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Referred: Commerce and
Judiciary

1 IN THE HOUSE

BY McKINNON

CS SS

HOUSE BILL NO. 823

(Jud)

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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH 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 06 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
12 may be formed by seven or more residents of this state who meet the
13 requirement of common interest contained in sec. 60 of this chapter by
14 subscribing for shares of the credit union in the aggregate amount of
15 \$200 and executing two copies of articles of incorporation and bylaws
16 of the credit union consistent with the provisions of this chapter and
17 regulations of the commissioner of commerce and economic development.

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

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

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1 operate; and the proposed field of membership, specified in detail.

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

5 Sec. 06.40.030. BYLAWS. (a) The incorporators shall adopt the
6 initial bylaws of the credit union. The members of the credit union may
7 alter, amend or repeal the bylaws or adopt new bylaws. The bylaws shall
8 prescribe the following:

9 (1) the conditions of residence or occupation which qualify
10 persons for membership; however,

11 (A) credit unions shall be open to groups having
12 common or related bonds of occupation or association, or to resi-
13 dents within a well-defined neighborhood, community, or rural
14 district, or to employees of related or vicinal industries, or to
15 members of bona fide fraternal, religious, cooperative, labor,
16 rural, educational, or similar organization and employees of the
17 credit union; members of the immediate family of all qualified
18 persons are eligible for membership; in this section "members of
19 the immediate family" include the wife, husband, parents, and
20 children of a member whether living together in the same household
21 or not and any other relative of the member or spouse of a member
22 living together in the same household as the member;

23 (B) organizations and associations composed of indivi-
24 duals, the majority of whom are eligible for membership, may be
25 admitted to membership in the same manner and under the same
26 conditions as individuals;

27 (C) an individual who ceases to qualify under (a) of
28 this paragraph may retain his full membership in the credit union
29 at the discretion of the board of directors;

- 1 (2) the method of receipting for money paid on accounts;
2 (3) the number of directors and the length of their terms,
3 a credit committee or loan officer;
4 (4) the duties of the several officers;
5 (5) the time of the annual meeting of members, which shall
6 be held within 90 days after the end of the calendar year;
7 (6) the manner in which members and directors shall be noti-
8 fied of meetings;
9 (7) other provisions for the management of the affairs of
10 the credit union not inconsistent with the law or the articles of in-
11 corporation.

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

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

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

29 Sec. 06.40.060. MEMBERSHIP. (a) The membership of a credit

1 union shall be limited to persons who have common bonds who have met
2 the requirements stated in the articles of incorporation and the bylaws.

3 (b) Existing credit unions may admit as members low-income per-
4 sons, as defined by the commissioner, for whom credit union services
5 are otherwise unavailable.

6 Sec. 06.40.070. POWERS. A credit union may

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

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

10 (3) sue and be sued, complain and defend, in its corporate
11 name;

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

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

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

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

20 (8) borrow from any source, in an aggregate amount not ex-
21 ceeding 50 per cent of its paid in and unimpaired capital and surplus,
22 and to discount or sell eligible obligations, subject to regulations
23 prescribed by the commissioner;

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

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

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

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

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

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

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

11 (16) sell all or a part of its assets or purchase all or a
12 part of the assets of another credit union, subject to the approval of
13 the commissioner;

14 (17) exercise the incidental powers necessary to enable it to
15 carry out effectively the business and purposes for which it is incor-
16 porated, including the inherent powers generally implied for general
17 corporations organized under the laws of this state.

18 Sec. 06.40.080. MEMBERS MEETINGS. The annual meeting and special
19 meetings of the members of the credit union shall be held at the time,
20 place and in the manner prescribed in the bylaws. At the meetings a
21 member shall have only one vote, irrespective of his shareholdings. No
22 member may vote by proxy, but a society, association, partnership or
23 corporation, having membership in the credit union, may be represented
24 and vote by one of its members or shareholders who has been legally
25 authorized by its governing body.

26 Sec. 06.40.090. BOARD OF DIRECTORS. (a) The business affairs,
27 funds and records of the credit union shall be directed by a board of
28 directors, of an odd number not less than five, to be elected at the
29 annual members meeting by and from the members. All members of the

1 board shall hold office for the term provided in the bylaws. The board
2 of directors shall fill vacancies occurring in the board, until succes-
3 sors elected at the next annual members meeting have been qualified.
4 The board shall appoint the members of the supervisory committee and
5 other committees required by the bylaws and shall fill vacancies occur-
6 ring in these committees.

