

Introduced: 4/9/79  
Referred: Judiciary

1 IN THE HOUSE

BY MCKINNON AND ROGERS

2 HOUSE BILL NO. 452

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST 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 the state who meet the  
13 requirement of common bond under AS 06.40.060 and the requirements of  
14 this section and who (1) subscribe for shares of the credit union in the  
15 aggregate amount of \$1,000, and (2) execute two copies of articles of  
16 incorporation and bylaws of the credit union consistent with the provi-  
17 sions of this chapter and the regulations of the commissioner.

18 (b) The incorporators shall submit to the commissioner an appli-  
19 cation to establish a credit union, including the proposed articles of  
20 incorporation, bylaws, and required fees. The commissioner shall  
21 approve the application if he determines that

22 (1) the articles of incorporation and bylaws conform to the  
23 provisions of this chapter;

24 (2) the incorporators are fit and of good general character;

25 (3) the proposed credit union is economically feasible;

26 (4) the name of the proposed credit union is not deceptively  
27 similar to the name of another credit union doing business in the state;  
28 and

29 (5) any conditions imposed by the department in granting the

1 certificate of approval have been fulfilled.

2 (c) The commissioner shall, within 60 days of receipt from the  
3 incorporators of all information requested by him under (b) of this  
4 section, either approve or disapprove the application. If the commis-  
5 sioner approves the application, he shall, within the same 60-day period,  
6 issue a certificate of approval and return a copy of the articles of  
7 incorporation, the certificate of approval, and bylaws to the organizers  
8 to be preserved in the permanent files of the credit union.

9 (d) A credit union may not transact business until formal approval  
10 of the charter has been received.

11 Sec. 06.40.020. ARTICLES OF INCORPORATION. (a) The articles of  
12 incorporation shall state the name of the credit union; the term of  
13 existence; the par value of its shares, which shall be in \$5 multiples,  
14 not less than \$5 nor more than \$25; the names and addresses of the in-  
15 corporators and the number of shares held by each; the territory in  
16 which the proposed credit union will operate; the proposed field of  
17 membership, specified in detail; and the number of directors which shall  
18 be an odd number not less than 5 and not more than 25.

19 (b) Amendments to the articles of incorporation shall be submitted  
20 to the commissioner and shall be effective upon written approval of the  
21 commissioner. A fee may be charged for the approval of amendments.

22 Sec. 06.40.030. BYLAWS. The incorporators shall adopt the initial  
23 bylaws of the credit union. The members of the credit union may alter,  
24 amend or repeal the bylaws or adopt new bylaws. The bylaws shall pre-  
25 scribe the following:

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

28 (A) credit unions shall be open to groups having common  
29 bonds of occupation or association, or to residents within a well-

1 defined neighborhood, community, or rural district, or to employees  
2 of related or vicinal industries, or to members of a bona fide  
3 fraternal, religious, cooperative, labor, rural, educational, or  
4 similar organization and employees of the credit union; members of  
5 the immediate family of all qualified persons are eligible for  
6 membership; in this section "members of the immediate family"  
7 include the wife, husband, parents, and children of a member  
8 whether living together in the same household or not and any other  
9 relative of the member or spouse of a member living together in the  
10 same household as the member;

11 (B) organizations and associations composed of indivi-  
12 duals, the majority of whom are eligible for membership, may be  
13 admitted to membership in the same manner and under the same condi-  
14 tions as individuals;

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

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

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

21 (4) the duties of the officers;

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

24 (6) the manner in which members and directors shall be noti-  
25 fied of meetings;

26 (7) other provisions for the management of the affairs of the  
27 credit union consistent with law or the articles of incorporation.

28 Sec. 06.40.040. NAME. The name of a credit union chartered under  
29 this chapter shall include the words "credit union". A credit union may

1 not adopt the same name as that of another existing credit union.

2 Sec. 06.40.050. INITIAL DIRECTORS AND COMMITTEES. The incorpora-  
3 tors shall select at least five persons to serve on the board of direc-  
4 tors, three persons to serve on the supervisory committee, and persons  
5 to serve on other committees required by the articles or bylaws. The  
6 persons selected serve in these capacities until the first annual  
7 meeting of the members and the election of their successors.

8 Sec. 06.40.060. MEMBERSHIP. (a) Except as provided in this sec-  
9 tion, the membership of a credit union is limited to persons who have  
10 common bonds who have met the requirements stated in the articles of  
11 incorporation and the bylaws.

12 (b) Societies and co-partnerships composed primarily of indivi-  
13 duals who are eligible for membership and corporations whose stock-  
14 holders are composed primarily of individuals who are eligible for  
15 membership may be admitted to membership in the same manner and under  
16 the same conditions as individuals.

17 (c) A credit union organized under this chapter may permit mem-  
18 bership of a central credit union organized under this chapter.

