

HB

452

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS

JAY S. HAMMOND, GOVERNOR

*Wednesday
night*

POUCH D
JUNEAU, ALASKA 99811

February 11, 1980

Honorable Charles Parr
Chairman, House Judiciary Committee
Pouch V
Juneau, Alaska 99811

Dear Mr. Parr:

Re: Proposed CS HB 452, The Credit Union Bill

This letter is in response to your request for me to submit detailed comments on the proposed committee substitute introduced by Representative Joe McKinnon to HB 452, a bill which provides for state-chartered credit unions.

As you know, Representative McKinnon stated that the proposed committee substitute ("proposed bill") uses the federal credit union act as a guide in setting out the powers of state-chartered credit unions. In addition, the proposed bill incorporates a number of the features recommended by the division in hearings on previous versions of state-chartered credit union enabling legislation.

My comments are set out below and keyed to the sections of the proposed bill.

Sec. 06.45.010 - 06.45.030. No objections or comment.

could be accomplished by regs. > Sec. 06.45.040. I suggest that the prohibition should be against using a name that is "deceptively similar or the same as" the name of an existing credit union.

Sec. 06.45.050 - 06.45.060. No objections or other comments.

Sec. 06.45.070. Paragraph (8) of this section refers to AS 06.45.276, ^{OK INCS} but that section is not included in my copy of the proposed bill.

Paragraph (9), (17) and (18) appear to go beyond the provisions of the Federal Credit Union Act. In particular with regard to (18) the provisions for full trust powers under AS 06.25 go beyond the federal act. The provisions for "Keogh" and "Ira" plans (P.L. 89-809 and 93-406) are allowed for federal credit unions. The provisions of paragraph (21) are often contained in the bylaws of a federal credit union. ^{#18 not in CS}

#9017 - claims beyond Fed. Credit Union Act.

Sec. 06.45.080. No objections or other comment.

Sec. 06.45.090. In (d)(5) of the section, the reference to AS 06.40.290 should be changed to AS 06.45.280 using the numbering system of the proposed bill.

No longer in CS.

Sec. 06.45.100 - 06.45.125. No objections or other comments.

Sec. 06.45.130. The reference to AS 06.45.150 in (e) of the section should be changed to AS 06.45.140 under the numbering system of the proposed bill.

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Sec. 06.45.140 - 06.45.160. No objections or other comments.

Sec. 06.45.170. In (a)(4) of the section, the reference to AS 06.45.330 should be changed to AS 06.45.130 - 06.45.140 under the numbering system of the proposed bill.

OK in CS

Sec. 06.45.180. No objections or other comments.

Sec. 06.45.190. Missing from my copy of the proposed bill.

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Sec. 06.45.200. No objection or other comment.

Sec. 06.45.200. This section number is redundant with respect to the previous section. No other objection or comment.

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Sec. 06.45.210 - 06.45.240. Missing from my copy of the proposed bill.

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Sec. 06.45.250. No objections or other comment.

Sec. 06.45.220. This section number is out of sequence. No other objections or comments.

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Sec. 06.45.230 - 06.45.270. No objections or other comment.

*? **

Sec. 06.45.280. It appears that the provisions of paragraph (5) go beyond the federal act.

Sec. 06.45.290 - 06.45.320. No objections or other comments.

Sec. 06.45.330. The reference to AS 06.45.360 in (b) of the section should be changed to AS 06.45.340 under the numbering system of the proposed bill. No other objections or other comments.

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Sec. 06.45.340 - 06.45.470. No objections or other comments.

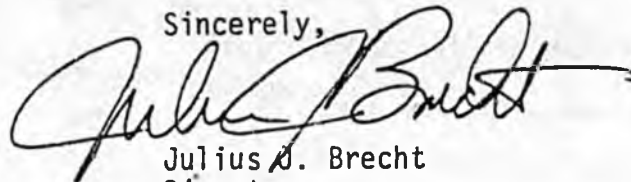
February 11, 1980

Sec. 06.45.480. The definition of "commissioner" should be changed to "'commissioner' means the commissioner of commerce and economic development or his designee;" *This IS NOT IN the CS*

In summary, the proposed bill contains a number of provisions which the division has recommended for inclusion in previous drafts of credit union legislation. The bill has many similarities to the credit union bill presently before the Senate Commerce Committee (proposed CSSB 225) although the organization of the two bills is quite different in that the proposed CS HB 452 follows the format of a bill that has been in the Legislature in one form or another since 1976 and proposed CSSB 225 follows the outline of the Federal Credit Union Act. It is my understanding that a concensus has been reached by the various interests in credit union legislation on the proposed CSSB 225 and that action is to be taken shortly by the Senate Commerce Committee on that bill.

