

LEG. FINANCE - BILLS 1979 - 1980 1104

HB 448 cont thru HB 452

1104

The committee finds that because of inconsistent application of the psychology licensing requirements contained in the Alaska Statutes, professionals have been denied entry into the profession, or have been held back from entry for inordinate periods of time. Delays in promulgation of regulations, failure to regulate professionals within the field, and a general reluctance to adhere to legal advice provided through the office of the Attorney General, indicates an overall unwillingness on the part of the board to adhere to the public interest. Testimony was received which indicated that many of the internal differences, were the result of longstanding philosophical disputes within the profession, and constitute unnecessary "turf-protection."

Further statutory requirements for licensing of psychological associates are unnecessarily restrictive by requiring two of the three years of acquired experience to be completed in Alaska, and the requirement of one year's continuous residency in Alaska is of dubious value.

The above findings, including adoption of the findings of the Legislative Audit Division report, constitute compliance with AS 44.66.050(c) by this committee in the course of its review.

Many of the other criticisms of the board arise from problems caused by action or inaction by the Division of Occupational Licensing and its employees. The Division is presently attempting to address these problems, and has made some progress. However, further legislative scrutiny of the Division is vital to assure that the licensing process with regard to many professions is adequately carried out, and that investigations of unlicensed practitioners and of improper conduct by practitioners in all professions are effective to serve the public. This is not within the scope of this review, but it should be considered during the "Sunset" review of the public protection portion of the budget during the 1980 legislative session.

The board and the licensing scheme are intended to address the need to assure that competent practitioners are available in sufficient numbers to address the health needs of the residents of the state of Alaska. There are several other boards which have similar objectives with regard to other professions which, like this one, do not usually deal with life-and-death situations in the practice of a highly advanced healing art, as do the boards which regulate the professions of nursing, medicine and surgery, dentistry, and pharmacy. For this reason, the committee is of the view that those boards can be eliminated while still assuring that the licensing scheme functions and that proper discipline is maintained within the profession.

The committee is of the opinion that public policy considerations cannot justify the continued existence of this board. Inherent in a licensing and regulatory scheme for a profession regulated by a board of its peers is a very real human problem. It is very difficult for a person in a profession to be totally objective in regulating entry into that profession which then causes further competition. The board member who is of the highest level of integrity is still subject to these very real human pressures. This is not the fault of any of these seven boards, nor the fault of any one board member of this board: It is inherent in the regulatory scheme. It appears to the committee that admission into the profession can be handled by the Division of Occupational Licensing using available examination materials from national sources and by, when necessary, seeking professional guidance from admitted professionals in Alaska. The proliferation of professional boards under Title 8 has been extensive. Currently, there are twenty-one boards each of which regulates a profession or trade and each of which deals with the Division of Occupational Licensing. Currently, there are pressures to create even more boards. Yet in each situation matters involving professional standards and entrance into an identifiable market for services would be determined largely by participants in that market. This should occur only when there are other public policy considerations which require it, as in the case of the four boards already listed who deal with the most advanced of the healing arts.

Therefore, the House Commerce Committee does not recommend the retention or continuation of the Board of Psychologist and Psychological Associate Examiners but it should also terminate in a manner different from that anticipated by the present language of Alaska's "Sunset" law found in AS 44.66. The Commerce Committee will introduce legislation to provide for termination of the board on January 1, 1981, but still allowing the board to fully function up to that time, allowing admission to the profession, while also cooperating with the Division of Occupational Licensing of the Department of Commerce and Economic Development to facilitate the transfer of the licensing function of this profession to that Division. This will give the board and the Division one entire budget cycle with which to deal with the transfer and will avoid what the Commerce Committee sees as an unfortunate ambiguity in the "Sunset" law about the role of the board during its final year of operation if terminated.


The Commerce Committee anticipates that the Division of Occupational Licensing will regulate admission into the profession using examinations from nationally recognized sources in the profession to the extent possible, and, if necessary, will establish a scheme for utilizing the talents of individual members of the profession in examination and licensing when necessary.

Mr. Bettisworth and Mr. Randolph do not join in the majority of the committee on our report, and have filed a minority report herewith.

Respectfully submitted,



Rep. Fred Brown
Chairman
House Commerce Committee



Rep. Hugh Malone




Rep. Joyce Munson



Rep. Alvin Osterback

I concur in general with the committee report. However, I am concerned that the "Sunset" of this board must not result in simply the transfer from board to bureaucrats, but rather in the elimination of unnecessary regulation and the simplification of remaining regulations. It is imperative that the Division of Occupational Licensing operate with this concern in mind while implementing the "Sunset" recommendations.



Rep. Richard Halford

March 14, 1979

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Fouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Your House Commerce Committee has had under consideration for "Sunset" review the Board of Dispensing Opticians, pursuant to your referral under AS 44.66.050 and AS 08.03.010.

In accordance with the statutory requirements, a public hearing was held on the review of this board, at which written testimony of the Commissioner of the Department of Commerce and Economic Development was received and representatives of the Division of Occupational Licensing of that Department were available for questioning by the committee. Members of the board testified in person or by teleconference. The committee considered the proposed budget of the board for FY 1980, and particularly examined the performance audit of the activities of the board prepared by the Legislative Audit Division.

Guided in part by the report prepared by the Legislative Audit Division, the committee took into consideration the factors required to be considered under AS 44.66.050(c).

Your Commerce Committee thereby makes the following findings:

The board has not operated in the public interest, to the extent that it can justify its continued existence: However, this is not the fault of any present or prior board or board member, but is inherent in the regulatory scheme.

The Commerce Committee generally concurs in the nine findings made by the Division of Legislative Audit in considering the factors required for consideration under AS 44.66.050(c), as they appear on pages 14-16 of the Performance Review of the Board of Dispensing Opticians prepared by the Division of Legislative Audit, dated November 1, 1978, which is hereby incorporated by reference as though fully set out herein. We do note, however, that the board has recently taken action to remedy some of the matters raised as criticisms in these findings.

Generally, the Board of Dispensing Opticians has not adequately enforced the Dispensing Opticians Law, nor has it adopted regulations necessary for the enforcement of existing statutes. Further, in April of 1976 the board adopted a resolution stating that it should not become involved in consumer complaints against opticians.

During the period of consideration the number of licensed opticians currently practicing in the state of Alaska declined, although the concentration of dispensing opticians remained uniformly high in the urban centers of the state.

The above findings, including adoption of the findings of the Legislative Audit Division report, constitute compliance with AS 44.66.050(c) by this committee in the course of its review.

Many of the other criticisms of the board arise from problems caused by action or inaction by the Division of Occupational Licensing and its employees. The Division is presently attempting to address these problems, and has made some progress. However, further legislative scrutiny of the Division is vital to assure that the licensing process with regard to many professions is adequately carried out, and that investigations of unlicensed practitioners and of improper conduct by practitioners in all professions are effective to serve the public. This is not within the scope of this review, but it should be considered during the "Sunset" review of the public protection portion of the budget during the 1980 legislative session.

The board and the licensing scheme are intended to address the need to assure that competent practitioners are available in sufficient numbers to address the health needs of the residents of the state of Alaska. There are several other boards which have similar objectives with regard to other professions which, like this one, do not usually deal with life-and-death situations in the practice of a highly advanced healing art, as do the boards which regulate the professions of nursing, medicine and surgery, dentistry, and pharmacy. For this reason, the committee is of the view that those boards can be eliminated while still assuring that the licensing scheme functions and that proper discipline is maintained within the profession.

March 14, 1979

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Your House Commerce Committee has had under consideration for "Sunset" review the Alaska Transportation Commission, pursuant to your referral under AS 44.66.010 and 44.66.050.

In accordance with the statutory requirements, a public hearing was held on the review of this commission. The hearing extended over a period of three days, during March 1-3, 1979 and included over twenty hours of hearings and deliberations by the committee. During that time, testimony was heard from the Deputy Commissioner of the Department of Commerce and Economic Development representing the Commissioner (in accordance with the statute), from all members of the commission itself, and substantial public testimony from interested individuals and from representatives of the private sector affected by the regulatory scheme, representing all aspects of Alaskan transportation. The last few hours of the March 3 hearing extended into the early hours of March 4 during which members of the committee asked extensive questions of the members of the commission about various matters that came to light during the "Sunset" review. Extensive use was made of the Legislative teleconferencing network, which allowed the participation by witnesses and observers in Fairbanks, Barrow, Nome, Kotzebue, Anchorage, Kodiak, Sitka and Ketchikan. Other stations may have had listeners or observers on the line but did not check in.

The committee considered the proposed budget of the Alaska Transportation Commission for FY 1980, and particularly examined the performance audit of the activities of the commission prepared by the Legislative Audit Division. Representatives of the Audit Division were present at all hearings and participated in the considerations with the committee and followed up inquiries that had begun during the audit.

Guided in part by the report prepared by the Legislative Audit Division, the committee took into consideration the factors required under AS 44.66.050(c).

Your Commerce Committee thereby makes the following findings:

The committee concurs in the nine findings made by the Division of Legislative Audit in considering the factors required under 44.66.050(c), as they appear on pages 23-25 of the Performance Review of the Alaska Transportation Commission prepared by the Division of Legislative Audit, dated October 24, 1978, which are hereby incorporated by reference as though fully set out herein. However, to the extent that the findings stated there refer to report conclusions or recommendations made within the audit, the committee drew some, but not all of the same conclusions, and will make somewhat different recommendations. However, the findings of fact anticipated by 44.66.050(c) contained within pages 23-25 of the audit report, without regard to those recommendations, are justified by our hearings and are reaffirmed by the committee. In fact, the members of the commission indicated that they had no major disagreements with the findings of the Legislative Audit Division.

The Alaska Transportation Commission exists to provide certain protections to the public with regard to the conduct of the transportation industry in the state of Alaska and to assure a viable economic climate for those parties who participate within that industry. The objective or goal is, theoretically, to have a stable and reliable private transportation system, both surface and air, available to Alaskans, with services provided at prices that are not unreasonable according to certain familiar and traditional regulatory standards. There are not any other State programs which have similar, conflicting, or duplicating objectives, in short of arguable deregulation, there appear no alternative methods of achieving the purposes of the program. This excludes consideration of relevant Federal regulation which does impact upon the transportation industry in Alaska. Some Alaskan surface carriers are certificated and regulated by the Interstate Commerce Commission, and some Alaskan air carriers are regulated by the Civil Aeronautics Board. All Alaskan air carriers are subject to the regulations of the Federal Aviation Agency, particularly as to air safety and flying practices.

During our hearings, substantial questions were raised about the need for regulation of certain industries in light of competitive factors which would normally exist and the predominant Federal regulatory scheme, particularly as it relates to air commerce. In light of these considerations, it appears that some reduction in the jurisdiction of the Alaska Transportation Commission is appropriate. This deregulation of certain areas of transportation, tied to a two-year renewal of the Alaska Transportation Commission under the "Sunset" law, will give Alaskans and their public officials an opportunity to compare certain branches of the transportation industry which remain regulated with those which become deregulated under State law. This and only this, in the opinion of the committee, can fully answer the questions raised by the Alaskan "Sunset" law and by the current inquiries into deregulation which are popular on a national level.