19 Sec. 06.40.070. POWERS. A credit union may

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

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

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

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

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

29 (6) receive savings from its members in the form of shares,

- 1 deposits, time certificates or special purpose thrift accounts;
- 2 (7) lend its funds to its members and invest surplus funds as  
3 provided in this chapter;
- 4 (8) borrow from any source in an aggregate amount not to  
5 exceed 50 per cent of paid-in and unimpaired capital and surplus to meet  
6 share withdrawals or for purposes of financing investments in real  
7 estate and credit union premises under AS 06.40.276 but may not borrow  
8 for any other investments, and discount or sell eligible obligations,  
9 subject to regulations prescribed by the commissioner; however, the  
10 proposed borrowing must be in accordance with policy established by the  
11 board of directors, and the credit union must notify the commissioner  
12 when the amount borrowed by the credit union exceeds 35 per cent of its  
13 paid-in and unimpaired capital and surplus;
- 14 (9) make deposits in banks chartered by this state or the  
15 federal government, in trust companies, in savings and loan associa-  
16 tions, and in central credit unions;
- 17 (10) hold membership in a central credit union organized under  
18 this chapter and in organizations composed of credit unions;
- 19 (11) declare dividends, pay interest on deposits and pay  
20 interest refunds to borrowers as provided in this chapter;
- 21 (12) assess charges to members in accordance with the bylaws  
22 for failure to meet their obligations to the credit union;
- 23 (13) sell travelers checks, money orders and other money-type  
24 instruments to its members;
- 25 (14) act as fiscal agents for and to receive deposits from  
26 this state, the federal government or political subdivisions of either;
- 27 (15) perform trust services for its members subject to the  
28 provisions of AS 06.25 upon approval by the commissioner, including the  
29 trust estates of deceased members, and to act as a custodian of quali-

1 fied pension funds of self-employed individuals under the provisions of  
2 P.L. 89-809;

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

6 (17) receive from its members or from another credit union  
7 deposits in accounts of a type approved by the administrator of the  
8 National Credit Union Administration for federally chartered credit  
9 unions, and honor requests for withdrawals of these deposits in any form  
10 which is similarly approved, if the credit union has total shares and  
11 deposits of at least \$1,000,000 and maintains the reserves and bonds  
12 required by the commissioner;

13 (18) contribute to public service or eleemosynary institutions  
14 and contribute to, support or participate in a nonprofit service facil-  
15 ity whose services will benefit the credit union, subject to regulations  
16 prescribed by the commissioner;

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

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

23 Sec. 06.40.080. MEMBERS' MEETINGS. The annual meeting and special  
24 meetings of the members of the credit union shall be held at the time,  
25 place and in the manner prescribed in the bylaws. At least a simple  
26 majority of the members must be present or represented by proxies to  
27 conduct the annual meeting; however, proxies shall be equally divided  
28 among those members attending the annual meeting. Each member shall  
29 have one vote at the annual meeting, irrespective of his shareholdings.

1 A society, association, partnership or corporation, having membership in  
2 the credit union, may be represented and vote by one of its members or  
3 shareholders who has been legally authorized by its governing body.

4 Sec. 06.40.090. BOARD OF DIRECTORS. (a) The business affairs,  
5 funds and records of the credit union shall be directed by a board of  
6 directors to be elected at the annual members' meeting by and from the  
7 members. All members of the board shall hold office for the term pro-  
8 vided in the bylaws. The board of directors shall fill vacancies  
9 occurring in the board at the next regular directors' meeting after the  
10 vacancy occurs, until successors elected at the next annual members'  
11 meeting have been qualified, except that vacancies created by an expan-  
12 sion of the board shall be filled only by election at the next members'  
13 meeting. The board shall appoint the members of the supervisory com-  
14 mittee and other committees required by the bylaws and shall fill  
15 vacancies occurring in these committees.

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

21 (c) A member of the board or committee of the board may not be  
22 compensated for his service. A member, while on official business of  
23 the credit union authorized by the board of directors, may be reimbursed  
24 for necessary expenses incidental to the performance of the business.

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

26 (1) act upon applications for membership or to appoint one or  
27 more membership officers other than the treasurer, assistant treasurer,  
28 or loan officer, to act on membership applications under procedures  
29 established in the bylaws;

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

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

8 (4) determine the number of shares and share certificates and  
9 the classes of shares and share certificates that may be held by a  
10 member, and determine the security and the maximum amount which may be  
11 loaned or provided in lines of credit;

12 (5) direct the investment of surplus funds, except that the  
13 board may designate a committee of its number or a qualified individual  
14 to have charge of making investments in accordance with AS 06.40.290;

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

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

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

23 Sec. 06.40.100. EXECUTIVE OFFICERS. (a) At the organization  
24 meeting and within 30 days following each annual meeting of the members,  
25 the directors shall elect from their own number an executive officer,  
26 who may be designated as chairman of the board or president; a vice-  
27 chairman of the board or one or more vice-presidents, a treasurer, and a  
28 secretary, of whom the last two may be the same individual. The persons  
29 elected shall be the executive officers of the corporation. No executive

1 officer, except the treasurer, may be compensated for his service. The  
2 terms of officers shall be one year or until their successors have been  
3 chosen and qualified.

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

9 (c) Before the officer in charge of operations may enter upon his  
10 duties he shall give bond with good and sufficient surety, in an amount  
11 and character to be determined by the board in compliance with regula-  
12 tions adopted by the commissioner.

13 Sec. 06.40.110. CREDIT COMMITTEE. (a) The board of directors  
14 shall appoint a credit committee consisting of an odd number of members  
15 of the credit union, no less than three, or, if provided in the bylaws,  
16 appoint one or more loan officers empowered to approve loans under the  
17 conditions prescribed by the board. A loan may not be made unless  
18 approved by the loan officer or credit committee.

19 (b) A credit committee shall hold meetings as often as the busi-  
20 ness of the credit union may require, but not less frequently than once  
21 a month. Loans must be approved by a majority of the committee who are  
22 present at the meeting at which the application is considered. The  
23 credit committee may appoint one or more loan officers, and delegate to  
24 him or them the power to approve loans. Not more than one member of the  
25 credit committee may be appointed as loan officer or assistant loan  
26 officer.