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

12 (c) No member of the board or committee of the board may be com-
13 pensated for his service, but reasonable life, health, accident and
14 similar insurance protection for a director is not considered compensa-
15 tion within the meaning of this section. A member, while on official
16 business of the credit union authorized by the board of directors may
17 be reimbursed for necessary expenses incidental to the performance of
18 the business.

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

20 (1) act upon applications for membership or to appoint one
21 or more membership officers other than the treasurer, assistant
22 treasurer, or loan officer, to act on membership applications under
23 procedures established by the board;

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

27 (3) determine the interest rate to be charged on loans and
28 to be paid on deposits, to authorize an interest refund to members from
29 income earned and received in proportion to the interest paid by them,

1 and to declare dividends on shares as provided in the bylaws;

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

5 (5) direct the investment of surplus funds, except that the
6 board may designate a committee of its number or a qualified individual
7 to have charge of making investments under rules and procedures estab-
8 lished by the board;

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

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

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

17 Sec. 06.40.100. EXECUTIVE OFFICERS. (a) At the organization
18 meeting and within 30 days following each annual meeting of the members,
19 the directors shall elect from their own number an executive officer,
20 who may be designated as chairman of the board or president; a vice-
21 chairman of the board or one or more vice-presidents, a treasurer,
22 and a secretary, of whom the last two may be the same individual. The
23 persons elected shall be the executive officers of the corporation. No
24 executive officer, except the treasurer, may be compensated for his
25 service. The terms of officers shall be one year or until their
26 successors have been chosen and qualified.

27 (b) The board of directors may employ an officer in charge of
28 operations whose title shall be either president or general manager or
29 may designate the treasurer or an assistant treasurer to act as general

1 manager and be in active charge of the affairs of the credit union.

2 The duties of the officers shall be as determined by the bylaws.

3 (c) Before the officer in charge of operations may enter upon his
4 duties he shall give bond with good and sufficient surety, in an amount
5 and character to be determined by the board in compliance with regula-
6 tions prescribed by the commissioner.

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

13 (b) If a credit committee is provided for in the bylaws, it shall
14 hold meetings as often as the business of the credit union may require,
15 but not less frequently than once a month. Loans must be approved by a
16 majority of the committee who are present at the meeting at which the
17 application is considered. The credit committee may appoint one or more
18 loan officers, and delegate to him or them the power to approve loans.
19 Not more than one member of the credit committee may be appointed as
20 loan officer or assistant loan officer.

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

23 Sec. 06.40.120. SUPERVISORY COMMITTEE. (a) The supervisory
24 committee shall make a semiannual audit of the credit union and shall
25 submit a report of the audit to the board of directors and a summary of
26 that report to the members. The committee shall provide for supple-
27 mentary audits which it considers necessary or which may be required
28 by the commissioner, and submit reports of these supplementary audits
29 to the board of directors. The supervisory committee shall also pro-

1 vide for verification of the passbooks and accounts of the members with
2 the records of the treasurer at least once every two years.

3 (b) The supervisory committee may by a unanimous vote suspend an
4 officer of the credit union or a member of the credit committee or of
5 the board of directors, until the next meeting, which shall be held not
6 less than 7 nor more than 14 days after the suspension, at which meet-
7 ing the suspension shall be acted on by the members.

8 (c) The supervisory committee may by a majority vote call a spe-
9 cial meeting of the members to consider a violation of this chapter, the
10 chapter or the bylaws, or a practice of the credit union considered by
11 the supervisory committee to be unsafe or unauthorized.

12 (d) A member of the supervisory committee may be suspended by a
13 majority vote of the board of directors. The members of the credit
14 union shall decide, at a meeting held not less than 7 nor more than
15 14 days after the suspension, whether the suspended committee member
16 shall be removed from or restored to the supervisory committee.

17 ARTICLE 2. SUPERVISION AND REGULATION OF CREDIT UNIONS.

18 Sec. 06.40.130. SUPERVISION AND FEES. (a) The commissioner of
19 commerce and economic development has general supervision of credit
20 unions, subject to the provisions of this chapter, and shall appoint
21 an assistant director within the division of banking, securities,
22 small loans and corporations to supervise credit unions.

23 (b) The commissioner shall promulgate regulations for the admin-
24 istration of this chapter, and prescribe the minimum amount of surety
25 bond coverage required of credit unions in relation to their assets,
26 and may establish application and examination fees. The commissioner
27 shall prepare and supply without charge a form of articles of incorpor-
28 ation and of bylaws which may be used by credit union incorporators.