I would be happy to answer further questions by the committee on the proposed bill as you direct.

Sincerely,



Julius J. Brecht
Director

JJB/s122K

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF BANKING, SECURITIES, SMALL LOANS & CORPORATIONS

POUCH D
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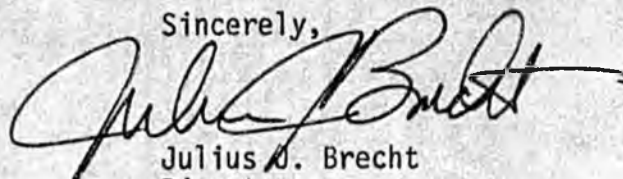
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Sincerely,



Julius D. Brecht
Director

JJB/s122K


MEMORANDUM

TO: Members of the Committee

DATE: January 24, 1980

FILE NO:

TELEPHONE NO:

FROM: Julius J. Brecht,  Director
Division of Banking & Securities
Department of Commerce and
Economic Development

SUBJECT: Comments on Proposed
Substitute for SB 225,
The Credit Union Bill

This committee has before it a proposed substitute ("new bill") for an earlier revision of CSSB 225 ("old bill"), a bill providing for state-chartered credit unions. The old bill was presented to the committee this past summer and commented on by the division. The draft of the new bill is dated December 14, 1979.

As you know, a great amount of time and effort has been spent on the old bill on both the House side and the Senate side of the Alaska Legislature and by this division. Much of the language of the old bill came from the credit union laws of other states, the CUNA Model Credit Union Act, and the Federal Credit Union Act. During this past summer, the new bill was drafted and presented to this committee, however, I have not had the opportunity until now to offer comment on the provisions of that bill.

My comments on the new bill are as follows. The numbering of the comments corresponds to the numbering of the sections in the new bill.

ARTICLE I. I note that, while there is an Article I, entitled "General Provisions," in the new bill, there are no other article titles in it. Furthermore, I note that the bill intermingles provisions on formation and management of a credit union, supervision and regulation of credit unions by the department, financial practices of credit unions, and conversion and receivership provisions. In this respect the outline used in the old bill would be preferable from a drafting style standpoint and from the standpoint of a user of the proposed credit union act. I am aware that the proposed substitute is based on the Federal Credit Union Act. While I can see no reason to propagate that disorganized drafting style in the Alaska statutes the outline of the new bill is not fatal to the general intent to establish a state-chartered credit union system in Alaska. I shall, therefore, confine the bulk of my further comments to the substance of the bill and not the general outline of it.

Sec. 06.45.010. RESPONSIBILITY OF DEPARTMENT. In (a) of this section, the reference to the "Department of Commerce and Economic Development" should be replaced by "department," and "department" should be appropriately defined in the definition section at the end of the bill (Sec. 06.45.300). In (b) of the section, the term "commissioner" is used. That term is defined as the "commissioner of commerce and economic development" in the definition section. I would suggest that the term be defined as "the commissioner of commerce and economic development or his designee." In this way, the provisions of Sec. 06.45.010(c) may be eliminated. Similarly, the phrase "by a person designated" can be eliminated in Sec. 06.45.050 if "commissioner" is so defined.

Sec. 06.45.020. FORMATION OF CREDIT UNION. Throughout this section there is reference to an "organization certificate" and an "association." Both of these terms are foreign to the nomenclature of AS 06. It is my recommendation that "organization certificate" be replaced by "articles of incorporation" in lines 5, 16, 18, 22, and 25 of page 2 of the new bill and anywhere else that it is used in that bill. In addition, the term "association" should be replaced by "credit union" in lines 7, and 14 of page 2 of the new bill.