27 Sec. 06.40.120. SUPERVISORY COMMITTEE. (a) The supervisory  
28 committee shall make a semiannual audit of the credit union and shall  
29 submit a report of the audit to the board of directors and a summary of

1 that report to the members. A copy of the report shall also be sub-  
2 mitted to the department within 60 days of its completion. The commit-  
3 tee shall provide for supplementary audits which it considers necessary  
4 or which may be required by the commissioner, and submit reports of  
5 these supplementary audits to the board of directors. The supervisory  
6 committee shall also provide for verification of the passbooks and  
7 accounts of the members with the records of the treasurer at least once  
8 every two years and at least half of the passbooks and accounts shall be  
9 verified each year.

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

15 (c) The supervisory committee may by a majority vote call a spe-  
16 cial meeting of the members to consider an alleged violation of this  
17 chapter, the charter or the bylaws, or a practice of the credit union  
18 considered by the supervisory committee to be unsafe or unauthorized; if  
19 a meeting is called, the commissioner shall be notified immediately and  
20 informed of the time and place of the meeting and the nature of the  
21 alleged violation to be considered.

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

27 Sec. 06.40.125. CONFLICTS OF INTEREST. (a) No director, commit-  
28 tee member, officer, agent or employee of the credit union may in any  
29 manner, directly or indirectly, participate in the deliberation upon or

1 the determination of any question affecting his pecuniary interest or  
2 the pecuniary interest of any corporation, partnership or association,  
3 other than the credit union, in which he is directly or indirectly  
4 interested.

5 (b) In addition to other penalties, a person who violates this  
6 section may not serve as an officer, agent or employee of a credit  
7 union.

8 ARTICLE 2. SUPERVISION AND REGULATION OF CREDIT UNIONS.

9 Sec. 06.40.130. SUPERVISION AND FEES. (a) The commissioner has  
10 general supervision of credit unions, subject to the provisions of this  
11 chapter.

12 (b) The commissioner shall adopt regulations for the administra-  
13 tion of this chapter which prescribe the minimum amount of surety bond  
14 coverage required of credit unions in relation to their assets and  
15 establish application and examination fees.

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

19 (d) For the purpose of paying the costs incident to the ascertain-  
20 ment of whether a certificate of approval should be issued, the incor-  
21 porators shall pay, at the time of filing their articles of incorpora-  
22 tion and bylaws, the amount prescribed by the commissioner, which shall  
23 not exceed \$100 in any case. Not later than January 31 of each calendar  
24 year, each credit union shall pay to the department for the preceding  
25 calendar year, a supervision fee in accordance with a graduated scale  
26 prescribed by this section on the basis of assets as of December 31 of  
27 the preceding year, but the fee shall in no event be less than \$100, as  
28 follows:

Total Assets	Maximum Fee
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1 \$500,000 or less.....30 cents per \$1,000  
 2 Over \$500,000 and not over \$1,000,000....\$150 plus 25 cents per \$1,000  
 3 in excess of \$500,000  
 4 Over \$1,000,000 and not over \$2,000,000..\$275 plus 20 cents per \$1,000  
 5 in excess of \$1,000,000 Over  
 6 \$2,000,000 and not over \$5,000,000..\$475 plus 15 cents per \$1,000  
 7 in excess of \$2,000,000 Over  
 8 \$5,000,000.....\$925 plus 10 cents per \$1,000  
 9 in excess of \$5,000,000

10 (e) No annual supervision fee is payable by the credit union for  
 11 the year in which its charter is issued if the charter is issued after  
 12 June 30 except in cases of conversion from a credit union chartered  
 13 under the provisions of the Federal Credit Union Act to a credit union  
 14 chartered under this chapter, or in which final distribution is made in  
 15 its liquidation or the charter is otherwise canceled.

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

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

21 Sec. 06.40.140. EXAMINATIONS. (a) The commissioner or his  
 22 representatives shall conduct an annual examination and any additional  
 23 examinations he considers necessary of each credit union established  
 24 under this chapter. A report of the examination will be forwarded to  
 25 the board of directors of the credit union within 60 days after comple-  
 26 tion of the examination. The report shall contain comments on the  
 27 general condition of the assets and the management of the credit union.  
 28 A general meeting of the board of directors and committeemen shall be  
 29 called within 30 days after receipt to consider the report, and copies

1 of the report shall be made available by the board of directors to all  
2 members of the credit union. Within 60 days of receipt of the report,  
3 the board of directors shall furnish the department with a signed state-  
4 ment acknowledging the receipt of the report and attesting to their  
5 review of and familiarity with its contents.

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

12 (c) The commissioner may contract for examinations of credit  
13 unions if the scope of the examination is equivalent to the examination  
14 made by the commissioner. The cost of contract examinations shall be  
15 borne by the credit union.

16 (d) The examiner shall take and subscribe an oath that he will  
17 honestly and impartially examine into and report the condition of state  
18 credit unions as to assets and liabilities and other information as may  
19 be required by the department, that he will not disclose the information  
20 he obtains through the examination to any person other than the depart-  
21 ment, that at the time of his employment he is not obligated to or a  
22 member of the credit union and that he is not an officer or employee of  
23 any credit union conducting business in this state.

24 (e) All records of the department relating to this chapter are  
25 public records, including those related to methods and procedures used  
26 in examinations, except that all papers, documents, reports, reports of  
27 examination, and other writings relating specifically to the supervision  
28 and regulation of any state credit union by the department under this  
29 chapter are not public records and are not open for examination or

1 copying by the public except under a court subpoena. Reports of exami-  
2 nations made by the department shall be retained for five years.