29 (c) In promulgating regulations, the commissioner shall consult

1 with the Credit Union Advisory Board established in this chapter.

2 (d) For the purpose of paying the costs incident to the ascertain-
3 ment of whether an organization certificate should be approved, the
4 subscribers to any such certificate shall pay, at the time of filing
5 their organization certificate, the amount prescribed by the commission-
6 er, which shall not exceed \$20 in any case; and on the approval of any
7 organization certificate they shall also pay a fee of \$5. Not later
8 than January 31 of each calendar year, each credit union shall pay to
9 the Department of Commerce and Economic Development for the preceding
10 calendar year, a supervision fee in accordance with a graduated scale
11 prescribed by this section on the basis of assets as of December 31 of
12 the preceding year, but the fee shall in no event be less than \$10, as
13 follows:

Total Assets	Maximum Fee
\$500,000 or less.....	25 cents per \$1,000
Over \$500,000 and not over \$1,000,000....	\$125 plus 20 cents per \$1,000 in excess of \$500,000
Over \$1,000,000 and not over \$2,000,000..	\$225 plus 15 cents per \$1,000 in excess of \$1,000,000
Over \$2,000,000 and not over \$5,000,000..	\$375 plus 10 cents per \$1,000 in excess of \$2,000,000
Over \$5,000,000.....	\$675 plus 5 cents per \$1,000 in excess of \$5,000,000

24 (e) No annual supervision fee shall be payable by the credit
25 union for the year in which its charter is issued except in cases of
26 conversion from a credit union chartered under the provisions of the
27 Federal Credit Union Act to a credit union chartered under this chapter,
28 or in which final distribution is made in its liquidation or the charter
29 is otherwise canceled.

1 (f) Failure of any credit union to pay any amount provided in
2 this section is grounds for the revocation of the charter of the credit
3 union failing to make the payment.

4 (g) Fees collected under this section shall be deposited in the
5 general fund.

6 Sec. 06.40.140. EXAMINATIONS. (a) The commissioner or his
7 representative shall conduct an annual examination of each credit union
8 established under this chapter. A report of the examination will be
9 forwarded to the credit union within 30 days after completion of the
10 examination. The report shall contain comments on the general condition
11 of the assets and the management of the credit union. A general meet-
12 ing of the directors and committeemen shall be called within 30 days
13 after receipt to consider the report, and copies of the report shall be
14 made available to all members of the credit union.

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

21 (c) The commissioner may accept, in lieu of examination by his
22 agency, the audit of a registered public accountant licensed in this
23 state, provided the cost of the audit is borne by the credit union
24 and the scope of the audit is equivalent to the examination made by the
25 commissioner.

26 Sec. 06.40.150. ANNUAL REPORTS. Credit unions organized under
27 this chapter shall submit annual reports to the commissioner on forms
28 supplied by him for that purpose, which reports shall be due on or be-
29 fore February 1. A credit union failing to file by February 15 shall

1 be levied a fine of \$5 per day until the report is filed.

2 Sec. 06.40.160. CREDIT UNION REVIEW BOARD; POWERS AND DUTIES. (a)

3 There shall be a credit union review board consisting of five members
4 appointed by the governor who shall also designate the chairman of the
5 board. There shall be at least one member from each of the judicial
6 districts who shall serve for four years, except that the initial terms
7 of the first members, other than the chairman, taking office shall ex-
8 pire as follows: one on December 31 after the year that this chapter
9 becomes law and one at the end of each succeeding calendar year there-
10 after. The governor shall appoint persons of tested credit union ex-
11 perience and who are members of credit unions operating under this
12 chapter. However, until such time that there are credit unions operat-
13 ing under this chapter, the governor may make temporary appointments
14 to the board of persons with tested credit union experience from any
15 credit union operating in the state. The terms and numbers of these
16 temporary appointees will terminate as the number of credit unions
17 become operative under this chapter.

18 (b) The powers and duties of the board shall include, but not be
19 limited to

20 (1) advising the commissioner, supervisor of credit unions,
21 and others in improving the condition and service of credit unions;

22 (2) reviewing the acts and decisions of the commissioner in
23 relation to credit unions;

24 (3) serving as an appeal board for credit unions and perform-
25 ing other review functions in relation to credit unions as are provided
26 by law;

27 (4) issuing subpoenas, taking testimony, and administering
28 oaths to witnesses;

29 (5) making available the official actions of the commissioner

1 for inspection of the board;

2 (6) making necessary recommendations as to procedural rules
3 and regulations;

4 (7) adopting rules to safeguard the interest of depositors
5 and shareholders; and

6 (8) keeping detailed minutes of each board meeting.

