IN THE HOUSE BY MCKINNON

2d CS HOUSE BILL NO. 29 (Jud)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

* Section 1. AS 06 is amended by adding a new chapter to read:

CHAPTER 40. ALASKA CREDIT UNION ACT.

ARTICLE 1. FORMATION AND MANAGEMENT OF CREDIT UNIONS.

Sec. 06.40.010. FORMATION OF CREDIT UNION. (a) A credit union may be formed by seven or more residents of this state who meet the requirement of common interest contained in sec. 60 of this chapter and the requirements in this section by subscribing for shares of the credit union in the aggregate amount of $1,000 and executing two copies of articles of incorporation and bylaws of the credit union consistent with the provisions of this chapter and regulations of the commissioner of commerce and economic development.

(b) The incorporators shall forward the articles of incorporation, bylaws and required fees to the commissioner. If the commissioner finds that the articles of incorporation and the bylaws conform to law and that the incorporators are fit and of good general character, he shall within 60 days issue a certificate of approval and return a copy of the articles of incorporation, certificate and bylaws to the incorporators to be preserved in the permanent files of the credit union. No credit union may transact business until formal approval of the charter has been received.

Sec. 06.40.020. ARTICLES OF INCORPORATION. (a) The articles of incorporation shall state the name of the credit union; the term of

existence; the par value of its shares, which shall be in $5 multiples, not less than $5 nor more than $25; the names and addresses of the incorporators; the territory in which the proposed credit union will operate; and the proposed field of membership, specified in detail.

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

Sec. 06.40.030. BYLAWS. The incorporators shall adopt the initial bylaws of the credit union. The members of the credit union may alter, amend or repeal the bylaws or adopt new bylaws. The bylaws shall prescribe the following:

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

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

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

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

(2) the method of receipting for money paid on accounts;

(3) the number of directors and the length of their terms, a credit committee or loan officer;

(4) the duties of the several officers;

(5) the time of the annual meeting of members, which shall be held within 90 days after the end of the calendar year;

(6) the manner in which members and directors shall be notified of meetings;

(7) other provisions for the management of the affairs of the credit union not inconsistent with law or the articles of incorporation.

Sec. 06.40.040. NAME. (a) The name of a credit union chartered under this chapter shall include the words "credit union". A credit union may not adopt the same name as that of any other existing credit union.

(b) It is a misdemeanor for a person, except corporations formed under the provisions of this chapter or another credit union law, or an association of credit unions and its chapters, to conduct business under a name or title which contains the words "credit union" or a derivation of them, or to represent himself in his advertising or otherwise as conducting business as a credit union.

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

Sec. 06.40.060. MEMBERSHIP. (a) Except as provided in this section, the membership of a credit union shall be limited to persons who have common bonds who have met the requirements stated in the articles of incorporation and the bylaws.

(b) Societies and co-partnerships composed primarily of individuals who are eligible to membership and corporations whose stockholders are composed primarily of these individuals may be admitted to membership in the same manner and under the same conditions as individuals.

(c) A credit union organized under this chapter may permit membership of any other credit union.

Sec. 06.40.070. POWERS. A credit union may

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

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

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

(4) make contracts, purchase, hold, lease and dispose of property, either in whole or in part, necessary or incidental to its operations;

(5) require the payment of an entrance fee or annual membership fee;

(6) receive savings from its members in the form of shares, deposits, time certificates or special purpose thrift accounts;

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

(8) borrow from any source in an amount not to exceed 50 per cent of paid-in and unimpaired capital and surplus in accordance with policy established by the board of directors and to discount or sell eligible obligations, subject to regulations prescribed by the commis-

sioner;

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

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

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

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

(13) sell travelers checks, money orders and other money-type instruments to its members;

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

(15) perform trust services for its members upon approval by the commissioner, including the trust estates of deceased members, and to act as a custodian of qualified pension funds of self-employed individuals under the provisions of P.L. 89-809;

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

(17) receive from its members or from another credit union deposits in accounts of a type approved by the administrator of the National Credit Union Administration for federally chartered credit unions, and honor requests for withdrawals of these deposits in any form which is similarly approved, if the credit union maintains the reserves required by the commissioner;

(18) contribute to, support or participate in a nonprofit service facility whose services will benefit the credit union or its membership, subject to regulations prescribed by the commissioner;

(19) facilitate its members' purchase of goods and services in a manner which promotes the purposes of the credit union;

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

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

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

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

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

(d) It is the duty of the directors to

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

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

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

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

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

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

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

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

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

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

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

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

by the loan officer or credit committee.

