit

1 union may be organized and operated under the provisions of this chapter
2 and subject to all provisions not inconsistent with this section.

3 This credit union shall be known as the Alaska Central Credit Union.

4 Membership in the central credit union shall be limited to

5 (1) credit unions organized and operating under the provi-
6 sions of this chapter or operating in this state under the provisions
7 of the Federal Credit Union Act;

8 (2) officers, directors and committee members and employees
9 of credit unions, employees of the central credit union, employees of
10 an association of Alaska credit unions, and resident employees of
11 federal or state government agencies responsible for the supervision
12 of credit unions in this state;

13 (3) organizations or associations of these persons;

14 (4) employees of a common employer with insufficient numbers
15 to form or conduct the affairs of a separate credit union, upon approval
16 of the commissioner; and

17 (5) persons who are members of credit unions in this state
18 that have entered into or are about to enter into voluntary or involun-
19 tary dissolution proceedings under the provisions of sec. 340 of this
20 chapter or credit unions in this state which have entered into or are
21 about to enter into voluntary or involuntary dissolution proceedings
22 under the provisions of Chapter 14 of Title XII of the U.S. Code.

23 (b) The board of directors of a credit union becoming a member
24 of the central credit union shall designate one person to be its
25 voting representative. The voting representative shall be eligible
26 to hold office in the central credit union as if that person were
27 himself a member of the central credit union.

28 (c) The central credit union shall have all the rights and powers
29 of any other credit union organized under this chapter and shall in

1 addition have the power to obtain or acquire the assets and liabilities
2 of a credit union operating in this state which enters into liquidation.

3 (d) The central credit union shall have the authority to make
4 loans to other credit unions and to purchase shares of and make deposits
5 in other credit unions. It shall have the power to invest in and
6 grant loans to associations of credit unions, central funds of credit
7 unions or organizations chartered to provide exclusive service to
8 credit unions; to borrow money from any source, not to exceed the
9 amount of its unimpaired capital and surplus; and to issue notes or
10 debentures.

11 ARTICLE 3. FINANCIAL PRACTICES.

12 Sec. 06.40.180. SHARES. (a) Shares may be subscribed to, paid
13 for and transferred in the manner prescribed in the bylaws. No
14 certificate may be issued to denote ownership of a share in a credit
15 union.

16 (b) The credit union shall have and may impress a lien on the
17 shares, deposits and accumulated dividends or interest of a member
18 in his individual, joint or trust account for any sum due the credit
19 union from the member or for any loan endorsed by him.

20 (c) When the losses of a credit union, resulting from a deprecia-
21 tion in value of its loans or investments or otherwise, exceed its
22 undivided earnings and reserve fund so that the estimated value of
23 its assets is less than the total amount due the shareholders, the
24 credit union may by a majority vote of the entire membership order a
25 reduction in the shares of each of its shareholders to divide the
26 loss proportionately among its members. If the credit union realizes
27 from the assets a greater amount than was fixed by the order of
28 reduction, the excess shall be divided among the shareholders whose
29 assets were reduced, but only to the extent of the reduction.

1 Sec. 06.40.190. DEPOSITS. A credit union may receive savings
2 deposits from its members, subject to the conditions and the return
3 established by the board of directors. Christmas clubs, vacation clubs,
4 and other thrift accounts may be operated in accordance with the provi-
5 sions of the bylaws.

6 Sec. 06.40.200. MULTIPLE PARTY ACCOUNTS. (a) A credit union may
7 enter into multiple party accounts to the same extent that they may
8 enter into single party accounts. A multiple party account is an account
9 in the name of two or more persons, one or more of whom may make with-
10 drawals. At least one party to a multiple party account must be a
11 member of the credit union in which the account is established. The
12 account may be created with any person designated by the credit union
13 member, but a nonmember shall not be permitted to vote, obtain loans,
14 or hold office.

15 (b) Accounts established for deposit of funds of a partnership,
16 joint venture or other association or accounts controlled by two or
17 more persons as the duly authorized agents or trustees for a corporation,
18 unincorporated association, charitable or civic organization or any
19 trust, except trusts of deposits evidenced only by the form of the
20 deposit, are excluded from the meaning of the term and from the provi-
21 sions of this chapter relating to multiple party accounts.

