

Original sponsors: McKinnon and Rogers

Offered: 2/14/80
Referred: Rules

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR HOUSE BILL NO. 452

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state 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 45. ALASKA CREDIT UNION ACT.

10 ARTICLE 1. FORMATION AND MANAGEMENT OF CREDIT UNIONS.

11 Sec. 06.45.010. FORMATION OF CREDIT UNION. (a) A credit union
12 may be formed by seven or more natural persons who are residents of the
13 state and who meet the requirements of this section and AS 06.45.060 who

14 (1) subscribe for shares of the credit union in the aggregate
15 amount of \$1,000; and

16 (2) execute two copies of articles of incorporation and
17 bylaws of the credit union consistent with the provisions of this chap-
18 ter and regulations of the commissioner.

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

24 (1) the articles of incorporation and bylaws conform to the
25 provisions of this chapter;

26 (2) the incorporators are of good general character;

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

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

1 and

2 (5) the conditions imposed by the commissioner for granting
3 the certificate of authority have been complied with.

4 (c) The commissioner shall approve or disapprove the application
5 within 60 days of receipt from the incorporators of the information and
6 materials required under (b) of this section. If the commissioner
7 approves the application, he shall promptly issue a certificate of
8 authority and return a copy of the articles of incorporation, the cer-
9 tificate of authority, and the bylaws to the incorporators.

10 (d) A credit union may not transact business until the certificate
11 of authority has been issued.

12 Sec. 06.45.020. ARTICLES OF INCORPORATION. (a) The articles of
13 incorporation of the credit union shall state

14 (1) the name of the proposed credit union;

15 (2) the term of the existence of the proposed credit union,
16 which may be perpetual;

17 (3) the par value of the shares of the proposed credit union,
18 which shall be in multiples of \$5 and not less than \$5 nor more than
19 \$25;

20 (4) the names and addresses of the incorporators and the
21 number of shares held by each;

22 (5) the territory in which the proposed credit union will
23 operate;

24 (6) a field of membership specified in AS 06.45.060; and

25 (7) the number of directors of the proposed credit union
26 which shall be an odd number not less than five and not more than 25.

27 (b) Amendments to the articles of incorporation of the credit
28 union shall be submitted to the commissioner and are effective upon the
29 approval of the commissioner. The commissioner may charge a fee for the

1 approval of amendments.

2 Sec. 06.45.030. BYLAWS. The incorporators shall adopt the initial
3 bylaws of the credit union. The members of the credit union may amend
4 the bylaws. The bylaws shall prescribe

5 (1) the conditions of residence or occupation which qualify
6 persons for membership;

7 (2) the number of directors and the length of their terms;

8 (3) the duties of the officers and the general manager;

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

11 (5) the manner in which members and directors are notified of
12 meetings;

13 (6) the manner in which bylaws are amended;

14 (7) other provisions for the management of the affairs of the
15 credit union consistent with law and the articles of incorporation.

16 Sec. 06.45.040. NAME. The name of a credit union chartered under
17 this chapter shall include the words "credit union".

18 Sec. 06.45.050. INITIAL DIRECTORS AND COMMITTEES. The incorpora-
19 tors shall select at least five persons to serve on the board of direc-
20 tors, three persons to serve on the supervisory committee, and persons
21 to serve on other committees required by the articles or bylaws. The
22 persons selected serve in these capacities until the first annual meet-
23 ing of the members and the election of their successors or until removed
24 under this chapter.

25 Sec. 06.45.060. MEMBERSHIP. (a) A credit union may be formed by

26 (1) groups having common bonds of occupation or association;

27 (2) residents within a well-defined neighborhood, community,
28 or rural district;

29 (3) employees of related, or neighboring industries; and

1 (4) members of a bona fide fraternal, religious, cooperative,
2 labor, rural, educational, or similar organization.

3 (b) Employees of a credit union and members of the immediate
4 family of a member may join the credit union. In this subsection "mem-
5 bers of the immediate family" include the wife, husband, parents, and
6 children of a member whether or not living in the same household as the
7 member and any relative of the member or spouse of a member living in
8 the same household as the member.

9 (c) An individual who ceases to qualify under this section may
10 retain membership in the credit union at the discretion of the board of
11 directors.

12 (d) An organization, association, or partnership composed pri-
13 marily of individuals who are eligible for membership and a corporation
14 whose stockholders are composed primarily of individuals who are eli-
15 gible for membership may be admitted to membership in the same manner
16 and under the same conditions as individuals.

17 (e) A credit union organized under this chapter may permit a
18 central credit union to be a member.