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

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

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

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

(d) A member of the supervisory committee may be suspended by a majority vote of the board of directors. The members of the credit

union shall decide, at a meeting held not less than 7 nor more than 14 days after the suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee.

Sec. 06.40.125. CONFLICTS OF INTEREST. No director, committee member, officer, agent or employee of the credit union may in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his pecuniary interest or the pecuniary interest of any corporation, partnership or association, other than the credit union, in which he is directly or indirectly interested.

ARTICLE 2. SUPERVISION AND REGULATION OF CREDIT UNIONS.

Sec. 06.40.130. SUPERVISION AND FEES. (a) The commissioner of commerce and economic development has general supervision of credit unions, subject to the provisions of this chapter.

(b) The commissioner shall promulgate regulations for the administration of this chapter, and prescribe the minimum amount of surety bond coverage required of credit unions in relation to their assets, and may establish application and examination fees. The commissioner shall prepare and supply without charge a form of articles of incorporation and of bylaws which may be used by credit union incorporators.

(c) The commissioner may authorize a credit union chartered under this chapter to engage in any activity in which a federally chartered credit union may engage.

(d) For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved, the subscribers to the certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the commissioner, which shall not exceed $100 in any case. Not later than January 31 of each calendar year, each credit union shall pay to the Department of

Commerce and Economic Development for the preceding calendar year, a supervision fee in accordance with a graduated scale prescribed by this section on the basis of assets as of December 31 of the preceding year, but the fee shall in no event be less than $100, as follows:

Total Assets	Maximum Fee
$500,000 or less	30 cents per $1,000
Over $500,000 and not over $1,000,000	$150 plus 25 cents per $1,000 in excess of $500,000
Over $1,000,000 and not over $2,000,000	$275 plus 20 cents per $1,000 in excess of $1,000,000
Over $2,000,000 and not over $5,000,000	$475 plus 15 cents per $1,000 in excess of $2,000,000
Over $5,000,000	$925 plus 10 cents per $1,000 in excess of $5,000,000

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

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

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

Sec. 06.40.140. EXAMINATIONS. (a) The commissioner or his representative shall conduct an annual examination and any additional examinations he considers necessary of each credit union established under this chapter. A report of the examination will be forwarded to

the credit union within 60 days after completion of the examination. The report shall contain comments on the general condition of the assets and the management of the credit union. A general meeting of the directors and committeemen shall be called within 30 days after receipt to consider the report, and copies of the report shall be made available to all members of the credit union. Within 60 days of receipt of the report, the directors shall furnish the department with a signed statement acknowledging the receipt of the report and attesting to their review of and familiarity with its contents.

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

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

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

Sec. 06.40.160. CENTRAL CREDIT UNION. (a) A central credit union may be organized and operated under the provisions of this chapter and is subject to all provisions not inconsistent with this section. This credit union shall be known as the Alaska Central Credit Union. Membership in the central credit union shall be limited to

(1) credit unions organized and operating under the provisions of this chapter or operating in this state under the provisions of the Federal Credit Union Act;

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

(3) organizations or associations of these persons;

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

(5) persons who are members of credit unions in this state that have entered into or are about to enter into voluntary or involuntary dissolution proceedings under the provisions of sec. 330 of this chapter or credit unions in this state which have entered into or are about to enter into voluntary or involuntary dissolution proceedings under the provisions of Chapter 14 of Title XII of the U.S. Code.