22 (c) Unless the terms of the account expressly stipulate that joint
23 signatures are required, a multiple party account may be paid on demand
24 to any one or more of the parties to the account, without regard to
25 whether any other party is incompetent or deceased at the time the pay-
26 ment is demanded. If the account is one presumed to be a survivorship
27 account, payment may not be made to the personal representative or heirs
28 of a deceased party unless proofs of death are presented to the credit
29 union showing that the decedent was the last surviving party. A credit

1 union is not required to inquire as to the source of funds received for
2 deposit or the proposed application of any sum withdrawn from the
3 account.

4 (d) During the lifetime of all parties, a multiple party account
5 which provides that the sums on deposit or in shares may be paid on
6 demand of either of two or more parties is presumed to belong to the
7 parties in proportion to the net contributions by each party to the
8 sums on deposit. In the absence of satisfactory proof of net contribu-
9 tions, the parties shall be presumed to own a multiple party account in
10 equal undivided interests.

11 (e) The death of a party to a multiple party account shall have no
12 effect on the beneficial ownership of the account, other than to transfer
13 the decedent's right to his estate, unless the account is a survivorship
14 account or trust account, as provided in secs. 210 - 220 of this
15 chapter.

16 (f) Without qualifying any other statutory right to set-off or
17 lien and subject to any contractual provision, when a party to a multiple
18 party account is indebted to a credit union, the credit union has a
19 right to set-off against the entire amount of the account.

20 Sec. 06.40.210. SURVIVORSHIP ACCOUNTS. A multiple party account
21 payable to two or more persons, jointly or severally, which does not
22 expressly provide that there is no right of survivorship, is presumed
23 to be a survivorship account. At the death of a party, sums on deposit
24 in a survivorship account belong to the surviving party or parties as
25 against the estate of the decedent. Where there are two or more sur-
26 vivors, their respective ownership shall be in proportion to their
27 previous net contributions augmented by an equal share for each survivor
28 of any interest the decedent may have owned in the account immediately
29 before his death, plus the proceeds of insurance on decedent's life

1 paid to the account. The right of survivorship continues between sur-
2 vivors.

3 Sec. 06.40.220. TRUST ACCOUNTS. (a) An account which states
4 that a party is a trustee for one or more other identified persons,
5 including but not limited to minors, is a trust account. Except where
6 there is evidence of a trust other than as provided by the form of the
7 account, the account and any sums withdrawn from it are presumed to
8 belong beneficially to the trustee until his death. At the death of
9 the trustee or surviving trustee any sums remaining on deposit are
10 presumed to belong to the person or persons named as beneficiaries, if
11 living, or the survivor of them if one or more died before the trustee.
12 The subsequent death of a beneficiary has no effect on the equal owner-
13 ship of all who survived the trustee, as no right of survivorship is
14 presumed to attend the relationship of beneficiaries who survive a
15 trustee. If no beneficiary survives the trustee, the sums are presumed
16 to belong to the estate of the last trustee to die. If two or more
17 parties are named as trustees on the account, and there is no evidence
18 of trust except as provided by the form of the account, the account is
19 presumed to be a survivorship account as between the trustees.

20 (b) An account payable to a trustee for another person may be
21 paid on demand to the trustee. Unless the credit union has received
22 written notice of the terms of a trust other than the form of the
23 account, payment may be made to the personal representative or heirs
24 of a deceased trustee if proof of death is presented to the credit
25 union showing that his decedent was the survivor of all other persons
26 named on the account either as trustee or beneficiary; and payment
27 may be made, on demand, to the beneficiary upon presentation to the
28 credit union of proof of death showing that the beneficiary or bene-
29 ficiaries survived all persons named as trustees.