19 Sec. 06.45.070. POWERS. A credit union may

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

22 (2) adopt, use, and alter a seal;

23 (3) sue and be sued;

24 (4) make contracts, and purchase, hold, and dispose of pro-
25 perty;

26 (5) establish an entrance fee or annual membership fee;

27 (6) receive savings from its members in the form of share
28 accounts, deposit accounts, share certificate accounts, or special
29 purpose thrift accounts;

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

3 (8) borrow money, in accordance with regulations adopted by
4 the commissioner, from any source, in an aggregate amount not exceeding
5 50 percent of its paid-in and unimpaired capital and surplus, to meet
6 share withdrawals or for the purposes of financing investments in real
7 estate and credit union premises under AS 06.45.250. However, the
8 proposed borrowing must be in accordance with policy established by the
9 board of directors and the credit union must notify the commissioner
10 when the amount borrowed by the credit union exceeds 35 percent of its
11 paid-in and unimpaired capital and surplus;

12 (9) discount or sell eligible obligations;

13 (10) make deposits in banks chartered by the state or the
14 federal government, in trust companies, savings and loan associations,
15 and central credit unions;

16 (11) hold membership in a central credit union and in organi-
17 zations composed of credit unions;

18 (12) declare dividends and pay interest refunds to borrowers
19 under this chapter;

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

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

24 (15) act as fiscal agent for and receive deposits from the
25 state or its political subdivisions or the federal government;

26 (16) service credit union loans;

27 (17) act as fiscal agent for a corporation, trust, or similar
28 entity;

29 (18) sell all or a part of its assets or purchase all or a part

1 of the assets of another credit union;

2 (19) receive from its members or from another credit union
3 savings in accounts of a type authorized by this chapter, and honor
4 requests for withdrawals of those savings in any form, subject to re-
5 serves, bonds or conditions required by regulation of the commissioner;
6 and

7 (20) under regulations adopted by the commissioner, contribute
8 to public service or charitable institutions and contribute to, support,
9 or participate in a nonprofit service facility whose services will
10 benefit the credit union.

11 Sec. 06.45.080. MEMBERS' MEETINGS. The annual meeting and special
12 meetings of the members of the credit union shall be called at the time,
13 place and in the manner prescribed in the bylaws. A quorum for the
14 conduct of business for the annual and special meetings consists of a
15 majority of the members present or represented by proxies. A member may
16 not vote by proxy but a member other than a natural person may vote
17 through an agent designated for that purpose. Each member shall have
18 one vote at the annual meeting.

19 Sec. 06.45.090. BOARD OF DIRECTORS. (a) The affairs of the
20 credit union shall be directed by a board of directors elected at the
21 annual members' meeting from the members. Members of the board of
22 directors hold office for the term established in the bylaws. The board
23 of directors shall fill a vacancy in the board at the first regular
24 meeting of the directors after the vacancy occurs. Individuals ap-
25 pointed by the board of directors serve until their successors are
26 elected at the next annual meeting and have qualified. Vacancies
27 created by an expansion of the board of directors may be filled only at
28 the annual meeting. The board of directors shall appoint the members of
29 the supervisory committee and other committees required by the bylaws

1 and shall fill vacancies occurring in the committees.

2 (b) The board of directors may meet as often as necessary but not
3 less than once each month. The board of directors may appoint from its
4 membership an executive committee of not less than three directors who
5 may act for the board subject to conditions and limitations established
6 by the board.

7 (c) A member of the board of directors or a committee appointed by
8 the board may not be compensated for his service. A member on business
9 of the credit union authorized by the board of directors, may be reim-
10 bursed for necessary expenses.

11 (d) The directors shall

12 (1) act upon applications for membership or appoint one or
13 more membership officers other than the treasurer, assistant treasurer,
14 or loan officer to act on membership applications under procedures
15 established in the bylaws;

16 (2) purchase a bond under regulations of the commissioner to
17 cover the officers, employees, members of committees, and agents of the
18 credit union;

19 (3) set the interest rates to be charged on loans and to be
20 paid on deposits, authorize an interest refund to members from income
21 earned and received in proportion to the interest paid by them, and
22 declare dividends on shares under the bylaws;

23 (4) determine the number of shares and share certificates and
24 the classes of shares and share certificates that may be held by a
25 member;

26 (5) determine the security and the maximum amount which may
27 be loaned or provided in lines of credit;

28 (6) direct the investment of surplus money;

29 (7) recruit and hire employees of the credit union and estab-

1 lish the compensation of employees, the treasurer and loan officers;

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

5 (9) perform or authorize any action consistent with this
6 chapter not reserved by the bylaws to the membership.

7 Sec. 06.45.100. EXECUTIVE OFFICERS. (a) At the organization
8 meeting and within 30 days following each annual meeting of the members,
9 the directors shall elect from their own number an executive officer,
10 who may be designated as chairman of the board or president; one or more
11 vice-chairmen or one or more vice-presidents; a treasurer; and a secre-
12 tary. The board may appoint the same person secretary and treasurer.
13 The persons elected by the directors are the executive officers of the
14 corporation. An executive officer, other than the treasurer, may not be
15 compensated for his service. The term of an executive officer is one
16 year and until a successor is chosen and qualified.

17 (b) The board of directors may employ a general manager or may
18 appoint the treasurer as general manager of the credit union.