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

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

(d) The central credit union shall have the authority to make loans to other credit unions and to purchase shares of and make deposits

in other credit unions. It shall have the power to invest in and grant loans to associations of credit unions, central funds of credit unions or organizations chartered to provide exclusive service to credit unions; to borrow money from any source, not to exceed the amount of its unimpaired capital and surplus; and to issue notes or debentures.

ARTICLE 3. FINANCIAL PRACTICES.

Sec. 06.40.170. SHARES. (a) Shares may be subscribed to, paid for and transferred in the manner prescribed in the bylaws. No certificate may be issued to denote ownership of a share in a credit union.

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

(c) When the losses of a credit union, resulting from a depreciation in value of its loans or investments or otherwise, exceed its undivided earnings and reserve fund so that the estimated value of its assets is less than the total amount due the shareholders, the directors shall immediately advise the department and the credit union may by a majority vote of the entire membership order a reduction in the shares of each of its shareholders to divide the loss proportionately among its members. If the credit union realizes from the assets a greater amount than was fixed by the order of reduction, the excess shall be divided among the shareholders whose assets were reduced, but only to the extent of the reduction.

Sec. 06.40.180. DEPOSITS. A credit union may receive savings deposits from and issue time certificates to its members, subject to the conditions and the returns established by the board of directors. Deposits, including time certificates, differ from shares in that a predeclared rate of return may be established on deposits and they have

a prior claim on the assets of the credit union. Christmas clubs, vacation clubs, and other thrift accounts may be operated in accordance with the provisions of the bylaws.

Sec. 06.40.190. MULTIPLE PARTY ACCOUNTS. (a) A credit union may enter into multiple party accounts to the same extent that it may enter into single party accounts. A multiple party account is an account in the name of two or more persons, one or more of whom may make withdrawals. At least one party to a multiple party account must be a member of the credit union in which the account is established. The account may be created with any person designated by the credit union member, but a nonmember shall not be permitted to vote, obtain loans, or hold office.

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

(c) Unless the terms of the account expressly stipulate that joint signatures are required, a multiple party account may be paid on demand to any one or more of the parties to the account, without regard to whether any other party is incompetent or deceased at the time the payment is demanded. If the account is one presumed to be a survivorship account, payment may not be made to the personal representative or heirs of a deceased party unless proofs of death are presented to the credit union showing that the decedent was the last surviving party. A credit union is not required to inquire as to the source of funds received for deposit or the proposed application of any sum withdrawn from

the account.

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

(e) The death of a party to a multiple party account shall have no effect on the beneficial ownership of the account, other than to transfer the decedent's right to his estate, unless the account is a survivorship account or trust account, as provided in secs. 200 - 210 of this chapter.

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

Sec. 06.40.200. SURVIVORSHIP ACCOUNTS. A multiple party account payable to two or more persons, jointly or severally, which does not expressly provide that there is no right of survivorship, is presumed to be a survivorship account. At the death of a party, sums on deposit in a survivorship account belong to the surviving party or parties as against the estate of the decedent. Where there are two or more survivors, their respective ownership shall be in proportion to their previous net contributions augmented by an equal share for each survivor of any interest the decedent may have owned in the account immediately before his death, plus the proceeds of insurance on decedent's life paid to the account. The right of survivorship continues between survivors.

Sec. 06.40.210. TRUST ACCOUNTS. (a) An account which states that

a party is a trustee for one or more other identified persons, including but not limited to minors, is a trust account. Except where there is evidence of a trust other than as provided by the form of the account, the account and any sums withdrawn from it are presumed to belong beneficially to the trustee until his death. At the death of the trustee or surviving trustee any sums remaining on deposit are presumed to belong to the person or persons named as beneficiaries, if living, or the survivor of them if one or more died before the trustee. The subsequent death of a beneficiary has no effect on the equal ownership of all who survived the trustee, as no right of survivorship is presumed to attend the relationship of beneficiaries who survive a trustee. If no beneficiary survives the trustee, the sums are presumed to belong to the estate of the last trustee to die. If two or more parties are named as trustees on the account, and there is no evidence of trust except as provided by the form of the account, the account is presumed to be a survivorship account as between the trustees.