1 Sec. 06.40.230. PRESUMPTIONS REBUTTABLE. The presumptions created
2 by secs. 200 - 220 concerning beneficial ownership as between parties,
3 or as between parties and beneficiaries, of multiple party accounts are
4 relevant only to controversies between these persons or their creditors
5 or other successors, and shall have no bearing on the rights of with-
6 drawal of these persons as determined by the terms of the account
7 contracts. These presumptions are based upon inferences of the intention
8 of parties to multiple party accounts and the usual expectations of
9 persons using these accounts and are rebuttable by clear and convincing
10 evidence of a different intention. The presumptions of survivorship are
11 not subject to change by will, but may be rebutted by a written order
12 received by the credit union to change the form of the account or direc-
13 ting that payment not be made in accordance with the account which is
14 signed by a party and is received by the credit union during the party's
15 lifetime. If not rebutted by contrary evidence, the presumptions pro-
16 vided in this chapter are effective to establish beneficial ownership.
17 Transfers resulting from the application of these presumptions are
18 effective by reason of the account contracts and are not to be considered
19 as testamentary.

20 Sec. 06.40.240. PAYMENTS BY CREDIT UNION. Payment made in accor-
21 dance with secs. 200 - 220 of this chapter discharges the credit union
22 from all claims for amounts so paid whether or not the payment is con-
23 sistent with the beneficial ownership of the account as between parties,
24 or beneficiaries or their successors. The protection given does not
25 extend to payments made after a credit union has received written
26 notice from a party who has a present right of withdrawal that with-
27 drawals in accordance with the terms of the account should not be per-
28 mitted. Unless the notice is withdrawn by the person giving it, the
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1 death of any party after notice has no effect on withdrawal rights,
2 and the personal representative or heirs of the decedent must concur
3 in any demand for withdrawal if the credit union is to be protected
4 under this section. No other notice or information shown to have been
5 available to a credit union shall affect its right to the protection
6 provided here. This protection shall have no bearing on the rights
7 of parties in disputes between themselves or their successors con-
8 cerning the beneficial ownership of funds in, or withdrawn from,
9 multiple party accounts.

10 Sec. 06.40.250. MINORS. Shares may be issued to and deposits
11 received from a minor who may withdraw the shares and deposits, includ-
12 ing dividends and interest. Deposits and share investments made by a
13 minor and withdrawals of them by the minor shall be valid in all
14 respects. For these purposes a minor is considered of full age.

15 Sec. 06.40.260. INACTIVE ACCOUNTS. If a credit union is unable
16 to contact a member, beneficiary or other person by first class mail
17 at the last address shown on the records of the credit union, and if
18 this inability continues for a period of more than five years, all
19 shares, deposits, accounts, dividends, interest and other sums due to
20 or standing in the name of that person may, by the action of the board
21 of directors, be credited to the reserve fund of the credit union, and
22 no further dividends or interest will accrue on them. The member
23 shall have the right to claim these sums by proper judicial proceedings
24 commenced within an additional 10 years after the action of the board
25 of directors. This provision shall not apply to sums due to or standing
26 in the name of two or more persons unless the credit union is unable
27 to contact any of these persons in the manner and during the period
28 specified in this section.

29 Sec. 06.40.270. DIVIDENDS. After provision for the required

1 reserves, the board of directors may, at intervals determined by them,
2 declare a dividend to be paid from the remaining net earning at a rate
3 and upon the classes of shares determined by the board. The dividends
4 shall be paid on all paid-up shares outstanding at the close of the
5 period for which the dividend is declared. Shares which become fully
6 paid up during a dividend period are entitled to a proportional part
7 of the dividend. Dividend credit for a month may be accrued on shares
8 which are or become fully paid up during the first 15 days of that
9 month.

10 Sec. 06.40.280. LOANS. (a) A credit union may make loans to
11 its members upon the terms and conditions provided in the bylaws and
12 approved by the credit committee or loan officer. The rate of interest
13 may not exceed one and one-half per cent per month on the unpaid
14 balance, inclusive of all charges incident to making the loan. Every
15 application for a loan shall be made in writing upon a form approved
16 by the board of directors, and shall state the purpose for which the
17 loan is desired, and the security, if any, offered. Every loan shall
18 be evidenced by a written statement. In addition to generally accepted
19 types of security, the endorsement of a note by a guarantor or assign-
20 ment of shares or wages, in a manner consistent with the laws of this
21 state, shall be considered security within the meaning of this chapter.
22 The adequacy of all securities shall be within the determination of the
23 credit committee or loan officer, subject to the provisions of this
24 chapter and the bylaws.