The above recommendations and summary comply with the requirements of 44.66.050(d), to the extent that they relate to the Alaska Transportation Commission.

The Committee on Commerce of the Alaska State House of Representatives will soon be introducing a bill which will provide for a limited two-year extension of the life of the Alaska Transportation Commission; accomplish certain reforms in the practices of the Alaska Transportation Commission as recommended by the Division of Legislative Audit in its report and as recommended by some of the witnesses who testified before the committee; provide for partial deregulation of one or more elements of the Alaskan transportation industry; provide for total State deregulation of other elements of the Alaska transportation industry. Consideration will be given to the resources of the commission, possible inclusion of a staff lawyer or law member of the commission, and consideration of the relationship of the Alaska Transportation Commission's regulatory jurisdiction to other relevant State law.

It is hoped that some of the (apparently valid) criticisms of the Alaska Transportation Commission by the Division of Legislative Audit and the witnesses can be addressed if the commission's resources are applied in more limited and concentrated areas of regulation after deregulation of certain activities. This may give the commission an opportunity to demonstrate that it can function in the public interest and that the regulatory scheme is working and is not antiquated or inappropriate.

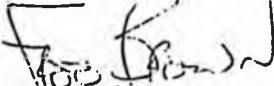
The two-year continuation (rather than the four-year continuation anticipated by the "Sunset" law) is dictated by the questionable nature of the commission's present activities and by the substantial questions about its public justification which were raised in the committee hearings and in the report of the Division of Legislative Audit.

The committee is particularly concerned with the conduct of some of the commissioners, both as related in the report of the Audit Division and as it appeared to the committee during the hearings. The commissioners should remember that, like judges, they must not only be acting properly, they must appear to be acting properly. The confidence of the public should not be lost on the basis of some extraordinary action of a commissioner (whether accepting a free ride from a certificated carrier, or using unusual lobbying practices during "Sunset" review), even if there is available a justification or an adequate explanation. The appearance remains the same and undermines the confidence of the public in the regulatory scheme, to the same extent that it would undermine the confidence of the public in the judiciary if such actions were to be taken by a judge. Admittedly, because of the large economic stakes involved in the regulation of an industry such as the transportation industry in Alaska, the pressures upon the members of the commission are no doubt severe, and their present regulatory load is substantial. However, these pressures should not result in conduct which, even though thoroughly explainable,

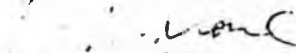
might by its mere appearances call into question the integrity of the commission and of the regulatory scheme. The commission is not a political body under the law: It is a quasi-judicial regulatory agency.

Corresponding legislation will be introduced soon to accomplish the goals of this report.

Respectfully submitted,




Rep. Fred Brown
Chairman
House Commerce Committee



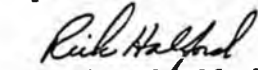
Rep. Hugh Malone



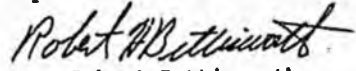
Rep. Joyce Munson



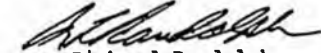
Rep. Alvin Osterback



Rep. Richard Halford



Rep. Robert Bettisworth



Rep. Richard Randolph

Marci. 14, 1979

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mr. Speaker:

Your House Commerce Committee has had under consideration for "Sunset" review the Alcoholic Beverage Control Board, pursuant to your referral under AS 44.66.010 and 44.66.050.

In accordance with the statutory requirements, a public hearing was held on the review of this commission. The hearing extended over a period of three days, during March 7-9, 1979 and included over twelve hours of hearings and deliberations by the committee. During that time, testimony was heard from the Deputy Commissioner of the Department of Commerce and Economic Development representing the Commissioner (in accordance with the statute), from three members of the board and the Executive Director of the board, and public testimony from interested individuals and from representatives of the private sector affected by the regulatory scheme. Extensive use was made of the Legislative teleconferencing network, which allowed the participation by witnesses and observers in Fairbanks, Barrow, Nome, Kotzebue, Anchorage, Kodiak, Sitka and Ketchikan. Other stations may have had listeners or observers on the line but did not check in.

The committee considered the proposed budget of the Alcoholic Beverage Control Board for FY 1980, and particularly examined the performance audit of the activities of the board prepared by the Legislative Audit Division. Representatives of the Audit Division were present at all hearings and participated in the considerations with the committee and followed up inquiries that had begun during the audit.

Guided in part by the report prepared by the Legislative Audit Division, the committee took into consideration the factors required under AS 44.66.050(c).

Your Commerce Committee thereby makes the following findings:

The committee concurs in the nine findings made by the Division of Legislative Audit in considering the factors required under AS 44.66.050(c), as they appear on pages 22-24 of the Performance Review of the Alcoholic Beverage Control Board prepared by the Division of Legislative Audit, dated November 3, 1978, which are hereby

incorporated by reference as though fully set out herein. However, to the extent that the findings stated there refer to report conclusions or recommendations made within the audit, the committee drew some, but not all of the same conclusions, and will make somewhat different recommendations. However, the findings of fact anticipated by AS 44.66.050(c) contained within pages 22-24 of the audit report, without regard to those recommendations, are justified by our hearings and are reaffirmed by the committee.

The Alcoholic Beverage Control Board is intended to provide protections to the public regarding the conduct of the industries involved in the distribution and sale of alcoholic beverages within the state of Alaska, and to assure viable economic climate for those parties who participate within that industry. The objective or goal is, theoretically, to assure that this unique industry which can so easily affect the social and health conditions of any community, does not act contrary to the public interest in carrying on its business. However, the statutes establishing the Alcoholic Beverage Control Board are a historical hodge podge of many different legislative intentions, and there is no unanimity within the State as to what this "public interest" is as it relates to this industry. There are not any other State programs which have similar, conflicting, or duplicating objectives, in short of arguable deregulation. The purposes of the program may be achieved by alternate methods, including the elimination of the board and the streamlining of the procedure.

Also unique to the industry is the manner in which it relates to the wishes of local government entities. Serious question has arisen in the past as to the role of local governments in licensing. Current law requires local governments to make certain recommendations to the Alcoholic Beverage Control Board, but also allows the board to totally ignore those recommendations. In recent years this has not been the practice, but it is still possible under current law.

During our hearings, questions were raised about the advisability of the quota system of licensing and about the enforcement practices (to the extent there are any) under the alcoholic beverage control laws. Also, the members of the committee are quite familiar with the history of the board and the industry in Alaska. The board and its director and staff seem to spend much of their time on economic matters, particularly acting as a collection agency for local government taxing units and for the wholesalers, because of the questions involved in the transfer of a liquor license from a businessman who may have certain unpaid obligations. This is hardly in the public interest, and is not justified even under current law (however impenetrable current Title IV may seem).

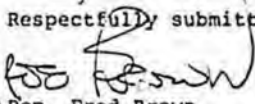
It seems that the board spends much of its time going through merely ministerial actions with regard to applications for licenses or transfers that are not opposed. Those not opposed are nearly always granted. When a licensing matter is contested, frequently it is initially heard by a hearing officer.

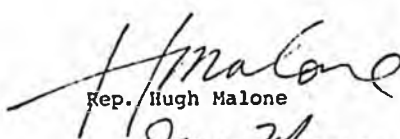
In light of these considerations, and in light of the social and political sensitivity of the issues involved in the regulation of the industry, the committee has concluded that, while the licensing scheme should continue, the board should be eliminated. However, to assure that the practices of the licensing scheme are periodically brought to the attention of the Legislature in harmony with the "Sunset" law, the statutory provisions providing for the quota system (which is the heart of the licensing scheme) should be subject to "Sunset" review even after elimination of the board.

The Committee on Commerce of the Alaska State House of Representatives will soon be introducing a bill to provide for elimination of the Alcoholic Beverage Control Board; addition of a four-year "Sunset" repealer on certain provisions in Title IV that establish the quota system and relate to the quota system; requiring that in most cases, local government findings and recommendations with regard to licensing issues cannot be overturned by the State except in very unusual cases (that is, providing a limited scope of review as to both issues of fact and law); barring the State from participation in collection of debts under the alcoholic beverage licensing scheme, except for obligations owed directly to the State, but providing for notification to creditors, public and private; and incorporating at least some of the revisions of Title IV of the Alaska Statutes which have been proposed by legislative interim committees and by the Alaska Code Revision Commission.

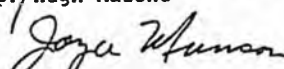
It is hoped that the recommendations of this committee will adequately address some of the criticisms of the alcoholic beverage licensing scheme by the Division of Legislative Audit and by witnesses before this committee as well as matters that have arisen in legislative and Code Revision Commission meetings over the last recent years.

Respectfully submitted,


Rep. Fred Brown
Chairman
House Commerce Committee




Rep. Hugh Malone



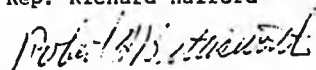
Rep. Joyce Munson



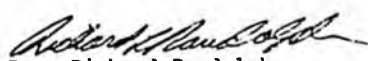
Rep. Alvin Osterback



Rep. Richard Halford



Rep. Robert Bettisworth



Rep. Richard Randolph

ADDENDUM

Honorable Jerry Gardiner
Speaker of the House
Alaska State Legislature

Dear Speaker Gardiner:

During the past one and one half months the House Commerce Committee has been involved in an intensive effort to carry out the purposes of "sunset" review. The hearing requirements of law were observed scrupulously by the chairman and the committee.

During that time, the committee reviewed eleven health care occupational licensing boards and two major quasi-judicial commissions under sunset. In addition, it was essential to review the operation and budgets of the Division of Occupational Licensing in the Department of Commerce and Economic Development.

This process has taken virtually all of the committee's time, to the exclusion of other important items. However, a singular advantage of placing this burden on one committee is allowing that committee to consider the sunset process in its entirety. The committee report recommends some necessary changes in that process.

"Sunset" is a blunt instrument, expressing an either/or idea. The concept must be adapted to the state function under review to be of much use.

The legislature has responsibility for the statutory framework and the first scrutiny must be focused on these laws.

Appropriation of the budget level greatly affects agency activity, and this question should be studied next.

Finally, the legislature has oversight responsibility for executive performance. But in this area, the first duty lies with the governor to see that the administration is efficient and laws are followed.

Sunset review should recognize these things. Also, selection of areas for review based on where legislators think the problems are would make sense.

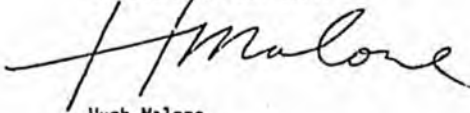
I am recommending to the chairman that the sunset process itself be reviewed. At best, only a very small part of government activity will be subjected to sunset, due to constraints of time and politics. The subjects for review must be chosen carefully if the process is to make any real difference in how government works.

Specifically, the entire system of statutes for occupational licensing should be consolidated, at least in the health area. Ongoing review, within that function, should take place according to standards in law. The minority report is correct I believe, in pointing out the potential of citizen boards. Under current law and practice, this potential is unrealized. Neither, however, are all the existing boards necessary. Realistically, both the public and the private interests in licensing of occupations must be recognized and accommodated in the law, since both interests exist.