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

Sec. 06.40.220. PRESUMPTIONS REBUTTABLE. The presumptions created by secs. 190 - 210 of this chapter concerning beneficial ownership as between parties, or as between parties and beneficiaries, of multiple

party accounts are relevant only to controversies between these persons or their creditors or other successors, and shall have no bearing on the rights of withdrawal of these persons as determined by the terms of the account contracts. These presumptions are based upon inferences of the intention of parties to multiple party accounts and the usual expectations of persons using these accounts and are rebuttable by clear and convincing evidence of a different intention. The presumptions of survivorship are not subject to change by will, but may be rebutted by a written order received by the credit union to change the form of the account or directing that payment not be made in accordance with the account which is signed by a party and is received by the credit union during the party's lifetime. If not rebutted by contrary evidence, the presumptions provided in this chapter are effective to establish beneficial ownership. Transfers resulting from the application of these presumptions are effective by reason of the account contracts and are not to be considered as testamentary.

Sec. 06.40.230. PAYMENTS BY CREDIT UNION. Payment made in accordance with secs. 190 - 210 of this chapter discharges the credit union from all claims for amounts so paid whether or not the payment is consistent with the beneficial ownership of the account as between parties, or beneficiaries or their successors. The protection given does not extend to payments made after a credit union has received written notice from a party who has a present right of withdrawal that withdrawals in accordance with the terms of the account should not be permitted. Unless the notice is withdrawn by the person giving it, the death of any party after notice has no effect on withdrawal rights, and the personal representative or heirs of the decedent must concur in any demand for withdrawal if the credit union is to be protected under this section. No other notice or information shown to have been available to

a credit union shall affect its right to the protection provided here. This protection shall have no bearing on the rights of parties in disputes between themselves or their successors concerning the beneficial ownership of funds in, or withdrawn from, multiple party accounts.

Sec. 06.40.240. MINORS. Shares may be issued to and deposits received from a minor who may withdraw the shares and deposits, including dividends and interest. Deposits and share investments made by a minor and withdrawals of them by the minor shall be valid in all respects. For these purposes a minor is considered of full age.

Sec. 06.40.250. INACTIVE ACCOUNTS. If a credit union is unable to contact a member, beneficiary or other person by first class mail at the last address shown on the records of the credit union, and if this inability continues for a period of more than seven years, all shares, deposits, accounts, dividends, interest and other sums due to or standing in the name of that person escheat to and become the property of the state. This provision shall not apply to sums due to or standing in the name of two or more persons unless the credit union is unable to contact any of these persons in the manner and during the period specified in this section.

Sec. 06.40.260. DIVIDENDS. After provision for operating expenses, interest, accrued taxes and the required reserves, the board of directors may, at intervals determined by them, declare a dividend to be paid on the classes of shares determined by them from the remaining net earning at a rate not to exceed the rate established by the National Credit Union Administrator. No dividend shall be declared if, after payment of the dividend, known losses would exceed the combined balances of the reserve fund and undivided earnings. The dividends shall be paid on all paid-up shares outstanding at the close of the period for which the dividend is declared. Shares which become fully paid up during a

dividend period are entitled to a proportional part of the dividend. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first 15 days of that month.

Sec. 06.40.270. LOANS. (a) A credit union may make loans to its members upon the terms and conditions provided in the bylaws and approved by the credit committee or loan officer. The rate of interest may not exceed one per cent per month on the unpaid balance, inclusive of all charges incident to making the loan. Where applicable, for real estate loans, the interest rates prescribed in AS 45.45.010(b) shall prevail. Every application for a loan shall be made in writing upon a form approved by the board of directors, and shall state the purpose for which the loan is desired, and the security, if any, offered. Every loan shall be evidenced by a written statement. An unsecured loan shall bear a maturity of no longer than five years and shall be accompanied by a financial statement. All secured loans except those secured by improved real estate shall mature within 10 years. In addition to generally accepted types of security, the endorsement of a note by a guarantor or assignment of shares, in a manner consistent with the laws of this state, shall be considered security within the meaning of this chapter. The adequacy of all securities shall be within the determination of the credit committee or loan officer, subject to the provisions of this chapter and the bylaws.