3 Sec. 06.40.150. REQUIRED DIRECTORS' MEETINGS AND STATEMENTS TO THE  
4 DEPARTMENT. When the department considers it necessary it may require a  
5 meeting of the board of directors of a credit union to be held in the  
6 manner and at the time and place it directs. Any report of an examina-  
7 tion required or allowed by this chapter, any conclusions drawn from  
8 such an examination by the department, any recommendations made by the  
9 department relative to it, and any other matters concerning the opera-  
10 tion and condition of the credit union may be presented to the board of  
11 directors by the department. Each member of the board of directors  
12 shall furnish to the department a statement on forms to be supplied by  
13 the department that he has read and is familiar with the recommendations  
14 of the department.

15 Sec. 06.40.160. ANNUAL REPORTS. A credit union organized under  
16 this chapter shall submit annual reports to the commissioner on forms  
17 supplied by him for that purpose, which reports shall be due on or be-  
18 fore February 1. A credit union failing to file by February 15 shall be  
19 levied a fine of \$10 per day until the report is filed.

20 Sec. 06.40.170. CENTRAL CREDIT UNION. (a) A central credit union  
21 may be organized and operated under the provisions of this chapter and  
22 is subject to all provisions not inconsistent with this section. This  
23 credit union shall be known as the Alaska Central Credit Union. Member-  
24 ship in the central credit union shall be limited to

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

28 (2) officers, directors and committee members and employees  
29 of credit unions, employees of the central credit union, employees of an

1 association of Alaska credit unions, and resident employees of federal  
2 or state government agencies responsible for the supervision of credit  
3 unions in this state;

4 (3) organizations or associations of these persons;

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

8 (5) persons who are members of credit unions in this state  
9 which have entered into or are about to enter into voluntary or involun-  
10 tary dissolution proceedings under the provisions of AS 06.40.330 or  
11 credit unions in this state which have entered into or are about to  
12 enter into voluntary or involuntary dissolution proceedings under the  
13 provisions of Chapter 14 of Title XII of the U.S. Code.

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

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

23 (d) The central credit union shall have the authority to make  
24 loans to other credit unions and to purchase shares of and make deposits  
25 in other credit unions. It shall have the power to invest in and grant  
26 loans to associations of credit unions, central funds of credit unions  
27 or organizations chartered to provide exclusive service to credit  
28 unions; to borrow money from any source, not to exceed the amount of its  
29 unimpaired capital and surplus; and to issue notes or debentures.

1 ARTICLE 3. FINANCIAL PRACTICES.

2 Sec. 06.40.180. SHARES. (a) Shares may be subscribed to, paid  
3 for and transferred in the manner prescribed in the bylaws. No certi-  
4 ficate may be issued to denote ownership of a share in a credit union.

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

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

20 Sec. 06.40.190. DEPOSITS. A credit union may issue time certifi-  
21 cates to its members, subject to the conditions and the returns estab-  
22 lished by the board of directors. Time certificates, differ from shares  
23 in that a predeclared rate of return may be established on them and they  
24 have a prior claim on the assets of the credit union. Christmas clubs,  
25 vacation clubs, and other thrift accounts may be operated in accordance  
26 with the provisions of the bylaws.

27 Sec. 06.40.200. MULTIPLE PARTY ACCOUNTS. (a) A credit union may  
28 enter into multiple party accounts to the same extent that it may enter  
29 into single party accounts. A multiple party account is an account in

1 the name of two or more persons, one or more of whom may make with-  
2 draws. At least one party to a multiple party account must be a  
3 member of the credit union in which the account is established. The  
4 account may be created with any person designated by the credit union  
5 member, but a nonmember may not vote, obtain loans, or hold office.

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

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

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

1 undivided interests.

2 (e) The death of a party to a multiple party account shall have no  
3 effect on the beneficial ownership of the account, other than to trans-  
4 fer the decedent's right to his estate, unless the account is a survi-  
5 vorship account or trust account.

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

10 Sec. 06.40.210. SURVIVORSHIP ACCOUNTS. A multiple party account  
11 payable to two or more persons, jointly or severally, which does not  
12 expressly provide that there is no right of survivorship, is presumed to  
13 be a survivorship account. At the death of a party, sums on deposit in  
14 a survivorship account belong to the surviving party or parties as  
15 against the estate of the decedent. Where there are two or more sur-  
16 vivors, their respective ownership shall be in proportion to their  
17 previous net contributions augmented by an equal share for each survivor  
18 of any interest the decedent may have owned in the account immediately  
19 before his death, plus the proceeds of insurance on decedent's life paid  
20 to the account. The right of survivorship continues between survivors.

21 Sec. 06.40.220. PRESUMPTIONS REBUTTABLE. The presumptions created  
22 by AS 06.40.190 - 06.40.210 concerning beneficial ownership as between  
23 parties, or as between parties and beneficiaries, of multiple party  
24 accounts are relevant only to controversies between these persons or  
25 their creditors or other successors, and shall have no bearing on the  
26 rights of withdrawal of these persons as determined by the terms of the  
27 account contracts. These presumptions are based upon inferences of the  
28 intention of parties to multiple party accounts and the usual expecta-  
29 tions of persons using these accounts and are rebuttable by clear and

1 convincing evidence of a different intention. The presumptions of  
2 survivorship are not subject to change by will, but may be rebutted by a  
3 written order received by the credit union to change the form of the  
4 account or directing that payment not be made in accordance with the  
5 account which is signed by a party and is received by the credit union  
6 during the party's lifetime. If not rebutted by contrary evidence, the  
7 presumptions provided in this chapter are effective to establish bene-  
8 ficial ownership. Transfers resulting from the application of these  
9 presumptions are effective by reason of the account contracts and are  
10 not to be considered as testamentary.