The report of the committee, though, is the first step in straightening out problems uncovered. The committee will be introducing legislation to correct these.

As the sunset work proceeds through legislation and budgeting, continuous improvements in this beginning effort will be made.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "H. Malone". The signature is written in dark ink and is positioned above the printed name.

Hugh Malone



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O Smith
Signature of Camera Operator

3/20/90
Date

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

N. D. P
#15

I. REQUEST
Bill/Resolution No. HB-452
Title Act providing for state-chartered Credit Unions
Requested by Senator Bradley Date _____

II. FISCAL DETAIL
Agency Affected Commerce and Economic Development
Program Category Affected Public Protection
BRU, Program, or Subprogram(s) Affected Banking & Securities
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES		120.4	178.7	196.6	216.3	237.9
200 TRAVEL		32.1	32.0	40.0	50.0	62.5
300 CONTRACTUAL		40.9	34.9	37.0	39.2	40.4
400 COMMODITIES		3.0	3.3	3.6	4.0	4.4
500 EQUIPMENT		5.0	7.5	1.5	1.7	1.9
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		201.4	256.4	278.7	311.2	347.2

FUNDING (Thousands of Dollars)

GENERAL FUND		157.9	202.9	222.0	251.1	283.5
FEDERAL FUNDS						
OTHER (Specify Fund Source)		43.5	53.5	56.7	60.1	63.7

SITINGS

FULL TIME		3	4	4	4	4
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This is a revision of the fiscal note prepared for SB 225 in July, 1979. If the bill should have an effective date in FY 80 an immediate startup is desired, supplemental funding would be necessary. The bill provides for the incorporation and regulation of credit unions. In addition, it provides the state-chartered credit unions will pay the cost incurred by the department in conducting examinations application investigations in accordance with AS 06.01.010. The bill requires an examination of each state-chartered credit union. Assuming there are approximately 1 credit unions chartered and doing business in the state and 10 man-days per credit union examination or application and including one-half the time of an administrative assistant to support the examiner would bring the total to \$43,518.

It will be necessary to hire an experienced credit union examiner at the start of the program. This will involve out-of-state hire in order to find a qualified examiner.

IV. DATE 1/29/80 PREPARED BY Julius J. Brecht
AGENCY Banking & Securities
PHONE 465-2521
Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

AMENDMENT #1

P 910

OFFERED IN THE SENATE:

BY: Finance Com.

To: _____ SENATE BILL No. _____

Committee Substitute HOUSE BILL No. 452 (Rules)

PAGE: 18

LINE: 15 through 22

Delete entirely Sec. 06.45.240, Page 18, Lines 15 through 22.

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 7, 1980

SUBJECT: CS for House Bill No. 452 (Rules)
[Work Order No. 8305]

TO: Senator Brad Bradley
Chairman, Senate Commerce Committee

FROM: Richard A. Bradley *B*
Legislative Counsel

I have been requested to do a sectional analysis of the Committee Substitute for House Bill No. 452 (Rules). As you recognize this is identical to the Committee Substitute for Senate Bill No. 225 that I prepared for your committee.

Section 1 of the bill amends AS 06.01.020 to allow the commissioner of commerce and economic development to grant to a state credit union powers that may be granted to a federally chartered credit union. This power is typically granted to the commissioner and he presently possesses such power as to banks, trust companies and savings associations as well as other federally chartered institutions doing business in the state which are subject to identified federal regulatory agencies.

Section 2 establishes the Alaska Credit Union Act by amending AS 06 to add Chapter 45.

The titles of each Section are useful to an understanding of the material in the bill and its location:

Sec. 010	Responsibility of the Commissioner	Page 1
020	Formation of a Credit Union	Page 2
030	Approval of Articles of Incorporation and Issuance of Certificate of Authority	Page 3
040	Fees	Page 4
050	Reports and Examinations	Page 4
060	Powers of a Credit Union	Page 4

070	Membership	Page 10
080	Meetings of Members	Page 11
090	Management of Credit Union	Page 11
100	Compensation	Page 11
110	Executive Officers	Page 12
120	Board of Directors	Page 12
130	Applications for Membership	Page 13
140	Powers and Duties of Credit Committee	Page 14
150	Loan Restriction	Page 14
160	Security	Page 15
170	Powers and Duties of Supervisory Committee	Page 15
180	Reserves	Page 16
190	Dividends	Page 17
200	Expulsion and Withdrawal	Page 17
210	Minors or Trusts	Page 17
220	Suspension [of Credit Union]	Page 17
230	Exemption from Taxation	Page 18
240	Allotment of Space in State Office Buildings	Page 18
250	Conversions	Page 18
260	Insurance of Member Accounts	Page 18
270	Liquidity Facility Participation	Page 19
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290	Merger	Page 19
300	Branch Offices	Page 19
310	Unauthorized Conduct of Credit Union Business	Page 19
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330	Unlawful Deceit of Commissioner or Examiner	Page 20
340	Receipt of Deposits While Insolvent	Page 20
350	Limitations on Credit Union	Page 20
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Section 010. This section deals with the responsibilities of the commissioner. It provides that he shall administer the chapter, that he may adopt regulations for the administration of the chapter, that he may delegate any authority granted by the chapter, and that records of a credit union will be kept under regulations that he adopts.

The section also provides for bonding of credit union officers under procedures approved by the commissioner.

Senator Brad Bradley
Page 3
March 7, 1980

Section 020. This section is a section under which a credit union would be established. It provides the procedures that individuals who wish to form a credit union will use. It also authorizes the commissioner to require other provisions that he considers necessary for the management of the credit union. Bylaws will also be submitted to the commissioner for approval at the time that the articles of incorporation are submitted.

Section 030. Articles of incorporation and bylaws are required to be submitted to the commissioner for his approval. Before he approves these documents and issues a certificate of authority to do business, the commissioner is required to determine whether the articles and bylaws conform to the chapter and to the regulations of the commissioner, the general character and fitness of the subscribers, and the economic advisability of establishing the proposed credit union.

Section 040. This section authorizes the commissioner to assess a fee for his expenses in processing an application. The fee is assessed under the procedures established in AS 06.01.010.

Fees are also authorized under this section for the approval of a branch of the credit union, for a merger or conversion of a credit union or for an examination of a credit union which is conducted under AS 06.45.050.

Section 050. This section authorizes the commissioner to require both an annual financial report and other financial reports required by regulations that he adopts. It also provides that a credit union is subject to examination by the commissioner.

Section 060. This section elaborates the powers of a credit union and it provides generally that a credit union has the powers to enter into a contract, to sue and be sued, to purchase, hold and dispose of property and to make loans.

Generally the maturity of a loan may not exceed 12 years. However, a residential real estate loan made to finance the acquisition of a one to four family dwelling for the principal residence of a credit union member may have a maturity not exceeding 30 years; and a loan to finance the purchase of a mobile home to be used as the residence of a credit union

Senator Brad Bradley
Page 4
March 7, 1980

member may generally not exceed 15 years. The section contains other restrictions on loans made by a credit union and these restrictions are detailed in sec. 060(5)(A)(iii) and following.

Thus, at (x), the bill provides that the total dollar amount of real estate loans and mobile loans outstanding may not exceed 25 percent of the paid-in and unimpaired capital and surplus of the credit union without the written approval of the commissioner. Similarly, a credit union with a paid-in and unimpaired capital and surplus of less than \$3,000,000 may make real estate loans with maturity in excess of 15 years only with the approval of the commissioner.

Section 060(7) [starting on page 7 of the bill] is the section of the bill which regulates the investments of credit union funds.

Section 060(8) and the following paragraphs identify a series of authorities of a credit union. Thus, credit unions may make deposits in national banks and in state banks, trust companies, and mutual savings banks, may borrow in accordance with regulations adopted by the commissioner from any source, may levy late charges, may enforce a lien upon the shares and dividends of a member to the extent of a loan to the member, may sell to members negotiable checks, travelers checks, and money orders, and may cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing the service, and may engage in other miscellaneous activities detailed in this portion of sec. 060 which carries on over through page 10 of the bill.

Section 070. This section deals with membership in a credit union and provides that the membership consists of the incorporators of the credit union and other persons to the extent permitted by regulations adopted by the commissioner. Credit union membership is limited to groups "having a common bond of occupation or association, or to groups within a well-defined neighborhood community or rural district."

Section 080. This section deals with meetings of members and provides that the annual meeting of a credit union shall be held within three months after December 31st of each year; special meetings may be held under the bylaws.

Section 090. This section deals with the management of a credit union and provides that the business affairs of a credit union are managed by a board of not less than five directors, a credit committee of not less than three members and a supervisory committee of not less than three members or more than five members.

The bill provides that the members of the board of directors and the members of the credit committee are elected at the annual meeting by and from the membership. The supervisory committee is appointed by the board of directors. Members of the board and of the credit and supervisory committees hold office for terms specified in the bylaws.

Section 100. This section deals with the compensation of members of the board of directors and the section provides that members of the board of directors and of credit and supervisory committees may not be compensated for service on the board or on the committees. The section further provides that reasonable health, accident and similar insurance protection is not compensation under this section.

Section 110. This section deals with the executive officers of the credit union and provides that the board of directors shall elect from the membership a president, one or more vice presidents, a secretary and a treasurer. It provides that an executive officer other than the treasurer may not be compensated as an officer.

Section 120. This section deals with the board of directors; it provides that the board of directors shall meet at least once a month and shall have general direction and control of the business affairs of the credit union.

It is the board of directors that acts on applications for membership and will fill the vacancies in the board of directors and in the credit committee.

The board of directors has responsibility for investments other than loans to members. The board also determines the interest rates on loans, the security and the maximum amount which may be loaned or provided in lines of credit to a member.

The section provides that the board of directors may appoint an executive committee of not less than three directors to exercise powers granted to it by the board of directors.

Section 130. This section deals with applications for membership. And requires the board of directors to review and approve applications for membership in the credit union at least monthly. It requires the board of directors to provide reasons if an application for membership is denied. And it provides that the board of directors may appoint a membership officer to review applications for membership; the treasurer or a loan officer may not review applications for membership.

Section 140. This section deals with the powers and duties of the credit committee. The credit committee is obliged to consider applications for loans and lines of credit as the business of the credit union may require but not less often than once a month. A majority of the entire credit committee may approve an application or lines of credit unless the approval of the board of directors is required under AS 06.-45.060(5). The credit committee may delegate to a loan officer the power to approve loans and lines of credit.

The section provides that an individual may not disburse funds of a credit union for a loan, line of credit, or application which he approves in the capacity of loan officer.

Section 150. This section establishes restrictions on loans and limits the loan to a particular member to an amount less than 10 percent of the unimpaired capital and surplus of a credit union.

Section 160. This section deals with the security required for loans.