25 (b) The credit committee or loan officer may approve in advance
26 upon their own motion or upon application by a member, an extension of
27 credit, and loans may be granted to the member within the limit of the
28 extension of credit. When an extension of credit has been approved,
29 applications for loans need no further consideration as long as the

1 aggregate obligation does not exceed the limit of the extension of
2 credit. The credit committee or loan officer shall, at least once a
3 year, review all extensions of credit and an extension of credit shall
4 expire if the member becomes more than 90 days delinquent in his
5 obligations to the credit union.

6 (c) No loan or extension of credit may be made to a member in
7 an aggregate in excess of \$200 or 10 per cent of the credit union's
8 unimpaired capital and surplus, whichever is greater.

9 (d) Subject to the limitations of (c) of this section, a credit
10 union may make loans to its own directors or to members of its super-
11 visory or credit committee, provided that the aggregate of loans to
12 an individual director or committee member which exceeds \$2,500 plus
13 pledged shares must be approved by the board of directors. A credit
14 union may permit directors and committee members to act as guarantor
15 or endorser of loans to other members, except that when the loan
16 standing alone or when added to any outstanding loans of the guarantor
17 exceeds \$2,500, approval of the board of directors is required.

18 (e) A credit union may participate with other credit unions,
19 corporations or financial institutions in making loans to credit union
20 members.

21 Sec. 06.40.290. INSURANCE. (a) A credit union may purchase
22 insurance on the lives of its members in an amount equal to their
23 respective shares, deposits and loan balances, and may enter into
24 cooperative marketing arrangements for its members covering group life
25 insurance, temporary disability coverage, health and accident plans
26 and other programs which are demonstrated to be in the interest of
27 improving the economic and social conditions of the credit union
28 members.

29 (b) A credit union shall apply to the administrator of the National

1 Credit Union Administration for insurance of member accounts under
2 Title II of the Federal Credit Union Act and take all action necessary
3 to maintain the insured status. The commissioner shall make available
4 reports of condition and examination reports to the administrator and
5 may accept any report of examination made on behalf of the adminis-
6 trator. Should a credit union be closed because of bankruptcy or
7 insolvency, the commissioner may appoint the National Credit Union
8 Administrator as the liquidating agent.

9 Sec. 06.40.300. INVESTMENTS. Funds not used in making loans to
10 members may be invested in

11 (1) securities, obligations, participations, or other instru-
12 ments issued by or fully guaranteed as to principal and interest by
13 the federal government or one of its agencies or in a trust established
14 for the purpose of investing in these;

15 (2) obligations of this state or a political subdivision
16 of it;

17 (3) certificates of deposit or passbook accounts issued by
18 a state or national bank, savings and loan association or mutual
19 savings bank domiciled in this state;

20 (4) loans to or shares or deposits of other credit unions
21 or of central credit unions;

22 (5) the capital shares, obligations, or preferred stock
23 issues of any association or corporation whose members, stockholders,
24 patrons or owners are confined to credit unions or credit union
25 organizations and which is organized to service or assist credit unions
26 in accomplishing their purposes;

27 (6) shares of a cooperative society, organized under the
28 laws of this state or under a federal cooperative law, in the total
29 amount not exceeding 10 per cent of the shares, deposits and surplus

1 of the credit union.

2 Sec. 06.40.310. RESERVE ALLOCATIONS. (a) Before the payment
3 of a dividend, the gross earnings of the credit union shall be deter-
4 mined, and from this amount there shall be set aside, as a regular
5 reserve against losses on loans and against other losses specified
6 in the regulations, the following amount: 10 per cent of gross income
7 until the regular reserve equals seven and one-half per cent of the
8 total outstanding loans and risk assets; then five per cent of gross
9 income until the regular reserve equals 10 per cent of the total out-
10 standing loans and risk assets. When the regular reserve falls below
11 10 per cent or seven and one-half per cent of the total outstanding
12 loans and risk assets, it shall be replenished in the manner described
13 in this subsection.