11 Sec. 06.40.230. PAYMENTS BY CREDIT UNION. Payment made in accor-  
12 dance with AS 06.40.190 - 06.40.210 discharges the credit union from all  
13 claims for amounts so paid whether or not the payment is consistent with  
14 the beneficial ownership of the account as between parties, or benefici-  
15 aries or their successors. The protection given does not extend to  
16 payments made after a credit union has received written notice from a  
17 party who has a present right of withdrawal that withdrawals in accor-  
18 dance with the terms of the account should not be permitted. Unless the  
19 notice is withdrawn by the person giving it, the death of any party  
20 after notice has no effect on withdrawal rights, and the personal repre-  
21 sentative or heirs of the decedent must concur in any demand for with-  
22 drawal if the credit union is to be protected under this section. No  
23 other notice or information shown to have been available to a credit  
24 union shall affect its right to the protection provided here. This  
25 protection shall have no bearing on the rights of parties in disputes  
26 between themselves or their successors concerning the beneficial owner-  
27 ship of funds in, or withdrawn from, multiple party accounts.

28 Sec. 06.40.240. MINORS. Shares may be issued to and deposits  
29 received from a minor who may withdraw the shares and deposits, includ-

1 ing dividends and interest. Deposits and share investments made by a  
2 minor and withdrawals of them by the minor shall be valid in all re-  
3 spects. For these purposes a minor is considered of full age.

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

14 Sec. 06.40.260. DIVIDENDS. After provision for operating ex-  
15 penses, interest, accrued taxes and the required reserves, the board of  
16 directors may, at intervals determined by them in accordance with regu-  
17 lations which may be promulgated by the commissioner, declare a dividend  
18 to be paid on the classes of shares determined by them from the remain-  
19 ing net earning at a rate not to exceed the rate established by the  
20 National Credit Union Administrator. Dividends may be paid at different  
21 rates on different types of shares and at different rates and maturity  
22 dates in the case of share certificates. Dividend credit may be accrued  
23 on various types of shares and share certificates as authorized by the  
24 board of directors. No dividend shall be declared if, after payment of  
25 the dividend, known losses would exceed the combined balances of the  
26 reserve fund and undivided earnings.

27 Sec. 06.40.270. LOANS. (a) A credit union may make loans to its  
28 members upon the terms and conditions provided in the bylaws and  
29 approved by the credit committee or loan officer. The rate of interest

1 may not exceed one per cent per month on the unpaid balance, and the  
2 maximum rate of interest prescribed by this section is inclusive of all  
3 charges incident to making the loan. When applicable for real estate  
4 loans, the interest rates prescribed in AS 45.45.010(b) shall prevail.  
5 Every application for a loan shall be made in writing upon a form  
6 approved by the board of directors, and shall state the purpose for  
7 which the loan is desired, and the security, if any, offered. Every  
8 loan shall be evidenced by a written statement. An unsecured loan shall  
9 bear a maturity of no longer than five years and shall be supported by a  
10 financial statement of the loan applicant. All secured loans except  
11 those secured by improved real estate shall mature within 10 years. In  
12 addition to generally accepted types of security, the endorsement of a  
13 note by a guarantor or assignment of shares, in a manner consistent with  
14 the laws of this state, shall be considered security within the meaning  
15 of this chapter; however, when an endorsement of a note by a guarantor  
16 is used as security on a loan for more than \$2,000, the loan shall also  
17 be supported by a financial statement. The adequacy of all securities  
18 shall be within the determination of the credit committee or loan offi-  
19 cer, subject to the provisions of this chapter and the bylaws. A  
20 borrower may repay his loan before maturity in whole or in part on any  
21 business day without penalty.

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

1 expire if the member becomes more than 90 days delinquent in his obli-  
2 gations to the credit union.

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

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

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

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

19 (g) Subject to modification by the department by regulation, real  
20 estate loans may be made to members in conformity with criteria estab-  
21 lished by the board of directors under the rules and regulations that  
22 apply to federally chartered credit unions, provided that

23 (1) a residential real estate loan which is made to finance  
24 the acquisition of a one-to-four family dwelling for the principal  
25 residence of a credit union member, the sales price of which is not more  
26 than 150 per cent of the median sales price of residential real property  
27 situated in the geographical area (as determined by the board of direc-  
28 tors) in which the property is located, and which is secured by a first  
29 lien upon the dwelling, may have a maturity not exceeding 30 years;

1 (2) a loan to finance the purchase of a mobile home, which  
2 shall be secured by a first lien on the mobile home, to be used by the  
3 credit union member as his residence, or for the repair, alteration, or  
4 improvement of a residential dwelling which is the residence of a credit  
5 union member, shall have a maturity not to exceed 15 years unless the  
6 loan is insured or guaranteed as provided in (3) of this subsection;

7 (3) a loan secured by the insurance or guarantee of the  
8 federal government, or the state, or any agency of either may be made  
9 for the maturity and under the terms and conditions specified in the law  
10 under which the insurance or guarantee is provided;

11 (4) the unpaid principal balance of loans secured by real  
12 estate may not, in the aggregate, exceed 50 per cent of the paid-in  
13 capital of the credit union.

14 Sec. 06.40.275. ACQUISITION OF PROPERTY TO SATISFY OR PROTECT  
15 PREVIOUS LOAN. A state credit union may take property of any kind, to  
16 satisfy or protect a loan previously made in good faith and in the  
17 ordinary course of business. The property shall be entered on the books  
18 at cost, or fair market value, whichever is less. Property acquired to  
19 satisfy or protect previous loans shall be disposed of over a period of  
20 time as the department prescribes by regulation.