19 (c) The general manager shall give bond with good and sufficient
20 surety in an amount and character required by regulations of the commis-
21 sioner before entering on his duties.

22 Sec. 06.45.110. CREDIT COMMITTEE AND LOAN OFFICERS. (a) The
23 board of directors shall appoint a credit committee consisting of an odd
24 number of members of the credit union, no less than three. The board of
25 directors may, if permitted by the bylaws, appoint one or more loan
26 officers to approve loans under the conditions established by the board.
27 A loan may not be made by the credit union unless approved by the credit
28 committee or the loan officer.

29 (b) A credit committee may meet as often as the business of the

1 credit union requires, but not less often than once a month. A majority
2 of the credit committee present at the meeting at which an application
3 is considered may approve a loan.

4 Sec. 06.45.120. SUPERVISORY COMMITTEE. (a) The supervisory
5 committee shall make a semiannual audit of the credit union and submit a
6 report of the audit to the board of directors and a summary of that
7 report to the members. A copy of the report shall also be submitted to
8 the commissioner within 60 days of its completion. The committee may
9 provide for supplementary audits which it considers necessary or which
10 may be required by the commissioner and submit reports of the supple-
11 mentary audits to the board of directors. The supervisory committee
12 shall also provide for verification of the passbooks and accounts of the
13 members with the records of the treasurer at least once every two years.
14 One-half of the passbooks and accounts of the members shall be verified
15 with the records of the treasurer each year.

16 (b) The supervisory committee may by a unanimous vote suspend an
17 officer of the credit union or a member of the credit committee or the
18 board of directors until the next meeting of the members which shall be
19 held not less than seven or more than 14 days after the suspension. A
20 suspension shall be acted on by the members.

21 (c) The supervisory committee may call by a majority vote a spe-
22 cial meeting of the members to consider a violation of this chapter, the
23 charter, or the bylaws, or a practice of the credit union considered
24 unsafe or unauthorized by the supervisory committee. If a meeting is
25 called, the commissioner shall be immediately notified of the time and
26 place of the meeting and the nature of the alleged violation or prac-
27 tice.

28 (d) A member of the supervisory committee may be suspended by a
29 majority vote of the board of directors until the next meeting of the

1 members which shall be held not less than seven or more than 14 days
2 after the suspension. A suspension shall be acted on by the members.

3 Sec. 06.45.130. CONFLICTS OF INTEREST. (a) A director, committee
4 member, officer, agent or employee of the credit union may not partici-
5 pate in the deliberation on or the determination of a question affecting
6 his personal pecuniary interest or the pecuniary interest of a corpora-
7 tion, partnership or association other than the credit union in which he
8 is interested.

9 (b) A person found in violation of (a) of this section may not
10 serve as an officer, agent or employee of a credit union.

11 Sec. 06.45.140. CENTRAL CREDIT UNION. (a) A central credit union
12 may be organized and operated under this chapter. The credit union
13 shall be known as the Alaska Central Credit Union. Membership in the
14 central credit union is limited to

15 (1) a credit union established and operating under this
16 chapter or operating in this state under the provisions of the Federal
17 Credit Union Act;

18 (2) officers, directors, and committee members and employees
19 of credit unions, employees of the central credit union, and employees
20 of an association of Alaska credit unions;

21 (3) employees of a common employer with insufficient numbers
22 to form a separate credit union, if the commissioner approves their
23 membership; and

24 (4) a person who is a member of a credit union in the state
25 which has entered into or is about to enter into voluntary or involun-
26 tary dissolution proceedings under the provisions of AS 06.45.340 or a
27 member of a credit union in the state which has entered into or is about
28 to enter into voluntary or involuntary dissolution proceedings under 12
29 U.S.C., chapter 14.

1 (b) The board of directors of a credit union which becomes a
2 member of the central credit union shall designate one person to vote
3 its membership in the central credit union. The person designated is
4 eligible to hold office in the central credit union.

5 (c) The central credit union may exercise the rights and powers of
6 a credit union organized under this chapter and may also acquire the
7 assets and assume the liabilities of a credit union organized under this
8 chapter which enters into liquidation.

9 (d) The central credit union may make loans to credit unions and
10 purchase shares of and make deposits in credit unions. It may invest in
11 and grant loans to associations of credit unions, central funds of
12 credit unions or organizations chartered to provide exclusive service to
13 credit unions, and may borrow money from any source, not to exceed the
14 amount of its unimpaired capital and surplus, and may issue notes or
15 debentures.

16 ARTICLE 2. SUPERVISION AND REGULATION OF CREDIT UNIONS.

17 Sec. 06.45.150. SUPERVISION AND FEES. (a) The commissioner has
18 general supervision of credit unions established under this chapter and
19 may adopt regulations for the administration of this chapter.

20 (b) The commissioner shall prescribe by regulation the minimum
21 amount of surety bond coverage required of a credit union relative to
22 its assets and also may prescribe application fees for credit unions by
23 regulation.

24 (c) The commissioner may by regulation authorize a credit union
25 established under this chapter to exercise a power which a federally
26 chartered credit union may exercise.