7 (c) Each member of the board and all employees of the board shall
8 hold in confidence all information received in connection with their
9 official duties and shall not release such information received in con-
10 nection with their official duties and shall not release such informa-
11 tion unless authorized by law. Any member or employee of the board
12 violating this subsection shall be guilty of a misdemeanor.

13 (d) Three members of the board present shall constitute a quorum
14 and a majority vote of those present shall prevail. No member of the
15 board shall be qualified to act in any matter involving a credit union
16 of which he is an officer, director, committeeman, member, employee, or
17 to which he is indebted. The members of the board shall serve without
18 compensation but shall be reimbursed for any expenses incurred in the
19 performance of their duties.

20 Sec. 06.40.170. ACTS, ORDERS, OR DETERMINATIONS OF THE COMMISSION-
21 ER; AGGRIEVED PERSONS. (a) Any interested person aggrieved by any
22 act, order, or determination of the commissioner may apply for review
23 by filing a petition with the secretary of the board within 30 days
24 after the act, order, or determination to be reviewed. The petition
25 shall state the nature of the petitioner's interest; facts showing that
26 the petitioner is aggrieved and directly affected by the act, order, or
27 determination to be reviewed and the ground upon which the petitioner
28 claims that the act, order or determination should be modified or re-
29 versed. The issues raised by the petition for review shall be consider-

1 ed by the board upon giving at least 10 days written notice of the
2 time and place when the matter will be heard to the commissioner and
3 to the person applying for review or his attorney and to any other
4 person who participated in the proceedings before the commissioner or
5 his attorney. Notice of hearing may be given by registered mail,
6 return receipt requested, and the return receipt signed by the addres-
7 see or his agent shall be presumptive evidence that such notice was
8 received by the addressee on the day stated on the receipt. Any other
9 interested party shall have the right to appear in any proceeding
10 before the board.

11 (b) The board shall base its determination upon the record made
12 by the commissioner and may also receive additional evidence to supple-
13 ment such record, if it finds it necessary. The board shall affirm,
14 modify, or reverse the act, order, or determination under review. The
15 burden of overcoming the act, order, or determination of the commis-
16 sioner under review shall be on the person seeking the review. Any
17 findings of fact made by the commissioner shall be sustained if support-
18 ed by substantial evidence in the record made by him or in the record
19 supplemented by evidence taken by the board. The board shall have the
20 powers granted by this chapter and as provided by law. Any person
21 causing a witness to be subpoenaed shall advance and pay the fees and
22 mileage of such witness which shall be the same as in circuit court.
23 The fees and mileage of witnesses which shall be the same called at the
24 instance of the commissioner shall be paid by the state in the same
25 manner that other expenses are audited and paid upon presentation of
26 properly verified vouchers approved by at least one member of the board
27 and charged to the appropriation of the office of the commissioner.

28 (c) Any final order or determination of the board shall be subject
29 to review in the same manner provided in this chapter and the laws of

1 this state. Hearings and decisions under this chapter shall be in
2 accordance with the Administrative Procedures Act (AS 44.62).

3 Sec. 06.40.180. CENTRAL CREDIT UNION. (a) A central credit union
4 may be organized and operated under the provisions of this chapter and
5 subject to all provisions not inconsistent with this section. This
6 credit union shall be known as the Alaska Central Credit Union.

7 Membership in the central credit union shall be limited to

8 (1) credit unions organized and operating under the pro-
9 visions of this chapter or operating in this state under the provisions
10 of the Federal Credit Union Act;

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

16 (3) organizations or associations of these persons;

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

20 (5) persons who are members of credit unions in this state
21 that have entered into or are about to enter into voluntary or involun-
22 tary dissolution proceedings under the provisions of sec. 350 of this
23 chapter or credit unions in this state which have entered into or are
24 about to enter into voluntary or involuntary dissolution proceedings
25 under the provisions of Chapter 14 of Title XII of the U.S. Code.

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

1 member of the central credit union.

2 (c) The central credit union shall have all the rights and powers
3 of any other credit union organized under this chapter and shall in
4 addition have the power to obtain or acquire the assets and liabilities
5 of a credit union operating in this state which enters into liquidation.