Sec. 06.45.030. APPROVAL OF ORGANIZATION CERTIFICATE. The title of this section should be changed to "CERTIFICATES OF INCORPORATION AND AUTHORITY" in that the phrases "certificate of incorporation" and "certificate of authority" are those which are generally used in AS 06. The language used in (a) of the section raises a number of questions from an administrative standpoint. I would suggest that the language of the old bill be used in its place, in that it clearly sets out the responsibilities of the incorporators and of the department in the application process, including requiring that the department make a finding of fact that the articles of incorporation and bylaws of the applicant credit union conform to the provisions of the chapter and that the name of the proposed credit union is not deceptively similar to the name of another credit union doing business in the state. The language that I propose to replace Sec. 06.45.030(a) of the new bill is as follows:

"CERTIFICATES OF INCORPORATION AND AUTHORITY. (a) The incorporators shall submit to the commissioner an application to establish a credit union, including the proposed articles of incorporation, bylaws, and required fees. The commissioner shall approve the application if he determines that:

- (1) the articles of incorporation and bylaws conform to the provisions of this chapter and regulations that may be adopted by the commissioner;
- (2) the incorporators and directors of the proposed credit union are of good general character;
- (3) the proposed credit union is economically feasible;
- (4) the name of the proposed credit union is not deceptively similar to the name of any other credit union doing business in the state; and
- (5) any conditions imposed by the department in granting a certificate of incorporation have been fulfilled."

For reasons similar to those expressed regarding Sec. 30(a) of the new bill, I suggest that the language of (b) of that section be replaced by the language of the old bill in that it clearly sets out the responsibilities of the department and the organizers. The language that I propose to replace Sec. 06.45.030(b) of the new bill is as follows:

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

"(c) The department shall issue a certificate of authority to engage in a credit union business to the proposed credit union if the credit union has obtained shares insurance as required under sec. 260 of this chapter and has satisfied other requirements imposed by the department."

Finally, I would suggest that the following be added to Sec. 06.45.030 of the new bill:

"(d) A credit union may not transact credit union business until the department has issued a certificate of authority to the credit union and a credit union must discontinue that business if the department revokes that certificate."

In this way, the act will clearly provide that the organizers may not conduct business as a credit union until final approval has been obtained from the department.

Sec. 06.45.040. OPERATING FEES. This section provides for the assessment of fees based on total assets of a credit union and that those fees are to pay for the administration of the Act. Under AS 06.01.010, all other financial institutions subject to regulation of the department must pay the expenses of the department reasonably incurred in the examination or investigation of those institutions. The proposed assessment of operating fees as set out in Sec. 040 of the new bill would treat credit unions differently from all other financial institutions regulated under AS 06. My recommendation is that the entire Sec. 040 be replaced by the following language:

"EXAMINATION AND INVESTIGATION FEES. (a) Expenses incurred by the department in processing an application for approval of a proposed credit union, a branch of a credit union, or a conversion or merger of a credit union, shall be charged to and paid by the applicant in accordance with AS 06.01.010.

"(b) A credit union examined under AS 06.45.050 shall pay an examination fee as provided in AS 06.01.010.

"(c) Failure of a credit union to pay an amount provided in (b) of this section within 30 days of receipt of billing from the department is grounds for the revocation of the certificate of authority of the credit union."

Sec. 06.45.050. REPORTS AND EXAMINATIONS. As stated in my comments to Sec. 06.45.010, the phrase "by a person designated" in (a) of the section on lines 8 and 9 of page 4 of the new bill should be deleted with the appropriate addition to the definition of commissioner at the end of the bill. Furthermore, provision should be made for the department to share examination reports with the National Credit Union Administration as the insuring agency, and provision should be made for the commissioner to accept an NCUA examination report in place of an independent state examination. I hasten to point out, however, that the state should take full responsibility for the examination of state-chartered credit unions and that the deferral to the federal agency should be used sparingly if at all. In addition, it should be noted that this section is rather brief. It is unclear whether the commissioner would, given the language of this section, have the authority to subpoena witnesses, administer oaths, compel the giving of testimony, and require the submission of documents. There is no provision for an examiner to take an oath that he will honestly and impartially examine and report the condition of credit unions. Finally, the acronym "NCUA" should be used in place of the National Credit Union Administration in that that agency is referred to several times within Secs. 50 and 260. An appropriate definition of NCUA should be added to Sec. 06.45.300. I, therefore, propose the following language for Sec. 50:

"REPORTS AND EXAMINATIONS. (a) A credit union organized, converted or merged into a state-chartered credit union under this chapter is under the supervision of the commissioner, must make an annual financial report to the commissioner, and must make other financial reports required by regulation adopted by the commissioner.

"(b) A credit union is subject to examination by the commissioner. The commissioner shall upon request made available reports of condition and examination reports to NCUA and may accept examination reports made on behalf of NCUA in place of the commissioner's examination report required by this subsection.

"(c) A credit union, its officers and agents are required to give the commissioner full access to all books, papers, securities, records and other sources of information under their control. For purposes of examination, the commissioner has the power to (1) subpoena witnesses, (2) administer oaths, (3) compel the giving of testimony, and (4) require the submission of documents.