27 (d) Investigation expenses incurred by the commissioner in pro-
28 cessing an application of a proposed credit union shall be paid by the
29 applicant in accordance with AS 06.01.010.

1 (e) A credit union examined under AS 06.45.160 shall pay the
2 examination fee established under AS 06.01.010.

3 (f) Failure of a credit union to pay an amount provided in this
4 section within 30 days of receipt of billing from the department is
5 grounds for the revocation of the certificate of authority of the credit
6 union.

7 Sec. 06.45.160. EXAMINATIONS AND REPORTS. (a) The commissioner
8 shall conduct an annual examination and additional examinations he
9 considers necessary of a credit union established under this chapter. A
10 report of the examination shall be forwarded to the board of directors
11 of the credit union within 60 days after completion of the examination.
12 The report shall contain comments on the general condition of the assets
13 and the management of the credit union. A general meeting of the board
14 of directors and committee members shall be called within 30 days after
15 receipt to consider the report, and copies of the report shall be made
16 available by the board of directors to all members of the credit union.
17 Within 60 days of receipt of the report, each member of the board of
18 directors shall furnish the commissioner with a signed statement acknow-
19 ledging the receipt of the report and attesting to his review of and
20 familiarity with its contents.

21 (b) The commissioner has full access to all books, papers, securi-
22 ties, records and other sources of information under the control of a
23 credit union or its officers and employees. The commissioner may sub-
24 poena witnesses, administer oaths, compel the giving of testimony, and
25 require the submission of documents in order to carry out his responsi-
26 bilities under this chapter.

27 (c) The records of the department relating to this chapter are
28 public records. The papers, documents, reports, and reports of examina-
29 tion relating to the supervision and regulation of a credit union by the

1 commissioner under this chapter are not public records and are not open
2 for examination or copying by the public. Reports of examinations made
3 by the commissioner shall be retained for five years.

4 Sec. 06.45.170. REQUIRED DIRECTORS' MEETINGS AND STATEMENTS TO THE
5 DEPARTMENT. (a) When the commissioner considers it desirable, he may
6 require a meeting of the board of directors of a credit union at the
7 time and place he directs. A report of an examination under this chap-
8 ter, conclusions and recommendations drawn from the examination, and
9 other matters concerning the operation and condition of the credit union
10 may be presented to the board of directors.

11 (b) Each member of the board of directors shall furnish to the
12 commissioner a statement that he has read and is familiar with the
13 report, conclusions, and recommendations of the commissioner.

14 Sec. 06.45.180. ANNUAL REPORTS. On or before February 1, a credit
15 union organized under this chapter shall submit an annual report to the
16 commissioner on forms supplied by him for that purpose. A credit union
17 failing to file by February 15 shall be levied a fine of \$10 a day after
18 February 15 until the report is filed.

19 ARTICLE 3. FINANCIAL PRACTICES.

20 Sec. 06.45.190. SHARES. (a) Shares of a credit union may be
21 subscribed to, paid for, and transferred in the manner prescribed in the
22 bylaws.

23 (b) A credit union has a lien on the shares, deposits and accumu-
24 lated dividends or interest of a member in an individual, joint or trust
25 account for a sum due the credit union from the member or for a loan
26 endorsed by him.

27 (c) When losses of a credit union, resulting from a depreciation
28 in value of its loans or investments or otherwise, exceed the undivided
29 earnings and reserve fund of the credit union so that the estimated

1 value of its assets is less than 90 percent of the total amount due the
2 shareholders, the directors shall immediately advise the commissioner.

3 Sec. 06.45.200. MULTIPLE-PARTY ACCOUNTS. A credit union may
4 accept an account in the name of two or more persons although only one
5 or more of the persons may make withdrawals. At least one party to the
6 account must be a member of the credit union. Only the member may vote,
7 obtain loans, or hold office.

8 Sec. 06.45.205. MINORS. An account may be established by a minor.
9 Deposits or withdrawals made by a minor are as valid as though made by a
10 person who has reached the age of majority.

11 Sec. 06.45.210. INACTIVE ACCOUNTS. (a) If a credit union has
12 been unable to contact a member, beneficiary, or other person by first
13 class mail at the last address shown on the records of the credit union
14 for a period of more than seven years, the shares, deposits, accounts,
15 dividends, interest and other sums due to or standing in the name of
16 that person escheat to and become the property of the state under
17 AS 09.50.070 - 09.50.160.

18 (b) This section does not apply to sums in the name of two or more
19 persons unless the credit union is unable to contact any of the persons
20 under this section.

21 Sec. 06.45.220. DIVIDENDS. (a) After provision for operating ex-
22 penses, interest, accrued taxes and the required reserves, the board of
23 directors may, at the end of an accounting period established in regula-
24 tions of the commissioner, declare a dividend to be paid on the classes
25 of shares determined by the board from the remaining net earnings, the
26 dividend shall be at a rate not to exceed the rate established by the
27 National Credit Union Administration. Dividends may be paid at dif-
28 ferent rates on different types of member accounts as authorized by the
29 board of directors.