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

14 ARTICLE 3. FINANCIAL PRACTICES.

15 Sec. 06.40.190. SHARES. (a) Shares may be subscribed to, paid
16 for and transferred in the manner prescribed in the bylaws. No certi-
17 ficate may be issued to denote ownership of a share in a credit union.

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

22 (c) When the losses of a credit union, resulting from a depreci-
23 ation in value of its loans or investments or otherwise, exceed its
24 undivided earnings and reserve fund so that the estimated value of its
25 assets is less than the total amount due the shareholders, the credit
26 union may by a majority vote of the entire membership order a reduction
27 in the shares of each of its shareholders to divide the loss propor-
28 tionately among its members. If the credit union realizes from the
29 assets a greater amount than was fixed by the order of reduction, the

1 excess shall be divided among the shareholders whose assets were re-
2 duced, but only to the extent of the reduction.

3 Sec. 06.40.200. DEPOSITS. A credit union may receive savings
4 deposits from its members, subject to the conditions and the return
5 established by the board of directors. Christmas clubs, vacation clubs,
6 and other thrift accounts may be operated in accordance with the pro-
7 visions of the bylaws.

8 Sec. 06.40.210. MULTIPLE PARTY ACCOUNTS. (a) A credit union may
9 enter into multiple party accounts to the same extent that they may
10 enter into single party accounts. A multiple party account is an
11 account in the name of two or more persons, one or more of whom may make
12 withdrawals. At least one party to a multiple party account must be a
13 member of the credit union in which the account is established. The
14 account may be created with any person designated by the credit union
15 member, but a nonmember shall not be permitted to vote, obtain loans,
16 or hold office.

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

24 (c) Unless the terms of the account expressly stipulate that
25 joint signatures are required, a multiple party account may be paid on
26 demand to any one or more of the parties to the account, without regard
27 to whether any other party is incompetent or deceased at the time the
28 payment is demanded. If the account is one presumed to be a survivor-
29 ship account, payment may not be made to the personal representative

1 or heirs of a deceased party unless proofs of death are presented to the
2 credit union showing that the decedent was the last surviving party. A
3 credit union is not required to inquire as to the source of funds
4 received for deposit or the proposed application of any sum withdrawn
5 from the account.

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

13 (e) The death of a party to a multiple party account shall have
14 no effect on the beneficial ownership of the account, other than to
15 transfer the decedent's right to his estate, unless the account is a
16 survivorship account or trust account, as provided in secs. 220 - 230
17 of this chapter.

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

22 Sec. 06.40.220. SURVIVORSHIP ACCOUNTS. A multiple party account
23 payable to two or more persons, jointly or severally, which does not
24 expressly provide that there is no right of survivorship, is presumed
25 to be a survivorship account. At the death of a party, sums on deposit
26 in a survivorship account belong to the surviving party or parties as
27 against the estate of the decedent. Where there are two or more sur-
28 vivors, their respective ownership shall be in proportion to their
29 previous net contributions augmented by an equal share for each sur-

1 vivor of any interest the decedent may have owned in the account
2 immediately before his death, plus the proceeds of insurance on
3 decedent's life paid to the account. The right of survivorship contin-
4 ues between survivors.

5 Sec. 06.40.230. TRUST ACCOUNTS. (a) An account which states
6 that a party is a trustee for one or more other identified persons, in-
7 cluding but not limited to minors, is a trust account. Except where
8 there is evidence of a trust other than as provided by the form of the
9 account, the account and any sums withdrawn from it are presumed to
10 belong beneficially to the trustee until his death. At the death of
11 the trustee or surviving trustee any sums remaining on deposit are pre-
12 sumed to belong to the person or persons named as beneficiaries, if
13 living, or the survivor of them if one or more died before the trustee.
14 The subsequent death of a beneficiary has no effect on the equal owner-
15 ship of all who survived the trustee, as no right of survivorship is
16 presumed to attend the relationship of beneficiaries who survive a
17 trustee. If no beneficiary survives the trustee, the sums are presumed
18 to belong to the estate of the last trustee to die. If two or more
19 parties are named as trustees on the account, and there is no evidence
20 of trust except as provided by the form of the account, the account is
21 presumed to be a survivorship account as between the trustees.

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

1 union of proof of death showing that the beneficiary or beneficiaries
2 survived all persons named as trustees.

