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1 *Baeth* *Statt* *Guernsey* BILL NO. *67*  
 2 INTRODUCED BY *Manuel Sheldon*  
 3 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
 4 ORGANIZATION, OPERATION, AND SUPERVISION OF COOPERATIVE,  
 5 NONPROFIT THRIFT AND CREDIT ASSOCIATIONS TO BE KNOWN AS  
 6 CREDIT UNIONS AND TO DEFINE THEIR POWERS; AND REPEALING  
 7 SECTIONS 14-130 THROUGH 14-158, R.C.M. 1947."  
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 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 Section 1. Short title. This act shall be known and  
 12 may be cited as the "Montana Credit Union Act".

13 Section 2. Definition and purposes. A credit union is  
 14 a cooperative, nonprofit association, incorporated under  
 15 this act, for the purposes of encouraging thrift among its  
 16 members, creating a source of credit at a fair and  
 17 reasonable rate of interest, and providing an opportunity  
 18 for its members to use and control their own money in order  
 19 to improve their economic and social condition.

20 Section 3. Organization procedure. (1) Any seven (7)  
 21 or more residents of this state, of legal age, who have a  
 22 common bond defined in section [15], may organize a credit  
 23 union and become charter members thereof by complying with  
 24 this section.

25 (2) The subscribers shall execute in duplicate

1 articles of incorporation, which conform to the applicable  
 2 Montana corporation law, and agree to the terms thereof,  
 3 which articles shall state:

4 (a) the name, which shall include the words "credit  
 5 union" and which shall not be the same as that of any other  
 6 existing credit union in this state, and the location where  
 7 the proposed credit union is to have its principal place of  
 8 business;

9 (b) that the existence of the credit union is  
 10 perpetual;

11 (c) the par value of the shares of the credit union,  
 12 which shall be in five dollar (\$5) multiples of not less  
 13 than five dollars (\$5), nor more than twenty-five dollars  
 14 (\$25);

15 (d) that the credit union shall be organized under  
 16 this act for the purposes set forth therein;

17 (e) the names and addresses of the subscribers to the  
 18 articles of incorporation, and the value of shares  
 19 subscribed to by each, which shall be not less than five  
 20 dollars (\$5); and

21 (f) that the credit union may exercise such incidental  
 22 powers as are necessary or requisite to enable it to carry  
 23 on effectively the business for which it is incorporated,  
 24 and those powers which are inherent in the credit union as a  
 25 legal entity.

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1 (3) The subscribers shall prepare and adopt bylaws for  
2 the general government of the credit union consistent with  
3 this act, and execute the same in duplicate.

4 (4) The subscribers shall select at least five (5)  
5 qualified persons who agree to serve on the board of  
6 directors, and at least three (3) qualified persons who  
7 agree to serve on the supervisory committee. A signed  
8 agreement to serve in these capacities until the first  
9 annual meeting or until the election of their successors,  
10 whichever is later, shall be executed by those who so agree.  
11 This agreement shall be submitted to the director of the  
12 department of business regulation.

13 (5) The subscribers shall forward the articles of  
14 incorporation and the bylaws to the director of the  
15 department of business regulation. The director may issue a  
16 certificate of approval, if the articles and the bylaws are  
17 in conformity with this act and he is satisfied that the  
18 proposed field of operation is favorable to the success of  
19 such credit union and that the standing of the proposed  
20 organizers is such as to give assurance that its affairs  
21 will be properly administered. He shall return a copy of  
22 the bylaws and the articles to the applicants or their  
23 representatives, which shall be preserved in the permanent  
24 files of the credit union. The application shall be acted  
25 upon within thirty (30) days. The articles of incorporation

1 shall then be filed with the secretary of state who, upon  
2 payment of the filing fees therefor, shall issue a  
3 certificate of incorporation.

4 (6) The subscribers for a credit union charter shall  
5 not transact any business until formal approval of the  
6 charter has been received.

7 Section 4. Form of articles and bylaws. In order to  
8 simplify the organization of credit unions, the director of  
9 the department of business regulation shall cause to be  
10 prepared a form of articles of incorporation and a form of  
11 bylaws, consistent with this act, which may be used by  
12 credit union incorporators for their guidance. Such  
13 articles of incorporation and bylaws shall be available  
14 without charge to persons desiring to organize a credit  
15 union.