1 (b) A dividend may not be declared if, after payment of the
2 dividend, known losses of the credit union would exceed the combined
3 balances of the reserve fund and undivided earnings.

4 Sec. 06.45.230. LOANS. (a) A credit union may make un-
5 secured loans, secured loans, and extend lines of credit to its mem-
6 bers, to other credit unions, and to credit union organizations on
7 terms and conditions established by the board of directors. The matu-
8 rity of an unsecured loan may not exceed 10 years and, except as pro-
9 vided in (e) of this section, the maturity of a secured loan may not
10 exceed 15 years.

11 (b) An application for a loan shall be in writing on a form ap-
12 proved by the board of directors. The form shall state the purpose for
13 which the loan is desired and the security, if any, offered and shall
14 contain sufficient financial information about the applicant for an
15 informed judgment to be made. When an endorsement of a note by a guaran-
16 tor is used as security for a loan, financial information about the
17 guarantor shall also be obtained. The adequacy of the security shall be
18 determined by the credit committee or a loan officer.

19 (c) The credit committee or a loan officer may approve in advance,
20 upon its own motion or upon application by a member, a line of credit,
21 and loan advances may be granted to the member within the limit of the
22 line of credit. A loan advance may not be approved if the member is
23 more than 90 days delinquent in obligations to the credit union.

24 (d) Each loan or line of credit shall be evidenced by a written
25 agreement and disclosure of terms.

26 (e) A credit union may make real estate loans under the following
27 conditions:

28 (1) A residential real estate loan made to finance a one-to-
29 four family dwelling, for the residence of a credit union member, may

1 have a maturity in excess of the maturity limit prescribed in (a) of
2 this section but not to exceed 30 years, if

3 (A) the loan is secured by a first lien on the real
4 property in favor of the credit union;

5 (B) the loan does not exceed 80 percent of the value of
6 the real property determined by an independent qualified appraiser,
7 except that

8 (i) the loan amount of an insured or guaranteed
9 loan may equal the maximum percentage of the value of the real
10 property acceptable to the insuring or guaranteeing agency;

11 (ii) the loan amount may equal up to 95 percent of
12 the value of the real property if mortgage insurance on the
13 real property is obtained from a private mortgage insurance
14 company and the insurance covers the amount of the loan in
15 excess of 75 percent of the value of the real property and
16 remains in force until the mortgage loan is reduced to 80
17 percent of the value of the real property; and

18 (C) the loan is consistent with regulations adopted by
19 the commissioner.

20 (2) The total dollar amount of real estate loans outstanding
21 may not exceed 25 percent of the assets of the credit union without
22 prior written consent of the commissioner.

23 (3) A credit union with assets of less than \$3,000,000 may
24 make real estate loans only with the prior written consent of the com-
25 missioner.

26 (4) The requirements of this subsection do not apply to real
27 estate loans with maturities of 15 years or less.

28 (f) The maximum interest rate for loans is governed by AS 45.45.-
29 010(b). A borrower may repay his loan on any business day, in whole or

1 in part, before maturity, without penalty.

2 (g) A loan or line of credit may not be made to a member if, upon
3 the making of that loan or line of credit, the member would be indebted
4 to the credit union for loans made to him in an aggregate amount which
5 exceeds 10 percent of the credit union's paid-in and unimpaired capital
6 and surplus.

7 (h) A credit union may make loans to its own directors or to
8 members of its supervisory committee or its credit committee. The board
9 of directors must approve the part of a loan which exceeds \$5,000 plus
10 pledged shares for which a director or committee member is maker or
11 guarantor.

12 (i) A credit union may participate with other credit unions,
13 corporations, financial institutions, trusts, agencies of the federal
14 government, or political subdivisions of the state government in making
15 loans to credit union members.

16 (j) A credit union may participate in insured or guaranteed loan
17 programs of the federal and state governments.

18 Sec. 06.45.240. ACQUISITION OF PROPERTY TO SATISFY OR PROTECT
19 PREVIOUS LOAN. A credit union may take property of any kind to satisfy
20 or protect a loan previously made in good faith and in the ordinary
21 course of business. The property shall be entered on the books at cost
22 or fair market value, whichever is less. Property acquired to satisfy
23 or protect previous loans shall be disposed of over a period of time as
24 the commissioner may prescribe by regulation.

25 Sec. 06.45.250. INVESTMENT IN REAL ESTATE AND CREDIT UNION PRE-
26 MISES. (a) A credit union may purchase, hold, or lease property for
27 the following purposes only:

28 (1) real property necessary for the transaction of its busi-
29 ness; and

1 (2) the satisfaction of debts owed to it.

2 (b) The book asset value of purchases or investments under (a)(1)
3 of this section may not exceed 60 percent of the sum of the paid-in and
4 unimpaired capital and surplus of the credit union.