Section 170. This section deals with the powers and duties of the supervisory committee. It is the responsibility of the supervisory committee to conduct an annual audit of the accounts of the credit union and to conduct such other supplementary audits as it considers necessary or as ordered by the commissioner. The supervisory committee is charged with the verification of the passbooks and accounts of the members from time to time. The supervisory committee is also given the authority by a unanimous vote of its membership to suspend an officer of the credit union or a member of the

credit committee or the board of directors until the next meeting of the membership which shall be held within not less than seven nor more than fourteen days. The membership shall act to ratify or reject the action of the supervisory committee. This section also permits the board of directors to suspend a member of the supervisory committee until the next meeting of the membership which is called on short notice.

Section 180. This section deals with the reserves of a credit union. It establishes a formula under which the credit union will maintain reserves. I have not set out the requirements of this section since they are somewhat technical. The section itself is on page 16 of the bill. The commissioner is given authority to modify the reserve limitations of the section.

Section 190. This section deals with the dividends of the credit union. It grants to the board of directors the authority to declare a dividend at various rates on different types of shares.

Section 200. This section deals with the expulsion and withdrawal of membership.

Section 210. This section provides that shares of a credit union may be issued in the name of a minor or in trust subject to conditions prescribed by the bylaws.

Section 220. This section deals with the suspension of a credit union by the commissioner for insolvency or for operation in an unsafe and an unsound manner or for violation of its articles of incorporation, its bylaws, or violation of this chapter or regulations adopted by the commissioner under it. The commissioner is given the authority to act under AS 06.01.030 and temporarily suspend the operations of the credit union. He may then allow it to continue under his supervision.

Section 230. This section provides that a credit union is exempt from taxation by the state or a municipality of the state except for real and tangible personal property owned by it. Essentially this section means that the funds, the capital, the reserves, surplus, and other funds of the credit union as such are exempt from taxation.

This section does not prevent holdings in a credit union from being included in the valuation of the personal property of the owners under taxes imposed by the state or in political subdivisions.

Section 240. This section authorizes the commissioner of transportation and public facilities to allot space to a credit union if at least 95 percent of the membership is composed of persons who either are presently state employees or were state employees at the time of their admission to the credit union.

Section 250. This section authorizes a state credit union to convert into a federal credit union and authorizes a federal credit union to convert into a state credit union.

Section 260. This section requires a credit union under regulations of the commissioner to insure member accounts under programs offered by the National Credit Union Administration Board.

Section 270. This section permits a credit union to participate in programs offered by the National Credit Union Central Liquidity Facility under regulations of the commissioner.

Section 280. This section provides that a member of the board of directors or a member of the credit committee or the supervisory committee or an employee of the credit union may not participate in decisions affecting his own interests or the interests of a corporation, partnership or association in which he is interested; and it provides that a person who violates this section may not thereafter serve as an officer, agent or employee of a credit union.

Section 290. This section authorizes a credit union to merge with another credit union.

Section 300. This section provides that a credit union may establish branch offices under regulations of the commissioner.

Section 310. This section makes it a class A misdemeanor for a natural person to conduct business under a name which is suggestive of a credit union business.

Senator Brad Bradley
Page 9
March 7, 1980

Section 320. This section prohibits the transfer of credit union property to preferred creditors.

Section 330. This section makes it a class B felony to deceive the commissioner or examiners of the credit union.

Section 340. This section prohibits the knowing acceptance of a deposit by an officer or employee of a credit union if that officer or employee knows that the credit union is insolvent. A violation is a class A felony.

Section 350. This section provides that a credit union may not acquire control directly or indirectly of another financial institution or invest in the shares, stocks or obligations of an insurance company, trade association, liquidity facility or any other similar organization except as provided by this chapter.

Section 400. This section is a definitions section and the terms "commissioner", "credit union", and the "credit union association" are defined in this section.

Section 5. The effective date section of the bill provides that the effective date is July 1, 1980.

RAB:jdn

COMMITTEE REPORT
SENATE

FURTHER: None

3/7/80

Date: April 28, 1980

Mr. President:

The Committee on FINANCE has had CSHB 452 (Rules)
credit unions

under consideration and (a majority of the committee) (the committee)
reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back ^{in divided} without recommendation ^{upward.}
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Holman - no rec

Johnson - no rec

Tom Mackay - no rec

Tom Mackay - no rec

Tom Mackay - no rec

Tom Mackay

CHAIRMAN

*Amendment moved
By Senator Summer*

A M E N D M E N T

OFFERED IN THE SENATE:

By: Senate Finance

To: _____ SENATE BILL No. _____
Committee Substitute HOUSE BILL No. 452 (Rules)

PAGE: 18

LINE: 15 through 22

Delete entirely Sec. 06.45.240, Page 18, Lines 15
through 22.

From Rep. McKinnon's Office

April 16, 1980

SECTION-BY-SECTION ANALYSIS OF CSHB 452(Rules)
("An Act relating to credit unions; and
providing for an effective date")

* Sec. 1. Adds credit unions to state's "wild card" statute which allows Commissioner of Commerce to extend to state-chartered financial institutions any new powers which are granted to federally-chartered financial institutions.

* Sec. 2. Sec. 06.45.010 RESPONSIBILITY OF COMMISSIONER

Authorizes Commissioner of Commerce to regulate credit unions and to delegate such authority -- the Director of Banking is delegated the authority in this case. Also requires credit unions to file reports and keep records in accordance with Departmental regulations, and requires that credit union officials be bonded.

Sec. 06.45.020 FORMATION OF CREDIT UNION

Seven or more people may form a credit union by subscribing to articles of incorporation, adopting by-laws, and submitting them the Commissioner for approval.

Sec. 06.45.030 APPROVAL OF ARTICLES OF INCORPORATION
AND ISSUANCE OF CERTIFICATE OF AUTHORITY

Commissioner may issue a certificate of authority if he certifies the articles of incorporation and by-laws, character, and fitness of subscribers, and the proposed credit unions economic efficacy.

Sec. 06.45.040 FEES

Commissioner will set a schedule of fees for regulating credit unions. Failure of the credit union to pay assessed fees is grounds for revocation of its certificate.

Sec. 06.45.090 MANAGEMENT OF CREDIT UNION

Board of directors must have at least five directors; credit committee at least three members; supervisory committee, three to five members. Directors and credit committee elected at annual meeting. Supervisory committee appointed by Board of Directors.

Sec. 06.45.100 COMPENSATION

Members of board and credit and supervisory, committees not compensated, but insurance may be provided per Departmental regulations.

Sec. 06.45.110 EXECUTIVE OFFICERS

Membership elects following executive officers: president, one or more vice-presidents, secretary, and treasurer. Treasurer must be bonded.

Sec. 06.45.120 BOARD OF DIRECTORS

Board must meet at least monthly. Board acts on applications for membership, requires bonds for employees, fills vacancies on the board and credit committee until next election, approves investments, determines maximum number of shares and classes of shares, determines interest rates on loans, etc. Board authorizes interest refund subject to regulations, provides for compensation of officers and employees, and may also appoint executive committee of not less than three directors to exercise delegated authority.

Sec. 06.45.130 APPLICATIONS FOR MEMBERSHIP

Board establishes procedures for review and approval of membership applications; reviews applications monthly. Board may delegate authority to an appointed membership officer to review applications for membership.

Sec. 06.45.140 POWERS AND DUTIES OF CREDIT COMMITTEE

Credit committee meets at least once a month, considers loan applications and lines of credit. Except for loans requiring board approval, majority of entire credit committee may approve an application. Credit committee may delegate to loan officer power to approve loans.

Sec. 06.45.150 LOAN RESTRICTION

Loan to a member may not exceed 10% of credit union's unimpaired capital and surplus.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

From Rep. McKinnon's Office

April 16, 1980

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Sec. 06.45.040 FEES

Commissioner will set a schedule of fees for regulating credit unions. Failure of the credit union to pay assessed fees is grounds for revocation of its certificate.

Sec. 06.45.050 REPORTS AND EXAMINATIONS

Requires annual financial report by credit union to the Commissioner, and subjects credit union to examination.

Sec. 06.45.060 POWERS OF A CREDIT UNION

Allows loans to members in conformity with regulations adopted by Commissioner. Allows credit union to make loans with maturities not exceeding 12 years with some exceptions. Exceptions: residential real estate loans may have a maturity of up to 30 years; mobile home loans have a maturity of up to 15 years, unless a loan secured by a government agency specifies otherwise.

Total real estate loans and mobile home loans outstanding may not exceed 25% of the credit union's capital without Commissioner's written approval. Commissioner must approve real estate loans and maturities in excess of 15 years if the credit union has less than \$3 million paid-in and unimpaired capital and surplus.

Maximum rate of interest on loans is one percent per month on the unpaid balance. Borrower may repay a loan at any time before maturity without penalty.

Allows credit unions to set dividend rates for membership shares. Allows credit union to invest its funds in loans to members, and in U.S. securities, loans to other credit unions, insured savings accounts, obligations issued by banks or cooperatives, shares or deposits in a central credit union or federally insured credit union, and stock in the National Credit Union Central Liquidity Facility.

Allows credit unions to make deposits in banks and borrow from any source, in accordance with Departmental regulations. Allows credit unions to levy late charges, levy and enforce a lien upon the shares and dividends of a member to cover late charges. Allows credit union to issue checks, travelers checks, and money orders, and cash them for a fee not to exceed costs.

Sec. 06.45.070 MEMBERSHIP

Each member must have at least one share of stock in the credit union and pay the uniform entrance fee. Membership is limited to groups having a common bond of occupation or association, or to groups who reside within a well-defined neighborhood, community, or rural district.

Sec. 06.45.080 MEETING OF MEMBERS

Credit union fiscal year is calendar year; annual meeting must be held within three months after end of fiscal year. No members may vote by proxy. Members limited to one vote.

Sec. 06.45.090 MANAGEMENT OF CREDIT UNION

Board of directors must have at least five directors; credit committee at least three members; supervisory committee, three to five members. Directors and credit committee elected at annual meeting. Supervisory committee appointed by Board of Directors.

Sec. 06.45.100 COMPENSATION

Members of board and credit and supervisory, committees not compensated, but insurance may be provided per Departmental regulations.

Sec. 06.45.110 EXECUTIVE OFFICERS

Membership elects following executive officers: president, one or more vice-presidents, secretary, and treasurer. Treasurer must be bonded.

Sec. 06.45.120 BOARD OF DIRECTORS

Board must meet at least monthly. Board acts on applications for membership, requires bonds for employees, fills vacancies on the board and credit committee until next election, approves investments, determines maximum number of shares and classes of shares, determines interest rates on loans, etc. Board authorizes interest refund subject to regulations, provides for compensation of officers and employees, and may also appoint executive committee of not less than three directors to exercise delegated authority.

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Board establishes procedures for review and approval of membership applications; reviews applications monthly. Board may delegate authority to an appointed membership officer to review applications for membership.

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Credit committee meets at least once a month, considers loan applications and lines of credit. Except for loans requiring board approval, majority of entire credit committee may approve an application. Credit committee may delegate to loan officer power to approve loans.

Sec. 06.45.150 LOAN RESTRICTION

Loan to a member may not exceed 10% of credit union's unimpaired capital and surplus.

Sec. 06.45.160 SECURITY

Assignment of member's shares constitutes security, as does insurance under Title 1 of the National Housing Act.