(b) The credit committee or loan officer may approve in advance upon its own motion or upon application by a member, an extension of credit, and loans may be granted to the member within the limit of the extension of credit. When an extension of credit has been approved, applications for loans need no further consideration as long as the aggregate obligation does not exceed the limit of the extension of credit. The credit committee or loan officer shall, at least once a

year, review all extensions of credit and an extension of credit shall expire if the member becomes more than 90 days delinquent in his obligations to the credit union.

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

(d) A credit union may make loans to its own directors or to members of its supervisory or credit committee; however, the aggregate of loans to an individual director or committee member which exceeds $2,500 plus pledged shares must be approved by the board of directors. A credit union may permit directors and committee members to act as guarantor or endorser of loans to other members, except that when the loan standing alone or when added to any outstanding loans of the guarantor exceeds $2,500, approval of the board of directors is required.

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

(f) A credit union may participate in guaranteed loan programs of the federal and state government.

(g) No investment in a mortgage may exceed 80 per cent of the appraised value of the property securing the loan; however, a credit union may make 95 per cent of appraised value loans if the term of the loan does not exceed 30 years and the loan is secured by an amortized mortgage, deed of trust, or other instrument under the terms of which the installment payments are sufficient to amortize the entire principal of the loan within the period ending on the date of its maturity and, in addition, the loan is either (1) insured by mortgage insurance in an amount equal to 20 per cent of the loan issued by a mortgage insurer

1 authorized to do business in Alaska; or (2) the loan is secured in
2 addition to the amortized mortgage by shares or deposits held by the
3 credit union in an amount equal to 10 per cent of the loan or other
4 collateral acceptable to the department. Value of real estate shall be
5 determined by an appraisal which shall be kept in the records of the
6 credit union; title insurance showing the loan to be a first lien and
7 fire insurance shall be acquired by the borrower. The unpaid principal
8 balance of loans secured by real estate may not, in the aggregate,
9 exceed 50 per cent of the paid-in capital of the credit union.
10 Sec. 06.40.280. INSURANCE. (a) A credit union may purchase in-
11 surance on the lives of its members in an amount equal to their respec-
12 tive shares, deposits and loan balances, and may enter into cooperative
13 marketing arrangements for its members covering group life insurance,
14 temporary disability coverage, health and accident plans and other
15 programs which are demonstrated to be in the interest of improving the
16 economic and social conditions of the credit union members.
17 (b) All credit unions chartered under this chapter, or credit
18 unions in operation at the time of issuance of a charter under this
19 chapter must submit evidence of share insurance coverage from the
20 administrator of the National Credit Union Administration, other govern-
21 mental agency, or a commercial corporation especially organized to
22 provide share insurance coverage. The amounts of loss to be protected
23 or guaranteed shall be established by the commissioner. Whenever a
24 credit union attempts to secure share insurance coverage from a govern-
25 mental agency or a commercial corporation other than from the admin-
26 istrator of the National Credit Union Administration, the board of
27 directors of the credit union must first obtain approval from the
28 commissioner that the governmental agency or commercial corporation is
29 acceptable as an organization capable of providing share insurance for

credit unions chartered under this chapter. The commissioner shall make available reports of condition and examination reports to the administrator of the National Credit Union Administration or other organization from which a credit union attempts to secure share insurance coverage and may accept any report of examination made on behalf of the administrator. Should a credit union be closed because of bankruptcy or insolvency, the commissioner may appoint the National Credit Union Administrator as the liquidating agent.

(c) Credit unions that do not maintain share insurance coverage as specified in this section shall be liquidated by the commissioner in accordance with sec. 340 of this chapter.