5 Sec. 06.45.260. DISPOSITION OF PROPERTY NOT NEEDED IN THE CONDUCT
6 OF A CREDIT UNION BUSINESS. The real and personal property not neces-
7 sary to the transaction of business as a credit union which comes into
8 the possession of a credit union shall be disposed of promptly under
9 regulations of the commissioner. If the property is not sold within the
10 time limit established by regulation, it shall be written off and not
11 carried as an asset of the credit union.

12 Sec. 06.45.270. INSURANCE. (a) A credit union may purchase in-
13 surance on the lives of its members in an amount equal to their respec-
14 tive shares, deposits and loan balances and may enter into cooperative
15 marketing arrangements for its members covering group life insurance,
16 temporary disability coverage, health and accident plans and other
17 programs which may improve the economic and social conditions of mem-
18 bers.

19 (b) A credit union established under this chapter or a credit
20 union in operation at the time of issuance of a certificate of authority
21 under this chapter must obtain share insurance coverage from the
22 National Credit Union Administration. The commissioner shall make
23 available reports of condition and examination reports to the adminis-
24 trator of the National Credit Union Administration and may accept a
25 report of examination made on behalf of the administrator.

26 (c) A credit union that does not obtain share insurance coverage
27 required under (b) of this section shall be liquidated by the commis-
28 sioner in accordance with AS 06.45.340.

29 Sec. 06.45.280. INVESTMENTS. Money of a credit union not used in

1 making loans to members may be invested in

2 (1) securities, obligations, participations, or other instru-
3 ments issued by or fully guaranteed as to principal and interest by the
4 federal government or one of its agencies;

5 (2) obligations of the State of Alaska and its political
6 subdivisions but not more than 15 percent of the amount of paid-in and
7 unimpaired capital and surplus of the credit union may be invested in a
8 single issue of revenue obligations;

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

12 (4) loans to or shares or deposits of other credit unions
13 that do not exceed in the aggregate 10 percent of the paid-in and unim-
14 paired capital and surplus of the credit union;

15 (5) the capital shares, obligations, or preferred stock of a
16 corporation or association whose members, stockholders, or patrons are
17 limited to credit unions or their members and which is organized to
18 service or assist credit unions in accomplishing their purposes;

19 (6) deposits in the U. S. Central Credit Union;

20 (7) loans to a federal or state credit union association or
21 corporation of which the credit union is a member; however, the in-
22 vestments shall be limited to two percent of the paid-in and unimpaired
23 capital and surplus of the credit union;

24 (8) stock in a corporation formed to own a building in which
25 the credit union is located.

26 Sec. 06.45.290. RESERVE ALLOCATIONS. (a) At the end of each
27 accounting period, the gross income of a credit union shall be deter-
28 mined. Reserve allocations shall be made according to the following
29 rules:

1 (1) A credit union in operation for more than four years and
2 having assets of \$500,000 or more shall set aside

3 (A) 10 percent of gross income until the regular reserve
4 equals four percent of the total of outstanding loans and risk
5 assets; then

6 (B) five percent of gross income until the regular re-
7 serve equals six percent of the total of outstanding loans and risk
8 assets.

9 (2) A credit union in operation less than four years or
10 having assets of less than \$500,000 shall set aside

11 (A) 10 percent of gross income until the regular reserve
12 equals seven and one-half percent of the total of outstanding loans
13 and risk assets; then

14 (B) five percent of gross income until the regular re-
15 serve equals 10 percent of the total of outstanding loans and risk
16 assets.

17 (3) When the regular reserve falls below the stated percent
18 of the total of outstanding loans and risk assets, it shall be replen-
19 ished by regular contributions in amounts as may be needed to maintain
20 the stated reserve goals.

21 (b) In addition to the regular reserve, special reserves shall be
22 established to protect the interests of the members when required by
23 regulation or when determined by the commissioner to be necessary.

24 (c) For the purpose of establishing the reserves required by this
25 section, all assets are risk assets except the following:

26 (1) cash on hand;

27 (2) deposits or shares in financial institutions insured by
28 the Federal Deposit Insurance Corporation, the Federal Savings and Loan
29 Insurance Corporation, or the National Credit Union Administration;

- 1 (3) loans to other credit unions in the state;
- 2 (4) assets which are insured by, fully guaranteed as to
- 3 principal and interest, or due from the federal government, its agen-
- 4 cies, the Federal National Mortgage Association, or the Government
- 5 National Mortgage Association;
- 6 (5) buildings and land owned by the credit union;
- 7 (6) loans to students insured under the provisions of Title
- 8 IV, part B of the Higher Education Act of 1965 (20 U.S.C. 1071 et. seq.
- 9 or similar state insurance programs which are not in default;
- 10 (7) the insured portion of loans insured under Title I of the
- 11 National Housing Act (12 U.S.C. 1703) by the Federal Housing Adminis-
- 12 tration;
- 13 (8) the insured portion of common trust investments in govern-
- 14 ment securities authorized by this chapter if the credit union is the
- 15 direct beneficiary of the guarantee or insurance; or
- 16 (9) accrued interest on nonrisk investments approved by the
- 17 commissioner.