21 Sec. 06.40.276. INVESTMENT IN REAL ESTATE AND CREDIT UNION PRE-  
22 MISES. A credit union may acquire, purchase, hold or lease property for  
23 the following purposes only:

24 (1) real property necessary for the convenient transaction of  
25 its business, including credit union offices, equipment, furniture and  
26 fixtures, leasehold improvements, parking lots, and investment in a  
27 credit union building corporation if all obligations of the building  
28 corporation to the credit union are included as investment, provided  
29 that the book asset value of the purchases or investments does not

1 exceed 60 per cent of the sum of the capital and surplus accounts of the  
2 credit union;

3 (2) the satisfaction of or on account of debts previously  
4 contracted in the course of its business;

5 (3) the purchase at sale under judgment, decree, lien, or  
6 mortgage foreclosure, against security held by it.

7 Sec. 06.40.277. DISPOSITION OF PROPERTY NOT NEEDED IN THE CONDUCT  
8 OF A CREDIT UNION BUSINESS. All real estate and personal property not  
9 necessary for the transaction of a credit union business which comes  
10 into the possession of a state credit union shall be disposed of as soon  
11 as possible in accordance with the regulations of the department. If  
12 any such real estate or personal property is not sold within the time  
13 limit prescribed by the regulations, it shall be written off and may not  
14 be carried as an asset of the credit union.

15 Sec. 06.40.280. INSURANCE. (a) A credit union may purchase in-  
16 surance on the lives of its members in an amount equal to their respec-  
17 tive shares, deposits and loan balances, and may enter into cooperative  
18 marketing arrangements for its members covering group life insurance,  
19 temporary disability coverage, health and accident plans and other  
20 programs which are demonstrated to be in the interest of improving the  
21 economic and social conditions of the credit union members.

22 (b) All credit unions chartered under this chapter, or credit  
23 unions in operation at the time of issuance of a charter under this  
24 chapter must submit evidence of share insurance coverage from the admin-  
25 istrator of the National Credit Union Administration. The amounts of  
26 loss to be protected or guaranteed shall be established by the commis-  
27 sioner. The commissioner shall make available reports of condition and  
28 examination reports to the administrator of the National Credit Union  
29 Administration and may accept any report of examination made on behalf

1 of the administrator. Should a credit union be closed because of bank-  
2 ruptcy or insolvency, the commissioner may appoint the National Credit  
3 Union Administrator as the liquidating agent.

4 (c) Credit unions that do not maintain share insurance coverage as  
5 specified in this section shall be liquidated by the commissioner in  
6 accordance with AS 06.40.340.

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

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

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

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

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

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

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

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

1 credit union;

2 (8) stock in a credit union building corporation in accor-  
3 dance with AS 06.40.276.

4 Sec. 06.40.300. RESERVE ALLOCATIONS. (a) At the end of each  
5 accounting period, the gross income of the credit union shall be deter-  
6 mined. Reserve allocations shall be determined according to the  
7 following:

8 (1) A credit union in operation for more than four years and  
9 having assets of \$500,000 or more shall set aside (A) 10 per cent of  
10 gross income until the regular reserve shall equal four per cent of the  
11 total of outstanding loans and risk assets; then (B) five per cent of  
12 gross income until the regular reserve shall equal six per cent of the  
13 total of outstanding loans and risk assets.

14 (2) A credit union in operation less than four years or  
15 having assets of less than \$500,000 shall set aside (A) 10 per cent of  
16 gross income until the regular reserve shall equal seven and one-half  
17 per cent of the total of outstanding loans and risk assets; then (B)  
18 five per cent of gross income until the regular reserve shall equal 10  
19 per cent of the total of outstanding loans and risk assets.

20 (3) When the regular reserve falls below the required per-  
21 centages of the total of outstanding loans and risk assets, it shall be  
22 replenished in the manner described in this subsection.

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

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

- 1 (1) cash on hand;
- 2 (2) deposits or shares in financial institutions insured by  
3 the Federal Deposit Insurance Corporation, the Federal Savings and Loan  
4 Insurance Corporation or the National Credit Union Administration;
- 5 (3) loans to other credit unions in the state;
- 6 (4) assets which are insured by, fully guaranteed as to  
7 principal and interest, or due from the federal government, its agen-  
8 cies, the Federal National Mortgage Association, or the Government  
9 National Mortgage Association;
- 10 (5) buildings and land owned by the credit union;
- 11 (6) loans to students insured under the provisions of Title  
12 IV, part B of the Higher Education Act of 1965 (20 U.S.C. 1071 et. seq.)  
13 or similar state insurance programs; however, loans described in this  
14 paragraph which are in default shall be deducted from the total;
- 15 (7) the insured portion of loans insured under Title I of the  
16 National Housing Act (12 U.S.C. 1703) by the Federal Housing Adminis-  
17 tration;
- 18 (8) the insured portion of common trust investments in  
19 government securities authorized by this chapter if the credit union is  
20 the direct beneficiary of the guarantee or insurance; or
- 21 (9) accrued interest on nonrisk investments.

22 Sec. 06.40.305. CHARGING OFF OR SETTING UP RESERVES AGAINST BAD  
23 DEBTS. The commissioner may require a credit union to establish a  
24 reserve for and charge off the whole or part of an asset which has not  
25 been lawfully acquired, write down an asset to its market value, charge  
26 off that portion of an asset classified as a loss in a state report of  
27 examination, or charge off all debts owned to the credit union in which  
28 interest due has been unpaid for a period of six months unless the debt  
29 principal is adequately secured and the credit union is in the process

1 of collection.