14 (b) In addition to the regular reserve, special reserves shall
15 be established to protect the interests of the members when required
16 by regulation or when found by the commissioner, in any special case,
17 to be necessary.

18 (c) For the purpose of establishing the reserves required by
19 this section, all assets shall be considered risk assets except the
20 following:

21 (1) cash on hand;

22 (2) deposits and shares in federally or state insured banks,
23 savings and loan associations, and credit unions;

24 (3) assets which are insured by, fully guaranteed as to
25 principal and interest by, or due from the U.S. government, its agencies,
26 the Federal National Mortgage Association, or the Government National
27 Mortgage Association;

28 (4) loans to other credit unions;

29 (5) loans to students insured under the provisions of

1 Title IV, Part B of the Higher Education Act of 1965 (20 U.S.C. 1071)
2 or similar state insurance programs;

3 (6) loans insured under Title I of the National Housing Act
4 (12 U.S.C. 1703) by the Federal Housing Administration;

5 (7) shares or deposits in central credit unions;

6 (8) common trust investments which deal in investments
7 authorized by the Federal Credit Union Act;

8 (9) prepaid expenses;

9 (10) accrued interest on nonrisk investments;

10 (11) furniture and equipment;

11 (12) land and buildings.

12 ARTICLE 4. MERGER, CONVERSION AND LIQUIDATION.

13 Sec. 06.40.320. MERGER. (a) A credit union may, with the
14 approval of the commissioner, merge with another credit union under
15 the existing charter of the other credit union, under a plan agreed
16 upon by a majority of the board of directors of each credit union
17 joining in the merger, and approved by the affirmative vote of a
18 majority of the members of each credit union present at meetings of
19 the members duly called for this purpose.

20 (b) After agreement by the directors and approval by the members
21 of both credit unions, the president and secretary of each credit
22 union shall execute a certificate of merger, which shall set out the
23 time and place of the meeting of the board of directors at which the
24 plan was agreed upon, the vote in favor of adoption of the plan, a copy
25 of the resolution or other action by which the plan was agreed upon,
26 the time and place of the meeting of the members at which the plan
27 agreed upon was approved, and the vote by which the plan was approved
28 by the members.

29 (c) These certificates and a copy of the plan of merger shall be

1 forwarded to the commissioner, certified by him, and returned to the
2 merging credit union within 30 days.

3 (d) Upon the merger, all property, property rights, and interest
4 of the merged credit union shall vest in the surviving credit union
5 without deed, endorsement, or other instrument.

6 Sec. 06.40.330. CONVERSION OF CHARTER. A credit union chartered
7 under the laws of this state may be converted to a credit union under
8 the laws of any other state or of the United States either within or
9 outside of this state. A credit union chartered under the laws of
10 the United States or any other state may convert to a credit union
11 chartered under the laws of this state. To effect the conversion,
12 a credit union must comply with all the requirements of the authority
13 under which it was originally chartered and the requirements of the
14 commissioner, and file proof of compliance with the commissioner.

15 Sec. 06.40.340. SUSPENSION. (a) If it appears that a credit
16 union is bankrupt or insolvent, or has wilfully violated the provisions
17 of this chapter, or is operating in an unsafe or unsound manner, the
18 commissioner may issue an order temporarily suspending the credit
19 union's operations for not less than 30 nor more than 60 days. The
20 board of directors shall be given notice by registered mail of the
21 suspension, which notice shall include a list of the reasons for the
22 suspension and a list of specific violations of this chapter.

23 (b) Upon receipt of the suspension notice, the credit union shall
24 immediately cease all operations. The directors of the credit union
25 shall then file with the commissioner a reply to the suspension notice,
26 and request a hearing to present a plan of corrective actions proposed
27 if they desire to continue operations or request that the credit union
28 be declared insolvent and a liquidating agent appointed.

29 (c) If the credit union fails to answer the suspension notice

1 or request a hearing with the commissioner, he may then revoke the
2 credit union's charter, appoint a liquidating agent and liquidate the
3 credit union in accordance with sec. 350 of this chapter.