3 Sec. 06.40.240. PRESUMPTIONS REBUTTABLE. The presumptions created
4 by secs. 210 - 230 concerning beneficial ownership as between parties,
5 or as between parties and beneficiaries, of multiple party accounts
6 are relevant only to controversies between these persons or their
7 creditors or other successors, and shall have no bearing on the rights
8 of withdrawal of these persons as determined by the terms of the
9 account contracts. These presumptions are based upon inferences of
10 the intention of parties to multiple party accounts and the usual
11 expectations of persons using these accounts and are rebuttable by
12 clear and convincing evidence of a different intention. The presump-
13 tions of survivorship are not subject to change by will, but may be
14 rebutted by a written order received by the credit union to change the
15 form of the account or directing that payment not be made in accordance
16 with the account which is signed by a party and is received by the
17 credit union during the party's lifetime. If not rebutted by contrary
18 evidence, the presumptions provided in this chapter are effective to
19 establish beneficial ownership. Transfers resulting from the applica-
20 tion of these presumptions are effective by reason of the account
21 contracts and are not to be considered as testamentary.

22 Sec. 06.40.250. PAYMENTS BY CREDIT UNION. Payment made in accord-
23 ance with secs. 210 - 230 of this chapter discharges the credit union
24 from all claims for amounts so paid whether or not the payment is con-
25 sistent with the beneficial ownership of the account as between parties,
26 or beneficiaries or their successors. The protection given does not
27 extend to payments made after a credit union has received written notice
28 from a party who has a present right of withdrawal that withdrawals in
29 accordance with the terms of the account should not be permitted. Un-

1 less the notice is withdrawn by the person giving it, the death of any
2 party after notice has no effect on withdrawal rights, and the personal
3 representative or heirs of the decedent must concur in any demand for
4 withdrawal if the credit union is to be protected under this section.
5 No other notice or information shown to have been available to a credit
6 union shall affect its right to the protection provided here. This
7 protection shall have no bearing on the rights of parties in disputes
8 between themselves or their successors concerning the beneficial owner-
9 ship of funds in, or withdrawn from, multiple party accounts.

10 Sec. 06.40.260. 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. 06.40.270. 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 shall
23 have the right to claim these sums by proper judicial proceedings com-
24 menced within an additional 10 years after the action of the board of
25 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 to
27 contact any of these persons in the manner and during the period
28 specified in this section.

29 Sec. 06.40.280. DIVIDENDS. After provision for the required re-

1 serves, 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. 06.40.290. LOANS. (a) A credit union may make loans to its
11 members upon the terms and conditions provided in the bylaws and approv-
12 ed by the credit committee or loan officer. The rate of interest may
13 not exceed one and one-half per cent per month on the unpaid balance,
14 inclusive of all charges incident to making the loan. Every application
15 for a loan shall be made in writing upon a form approved by the board of
16 directors, and shall state the purpose for which the loan is desired,
17 and the security, if any, offered. Every loan shall be evidenced by a
18 written statement. In addition to generally accepted types of security,
19 the endorsement of a note by a guarantor or assignment of shares or
20 wages, in a manner consistent with the laws of this state, shall be
21 considered security within the meaning of this chapter. The adequacy
22 of all securities shall be within the determination of the credit com-
23 mittee or loan officer, subject to the provisions of this chapter and
24 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 obli-
5 gations to the credit union.

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

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

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

21 Sec. 06.40.300. INSURANCE. (a) A credit union may purchase in-
22 surance on the lives of its members in an amount equal to their
23 respective shares, deposits and loan balances, and may enter into co-
24 operative marketing arrangements for its members covering group life
25 insurance, temporary disability coverage, health and accident plans and
26 other programs which are demonstrated to be in the interest of improving
27 the economic and social conditions of the credit union members.

28 (b) All credit unions chartered under this chapter, or credit
29 unions in operation at the time of issuance of a charter under this

1 chapter must apply for share insurance coverage within 120 days of the
2 date of the charter, from the administrator of the National Credit
3 Union Administration, other governmental agency, or a commercial
4 corporation especially organized to provide share insurance coverage.
5 Whenever a credit union attempts to secure share insurance coverage
6 from a governmental agency or a commercial corporation other than from
7 the administrator of the National Credit Union Administration, the board
8 of directors of the credit union must first obtain approval from the
9 commissioner that the governmental agency or commercial corporation is
10 acceptable as an organization capable of providing share insurance for
11 credit unions chartered under this chapter. The commissioner shall
12 make available reports of condition and examination reports to the
13 administrator of the National Credit Union Administration or other or-
14 ganization from which a credit union attempts to secure share insurance
15 coverage and may accept any report of examination made on behalf of the
16 administrator. Should a credit union be closed because of bankruptcy
17 or insolvency, the commissioner may appoint the National Credit Union
18 Administrator as the liquidating agent.