"(d) The examiners of the department who examine credit unions shall take an oath that they will honestly and impartially examine and report the condition of credit unions as to assets and liabilities, and that they will report other information as may be required by the department, that they will not disclose the information they obtain through the examination to any person other than the department, and that they are not and will not serve as officers or employees of credit unions conducting business in the state and subject to the regulation of the department while there are examiners."

Sec. 06.45.060. POWERS. Under (a)(5)(A)(i) of this section, the department is to determine the median sales price of single family residential real property in the various geographical areas in the state and to maintain that information so that the credit union may determine a sales price which is not more than 150% of that median sales price. The provisions of this subsection are extremely cumbersome in that they involve the department in making evaluations of the financial marketplace. It is my recommendation that (a)(5)(A)(i) of this section be replaced by the provisions of the old bill which are as follows:

"A credit union may make real estate loans under the following conditions:

- (1) a residential real estate loan to finance a one-to-four family dwelling, for the residence of a credit union member, may have a maturity in excess of 12 years but not to exceed 30 years, if
 - (A) the loan is secured by a first lien on the real property in favor of the credit union;
 - (B) the loan does not exceed 80 percent of the value of the real property determined by an independent qualified appraiser, except that
 - (i) the loan amount of an insured or guaranteed loan may equal the maximum percentage of the value of the real property acceptable to the insuring or guaranteeing agency;

- (ii) the loan amount may equal up to 95 percent of the value of the real property if mortgage insurance on the real property is obtained from a private mortgage insurance company, and that insurance covers the amount of the loan in excess of 75 percent of the value of the real property and remains in force until the mortgage is reduced to 80 percent of the value of the real property; and
 - (C) the loan is consistent with regulations that may be adopted by the commissioner.
- (2) The total dollar amount of real estate loans outstanding may not exceed 25 percent of the assets of the credit union without prior written consent to the commissioner. However, this limitation does not include real estate loans with securities not exceeding 12 years.
- (3) A credit union with assets less than \$3 million may make real estate loans only with prior written consent of the commissioner."

I also note under (a)(5)(A)(ii) of this section which deals with mobile home loans that there is no provision for an aggregate dollar limit based on assets of the credit union. I would suggest that the guidelines for residential real estate loans be looked to for mobile home loans as well. That is, I suggest that in line five on page five of the new bill the following language be added after the word "home":

"where the loan conforms to the provisions of (a)(5)(A)(i) of this section and [WHICH]."

I would also note that in line nine of page five of the bill there is reference to a 15-year limitation. This may be a typographical error in that the limitation provided in (a)(5) of this section is 12 years.

Under (a)(5)(A)(vi) of the section, I note that the rate of interest charged on unpaid balances may not exceed 12% per annum. It should be pointed out that under 12 U.S.C. §85 a national bank may charge interest on loans at the rate allowed in the state where the bank is located. This language was enacted in the late 1800's and has been interpreted to mean that a national bank may charge the highest rate available notwithstanding any restrictions imposed on state-chartered banks in the state. Therefore, if the usury ceiling set out in AS 45.45.010(b) were to slip below 12 percent at some time in the future, state-chartered banks, savings and loan associations, mortgage companies, and all other persons in the state would be subject to the usury ceiling while national banks could charge the higher rate of 12 percent. If those circumstances should occur, I would then recommend that the legislature reconsider the 12 percent ceiling.

I note in (a)(5)(D) and (E) of Sec. 60 that the phrase "credit union associations" is used and is defined in Sec. 06.45.300(3). The phrase is somewhat broad and may need further clarification.

I note in (a)(6) of Sec. 60 on line 6 of page 7 of the new bill that a credit union is authorized to "receive from its members and from others payments on shares...." [Emphasis added] The term "others" needs to be defined or eliminated.

Under (a)(7)(G) of Sec. 60 there is provision for investment in the shares or deposits of a "central credit union." It should be noted that this bill does not provide for a central credit union in Alaska, and therefore the provisions of (G) will favor investment out of the state.

Sec. 06.45.100. COMPENSATION. I recommend that as a matter of clarification, the second sentence of this section be changed to the following:

"Reasonable health, accident, and similar insurance protection are not considered compensation for purposes of this chapter."

Sec. 06.45.120. BOARD OF DIRECTORS. Under (b) of this section there is listed a number of actions which the board of directors must take or address. I suggest that, in addition to those listed, the following language be added:

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

In this way a board will have the flexibility to address other matters which it should consider in setting policy of its credit union.