18 Sec. 06.45.300. CHARGING OFF OR SETTING UP RESERVES AGAINST BAD

19 DEBTS. The commissioner may require a credit union to establish a

20 reserve for and charge off the whole or part of an asset which has not

21 been lawfully acquired, reduce the value of an asset on its books to its

22 market value, charge off on its books that portion of an asset classi-

23 fied as a loss in a report of examination, or charge off on its books

24 debts owed to the credit union in which interest due has been unpaid for

25 a period of six months unless the debt principal is adequately secured

26 and the credit union is in the process of collection.

27 ARTICLE 4. MERGER, CONVERSION AND LIQUIDATION.

28 Sec. 06.45.310. MERGER. (a) A credit union may, with the ap-

29 proval of the commissioner and the payment of fees established by regula-

1 tion, merge with another credit union under the certificate of authority
2 of the other credit union, under a plan agreed upon by a majority of the
3 board of directors of each credit union joining in the merger, and
4 approved by the affirmative vote of a majority of the members of each
5 credit union present at meetings of the members legally called for this
6 purpose.

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

16 (c) The certificate of merger shall be forwarded to the commis-
17 sioner and he shall approve or disapprove the plan of merger and give
18 notice of his determination to the boards of directors of the credit
19 unions.

20 (d) The commissioner shall consider the prospects for financial
21 success of the surviving credit union and its ability to discharge the
22 duties and to conform to the restrictions imposed on a credit union
23 before approving or disapproving a merger.

24 (e) On approval of the certificate of merger by the commissioner,
25 the property rights and interest of the merging credit unions vest in
26 the surviving credit union.

27 Sec. 06.45.320. CONVERSION OF CERTIFICATE. A credit union estab-
28 lished under the laws of this state may convert to a credit union under
29 the laws of another state or of the United States. A credit union

1 established under the laws of the United States or another state may
2 convert to a credit union established under the laws of this state. To
3 achieve a conversion, a credit union must comply with the requirements
4 of law applicable to each credit union and file proof of compliance with
5 the commissioner. A credit union chartered under this chapter which
6 proposes to convert its charter to another jurisdiction must, in addi-
7 tion to the other requirements of this section, have the proposed con-
8 version approved by a majority of its members.

9 Sec. 06.45.330. SUSPENSION. (a) If the commissioner has grounds
10 to believe that a credit union is insolvent or has wilfully violated the
11 provisions of this chapter or is operating in an unsafe or unsound
12 manner, the commissioner may issue an order under AS 06.01.030(a) and
13 take possession of the credit union and its assets and suspend its
14 operations. The board of directors shall be given notice of the suspen-
15 sion. The notice shall include a list of the grounds for the suspension
16 and a list of the specific violations of this chapter.

17 (b) If, after a hearing under AS 06.01.030(a), at which the credit
18 union may submit a plan to continue operations, the commissioner deter-
19 mines that one or more of the grounds for suspension listed in (a) of
20 this section has occurred and that the interests of the members of the
21 credit union are in jeopardy, the commissioner may issue a permanent
22 order directing the credit union to cease the activity causing the
23 condition or may revoke the certificate of authority of the credit
24 union, appoint a liquidating agent, and liquidate the credit union in
25 accordance with AS 06.45.340.

26 Sec. 06.45.340. DISSOLUTION AND LIQUIDATION. (a) At a meeting
27 called by the commissioner, a majority of the membership of the credit
28 union may vote to dissolve the credit union. A member not present at
29 the meeting may, within 90 days of the meeting, vote to dissolve the

1 credit union by signing a form approved by the commissioner. The credit
2 union, on the affirmative vote of the members to dissolve the credit
3 union, shall proceed with voluntary liquidation.

4 (b) If the commissioner rejects the credit union's plan to con-
5 tinue operations, submitted under AS 06.45.330(b), he may issue a notice
6 of involuntary liquidation and appoint a liquidating agent. The credit
7 union may appeal the decision of the commissioner to the superior court.

8 (c) A liquidating credit union continues in existence for the
9 purpose of discharging its debts, collecting and distributing its as-
10 sets, and doing the acts required to wind up its business. The board of
11 directors or the liquidating agent shall use the assets of the credit
12 union to pay, in the following order,

13 (1) expenses incidental to the liquidation;

14 (2) trust accounts;

15 (3) liabilities due nonmembers;

16 (4) deposits and special purpose thrift accounts;

17 (5) a distribution to the members proportionate to the shares
18 held on the date liquidation was ordered.

19 (d) When the board of directors or the liquidating agent deter-
20 mines that the assets of the credit union have been liquidated and
21 distributed under this section, a certificate of dissolution on a form
22 prescribed by the commissioner shall be executed and filed with the
23 office of the recorder in the recording district in which the credit
24 union has its principal place of business. After recording, the certi-
25 ficate shall be filed with the commissioner and the credit union is
26 dissolved.