Sec. 06.40.290. INVESTMENTS. Funds not used in making loans to members may be invested in

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

(2) obligations of the State of Alaska and its political subdivisions if no amount more than 15 per cent of the paid-in capital is invested in any one issue of revenue obligations;

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

(4) loans to or shares or deposits of other credit unions if they do not, in the aggregate, exceed 10 per cent of the paid-in capital;

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

(6) deposits in the United States Central Credit Union;

(7) loans to a credit union association or corporation, national or state, of which the credit union is a member, except that these investments shall be limited to two per cent of the assets of the credit union.

Sec. 06.40.300. RESERVE ALLOCATIONS. (a) Immediately before the payment of each dividend, the gross earnings of the credit union shall be determined. From this amount there shall be set aside, as a regular reserve for contingencies and against losses on loans and against other losses specified in the regulations, the following amount: 10 per cent of gross income until the regular reserve equals 7 1/2 per cent of the total outstanding loans and risk assets; then 5 per cent of gross income until the regular reserve equals 10 per cent of the total outstanding loans and risk assets. When the regular reserve falls below 10 per cent, of the total outstanding loans and risk assets, it shall be replenished in the manner described in this subsection.

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

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

(1) cash on hand;

(2) deposits or shares in banks, savings and loan associations, mutual savings banks, and credit unions;

(3) loans to other credit unions;

(4) assets which are insured by, fully guaranteed as to principal and interest, or due from the federal government, its agen-

cies, the Federal National Mortgage Association, or the Government National Mortgage Association;

(5) furniture, equipment, buildings and land owned by the credit union;

(6) loans to students insured under the provisions of Title IV, part B of the Higher Education Act of 1965 (20 U.S.C. 1071 et. seq.) or similar state insurance programs; however, loans described in this paragraph which are in default shall be deducted from the total;

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

(8) the insured portion of common trust investments in government securities authorized by this chapter if the credit union is the direct beneficiary of the guarantee or insurance; or

(9) accrued interest on nonrisk investments.

ARTICLE 4. MERGER, CONVERSION AND LIQUIDATION.

Sec. 06.40.310. MERGER. (a) A credit union may, with the approval of the commissioner, merge with another credit union under the existing charter of the other credit union, under a plan agreed upon by a majority of the board of directors of each credit union joining in the merger, and approved by the affirmative vote of a majority of the members of each credit union present at meetings of the members legally called for this purpose.

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

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

(c) Before approving a merger the commissioner shall give consideration to the purposes of this chapter and the prospects of the surviving or consolidated credit union for financial success and its ability to discharge the duties and conform to the restrictions imposed upon a credit union.

(d) The certificates and a copy of the plan of merger shall be forwarded to the commissioner, certified or disapproved by him, and returned to the merging credit union within 60 days.

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

Sec. 06.40.320. CONVERSION OF CHARTER. A credit union chartered under the laws of this state may be converted to a credit union under the laws of any other state or of the United States either inside or outside this state. A credit union chartered under the laws of the United States or any other state may convert to a credit union chartered under the laws of this state. To effect the conversion, a credit union must have the proposed conversion approved by an affirmative vote of a majority of the members of the credit union, comply with all the requirements of the authority under which it was originally chartered and the requirements of the commissioner, and file proof of compliance with the commissioner.

Sec. 06.40.330. SUSPENSION. (a) If it appears that a credit union is bankrupt or insolvent, or has wilfully violated the provisions of this chapter, or is operating in an unsafe or unsound manner, the commissioner may issue an order temporarily suspending the credit

union's operations for not less than 30 nor more than 60 days. The board of directors shall be given notice by registered mail of the suspension, which notice shall include a list of the reasons for the suspension and a list of specific violations of this chapter.

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

(c) If the credit union fails to answer the suspension notice or request a hearing with the commissioner, he may then revoke the credit union's charter, appoint a liquidating agent and liquidate the credit union in accordance with sec. 340 of this chapter.