Sec. 06.45.170 POWERS AND DUTIES OF SUPERVISORY COMMITTEE

Supervisory committee conducts annual audits and submits report to board, and also submits summary of audit to members at annual meeting. The committee also verifies pass books and accounts of the credit union members at least once every two years. It may by unanimous vote suspend an officer of the credit union or member of credit committee or board of directors until next meeting of members. The supervisory committee may call, by majority vote, a special meeting of members to consider any violations of this act or any practices it considers unsafe or unauthorized.

Sec. 06.45.180 RESERVES

The Gross income of a credit union is determined at the end of each accounting period. From that income, there must be set aside a regular reserve against losses.

Credit unions in operation more than four years and with more than \$500,000 in assets shall set aside 10% of gross income until the reserve exceeds 4% of the total of outstanding loans and risk assets, and then set aside 5% of gross income until the reserve equals 6% of the total of outstanding loans and risk assets.

Credit unions in operation less than four years and with assets less than \$500,000 shall set aside 10% of gross income until the reserve hits 7 1/2% of the total of outstanding loans and risk assets, and then set aside 5% of gross income until the reserve equals 10% of the total of outstanding loans and risk assets.

If the reserve falls below the stated percent of the total of outstanding loans, etc., it shall be replenished by regular contributions in amounts needed to maintain the stated reserve goals. The commissioner may decrease the reserve requirement when he determines it necessary or desirable, and may also require special reserves to protect the interests of members.

Sec. 06.45.190 DIVIDENDS

Board may declare dividend to be paid at different rates on different types of shares and at different maturity dates in the case of share certificates.

Sec. 06.45.200 EXPULSION AND WITHDRAWAL

Member may be expelled by two-thirds vote of the members. Withdrawal or expulsion of member does not discharge his liability to the credit union.

Sec. 06.45.210 MINORS OR TRUSTS

Credit union shares may be issued in the name of a minor or a trust.

Sec. 06.45.220 SUSPENSION

If Commissioner finds a credit union to be bankrupt, insolvent, or operating in an unsafe or unsound manner, he may temporarily suspend the operations of the credit union under AS 06.01.030. He is authorized to permit operations to continue under conditions and procedures he establishes, or he may direct the credit union to cease operations and appoint a liquidating agent.

Sec. 06.45.230 EXEMPTION FROM TAXATION

Credit union is exempt from taxation by state or a political subdivision, except for real property and tangible personal property.

Sec. 06.45.240 ALLOTMENT OF SPACE IN STATE OFFICE BUILDINGS

If 95% of membership of a credit union is composed of state employees and members of their families, the Department of Transportation may allot space in a state building to the credit union without charging rent if such space is available.

Sec. 06.45.250 CONVERSIONS

Allows a federal credit union to convert to a state credit union if it complies with applicable federal law and this act. State credit union can convert to a federal charter if it complies with same acts.

Sec. 06.45.260 INSURANCE OF MEMBER ACCOUNTS

Credit unions shall participate in insurance of member accounts under programs offered by National Credit Union Administration. This insurance is similar to FDIC insurance held by banks.

Sec. 06.45.270 LIQUIDITY FACILITY PARTICIPATION

A credit union may participate in programs offered by the National Credit Union Central Liquidity Facility.

Sec. 06.45.280 CONFLICT OF INTEREST

No board member or member of credit committee or supervisory committee or credit union employee may participate in a question affecting his own financial interest.

Sec. 06.45.290 MERGER

Allows two credit unions to merge under a plan agreed upon by their boards and approved by the members of each credit union at meetings called for that purpose. Commissioner may set further procedures governing mergers.

Sec. 06.45.300 BRANCH OFFICES

Credit unions may establish branch offices.

Sec. 06.45.310 UNAUTHORIZED CONDUCT OF CREDIT UNION BUSINESS

Natural person who conducts business under a name or title which contains the words "credit union" or derivation of them or represents himself as conducting business as a credit union commits a Class A misdemeanor.

Sec. 06.45.320 TRANSFER OF CREDIT UNION'S PROPERTY TO PREFERRED CREDITOR IS VOID

Sec. 06.45.330 UNLAWFUL DECEIT OF COMMISSIONER OR EXAMINERS

It is a Class C felony for a person who, with intent to deceive the department, willfully and knowingly makes a false statement.

Sec. 06.45.340 RECEIPT OF DEPOSITS WHILE INSOLVENT

Board member, officer, or credit union employee who fraudulently receives a deposit is guilty of a Class A felony.

Sec. 06.45.350 LIMITATIONS ON CREDIT UNIONS

Credit union may not acquire control, directly or indirectly, of another financial institution, or invest in shares etc. of an insurance company, trade association, etc., except as this act expressly provides.

Sec. 06.45.400 DEFINITIONS

* Sec. 3. Act takes effect July 1, 1980.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 7, 1980

SUBJECT: CS for House Bill No. 452 (Rules)
[Work Order No. 8305]

TO: Senator Brad Bradley
Chairman, Senate Commerce Committee

FROM: Richard A. Bradley *B*
Legislative Counsel

I have been requested to do a sectional analysis of the Committee Substitute for House Bill No. 452 (Rules). As you recognize this is identical to the Committee Substitute for Senate Bill No. 225 that I prepared for your committee.

Section 1 of the bill amends AS 06.01.020 to allow the commissioner of commerce and economic development to grant to a state credit union powers that may be granted to a federally chartered credit union. This power is typically granted to the commissioner and he presently possesses such power as to banks, trust companies and savings associations as well as other federally chartered institutions doing business in the state which are subject to identified federal regulatory agencies.

Section 2 establishes the Alaska Credit Union Act by amending AS 06 to add Chapter 45.

The titles of each Section are useful to an understanding of the material in the bill and its location:

Sec. 010	Responsibility of the Commissioner	Page 1
020	Formation of a Credit Union	Page 2
030	Approval of Articles of Incorporation and Issuance of Certificate of Authority	Page 3
040	Fees	Page 4
050	Reports and Examinations	Page 4
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The section also provides for bonding of credit union officers under procedures approved by the commissioner.

Section 020. This section is a section under which a credit union would be established. It provides the procedures that individuals who wish to form a credit union will use. It also authorizes the commissioner to require other provisions that he considers necessary for the management of the credit union. Bylaws will also be submitted to the commissioner for approval at the time that the articles of incorporation are submitted.

Section 030. Articles of incorporation and bylaws are required to be submitted to the commissioner for his approval. Before he approves these documents and issues a certificate of authority to do business, the commissioner is required to determine whether the articles and bylaws conform to the chapter and to the regulations of the commissioner, the general character and fitness of the subscribers, and the economic advisability of establishing the proposed credit union.

Section 040. This section authorizes the commissioner to assess a fee for his expenses in processing an application. The fee is assessed under the procedures established in AS 06.01.010.

Fees are also authorized under this section for the approval of a branch of the credit union, for a merger or conversion of a credit union or for an examination of a credit union which is conducted under AS 06.45.050.

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Section 060. This section elaborates the powers of a credit union and it provides generally that a credit union has the powers to enter into a contract, to sue and be sued, to purchase, hold and dispose of property and to make loans.

Generally the maturity of a loan may not exceed 12 years. However, a residential real estate loan made to finance the acquisition of a one to four family dwelling for the principal residence of a credit union member may have a maturity not exceeding 30 years; and a loan to finance the purchase of a mobile home to be used as the residence of a credit union

member may generally not exceed 15 years. The section contains other restrictions on loans made by a credit union and these restrictions are detailed in sec. 060(5)(A)(iii) and following.

Thus, at (x), the bill provides that the total dollar amount of real estate loans and mobile loans outstanding may not exceed 25 percent of the paid-in and unimpaired capital and surplus of the credit union without the written approval of the commissioner. Similarly, a credit union with a paid-in and unimpaired capital and surplus of less than \$3,000,000 may make real estate loans with maturity in excess of 15 years only with the approval of the commissioner.

Section 060(7) [starting on page 7 of the bill] is the section of the bill which regulates the investments of credit union funds.

Section 060(8) and the following paragraphs identify a series of authorities of a credit union. Thus, credit unions may make deposits in national banks and in state banks, trust companies, and mutual savings banks, may borrow in accordance with regulations adopted by the commissioner from any source, may levy late charges, may enforce a lien upon the shares and dividends of a member to the extent of a loan to the member, may sell to members negotiable checks, travelers checks, and money orders, and may cash checks and money orders for members, for a fee which does not exceed the direct and indirect costs incident to providing the service, and may engage in other miscellaneous activities detailed in this portion of sec. 060 which carries on over through page 10 of the bill.

Section 070. This section deals with membership in a credit union and provides that the membership consists of the incorporators of the credit union and other persons to the extent permitted by regulations adopted by the commissioner. Credit union membership is limited to groups "having a common bond of occupation or association, or to groups within a well-defined neighborhood community or rural district."

Section 080. This section deals with meetings of members and provides that the annual meeting of a credit union shall be held within three months after December 31st of each year; special meetings may be held under the bylaws.

Senator Brad Bradley

Page 5

March 7, 1980

Section 090. This section deals with the management of a credit union and provides that the business affairs of a credit union are managed by a board of not less than five directors, a credit committee of not less than three members and a supervisory committee of not less than three members or more than five members.

The bill provides that the members of the board of directors and the members of the credit committee are elected at the annual meeting by and from the membership. The supervisory committee is appointed by the board of directors. Members of the board and of the credit and supervisory committees hold office for terms specified in the bylaws.

Section 100. This section deals with the compensation of members of the board of directors and the section provides that members of the board of directors and of credit and supervisory committees may not be compensated for service on the board or on the committees. The section further provides that reasonable health, accident and similar insurance protection is not compensation under this section.

Section 110. This section deals with the executive officers of the credit union and provides that the board of directors shall elect from the membership a president, one or more vice presidents, a secretary and a treasurer. It provides that an executive officer other than the treasurer may not be compensated as an officer.

Section 120. This section deals with the board of directors; it provides that the board of directors shall meet at least once a month and shall have general direction and control of the business affairs of the credit union.

It is the board of directors that acts on applications for membership and will fill the vacancies in the board of directors and in the credit committee.

The board of directors has responsibility for investments other than loans to members. The board also determines the interest rates on loans, the security and the maximum amount which may be loaned or provided in lines of credit to a member.

The section provides that the board of directors may appoint an executive committee of not less than three directors to exercise powers granted to it by the board of directors.

Section 130. This section deals with applications for membership. And requires the board of directors to review and approve applications for membership in the credit union at least monthly. It requires the board of directors to provide reasons if an application for membership is denied. And it provides that the board of directors may appoint a membership officer to review applications for membership; the treasurer or a loan officer may not review applications for membership.

Section 140. This section deals with the powers and duties of the credit committee. The credit committee is obliged to consider applications for loans and lines of credit as the business of the credit union may require but not less often than once a month. A majority of the entire credit committee may approve an application or lines of credit unless the approval of the board of directors is required under AS 06.-45.060(5). The credit committee may delegate to a loan officer the power to approve loans and lines of credit.

The section provides that an individual may not disburse funds of a credit union for a loan, line of credit, or application which he approves in the capacity of loan officer.