2 ARTICLE 4. MERGER, CONVERSION AND LIQUIDATION.

3 Sec. 06.40.310. MERGER. (a) A credit union may, with the ap-  
4 proval of the commissioner, after making the payment established by  
5 regulation, merge with another credit union under the existing charter  
6 of the other credit union, under a plan agreed upon by a majority of the  
7 board of directors of each credit union joining in the merger, and  
8 approved by the affirmative vote of a majority of the members of each  
9 credit union present at meetings of the members legally called for this  
10 purpose.

11 (b) After agreement by the directors and approval by the members  
12 of both credit unions, the president and secretary of each credit union  
13 shall execute a certificate of merger, which shall set out the time and  
14 place of the meeting of the board of directors at which the plan was  
15 agreed upon, the vote in favor or adoption of the plan, a copy of the  
16 resolution or other action by which the plan was agreed upon, the time  
17 and place of the meeting of the members at which the plan agreed upon  
18 was approved, and the vote by which the plan was approved by the mem-  
19 bers.

20 (c) Before approving a merger the commissioner shall give con-  
21 sideration to the purposes of this chapter and the prospects of the  
22 surviving or consolidated credit union for financial success and its  
23 ability to discharge the duties and conform to the restrictions imposed  
24 upon a credit union.

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

28 (e) Upon the merger, all property, property rights, and interest  
29 of the merged credit union shall vest in the surviving credit union

1 without deed, endorsement, or other instrument.

2           Sec. 06.40.320. CONVERSION OF CHARTER. A credit union chartered  
3 under the laws of this state may be converted to a credit union under  
4 the laws of any other state or of the United States either inside or  
5 outside this state. A credit union chartered under the laws of the  
6 United States or any other state may convert to a credit union chartered  
7 under the laws of this state. To effect the conversion, a credit union  
8 must comply with all the requirements for credit unions originally  
9 chartered under this chapter, of the authority under which it was origi-  
10 nally chartered and the requirements of the commissioner, and file proof  
11 of compliance with the commissioner. A credit union chartered under the  
12 laws of this state which proposes to convert its charter to another  
13 jurisdiction must, in addition to the other requirements of this sec-  
14 tion, have the proposed conversion approved by an affirmative vote of a  
15 majority of the members of the credit union.

16           Sec. 06.40.330. SUSPENSION. (a) If it appears that a credit  
17 union is bankrupt or insolvent, or has wilfully violated the provisions  
18 of this chapter, or is operating in an unsafe or unsound manner, the  
19 commissioner may issue an order temporarily suspending the credit  
20 union's operations for not more than 60 days. The board of directors  
21 shall be given notice by registered mail of the suspension, which notice  
22 shall include a list of the reasons for the suspension and a list of  
23 specific violations of this chapter.

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

1 (c) If the credit union fails to answer the suspension notice or  
2 request a hearing with the commissioner, he may then revoke the credit  
3 union's charter, appoint a liquidating agent and liquidate the credit  
4 union in accordance with AS 06.40.340.

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

17 (b) If, after issuing notice of suspension and following the pro-  
18 cedures set out in AS 06.40.330, the commissioner rejects the credit  
19 union's plan to continue operations, he may issue a notice of involun-  
20 tary liquidation and appoint a liquidating agent. The credit union may  
21 request a stay of execution of this action by appealing to the appro-  
22 priate court of the jurisdiction in which the credit union is located.

23 (c) A liquidating credit union shall continue in existence for the  
24 purpose of discharging its debts, collecting and distributing its  
25 assets, and doing the acts required in order to wind up its business,  
26 and may sue and be sued for the purpose of enforcing debts and obliga-  
27 tions until its affairs are fully adjusted. The board of directors, or  
28 in the case of involuntary liquidation, the liquidating agent, shall use  
29 the assets of the credit union to pay, in the following order, (1)

1 expenses incidental to the liquidation, including any surety bond that  
2 may be required; (2) trust accounts; (3) any liability due nonmembers;  
3 (4) deposits and savings club accounts as provided in this chapter.  
4 Assets then remaining shall be distributed to the members proportion-  
5 ately to the shares held on the date dissolution was voted.

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

15 ARTICLE 5. PROHIBITED PRACTICES AND SANCTIONS.

16 Sec. 06.40.350. UNAUTHORIZED CONDUCT OF CREDIT UNION BUSINESS. It  
17 is a misdemeanor punishable, upon conviction, by a fine of up to \$5,000  
18 and imprisonment for up to one year for a person, except corporations  
19 formed under the provisions of this chapter or another credit union law,  
20 or an association of credit unions and its chapters, to conduct business  
21 under a name or title which contains the words "credit union" or a  
22 derivation of them, or to represent himself in his advertising or other-  
23 wise as conducting business as a credit union.

24 Sec. 06.40.355. TRANSFER OF CREDIT UNION'S PROPERTY TO PREFERRED  
25 CREDITOR IS VOID. The transfer by a credit union in the state of its  
26 property, money, or assets, after it becomes insolvent within the spirit  
27 of this chapter, with a view of preference of one creditor over another,  
28 or to prevent the equal distribution of its property and assets among  
29 its creditors, is void.