27 (e) If a credit union is liquidated because of bankruptcy or
28 insolvency, the commissioner may appoint the National Credit Union
29 Administration as the liquidating agent.

1 ARTICLE 5. PROHIBITED PRACTICES AND SANCTIONS.

2 Sec. 06.45.350. UNAUTHORIZED CONDUCT OF CREDIT UNION BUSINESS. It
3 is a class A misdemeanor for a natural person to conduct business under
4 a name or title which contains the words "credit union" or a derivation
5 of them or to represent himself as conducting business as a credit
6 union.

7 Sec. 06.45.360. TRANSFER OF CREDIT UNION'S PROPERTY TO PREFERRED
8 CREDITOR IS VOID. The transfer of property, money, or assets by a
9 credit union after it becomes insolvent under this chapter, to prefer
10 one creditor over another, or to prevent the equal distribution of its
11 property and assets among its creditors is void.

12 Sec. 06.45.370. UNLAWFUL DECEIT OF COMMISSIONER OR EXAMINERS. A
13 person is guilty of a class C felony who, with intent to deceive the
14 commissioner or a person authorized to examine the affairs of a credit
15 union, wilfully and knowingly,

16 (1) makes or causes to be made a false statement;

17 (2) enters a false figure, statement, or entry in the books
18 of a credit union; or

19 (3) makes or circulates a false report or statement about the
20 condition of a credit union in the state.

21 Sec. 06.45.380. RECEIPT OF DEPOSITS WHILE INSOLVENT. A director,
22 officer, or employee of a credit union who fraudulently receives a
23 deposit, knowing that the credit union is insolvent, is guilty of a
24 class A felony.

25 Sec. 06.45.390. PENALTY. A person who knowingly violates a provi-
26 sion of this chapter for which no specific penalty is provided is guilty
27 of a class A misdemeanor.

28 ARTICLE 6. GENERAL PROVISIONS.

29 Sec. 06.45.400. FISCAL YEAR. The fiscal year of a credit union

1 organized under this chapter is the calendar year.

2 Sec. 06.45.410. RECORDS. (a) Records of a credit union organized
3 under this chapter shall be kept for a period of six years from the date
4 of their making or of their last entry.

5 (b) A credit union is not required to receipt for payment except
6 as provided in the bylaws. A credit union is not required to endorse a
7 note showing date of payments or balance due.

8 Sec. 06.45.420. LIABILITY OF MEMBERS, DIRECTORS, OFFICERS AND
9 EMPLOYEES. (a) The members of a credit union are not personally or
10 individually liable for the debts of the credit union.

11 (b) A director, officer or employee of a credit union who know-
12 ingly approves or permits the money of the credit union to be invested
13 or loaned in a negligent, careless or dishonest manner is personally
14 liable for damages which the credit union, its members, depositors, or
15 others suffer from his action.

16 Sec. 06.45.430. BRANCH OFFICE FACILITIES. (a) With the approval
17 of the commissioner, a credit union may establish a branch office. The
18 commissioner may by regulation establish the requirements for an appli-
19 cation and an appropriate application fee.

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

22 (1) the proposal is economically feasible;
23 (2) the name of the branch office is not deceptively similar
24 to another credit union doing business in the state;

25 (3) any conditions imposed by the commissioner for granting
26 the application have been fulfilled.

27 (c) A credit union may share office space with other credit unions
28 and may contract for facilities or personnel.

29 Sec. 06.45.440. TAXATION. A credit union organized under this

1 chapter or other credit union law and its accounts are exempt from all
2 taxation levied by the state or a political subdivision of the state
3 except that real property and tangible personal property owned by a
4 credit union is subject to taxation to the same extent that similar
5 property is taxed. Nothing in this chapter prevents holdings in a
6 credit union established under this chapter from being included in the
7 valuation of the personal property of the holders for purposes of taxes
8 imposed by the state or a political subdivision of the state.

9 Sec. 06.45.450. APPLICABILITY OF AS 45.05. When a credit union
10 engages in activities regulated under AS 45.05, it is considered to be a
11 bank and shall be governed by AS 45.05.

12 Sec. 06.45.460. ADMINISTRATIVE PROCEDURE ACT. Regulations under
13 this chapter shall be adopted under the Administrative Procedure Act
14 (AS 44.62).

15 Sec. 06.45.470. DEFINITIONS. In this chapter, unless the context
16 otherwise requires,

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

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

21 (3) "deposit account" means a member equity account in which
22 the board of directors may vary the rates, maturities, minimums or other
23 conditions of ownership;

24 (4) "share account" means a member account that earns divi-
25 dends from undivided earnings at a rate determined by the board of
26 directors at the close of a stated accounting period;

27 (5) "share certificate account" means an account that earns a
28 predeclared rate of return when held to maturity and that has a prior
29 claim on credit union assets;

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(6) "special purpose thrift account" means Christmas clubs, vacation clubs, and other similar thrift accounts.