In addition, I question the advisability of including paragraph (b)(8) of Sec. 120 requiring the board to set the compensation for officers and employees. That is, the board is responsible for hiring a general manager who in turn is responsible for hiring and compensating other officers and employees of the credit union.

Sec. 06.45.220. RECEIVERSHIP. This section deals with suspension and receivership. The term "receivership" is used in this section, however, it is foreign to the liquidation and dissolution of a credit union. I recommend that the following two sections paraphrased from the old bill replace Sec. 220:

Sec. 06.45.220. SUSPENSION. (a) If it appears that a credit union is insolvent, or has wilfully violated the provisions of this chapter, or is operating in an unsafe or unsound manner, the commissioner may issue an order as provided in AS 06.01.030(a) taking possession of the credit union and temporarily suspending the operations of the credit union. The board of directors shall be given notice of the suspension, and the notice shall include a list of the reasons for the suspension and a list of the specific violations of this chapter.

"(b) If after a hearing under AS 06.01.030(a), at which the credit union may submit a plan to continue operations, the commissioner determines that one or more of the conditions listed in (a) of this section have occurred or are occurring, the commissioner may issue a permanent order to cease the activity causing the conditions or may revoke the certificate of authority of the credit union, appoint a liquidating agent and liquidate or cause the liquidation of the credit union in accordance with AS 06.45.225.

"(c) The department shall set out further procedures for the suspension of a credit union.

"Sec. 06.45.225. DISSOLUTION AND LIQUIDATION. At a meeting called to consider the matter, a majority of the membership of a credit union may dissolve the credit union, provided notice of the meeting and the proposed action was mailed to the members of the credit union and the commissioner at least 30 days before the meeting. The procedure for the dissolution and liquidation of a credit union shall be set out by the commissioner by regulation."

Sec. 06.45.250. CONVERSIONS. This section provides for conversion of a federal credit union to state-charter and visa versa. However, it does not provide for the department to conduct an investigation of an application for conversion, nor does it specify that the converting federal credit union pay the reasonable costs incurred by the department in investigating the conversion application. I recommend that the following language be added after the word "chapter" at the end of (a) of the section:

"[.]; provided that the credit union submits to the commissioner an application to convert, the commissioner conducts an investigation of the proposed conversion and approves it."

Sec. 06.45.260. INSURANCE OF MEMBER ACCOUNTS. This section makes the obtaining of insurance of accounts discretionary on the part of the credit union. Such a provision may lead to very serious consequences, if the credit union should choose not to obtain insurance either through the NCUA or some alternative insurer. Considerable testimony has been taken on this question before the Senate Commerce Committee this past summer. It is my recommendation that insurance of accounts through NCUA be mandatory with no alternatives at this time. The issue of alternative insurance is a complex one that needs careful review and can be raised at a subsequent legislative session after appropriate research has been conducted. I, therefore, recommend the following language to replace Section 260:

"SHARE INSURANCE. (a) All credit unions chartered under this chapter, or credit unions in operation at the time of issuance of a certificate of authority under this chapter must submit evidence of share insurance coverage from NCUA. If a credit union is closed because of insolvency, the commissioner may appoint the NCUA as the liquidating agent.

"(b) Credit unions that do not maintain share insurance coverage as specified in this section, shall be liquidated by the commissioner or his designee in accordance with AS 06.45.225."

Sec. 06.45.300. DEFINITIONS. Under (1) of this section the term "commissioner" is defined as "the commissioner of commerce and economic development." I recommend that this definition include "or his designee." In this way, the proposed act will use the same nomenclature as is found in other acts under AS 06.

In addition, I recommend that "NCUA" be defined as the National Credit Union Administration for reasons stated in my discussion of Sec. 06.45.050.

In addition to the above comments, I find that the new bill is silent on a number of issues that were addressed in the old bill. For example, there are no provisions spelling out the procedures for merger of credit unions, conflict of interest of directors, branching, departmental authority to require directors meetings, unauthorized conduct of credit union business, transfer of credit union property to preferred creditors, deception of the department or its employees by a credit union or representative of a credit union, false reporting to the department, receipt of deposits by a credit union while insolvent, liability of members, directors, officers and employees, and other penalties. I, therefore, recommend the following additions be made to the new bill at the general locations indicated by the proposed section numbers so as to provide for prudent regulation of credit unions:

"Sec. 06.45.125. CONFLICT OF INTEREST. (a) A director, committee member, officer, agent or employee of the credit union may not, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his pecuniary interest or the pecuniary interest of a corporation, partnership or association, other than the credit union in which he is directly or indirectly interested.