19 (c) A credit union which does not obtain share insurance coverage
20 within 180 days after the date of its charter must meet the share in-
21 surance requirements and obtain the insurance coverage within a two-year
22 period from the date of notice that it did not meet the requirements.
23 Credit unions that do not obtain share insurance coverage as specified
24 in this section shall be liquidated by the commissioner in accordance
25 with sec. 360 of this chapter.

26 Sec. 06.40.310. INVESTMENTS. Funds not used in making loans to
27 members may be invested in

28 (1) securities, obligations, participations, or other instru-
29 ments issued by or fully guaranteed as to principal and interest by the

1 federal government or one of its agencies or in a trust established for
2 the purpose of investing in these;

3 (2) obligations of this state or a political subdivision of
4 it;

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

8 (4) loans to or shares or deposits of other credit unions or
9 of central credit unions;

10 (5) the capital shares, obligations, or preferred stock
11 issues of any association or corporation whose members, stockholders,
12 patrons or owners are confined to credit unions or credit union organi-
13 zations and which is organized to service or assist credit unions in
14 accomplishing their purposes;

15 (6) shares of a cooperative society, organized under the laws
16 of this state or under a federal cooperative law, in the total amount
17 not exceeding 10 per cent of the shares, deposits and surplus of the
18 credit union.

19 Sec. 06.40.320. RESERVE ALLOCATIONS. (a) Before the payment of
20 a dividend, the gross earnings of the credit union shall be determined,
21 and from this amount there shall be set aside, as a regular reserve
22 against losses on loans and against other losses specified in the regu-
23 lations, the following amount: 10 per cent of gross income until the
24 regular reserve equals 7 1/2 per cent of the total outstanding loans
25 and risk assets; then 5 per cent of gross income until the regular re-
26 serve equals 10 per cent of the total outstanding loans and risk assets.
27 When the regular reserve falls below 10 per cent or 7 1/2 per cent of
28 the total outstanding loans and risk assets, it shall be replenished
29 in the manner described in this subsection.

1 (b) In addition to the regular reserve, special reserves shall
2 be established to protect the interests of the members when required
3 by regulation or when found by the commissioner, in any special case,
4 to be necessary.

5 (c) For the purpose of establishing the reserves required by this
6 section, all assets shall be considered risk assets except the follow-
7 ing:

8 (1) cash on hand;

9 (2) deposits or shares in banks, savings and loan associa-
10 tions, mutual savings banks, and credit unions;

11 (3) loans to other credit unions;

12 (4) assets which are insured by, fully guaranteed as to
13 principal and interest, or due from the federal government, its agen-
14 cies, or the Federal National Mortgage Association;

15 (5) real or personal property owned by the credit union.

16 ARTICLE 4. MERGER, CONVERSION AND LIQUIDATION.

17 Sec. 06.40.330. MERGER. (a) A credit union may, with the
18 approval of the commissioner, merge with another credit union under the
19 existing charter of the other credit union, under a plan agreed upon
20 by a majority of the board of directors of each credit union joining in
21 the merger, and approved by the affirmative vote of a majority of the
22 members of each credit union present at meetings of the members legally
23 called for this purpose.

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

1 and place of the meeting of the members at which the plan agreed upon
2 was approved, and the vote by which the plan was approved by the
3 members.

4 (c) These certificates and a copy of the plan of merger shall be
5 forwarded to the commissioner, certified by him, and returned to the
6 merging credit union within 30 days.

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

10 Sec. 06.40.340. CONVERSION OF CHARTER. A credit union chartered
11 under the laws of this state may be converted to a credit union under
12 the laws of any other state or of the United States either within or
13 outside of this state. A credit union chartered under the laws of the
14 United States or any other state may convert to a credit union charter-
15 ed under the laws of this state. To effect the conversion, a credit
16 union must comply with all the requirements of the authority under which
17 it was originally chartered and the requirements of the commissioner,
18 and file proof of compliance with the commissioner.

19 Sec. 06.40.350. SUSPENSION. (a) If it appears that a credit
20 union is bankrupt or insolvent, or has wilfully violated the provisions
21 of this chapter, or is operating in an unsafe or unsound manner, the
22 commissioner may issue an order temporarily suspending the credit
23 union's operations for not less than 30 nor more than 60 days. The
24 board of directors shall be given notice by registered mail of the sus-
25 pension, which notice shall include a list of the reasons for the
26 suspension and a list of specific violations of this chapter.