1           Sec. 06.40.360. UNLAWFUL DECEIT OF DEPARTMENT OR ITS EMPLOYEES. A  
2 person who wilfully and knowingly subscribes to, or makes or causes to  
3 be made any false statement, or enters any false figure, statement, or  
4 entry in the books of a credit union in this state, or who knowingly  
5 subscribes to, makes or circulates any false report or statement about  
6 the condition of a credit union in the state, with intent to deceive the  
7 department or any person authorized to examine the affairs of the credit  
8 union, upon conviction, is punishable by imprisonment for not less than  
9 one nor more than five years.

10           Sec. 06.40.365. UNLAWFUL FALSE REPORT TO DEPARTMENT. A person who  
11 certifies and subscribes any report which is wilfully false in any  
12 material effect is guilty of a misdemeanor, and upon conviction is  
13 punishable by a fine of not more than \$5,000, or by imprisonment for not  
14 more than one year, or by both.

15           Sec. 06.40.370. RECEIPT OF DEPOSITS WHILE INSOLVENT. The direc-  
16 tor, officer, or employee of a credit union who fraudulently receives  
17 any deposit, knowing that the credit union is insolvent, is guilty of a  
18 felony, and upon conviction is punishable by a fine of not more than  
19 \$5,000, or by imprisonment for not less than one year nor more than  
20 three years, or by both.

21           Sec. 06.40.375. SLANDER AND LIBEL OF CREDIT UNION. A person who  
22 wilfully and maliciously makes, circulates or transmits to another any  
23 statement, rumor or suggestion, written, printed or by word of mouth,  
24 which is directly or by implication derogatory to the financial condi-  
25 tion or affects the solvency or financial standing of a credit union  
26 doing business in the state, or who counsels, aids, procures, or induces  
27 another to start, transmit or circulate such a statement or rumor, is  
28 guilty of a felony, and upon conviction is punishable by a fine of not  
29 more than \$5,000, or by imprisonment for not more than five years, or by

1 both.

2 Sec. 06.40.380. PENALTY. A person who wilfully and knowingly vio-  
3 lates any provision of this chapter for which no specific penalty is  
4 provided is guilty of a misdemeanor, and upon conviction is punishable  
5 by a fine of not more than \$5,000, or by imprisonment for not more than  
6 one year, or by both. In case of violation by a corporation, the corpo-  
7 ration is punishable by a fine of not more than \$5,000.

8 ARTICLE 6. GENERAL PROVISIONS.

9 Sec. 06.40.390. FISCAL YEAR. The fiscal year of all credit unions  
10 organized under this chapter shall be the calendar year.

11 Sec. 06.40.400. RECORDS. Records of a credit union chartered  
12 under this chapter shall be kept for a period of six years from the date  
13 of making them or from the date of the last entry on them. No credit  
14 union may be required to receipt for payment except as provided in the  
15 bylaws, nor shall it be necessary to endorse a note showing date of  
16 payments or balance due.

17 Sec. 06.40.410. LIABILITY OF MEMBERS, DIRECTORS, OFFICERS AND  
18 EMPLOYEES. (a) The members of a credit union are not personally or  
19 individually liable for the debts of the credit union.

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

27 Sec. 06.40.420. BRANCH OFFICE FACILITIES. (a) With the written  
28 approval of the commissioner, a credit union may establish a branch  
29 office at a location other than its main office. The commissioner may

1 by regulation establish the content of the application and an appropri-  
2 ate application fee.

3 (b) The commissioner shall approve an application by a state  
4 credit union under (a) of this section if he determines that

5 (1) the branch office proposal is economically feasible;

6 (2) the name of the branch office is not deceptively similar  
7 to another credit union doing business in the state;

8 (3) the requirements of this chapter have been satisfied; and

9 (4) any conditions imposed by the department in granting the  
10 application have been fulfilled.

11 (c) A credit union may share office space with one or more credit  
12 unions and may contract with a corporation to provide facilities or  
13 personnel.

14 Sec. 06.40.430. TAXATION. (a) A credit union organized under  
15 this chapter or other credit union law and shares and deposits in them  
16 shall be exempt from taxation imposed by this state or any taxing  
17 authority within this jurisdiction, and laws which tax corporations in  
18 any form, or deposits of them, or the accumulations on them, do not  
19 apply to a credit union, except that real property and tangible personal  
20 property owned by a credit union shall be subject to taxation to the  
21 same extent that other similar property is taxed, provided that this  
22 exception does not permit the imposition of a sales or use tax on a  
23 credit union except on goods and services distributed to its members  
24 under a group purchasing or cooperative marketing arrangement. The  
25 shares of a credit union are not subject to transfer taxes, either when  
26 issued or when transferred from one member to another.

27 (b) Participation by a credit union in a government program pro-  
28 viding unemployment, social security, old age pension or other benefits,  
29 is not considered a waiver of the taxation exemption granted in this

1 section.

2 Sec. 06.40.440. GROUP PURCHASING. A credit union may enter into  
3 cooperative marketing arrangements to facilitate its members' voluntary  
4 purchase of goods and services that are in the interest of improving  
5 economic and social conditions of the members.

6 Sec. 06.40.450. OTHER REGULATIONS. When a credit union engages in  
7 activities which are regulated under AS 45.05, it shall be considered to  
8 be a bank and, in the absence of applicable provisions in this chapter,  
9 shall be governed by AS 45.05.

10 Sec. 06.40.460. ADMINISTRATIVE PROCEDURE ACT. Regulations under  
11 this chapter are subject to the Administrative Procedure Act (AS 44.62).

12 Sec. 06.40.470. DEFINITIONS. In this chapter, unless the context  
13 otherwise requires,

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

16 (2) "department" means the Department of Commerce and Eco-  
17 nomic Development.  
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