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

"Sec. 06.45.255. MERGER. A credit union, with the approval of the commissioner after conducting an investigation and after the payment of a fee by the credit union in accordance with AS 06.01.010, may merge with another credit union under the charter or existing certificate of authority of that other credit union and under a plan agreed upon by a majority of the boards of directors of each merging credit union and approved by the affirmative vote of at

least a majority of the members of each credit union present at the meeting legally called to approve the plan. A merging credit union shall call a meeting to approve the plan. The commissioner shall, by regulation, set out the procedure for mergers of credit unions.

"Sec. 06.45.256. BRANCH OFFICE FACILITIES. (a) With the written approval of the commissioner, a credit union may establish a branch office at a location other than at its main office. The commissioner may, by regulation, establish the content of the application for a branch office. The cost of the investigation incurred by the department shall be paid by the applicant in accordance with AS 06.01.010.

"(b) The commissioner shall approval an application by a credit union under (a) of this section and issue a certifcate of authority if he determines that

- (1) the branch office proposal is economically feasible;
 - (2) the name of the branch office is not deceptively similar to another credit union doing business in the state;
 - (3) the requirements of this chapter have been satisfied;
- and

(4) any conditions imposed by the department have been fulfilled or agreed to.

"(c) A credit union may not conduct a credit union business through a branch until the department has issued a certificate of authority to the credit union and a credit union must discontinue that business through the branch if the department revokes that certificate.

"Sec. 06.45.271. REQUIRED DIRECTORS' MEETINGS AND STATEMENTS TO THE DEPARTMENT. When the department considers it necessary, it may require a meeting of the board of directors of a credit union to be held in the manner and at the time and place the department directs. A report of an examination required or allowed by this chapter, the conclusions drawn from the examination by the department, and any other matters concerning the operation and condition of the credit union may be presented to the board of directors by the department. Each member of the board of directors shall furnish to the department a statement that he has read and is familiar with the documents referred to in this section and any recommendations of the department contained in them.

"Sec. 06.45.272. UNAUTHORIZED CONDUCT OF CREDIT UNION BUSINESS.

It is a class A misdemeanor for a person, except corporations formed under the provisions of this chapter or another credit union

law, or an association of credit unions and its chapters, to conduct business under a name or title which contains the word "credit union" or a derivation of them, or to represent himself in his advertising or otherwise as conducting business as a credit union.

"Sec. 06.45.273. TRANSFER OF CREDIT UNION PROPERTY TO PREFERRED CREDITOR IS VOID. The transfer by a credit union of its property, money or assets, after it becomes insolvent in order to prefer one creditor over another, or to prevent the equal distribution of its property and assets among its creditors, is void.

"Sec. 06.45.274. DECEPTION OF THE DEPARTMENT OR ITS EMPLOYEES. A person who knowingly subscribes to, or makes or causes to be made, a false statement, or enters a false figure, or entry in the books of a credit union in the state or who knowingly subscribes, makes or circulates a false report or statement about the condition of a credit union in the state, with intent to deceive the department or a person authorized to examine the affairs of the credit union is guilty of a class C felony.

"Sec. 06.45.275. FALSE REPORT TO DEPARTMENT. A persons who certifies and subscribes a report which is wilfully false in any material effect is guilty of a class A misdemeanor.

"Sec. 06.45.276. RECEIPT OF DEPOSITS WHILE INSOLVENT. A director, officer, or employee of a credit union who fraudulently receives a deposit knowing that the credit union is insolvent is guilty of a class A misdemeanor.

"Sec. 06.45.277. LIABILITY OF MEMBERS, DIRECTORS, OFFICERS AND EMPLOYEES. (a) The members of a credit union are not personally or individually liable for the debts of the credit union.

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

"Sec. 06.45.278. PENALTY. A person who knowingly violates a provision of this chapter for which no specific penalty is provided is guilty of a class A misdemeanor. In case of violation by a corporation, the corporation is punishable by not more than \$5,000."

The above comments are somewhat detailed and lengthy, however, I believe that, if the Legislature is to establish a state-chartered credit union system, these proposed changes will be necessary at a minimum to provide for a viable, sound, and competitive credit union system in the best interests of the Alaskan public.

I would be happy to answer questions regarding the above comments or other questions that members of the committee may have with regard to establishing a state-chartered credit union system in Alaska.

JJB/s126G