Section 150. This section establishes restrictions on loans and limits the loan to a particular member to an amount less than 10 percent of the unimpaired capital and surplus of a credit union.

Section 160. This section deals with the security required for loans.

Section 170. This section deals with the powers and duties of the supervisory committee. It is the responsibility of the supervisory committee to conduct an annual audit of the accounts of the credit union and to conduct such other supplementary audits as it considers necessary or as ordered by the commissioner. The supervisory committee is charged with the verification of the passbooks and accounts of the members from time to time. The supervisory committee is also given the authority by a unanimous vote of its membership to suspend an officer of the credit union or a member of the

credit committee or the board of directors until the next meeting of the membership which shall be held within not less than seven nor more than fourteen days. The membership shall act to ratify or reject the action of the supervisory committee. This section also permits the board of directors to suspend a member of the supervisory committee until the next meeting of the membership which is called on short notice.

Section 180. This section deals with the reserves of a credit union. It establishes a formula under which the credit union will maintain reserves. I have not set out the requirements of this section since they are somewhat technical. The section itself is on page 16 of the bill. The commissioner is given authority to modify the reserve limitations of the section.

Section 190. This section deals with the dividends of the credit union. It grants to the board of directors the authority to declare a dividend at various rates on different types of shares.

Section 200. This section deals with the expulsion and withdrawal of membership.

Section 210. This section provides that shares of a credit union may be issued in the name of a minor or in trust subject to conditions prescribed by the bylaws.

Section 220. This section deals with the suspension of a credit union by the commissioner for insolvency or for operation in an unsafe and an unsound manner or for violation of its articles of incorporation, its bylaws, or violation of this chapter or regulations adopted by the commissioner under it. The commissioner is given the authority to act under AS 06.01.030 and temporarily suspend the operations of the credit union. He may then allow it to continue under his supervision.

Section 230. This section provides that a credit union is exempt from taxation by the state or a municipality of the state except for real and tangible personal property owned by it. Essentially this section means that the funds, the capital, the reserves, surplus, and other funds of the credit union as such are exempt from taxation.

This section does not prevent holdings in a credit union from being included in the valuation of the personal property of the owners under taxes imposed by the state or in political subdivisions.

Section 240. This section authorizes the commissioner of transportation and public facilities to allot space to a credit union if at least 95 percent of the membership is composed of persons who either are presently state employees or were state employees at the time of their admission to the credit union.

Section 250. This section authorizes a state credit union to convert into a federal credit union and authorizes a federal credit union to convert into a state credit union.

Section 260. This section requires a credit union under regulations of the commissioner to insure member accounts under programs offered by the National Credit Union Administration Board.

Section 270. This section permits a credit union to participate in programs offered by the National Credit Union Central Liquidity Facility under regulations of the commissioner.

Section 280. This section provides that a member of the board of directors or a member of the credit committee or the supervisory committee or an employee of the credit union may not participate in decisions affecting his own interests or the interests of a corporation, partnership or association in which he is interested; and it provides that a person who violates this section may not thereafter serve as an officer, agent or employee of a credit union.

Section 290. This section authorizes a credit union to merge with another credit union.

Section 300. This section provides that a credit union may establish branch offices under regulations of the commissioner.

Section 310. This section makes it a class A misdemeanor for a natural person to conduct business under a name which is suggestive of a credit union business.

Senator Brad Bradley

Page 9

March 7, 1980

Section 320. This section prohibits the transfer of credit union property to preferred creditors.

Section 330. This section makes it a class B felony to deceive the commissioner or examiners of the credit union.

Section 340. This section prohibits the knowing acceptance of a deposit by an officer or employee of a credit union if that officer or employee knows that the credit union is insolvent. A violation is a class A felony.

Section 350. This section provides that a credit union may not acquire control directly or indirectly of another financial institution or invest in the shares, stocks or obligations of an insurance company, trade association, liquidity facility or any other similar organization except as provided by this chapter.

Section 400. This section is a definitions section and the terms "commissioner", "credit union", and the "credit union association" are defined in this section.

Section 3. The effective date section of the bill provides that the effective date is July 1, 1980.

RAB:jdn

Original sponsors: McKinnon and Rogers

Offered: 3/5/80
For Today's Calendar

1 IN THE HOUSE

BY THE RULES COMMITTEE

2 CS FOR HOUSE BILL NO. 452 (Rules)

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 credit unions; and providing for an
7 effective date."

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

9 * Section 1. AS 06.01.020 is amended to read:

10 Sec. 06.01.020. GENERAL POWERS OF DEPARTMENT. The commissioner
11 may by regulation authorize financial institutions, except licensees
12 subject to AS 06.20, to exercise any of the powers conferred upon a
13 federally chartered bank, trust company, savings association, federal-
14 ly chartered credit union, or other federally chartered institution
15 doing business in this state which is subject to the regulations of the
16 United States Comptroller of the Currency, the Federal Reserve Board,
17 the Federal Home Loan Bank Board, the Federal Deposit Insurance Corpora-
18 tion, the National Credit Union Administrator, or the successor or
19 successors of them, if the commissioner finds that the exercise of the
20 power both:

21 (1) serves the public convenience and advantage; and

22 (2) equalizes and maintains the quality of competition be-
23 tween state-chartered financial institutions and corresponding federally
24 chartered financial institutions.

25 * Sec. 2. AS 06 is amended by adding a new chapter to read:

26 * CHAPTER 45. ALASKA CREDIT UNION ACT.

27 Sec. 06.45.010. RESPONSIBILITY OF COMMISSIONER. (a) The commis-
28 sioner shall administer this chapter.

29 (b) The commissioner may adopt regulations for the administration

1 of this chapter.

2 (c) The commissioner may delegate any authority, power, or func-
3 tion granted by this chapter.

4 (d) The records of credit unions shall be kept and reports shall
5 be made in accordance with regulations approved by the commissioner.

6 (e) A person appointed or elected by a credit union to a position
7 requiring the receipt, payment, or custody of money or personal property
8 owned by a credit union or in its custody or control as collateral or
9 otherwise shall give bond in a corporate surety company approved by the
10 commissioner on a form approved by the commissioner and in an amount
11 prescribed by the commissioner. The commissioner may approve the use of
12 a form of schedule or blanket bond which covers all the officers and
13 employees of a credit union whose duties include the receipt, payment,
14 or custody of money or other personal property for or on behalf of the
15 credit union. The commissioner may approve the use of a form of excess
16 coverage bond under which a credit union may obtain coverage in excess
17 of the basic surety coverage.

18 Sec. 06.45.020. FORMATION OF CREDIT UNION. (a) Seven or more
19 natural persons who desire to form a credit union shall subscribe before
20 an officer competent to administer oaths articles of incorporation in
21 duplicate which shall state

22 (1) the name of the credit union;

23 (2) the location of the credit union and the territory in
24 which it will operate;

25 (3) the names and addresses of the subscribers to the certi-
26 ficate and the number of shares each subscribed;

27 (4) the par value of the shares, which shall be \$5 each;

28 (5) the proposed field of membership specified in detail;

29 (6) the term of the existence of the credit union which may

1 be perpetual; and

2 (7) the fact that the articles of incorporation are adopted
3 to enable the persons to avail themselves of the advantages of this
4 chapter.

5 (b) The articles of incorporation shall also include provisions
6 required by the commissioner for the management of the business of the
7 credit union, for the conduct of its affairs, and relating to the powers
8 of its directors, officers, or stockholders.

9 (c) At the time of presenting the articles of incorporation to the
10 commissioner the incorporators shall also submit proposed bylaws to the
11 commissioner for approval.

12 (d) The commissioner may prepare form articles of incorporation
13 and form bylaws, consistent with this chapter, which may be used by
14 credit union incorporators and shall be supplied to them on request.

15 Sec. 06.45.030. APPROVAL OF ARTICLES OF INCORPORATION AND ISSUANCE
16 OF CERTIFICATE OF AUTHORITY. (a) The articles of incorporation shall
17 be presented to the commissioner for approval. Before the certificate
18 of authority is issued, the commissioner shall determine

19 (1) whether the articles of incorporation and bylaws conform
20 to the provisions of this chapter and to regulations of the commis-
21 sioner;

22 (2) the general character and fitness of the subscribers; and

23 (3) the economic advisability of establishing the proposed
24 credit union.

25 (b) A certificate of authority shall be delivered by the commis-
26 sioner to the credit union if the required fee has been paid. On
27 issuance of the certificate of authority, the credit union is a body
28 corporate and is subject to the limitations of this chapter, and is
29 vested with all of the powers and charged with all of the liabilities

1 conferred and imposed by this chapter upon credit unions organized under
2 it.

3 Sec. 06.45.040. FEES. (a) The commissioner shall assess a credit
4 union a fee for his expenses under AS 06.01.010 in processing an appli-
5 cation

6 (1) for approval of articles of incorporation and bylaws and
7 the issuance of a certificate of authority for a credit union;

8 (2) for the approval of a branch of a credit union;

9 (3) for a merger or conversion of a credit union; or

10 (4) for an examination under AS 06.45.050.

11 (b) Failure of a credit union to pay a fee required by (a)(2),
12 (3), or (4) of this section within 30 days of receipt of billing from
13 the commissioner is grounds for the revocation of the certificate of
14 authority of the credit union.

15 Sec. 06.45.050. REPORTS AND EXAMINATIONS. A credit union or-
16 ganized under this chapter is under the supervision of the commissioner
17 and shall make an annual financial report to the commissioner and shall
18 make other financial reports required by regulations adopted by the
19 commissioner. A credit union is subject to examination by the commis-
20 sioner.

