

SCOMM

#9:149

Original sponsors: McKinnon and
Gardiner

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Referred: Rules

1 IN THE HOUSE

BY THE COMMERCE COMMITTEE

2

2d CS FOR HOUSE BILL NO. 29

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

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

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

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

9

CHAPTER 40. ALASKA CREDIT UNION ACT.

10

ARTICLE 1. FORMATION AND MANAGEMENT OF CREDIT UNIONS.

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Sec. 06.40.010. FORMATION OF CREDIT UNION. (a) A credit union

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may be formed by seven or more residents of this state who meet the

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requirement of common bond contained in sec. 60 of this chapter and the

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requirements in this section by subscribing for shares of the credit

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union in the aggregate amount of \$1,000 and executing two copies of

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articles of incorporation and bylaws of the credit union consistent with

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the provisions of this chapter and regulations of the commissioner.

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(b) The incorporators shall submit to the commissioner an appli-

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cation to establish a credit union, including the proposed articles of

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incorporation, bylaws, and required fees. The commissioner shall approve

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the application by the incorporators if he determines that

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(1) the articles of incorporation and bylaws conform to the

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provisions of this chapter;

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

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(3) the proposed credit union is economically feasible;

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(4) the name of the proposed credit union is not deceptively

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similar to another credit union doing business in the state; and

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

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certificate of approval have been fulfilled.

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

9 (d) No credit union may transact business until formal approval
10 of the charter has been received.

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

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

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

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

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

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

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

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

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

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

21 (4) the duties of the several officers;

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

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

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

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

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

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

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

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

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

18 Sec. 06.40.070. POWERS. A credit union may

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

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

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

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

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

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

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

3 (8) borrow from any source in an aggregate amount not to
4 exceed 50 per cent of paid-in and unimpaired capital and surplus to meet
5 share withdrawals or for purposes of financing investments in real estate
6 and credit union premises under sec. 276 of this chapter but may not
7 borrow for any other investments, and discount or sell eligible obliga-
8 tions, subject to regulations prescribed by the commissioner; however,
9 the proposed borrowing must be in accordance with policy established by
10 the board of directors, and the credit union must notify the commissioner
11 when the amount borrowed by the credit union exceeds 35 per cent of its
12 paid-in and unimpaired capital and surplus;

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

16 (10) hold membership in a central credit union organized under
17 this chapter and in organizations composed of credit unions;

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

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

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

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

26 (15) perform trust services for its members subject to the
27 provisions of ch. 25 of this title upon approval by the commissioner,
28 including the trust estates of deceased members, and to act as a custo-
29 dian of qualified pension funds of self-employed individuals under the

1 provisions of P.L. 89-809;

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

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

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

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

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

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

1 the credit union, may be represented and vote by one of its members or
2 shareholders who has been legally authorized by its governing body.

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

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

20 (c) No member of the board or committee of the board may be com-
21 pensated for his service. A member, while on official business of the
22 credit union authorized by the board of directors, may be reimbursed for
23 necessary expenses incidental to the performance of the business.

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

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

29 (2) purchase a blanket fidelity bond, in accordance with the

1 regulations of the commissioner, covering the officers, employees,
2 members of official committees, and agents of the credit union;

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

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

11 (5) direct the investment of surplus funds, except that the
12 board may designate a committee of its number or a qualified individual
13 to have charge of making investments in accordance with sec. 290 of this
14 chapter;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 ARTICLE 2. SUPERVISION AND REGULATION OF CREDIT UNIONS.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 (3) organizations or associations of these persons;

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

8 (5) persons who are members of credit unions in this state
9 which have entered into or are about to enter into voluntary or involun-
10 tary dissolution proceedings under the provisions of sec. 330 of this
11 chapter or credit unions in this state which have entered into or are
12 about to enter into voluntary or involuntary dissolution proceedings
13 under the provisions of Chapter 14 of Title XII of the U.S. Code.

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

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

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

1 ARTICLE 3. FINANCIAL PRACTICES.

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

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

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

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

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

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

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

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

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

1 the parties shall be presumed to own a multiple party account in equal
2 undivided interests.

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

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

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

22 Sec. 06.40.220. PRESUMPTIONS REBUTTABLE. The presumptions created
23 by secs. 190 - 210 of this chapter concerning beneficial ownership as
24 between parties, or as between parties and beneficiaries, of multiple
25 party accounts are relevant only to controversies between these persons
26 or their creditors or other successors, and shall have no bearing on the
27 rights of withdrawal of these persons as determined by the terms of the
28 account contracts. These presumptions are based upon inferences of the
29 intention of parties to multiple party accounts and the usual

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

12 Sec. 06.40.230. PAYMENTS BY CREDIT UNION. Payment made in accord-
13 ance with secs. 190 - 210 of this chapter discharges the credit union
14 from all claims for amounts so paid whether or not the payment is
15 consistent with the beneficial ownership of the account as between
16 parties, or beneficiaries or their successors. The protection given
17 does not extend to payments made after a credit union has received
18 written notice from a party who has a present right of withdrawal that
19 withdrawals in accordance with the terms of the account should not be
20 permitted. Unless the notice is withdrawn by the person giving it, the
21 death of any party after notice has no effect on withdrawal rights, and
22 the personal representative or heirs of the decedent must concur in any
23 demand for withdrawal if the credit union is to be protected under this
24 section. No other notice or information shown to have been available to
25 a credit union shall affect its right to the protection provided here.
26 This protection shall have no bearing on the rights of parties in
27 disputes between themselves or their successors concerning the bene-
28 ficial ownership of funds in, or withdrawn from, multiple party accounts.