4 Sec. 06.40.350. LIQUIDATION. (a) At a meeting called to con-
5 sider the matter, a majority of the entire membership may vote to
6 dissolve the credit union, provided a copy of the notice was mailed to
7 the members of the credit union at least 10 days before the meeting.
8 A member not present at the meeting may, within the next 20 days, vote
9 in favor of the dissolution by signing a form approved by the commis-
10 sioner and his vote shall have the same force and effect as if cast
11 at the meeting. The credit union shall immediately cease to do
12 business except for the purposes of liquidation, and the president
13 and secretary shall, within five days following the meeting, notify
14 the commissioner of intention to liquidate and shall include a list
15 of the names and addresses of the directors and officers of the
16 credit union.

17 (b) If, after issuing notice of suspension and following the
18 procedures set out in sec. 330 of this chapter, the commissioner
19 rejects the credit union's plan to continue operations, he may issue
20 a notice of involuntary liquidation and appoint a liquidating agent.
21 The credit union may request a stay of execution of this action by
22 appealing to the appropriate court of the jurisdiction in which the
23 credit union is located.

24 (c) A liquidating credit union shall continue in existence for
25 the purpose of discharging its debts, collecting and distributing its
26 assets, and doing the acts required in order to wind up its business,
27 and may sue and be sued for the purpose of enforcing debts and obliga-
28 tions until its affairs are fully adjusted. The board of directors,
29 or in the case of involuntary liquidation, the liquidating agent,

1 shall use the assets of the credit union to pay, in the following
2 order, (1) expenses incidental to liquidation, including any surety
3 bond that may be required; (2) any liability due nonmembers; (3) depos-
4 its and savings club accounts as provided in this chapter. Assets
5 then remaining shall be distributed to the members proportionately to
6 the shares held on the date dissolution was voted.

7 (d) As soon as the board or the liquidating agent determines that
8 all assets from which there is a reasonable expectancy of realization
9 have been liquidated and distributed as set out in this section, they
10 shall execute a certificate of dissolution on a form prescribed by
11 the commissioner and file the certificate with the appropriate recording
12 agency within the jurisdiction of this state in which the credit union
13 has its principal place of business. After filing or recording and
14 indexing, the certificate shall be forwarded to the commissioner, at
15 which time the credit union is dissolved.

16 ARTICLE 5. GENERAL PROVISIONS.

17 Sec. 06.40.360. FISCAL YEAR. The fiscal year of all credit
18 unions organized under this chapter shall be the calendar year.

19 Sec. 06.40.370. RECORDS. Records of a credit union chartered
20 under this chapter shall be kept for a period of six years from the
21 date of making them or from the date of the last entry on them. No
22 credit union may be required to receipt for payment except as provided
23 in the bylaws, nor shall it be necessary to endorse a note showing
24 date of payments or balance due.

25 Sec. 06.40.380. LIABILITY OF MEMBERS. The members of a credit
26 union are not personally or individually liable for the debts of the
27 credit union.

28 Sec. 06.40.390. OFFICE FACILITIES. A credit union may maintain,
29 with the approval of the commissioner, offices at locations other

1 than its main office if additional offices are reasonably necessary
2 to furnish service to its members. A credit union may share office
3 space with one or more credit unions and may contract with a corpora-
4 tion to provide facilities or personnel.

5 Sec. 06.40.400. TAXATION. (a) A credit union organized under
6 this chapter or other credit union law and shares and deposits in
7 them shall be exempt from taxation imposed by this state or any taxing
8 authority within this jurisdiction, and laws which tax corporations
9 in any form, or the shares or deposits of them, or the accumulations
10 on them, do not apply to a credit union, except that real property and
11 tangible personal property owned by a credit union shall be subject
12 to taxation to the same extent that other similar property is taxed,
13 provided that this exception does not permit the imposition of a sales
14 or use tax on a credit union. The shares of a credit union are not
15 subject to transfer taxes, either when issued or when transferred from
16 one member to another.

17 (b) Participation by a credit union in a government program
18 providing unemployment, social security, old age pension or other
19 benefits, is not considered a waiver of the taxation exemption granted
20 in this section.
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