Sec. 06.40.340. LIQUIDATION. (a) At a meeting called to consider the matter, a majority of the entire membership may vote to dissolve the credit union, provided a copy of the notice was mailed to the members of the credit union at least 10 days before the meeting. A member not present at the meeting may, within the next 20 days, vote in favor of the dissolution by signing a form approved by the commissioner and his vote shall have the same force and effect as if cast at the meeting. The credit union shall immediately cease to do business except for the purposes of liquidation, and the president and secretary shall, within five days following the meeting, notify the commissioner of intention to liquidate and shall include a list of the names and addresses of the directors and officers of the credit union.

(b) If, after issuing notice of suspension and following the procedures set out in sec. 330 of this chapter, the commissioner rejects the credit union's plan to continue operations, he may issue a notice of

involuntary liquidation and appoint a liquidating agent. The credit union may request a stay of execution of this action by appealing to the appropriate court of the jurisdiction in which the credit union is located.

(c) A liquidating credit union shall continue in existence for the purpose of discharging its debts, collecting and distributing its assets, and doing the acts required in order to wind up its business, and may sue and be sued for the purpose of enforcing debts and obligations until its affairs are fully adjusted. The board of directors, or in the case of involuntary liquidation, the liquidating agent, shall use the assets of the credit union to pay, in the following order, (1) expenses incidental to the liquidation, including any surety bond that may be required; (2) trust accounts; (3) any liability due nonmembers; (4) deposits and savings club accounts as provided in this chapter. Assets then remaining shall be distributed to the members proportionately to the shares held on the date dissolution was voted.

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

ARTICLE 5. GENERAL PROVISIONS.

Sec. 06.40.350. FISCAL YEAR. The fiscal year of all credit unions organized under this chapter shall be the calendar year.

Sec. 06.40.360. RECORDS. Records of a credit union chartered

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

Sec. 06.40.370. LIABILITY OF MEMBERS, DIRECTORS, OFFICERS AND EMPLOYEES. (a) The members of a credit union are not personally or individually liable for the debts of the credit union.

(b) A director, officer or employee of a credit union who knowingly approves or permits the funds of the credit union to be invested or loaned in an excessive, careless or dishonest manner is personally liable for all damages which the credit union, its members, depositors, or any other person sustains because of the violation. The liability may be enforced against the director, officer or employee by suit or action in any court of competent jurisdiction.

Sec. 06.40.380. OFFICE FACILITIES. A credit union may maintain, with the approval of the commissioner, offices at locations other than its main office if additional offices are reasonably necessary to furnish service to its members. A credit union may share office space with one or more credit unions and may contract with a corporation to provide facilities or personnel.

Sec. 06.40.390. TAXATION. (a) A credit union organized under this chapter or other credit union law and shares and deposits in them shall be exempt from taxation imposed by this state or any taxing authority within this jurisdiction, and laws which tax corporations in any form, or deposits of them, or the accumulations on them, do not apply to a credit union, except that real property and tangible personal property owned by a credit union shall be subject to taxation to the same extent that other similar property is taxed, provided that this

exception does not permit the imposition of a sales or use tax on a credit union except on goods and services distributed to its members under a group purchasing or cooperative marketing arrangement. The shares of a credit union are not subject to transfer taxes, either when issued or when transferred from one member to another.

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

Sec. 06.40.400. GROUP PURCHASING. A credit union may enter into cooperative marketing arrangements to facilitate its members' voluntary purchase of goods and services that are in the interest of improving economic and social conditions of the members.

Sec. 06.40.410. OTHER REGULATIONS. When a credit union engages in activities which are regulated under AS 45.05, it shall be considered to be a bank and, in the absence of applicable provisions in this chapter, shall be governed by AS 45.05.

Sec. 06.40.420. DEFINITIONS. In this chapter, unless the context otherwise requires,

(1) "commissioner" means the commissioner of commerce and economic development;

(2) "department" means the Department of Commerce and Economic Development.