1 received from a minor who may withdraw the shares and deposits, includ-
2 ing dividends and interest. Deposits and share investments made by a
3 minor and withdrawals of them by the minor shall be valid in all re-
4 spects. For these purposes a minor is considered of full age.

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

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

28 Sec. 06.40.270. LOANS. (a) A credit union may make loans to its
29 members upon the terms and conditions provided in the bylaws and

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

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

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

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

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

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

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

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

24 (1) a residential real estate loan which is made to finance
25 the acquisition of a one-to-four family dwelling for the principal
26 residence of a credit union member, the sales price of which is not more
27 than 150 per cent of the median sales price of residential real property
28 situated in the geographical area (as determined by the board of
29 directors) in which the property is located, and which is secured by a

1 first lien upon the dwelling, may have a maturity not exceeding 30 years;

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

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

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

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

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

25 (1) real property necessary for the convenient transaction
26 of its business, including credit union offices, equipment, furniture
27 and fixtures, leasehold improvements, parking lots, and investment in
28 a credit union building corporation if all obligations of the building
29 corporation to the credit union are included as investment, provided

1 that the book asset value of the purchases or investments does not
2 exceed 60 per cent of the sum of the capital and surplus accounts of
3 the credit union;

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

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

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

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

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

1 Administration and may accept any report of examination made on behalf
2 of the administrator. Should a credit union be closed because of
3 bankruptcy or insolvency, the commissioner may appoint the National
4 Credit Union Administrator as the liquidating agent.

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

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

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

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

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

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

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

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

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

1 credit union;

2 (8) stock in a credit union building corporation in accor-
3 dance with sec. 276 of this chapter.

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

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

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

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

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

27 (c) For the purpose of establishing the reserves required by this
28 section, all assets shall be considered risk assets except the follow-
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- (1) cash on hand;
- (2) deposits or shares in financial institutions insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation or the National Credit Union Administration;
- (3) loans to other credit unions in the state;
- (4) assets which are insured by, fully guaranteed as to principal and interest, or due from the federal government, its agencies, the Federal National Mortgage Association, or the Government National Mortgage Association;
- (5) buildings and land owned by the credit union;
- (6) loans to students insured under the provisions of Title IV, part B of the Higher Education Act of 1965 (20 U.S.C. 1071 et. seq.) or similar state insurance programs; however, loans described in this paragraph which are in default shall be deducted from the total;
- (7) the insured portion of loans insured under Title I of the National Housing Act (12 U.S.C. 1703) by the Federal Housing Administration;
- (8) the insured portion of common trust investments in government securities authorized by this chapter if the credit union is the direct beneficiary of the guarantee or insurance; or
- (9) accrued interest on nonrisk investments.

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

1 of collection.

2 ARTICLE 4. MERGER, CONVERSION AND LIQUIDATION.

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

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

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

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

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

1 without deed, endorsement, or other instrument.

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

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

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

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

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

17 (b) If, after issuing notice of suspension and following the pro-
18 cedures set out in sec. 330 of this chapter, the commissioner rejects
19 the credit union's plan to continue operations, he may issue a notice of
20 involuntary liquidation and appoint a liquidating agent. The credit
21 union may request a stay of execution of this action by appealing to the
22 appropriate court of the jurisdiction in which the credit union is
23 located.

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

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

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

16 ARTICLE 5. PROHIBITED PRACTICES AND SANCTIONS.

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

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

1 its creditors, is void.

2 Sec. 06.40.360. UNLAWFUL DECEIT OF DEPARTMENT OR ITS EMPLOYEES.

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

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

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

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

1 than \$5,000, or by imprisonment for not more than five years, or by
2 both.

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

9 ARTICLE 6. GENERAL PROVISIONS.

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

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

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

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

28 Sec. 06.40.420. BRANCH OFFICE FACILITIES. (a) With the written
29 approval of the commissioner, a credit union may establish a branch

1 office at a location other than its main office. The commissioner may
2 by regulation establish the content of the application and an appropriate
3 application fee.

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

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

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

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

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

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

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

28 (b) Participation by a credit union in a government program pro-
29 viding unemployment, social security, old age pension or other benefits,

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is not considered a waiver of the taxation exemption granted in this section.

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

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

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

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

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

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

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