21 Sec. 06.45.060. POWERS OF A CREDIT UNION. A credit union has
22 succession in its corporate name during its existence and may

23 (1) enter into a contract;

24 (2) sue and be sued;

25 (3) adopt, use, and alter a common seal;

26 (4) purchase, hold, and dispose of property;

27 (5) make loans, the maturities of which may not exceed 12
28 years except as provided in this chapter, and extend lines of credit to
29 its members, to other credit unions, and to credit union organizations

1 and participate with other credit unions, credit union organizations, or
2 financial organizations in making loans to credit union members in
3 accordance with the following:

4 (A) loans to members shall be made in conformity with
5 regulations adopted by the commissioner, except that

6 (i) a residential real estate loan which is made to
7 finance the acquisition of a one-to-four-family dwelling for
8 the principal residence of a credit union member which is
9 secured by a first lien on the dwelling may have a maturity
10 not exceeding 30 years;

11 (ii) a loan to finance the purchase of a mobile
12 home, which is secured by a first lien on the mobile home, to
13 be used as the residence of a credit union member, or for the
14 repair, alteration, or improvement of a residential dwelling
15 which is the residence of a credit union member shall have a
16 maturity not to exceed 15 years unless the loan is insured or
17 guaranteed under (iii) of this subparagraph;

18 (iii) a loan secured by the insurance or guarantee of
19 the federal government, of a state government, or an agency of
20 either may be made for the maturity and under the terms and
21 conditions specified in the law under which the insurance or
22 guarantee is provided;

23 (iv) a loan or aggregate of loans to a director or
24 member of the supervisory or credit committee of the credit
25 union making the loan which exceeds \$5,000 plus pledged shares
26 shall be approved by the board of directors;

27 (v) loans to other members for which directors or
28 members of the supervisory or credit committee act as guaran-
29 tor or endorser shall be approved by the board of directors

1 when the loans standing alone or when added to an outstanding
2 loan or loans of the guarantor or endorser exceed \$5,000;

3 (vi) the rate of interest may not exceed one percent
4 a month on the unpaid balance inclusive of all service
5 charges;

6 (vii) the taking, receiving, reserving, or charging
7 of a rate of interest greater than is allowed by this sub-
8 section, when knowingly done, is considered a forfeiture of
9 the entire interest which the note, bill, or other evidence of
10 debt carries with it, or which has been agreed to be paid on
11 the note, bill, or other evidence of debt, if a greater rate
12 of interest has been paid, the person by whom it has been paid
13 or his legal representatives may recover back from the credit
14 union taking or receiving it, the entire amount of interest
15 paid, but the action must be commenced within two years from
16 the time the usurious collection was made;

17 (viii) a borrower may repay a loan, before maturity in
18 whole or in part on any business day without penalty;

19 (ix) loans shall be paid or amortized under regula-
20 tions adopted by the commissioner which consider the needs or
21 conditions of the borrowers, the amounts and duration of the
22 loans, the interests of the members and the credit unions, and
23 other factors established in regulations adopted by the com-
24 missioner;

25 (x) the total dollar amount of real estate loans
26 and mobile home loans outstanding may not exceed 25 percent of
27 the paid-in and unimpaired capital and surplus of the credit
28 union without the written approval of the commissioner;

29 (xi) a credit union with a paid-in and unimpaired

1 capital and surplus of less than \$3,000,000 may make real
2 estate loans with maturities in excess of 15 years only with
3 the approval of the commissioner;

4 (B) a self-replenishing line of credit to a borrower may
5 be established to a stated maximum amount on terms and conditions
6 which may be different from terms and conditions established for
7 another borrower;

8 (C) loans to other credit unions require the approval of
9 the board of directors of the loaning credit union;

10 (D) loans to credit union associations require the
11 approval of the board of directors of the credit union and may not
12 exceed one percent of the paid in and unimpaired capital and sur-
13 plus of the credit union;

14 (E) participation loans with other credit unions, credit
15 union associations, or financial organizations shall be made in
16 accordance with written policies of the board of directors of the
17 credit union, except that a credit union which originates a loan
18 for which participation arrangements are made in accordance with
19 this subsection shall retain an interest not less than 10 percent
20 of the face amount of the loan;

21 (6) receive from its members and from others payments on
22 shares which may be issued at varying dividend rates, and payments on
23 share certificates which may be issued at varying dividend rates and
24 maturities, subject to terms, rates, and conditions as may be estab-
25 lished by the board of directors of the credit union, within limitations
26 prescribed by the commissioner;

27 (7) invest its funds

28 (A) in loans exclusively to members;

29 (B) in obligations of the United States or securities

1 fully guaranteed as to principal and interest by the United States;

2 (C) in loans to other credit unions in the total amount
3 not exceeding 25 percent of its paid-in and unimpaired capital and
4 surplus in accordance with regulations adopted by the commissioner;

5 (D) in shares or accounts of savings and loan associa-
6 tions or mutual savings banks which are insured by the Federal
7 Savings and Loan Insurance Corporation or the Federal Deposit
8 Insurance Corporation;

9 (E) in obligations issued by banks for cooperatives,
10 federal land banks, federal intermediate credit banks, federal home
11 loan banks, the Federal Home Loan Bank Board, or a corporation
12 designated in 31 U.S.C., sec. 846 as a wholly owned federal govern-
13 ment corporation; in obligations, participations, or other instru-
14 ments of or issued by or fully guaranteed as to principal and
15 interest by the Federal National Mortgage Association or the
16 Government National Mortgage Association; in mortgages, obliga-
17 tions, or other securities which are or have been sold by the
18 Federal Home Loan Mortgage Corporation under section 305 or section
19 306 of the Federal Home Loan Mortgage Corporation Act; or in obli-
20 gations or other instruments or securities of the Student Loan
21 Marketing Association;

22 (F) in participation certificates evidencing beneficial
23 interests in obligations, or in the right to receive interest and
24 principal collections from obligations, which have been subjected
25 by one or more federal agencies to a trust or trusts for which an
26 executive department, agency, or instrumentality of the United
27 States or its head has been named to act as trustee;

28 (G) in shares or deposits of a central credit union in
29 which such investments are authorized by the board of directors of

1 the credit union making the investment;

2 (H) in shares, share certificates, or share deposits of
3 federally insured credit unions;

4 (I) in the shares, stocks, or obligations of another
5 organization providing services which are associated with the
6 routine operations of credit unions, up to one percent of the total
7 paid-in and unimpaired capital and surplus of the credit union with
8 the approval of the commissioner; and

9 (J) in the capital stock of the National Credit Union
10 Central Liquidity Facility;

11 (8) make deposits in national banks and in state banks, trust
12 companies, and mutual savings banks operating in accordance with the
13 laws of the state;

14 (9) borrow in accordance with regulations adopted by the
15 commissioner from any source, in an aggregate amount not exceeding 50
16 percent of its paid-in and unimpaired capital and surplus, except that a
17 credit union may discount with or sell to a federal intermediate credit
18 bank an eligible obligation up to the amount of its paid-in and un-
19 impaired capital;

20 (10) levy late charges, in accordance with the bylaws, for
21 failure of members to meet promptly their obligations to the credit
22 union;

23 (11) levy and enforce a lien upon the shares and dividends of
24 a member to the extent of a loan made to, and any dues or charges pay-
25 able by, the member;

26 (12) in accordance with regulations adopted by the commis-
27 sioner, sell to members negotiable checks, travelers checks, and money
28 orders, and cash checks and money orders for members, for a fee which
29 does not exceed the direct and indirect costs incident to providing the

1 service;

2 (13) in accordance with regulations adopted by the commis-
3 sioner, purchase, sell, pledge, discount, or otherwise receive or dis-
4 pose of, in whole or in part, eligible obligations of its members and
5 purchase from a liquidating credit union notes made by individual mem-
6 bers of the liquidating credit union at prices agreed upon by the board
7 of directors of the liquidating credit union and the board of directors
8 of the purchasing credit union; a purchase may not be made under autho-
9 rity of this paragraph if, upon the making of the purchase, the aggre-
10 gate of the unpaid balances of notes purchased under authority of this
11 paragraph exceeds five percent of the unimpaired capital and surplus of
12 the credit union;

13 (14) sell all or a part of its assets to another credit union,
14 purchase all or part of the assets of another credit union, and assume
15 the liabilities of the selling credit union and those of its members
16 subject to regulations of the commissioner; and

17 (15) exercise incidental powers as are necessary or required
18 to enable it to carry on effectively the business for which it is incor-
19 porated.

20 Sec. 06.45.070. MEMBERSHIP. Credit union membership consists of
21 the incorporators and other persons and incorporated and unincorporated
22 organizations, to the extent permitted by regulations adopted by the
23 commissioner, elected to membership. Each member shall subscribe to at
24 least one share of the stock of the credit union and pay the initial
25 installment on the stock and a uniform entrance fee if required by the
26 board of directors of the credit union. Credit union membership is
27 limited to groups having a common bond of occupation or association, or
28 to groups within a well-defined neighborhood, community, or rural dis-
29 trict. Shares may be issued in joint tenancy with right of survivorship

1 with a person designated by the credit union member. A joint tenant may
2 not be permitted to vote, obtain loans, or hold office, unless the joint
3 tenant is within the field of membership and is qualified for member-
4 ship.

5 Sec. 06.45.080. MEETINGS OF MEMBERS. The fiscal year of a credit
6 union ends December 31. The annual meeting of a credit union shall be
7 held within three months after the end of the fiscal year at a place its
8 bylaws prescribe. Special meetings may be held under the bylaws. A
9 member may not vote by proxy, but a member other than a natural person
10 may vote through an agent designated for the purpose. A member may not
11 have more than one vote.

12 Sec. 06.45.090. MANAGEMENT OF CREDIT UNION. (a) The business
13 affairs of a credit union are managed by (1) a board of not less than
14 five directors; (2) a credit committee of not less than three members;
15 and (3) a supervisory committee of not less than three members or more
16 than five members. The members of the board of directors and the mem-
17 bers of the credit committee shall be elected at the annual members
18 meeting by and from the members. The supervisory committee shall be
19 appointed by the board of directors, and a vacancy in the supervisory
20 committee shall be filled by the board of directors. One of the members
21 of the supervisory committee may be a member of the board of directors,
22 other than the treasurer. Members of the board of directors and of the
23 credit and supervisory committees hold office for terms as the bylaws
24 may provide.

25 (b) A record of the names and addresses of the members of the
26 board, the committees, and the officers of the credit union shall be
27 filed with the commissioner within 10 days after election or appoint-
28 ment.

29 Sec. 06.45.100. COMPENSATION. A member of the board of directors

1 or of the credit or supervisory committees may not be compensated for
2 service on the board of directors or credit or supervisory committees.
3 Reasonable health, accident, and similar insurance protection is not
4 compensation under this section and may be provided under regulations
5 adopted by the commissioner.

6 Sec. 06.45.110. EXECUTIVE OFFICERS. (a) At its first meeting
7 after the annual meeting of the members, the board of directors shall
8 elect from its membership a president, one or more vice-presidents, a
9 secretary, and a treasurer, who are the executive officers of the credit
10 union.

11 (b) An executive officer, other than the treasurer, may not be
12 compensated as an officer.

13 (c) The offices of secretary and treasurer may be held by the same
14 person.

15 (d) The duties of the officers are determined by the bylaws.

16 (e) The treasurer shall give bond with good and sufficient surety,
17 in an amount and character to be determined by the board of directors in
18 compliance with regulations adopted by the commissioner.

19 Sec. 06.45.120. BOARD OF DIRECTORS. (a) The board of directors
20 shall meet at least once a month and shall have the general direction
21 and control of the business affairs of the credit union. Minutes of all
22 meetings shall be kept.

23 (b) The board of directors shall

24 (1) act upon applications for membership;

25 (2) require an officer or employee having custody of or
26 handling funds to give bond with good and sufficient surety in an amount
27 and character to be determined by the board of directors in compliance
28 with regulations adopted by the commissioner and authorize the payment
29 of the premium by the credit union;

1 (3) fill vacancies in the board of directors and in the
2 credit committee until successors elected at the next annual meeting
3 have qualified;

4 (4) have charge of investments other than loans to members;
5 the board of directors may designate a committee of not less than two to
6 act as an investment committee which has charge of making investments
7 under rules and procedures established by the board of directors;

8 (5) determine the maximum number of shares and share certi-
9 ficates and the classes of shares and share certificates that may be
10 held;

11 (6) subject to the limitations of this chapter, determine the
12 interest rates on loans, the security, and the maximum amount which may
13 be loaned or provided in lines of credit;

14 (7) subject to regulations adopted by the commissioner,
15 authorize an interest refund to members of record at the close of busi-
16 ness on the last day of any dividend period in proportion to the in-
17 terest paid by the members during the dividend period; and

18 (8) provide for compensation of officers and employees.