27 (b) Upon receipt of the suspension notice, the credit union shall
28 immediately cease all operations. The directors of the credit union
29 shall then file with the commissioner a reply to the suspension notice,

1 and request a hearing to present a plan of corrective actions proposed
2 if they desire to continue operations or request that the credit union
3 be declared insolvent and a liquidating agent appointed.

4 (c) If the credit union fails to answer the suspension notice or
5 request a hearing with the commissioner, he may then revoke the credit
6 union's charter, appoint a liquidating agent and liquidate the credit
7 union in accordance with sec. 360 of this chapter.

8 Sec. 06.40.360. LIQUIDATION. (a) At a meeting called to consider
9 the matter, a majority of the entire membership may vote to dissolve
10 the credit union, provided a copy of the notice was mailed to the mem-
11 bers of the credit union at least 10 days before the meeting. A member
12 not present at the meeting may, within the next 20 days, vote in favor
13 of the dissolution by signing a form approved by the commissioner and
14 his vote shall have the same force and effect as if cast at the meeting.
15 The credit union shall immediately cease to do business except for the
16 purposes of liquidation, and the president and secretary shall, within
17 five days following the meeting, notify the commissioner of intention
18 to liquidate and shall include a list of the names and addresses of the
19 directors and officers of the credit union.

20 (b) If, after issuing notice of suspension and following the pro-
21 cedures set out in sec. 340 of this chapter, the commissioner rejects
22 the credit union's plan to continue operations, he may issue a notice
23 of involuntary liquidation and appoint a liquidating agent. The credit
24 union may request a stay of execution of this action by appealing to
25 the appropriate court of the jurisdiction in which the credit union is
26 located.

27 (c) A liquidating credit union shall continue in existence for
28 the purpose of discharging its debts, collecting and distributing its
29 assets, and doing the acts required in order to wind up its business,

1 and may sue and be sued for the purpose of enforcing debts and obliga-
2 tions until its affairs are fully adjusted. The board of directors, or
3 in the case of involuntary liquidation, the liquidating agent, shall use
4 the assets of the credit union to pay, in the following order, (1)
5 expenses incidental to the liquidation, including any surety bond that
6 may be required; (2) any liability due nonmembers; (3) deposits
7 and savings club accounts as provided in this chapter. Assets then
8 remaining shall be distributed to the members proportionately to the
9 shares held on the date dissolution was voted.

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

19 ARTICLE 5. GENERAL PROVISIONS.

20 Sec. 06.40.370. FISCAL YEAR. The fiscal year of all credit
21 unions organized under this chapter shall be the calendar year.

22 Sec. 06.40.380. RECORDS. Records of a credit union chartered
23 under this chapter shall be kept for a period of six years from the date
24 of making them or from the date of the last entry on them. No credit
25 union may be required to receipt for payment except as provided in the
26 bylaws, nor shall it be necessary to endorse a note showing date of
27 payments or balance due.

28 Sec. 06.40.390. LIABILITY OF MEMBERS. The members of a credit
29 union are not personally or individually liable for the debts of the

1 credit union.

2 Sec. 06.40.400. OFFICE FACILITIES. A credit union may maintain,
3 with the approval of the commissioner, offices at locations other than
4 its main office if additional offices are reasonably necessary to fur-
5 nish service to its members. A credit union may share office space with
6 one or more credit unions and may contract with a corporation to pro-
7 vide facilities or personnel.

8 Sec. 06.40.410. TAXATION. (a) A credit union organized under
9 this chapter or other credit union law and shares and deposits in them
10 shall be exempt from taxation imposed by this state or any taxing
11 authority within this jurisdiction, and laws which tax corporations in
12 any form, or deposits of them, or the accumulations on them, do not
13 apply to a credit union, except that real property and tangible person-
14 al property owned by a credit union shall be subject to taxation to
15 the same extent that other similar property is taxed, provided that
16 this exception does not permit the imposition of a sales or use tax on
17 a credit union. The shares of a credit union are not subject to trans-
18 fer taxes, either when issued or when transferred from one member to
19 another.

20 (b) Participation by a credit union in a government program pro-
21 viding unemployment, social security, old age pension or other benefits,
22 is not considered a waiver of the taxation exemption granted in this
23 section.

24 Sec. 06.40.420. DEFINITION. In this chapter "commissioner" means
25 the commissioner of commerce and economic development.
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