19 (c) The board of directors may appoint an executive committee of
20 not less than three directors to exercise authority delegated to it
21 under the conditions and limitations prescribed by the board of direc-
22 tors.

23 Sec. 06.45.130. APPLICATIONS FOR MEMBERSHIP. (a) The board of
24 directors shall establish procedures for the review and approval of
25 applications for membership in the credit union.

26 (b) Each month the board of directors shall review a list of
27 applications for membership acted on during the preceding month.

28 (c) If an application for membership is denied, the reasons for
29 the denial shall be furnished to the applicant on request.

1 (d) The board of directors may appoint a membership officer from
2 the members of the credit union or the executive committee of the board
3 of directors to review applications for membership. A treasurer, assis-
4 tant treasurer or loan officer may not review applications for member-
5 ship.

6 Sec. 06.45.140. POWERS AND DUTIES OF CREDIT COMMITTEE. (a) The
7 credit committee shall hold meetings to consider applications for loans
8 and lines of credit as the business of the credit union may require but
9 not less frequently than once a month. Reasonable notice of the
10 meetings shall be given to members of the credit committee.

11 (b) Except for the loans or lines of credit required to be ap-
12 proved by the board of directors under AS 06.45.060(5), a majority of
13 the entire credit committee may approve an application.

14 (c) The credit committee may delegate to a loan officer the power
15 to approve loans and lines of credit. Only one member of the credit
16 committee may be appointed as loan officer. A loan officer shall fur-
17 nish to the credit committee a record of each approved or unapproved
18 application within seven days of the filing of the application.

19 (d) An application not approved by a loan officer shall be acted
20 on by the credit committee.

21 (e) An individual may not disburse funds of a credit union for a
22 loan, line of credit, or application which he approved in the capacity
23 of loan officer.

24 (f) Applications for loans and lines of credit shall be made on
25 forms prepared by the credit committee.

26 Sec. 06.45.150. LOAN RESTRICTION. A loan may not be made to a
27 member if, on the making of the loan, the member would be indebted to
28 the credit union on loans from the credit union in an amount exceeding
29 10 percent of the unimpaired capital and surplus of the credit union.

1 Sec. 06.45.160. SECURITY. For the purposes of loans made under
2 this chapter, an assignment of shares or the endorsement of a note
3 constitutes security, and, subject to regulations adopted by the com-
4 missioner, insurance obtained under Title 1 of the National Housing Act
5 is adequate security.

6 Sec. 06.45.170. POWERS AND DUTIES OF SUPERVISORY COMMITTEE. (a)
7 The supervisory committee shall conduct an annual audit of the accounts
8 of the credit union and submit a report of the audit to the board of
9 directors and a summary of the audit to the members at the next annual
10 members meeting of the credit union. The supervisory committee may
11 conduct supplementary audits as it considers necessary or as ordered by
12 the commissioner, and submit reports of the supplementary audits to the
13 board of directors.

14 (b) The supervisory committee shall verify the passbooks and
15 accounts of the members with the records of the treasurer from time to
16 time, but not less frequently than once every two years. As used in
17 this subsection, "passbook" includes a book, statement of account, or
18 other record approved by the commissioner for use by credit unions.

19 (c) The supervisory committee may by a unanimous vote suspend an
20 officer of the credit union or a member of the credit committee or the
21 board of directors until the next meeting of the members which shall be
22 held not less than seven or more than 14 days after the suspension under
23 this subsection. A suspension shall be acted upon by the members.

24 (d) The supervisory committee may call by a majority vote a
25 special meeting of the members to consider a violation of this chapter,
26 the articles of incorporation or bylaws, or a practice of the credit
27 union considered unsafe or unauthorized by the supervisory committee.

28 (e) The board of directors may by a majority vote suspend a member
29 of the supervisory committee until the next meeting of the members which

1 shall be held not less than seven or more than 14 days after the suspen-
2 sion. A suspension shall be acted upon by the members.

3 Sec. 06.45.180. RESERVES. (a) At the end of each accounting
4 period the gross income of the credit union shall be determined. From
5 this amount, there shall be set aside as a regular reserve against
6 losses on loans and against other losses specified in regulations
7 adopted by the commissioner under this chapter sums in accordance with
8 the following schedule:

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

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

14 (B) five percent of gross income until the regular
15 reserve equals six percent of the total of outstanding loans and
16 risk assets.

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

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

22 (B) five percent of gross income until the regular
23 reserve equals 10 percent of the total of outstanding loans and
24 risk assets.

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

29 (b) The commissioner may decrease the reserve requirement in (a)

1 of this section when the decrease is necessary or desirable. The com-
2 missioner may also require special reserves to protect the interests of
3 members either by general regulation or for an individual credit union.

4 Sec. 06.45.190. DIVIDENDS. At intervals as the board of directors
5 may authorize and after provision for required reserves, the board may
6 declare, under regulations adopted by the commissioner, a dividend to be
7 paid at different rates on different types of shares and at different
8 rates and maturity dates in the case of share certificates. Dividend
9 credit may be accrued on various types of shares and share certificates
10 as authorized by the board of directors.

11 Sec. 06.45.200. EXPULSION AND WITHDRAWAL. A member may be ex-
12 pelled by a two-thirds vote of the members of a credit union present at
13 a special meeting called for the purpose, but only after the member has
14 been given an opportunity to be heard. Withdrawal or expulsion of a
15 member does not discharge the liability of the member to the credit
16 union. The amount to be paid a withdrawing or expelled member by a
17 credit union shall be determined and paid in the manner specified in the
18 bylaws.

19 Sec. 06.45.210. MINORS OR TRUSTS. Shares of a credit union may be
20 issued in the name of a minor or in trust, subject to conditions pre-
21 scribed by the bylaws. When shares are issued in trust, the name of the
22 beneficiary shall be disclosed to the credit union.

23 Sec. 06.45.220. SUSPENSION. (a) The commissioner may on his
24 finding that the credit union is bankrupt, insolvent, or is operating in
25 an unsafe or unsound manner or that the credit union has violated the
26 provisions of its articles of incorporation or bylaws, this chapter, or
27 regulations adopted by the commissioner, exercise the powers granted to
28 him in AS 06.01.030 and temporarily suspend the operations of the credit
29 union.

1 (b) The commissioner, under the regulations adopted by him, may
2 permit operations to continue under conditions and procedures estab-
3 lished by him or he may direct the credit union to cease operations and
4 appoint a liquidating agent to liquidate the credit union.

5 Sec. 06.45.230. EXEMPTION FROM TAXATION. A credit union organized
6 under this chapter, its property, franchises, capital, reserves, sur-
7 pluses, and other funds, and its income are exempt from taxation by the
8 state or a political subdivision of the state, except that real property
9 and tangible personal property owned by a credit union is subject to
10 taxation to the same extent that similar property is taxed. This sec-
11 tion does not prevent holdings in a credit union organized under this
12 chapter from being included in the valuation of the personal property of
13 the owners or holders under taxes imposed by the state or a political
14 subdivision of the state.

15 Sec. 06.45.240. ALLOTMENT OF SPACE IN STATE OFFICE BUILDINGS. On
16 application by a credit union organized under this chapter, if at least
17 95 percent of the membership is composed of persons who either are
18 presently state employees or were state employees at the time of ad-
19 mission into the credit union and members of their families, the De-
20 partment of Transportation and Public Facilities may in its discretion
21 allot space to the credit union without charge for rent or services if
22 space is available.

23 Sec. 06.45.250. CONVERSIONS. (a) A federal credit union may
24 convert into a credit union organized under this chapter by complying
25 with applicable federal law and by qualifying under this chapter.

26 (b) A credit union organized under this chapter may convert into a
27 federal credit union by complying with this chapter and by qualifying
28 under federal law.

29 Sec. 06.45.260. INSURANCE OF MEMBER ACCOUNTS. A credit union

1 organized under this chapter shall, under regulations adopted by the
2 commissioner, participate in insurance of member accounts under programs
3 offered by the National Credit Union Administration Board.

4 Sec. 06.45.270. LIQUIDITY FACILITY PARTICIPATION. A credit union
5 organized under this chapter may, under regulations adopted by the
6 commissioner, participate in the programs offered by the National Credit
7 Union Central Liquidity Facility.

8 Sec. 06.45.280. CONFLICT OF INTEREST. (a) A member of the board
9 of directors or a member of the credit committee or supervisory commit-
10 tee or an employee of a credit union may not participate in the deli-
11 beration or the determination of a question affecting his own pecuniary
12 interest or the pecuniary interest of a corporation, partnership, or
13 association in which he is interested.

14 (b) A person who violates (a) of this section may not thereafter
15 serve as an officer, agent, or employee of a credit union.

16 Sec. 06.45.290. MERGER. (a) A credit union may merge with
17 another credit union under a plan agreed upon by a majority of the board
18 of directors of each credit union and approved by a majority of the
19 members of each credit union present at meetings called to approve the
20 plan.

21 (b) The commissioner may by regulation establish further proce-
22 dures governing mergers.

23 Sec. 06.45.300. BRANCH OFFICES. A credit union may establish a
24 branch office under regulations of the commissioner.

25 Sec. 06.45.310. UNAUTHORIZED CONDUCT OF CREDIT UNION BUSINESS. It
26 is a class A misdemeanor for a natural person to conduct business under
27 a name or title which contains the words "credit union" or a derivation
28 of them or to represent himself as conducting business as a credit
29 union.

1 Sec. 06.45.320. TRANSFER OF CREDIT UNION'S PROPERTY TO PREFERRED
2 CREDITOR IS VOID. The transfer of property, money, or assets by a
3 credit union after it becomes insolvent, to prefer one creditor over
4 another, or to prevent the equal distribution of its property and assets
5 among its creditors is void.

6 Sec. 06.45.330. UNLAWFUL DECEIT OF COMMISSIONER OR EXAMINERS. A
7 person is guilty of a class C felony who, with intent to deceive the
8 commissioner or a person authorized to examine the affairs of a credit
9 union, wilfully and knowingly,

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

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

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

15 Sec. 06.45.340. RECEIPT OF DEPOSITS WHILE INSOLVENT. A member of
16 the board of directors, an officer, or an employee of a credit union who
17 fraudulently receives a deposit, knowing that the credit union is in-
18 solvent, is guilty of a class A felony.

19 Sec. 06.45.350. LIMITATIONS ON CREDIT UNIONS. A credit union may
20 not acquire control directly or indirectly of another financial institu-
21 tion or invest in shares, stocks or obligations of an insurance company,
22 trade association, liquidity facility or any other similar organization,
23 corporation, or association except as expressly provided by this chapter.

24 Sec. 06.45.400. DEFINITIONS. In this chapter

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

27 (2) "credit union" means a cooperative association organized
28 in accordance with the provisions of this chapter for the purpose of
29 promoting thrift among its members and creating a source of credit for

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provident or productive purposes;

(3) "credit union association" means an organization established primarily to serve the needs of its member credit unions under regulations adopted by the commissioner.

* Sec. 3. This Act takes effect July 1, 1980.

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 condition.:

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;