16 Section 5. Amendments. (1) The articles of  
17 incorporation or the bylaws may be amended as provided in  
18 the bylaws. Amendments to the articles of incorporation or  
19 bylaws shall be submitted to the director of the department  
20 of business regulation who shall approve or disapprove the  
21 amendments within sixty (60) days.

22 (2) Amendments shall become effective upon approval in  
23 writing by the director and no fee shall be charged for such  
24 approval.

25 Section 6. Use of name exclusive. With the exception

1 of a credit union organized under the provisions of this act  
 2 or of any other credit union act, or an association of  
 3 credit unions or a recognized chapter thereof, any person,  
 4 corporation, copartnership or association using a name or  
 5 title containing the words "credit union" or any derivation  
 6 thereof or representing themselves in their advertising or  
 7 otherwise as conducting business as a credit union shall be  
 8 fined not more than five hundred dollars (\$500) or  
 9 imprisoned not more than one (1) year, or both, and may be  
 10 permanently enjoined from using such words in its name.

11 Section 7. Office facilities. (1) A credit union may  
 12 change its place of business within this state upon written  
 13 notice to the department of business regulation.

14 (2) A credit union may share office space with one (1)  
 15 or more credit unions and contract with any person or  
 16 corporation to provide facilities or personnel.

17 Section 8. Fiscal year. The fiscal year of each credit  
 18 union organized under this act shall end on December 31.

19 Section 9. Director of the department of business  
 20 regulation. (1) The director shall administer the laws of  
 21 this state relating to credit unions. He may appoint or  
 22 employ such special assistants, deputies, examiners, or  
 23 other employees as are necessary for the purpose of  
 24 administering or enforcing this act.

25 (2) The director may prescribe rules and regulations

1 for the administration of this act and may establish  
 2 chartering, supervisory and examination fees.

3 (3) The director shall, from time to time, issue rules  
 4 and regulations prescribing the minimum amount of surety  
 5 bond coverage and casualty, liability and fire insurance  
 6 required of credit unions in relation to their assets or to  
 7 the money and other personal property involved, or their  
 8 exposure to risk.

9 Section 10. Reports. (1) Credit unions organized under  
 10 this act shall report to the director annually on or before  
 11 February 1 on forms supplied by him for that purpose.  
 12 Additional reports may be required.

13 (2) A fine of five dollars (\$5) for each day a report  
 14 is in arrears shall be levied against the offending credit  
 15 union unless it is excused for cause by the director.

16 Section 11. Examinations. (1) The department of  
 17 business regulation shall annually examine or cause to be  
 18 examined each credit union. Each credit union and all of  
 19 its officers and agents shall be required to give to  
 20 representatives of the director of the department full  
 21 access to all books, papers, securities, records and other  
 22 sources of information under their control; and for the  
 23 purpose of the examination the representatives may subpoena  
 24 witnesses, administer oaths, compel the giving of testimony,  
 25 and require the submission of documents.

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1 (2) A report of the examination shall be forwarded to  
 2 the executive officer of each credit union within thirty  
 3 (30) days after completion. The report shall contain  
 4 comments relative to the management of the affairs of the  
 5 credit union and also as to the general condition of its  
 6 assets. Within sixty (60) days after the receipt of the  
 7 report, the directors and committeemen shall meet to  
 8 consider matters contained in the report.

9 (3) In lieu of making an annual examination of a  
 10 credit union, the director may accept an audit report of the  
 11 condition of the credit union made by an auditor approved by  
 12 the director. The cost of the audit shall be borne by the  
 13 credit union.

14 Section 12. Records. (1) A credit union shall maintain  
 15 all books, records, accounting systems and procedures in  
 16 accordance with such rules as the director from time to time  
 17 prescribes. In prescribing such rules, the director shall  
 18 consider the relative size of a credit union and its  
 19 reasonable capability of compliance.

20 (2) A credit union is not liable for destroying  
 21 records after the expiration of the record retention time  
 22 prescribed by the director.

23 (3) A photostatic or photographic reproduction of any  
 24 credit union records shall be admissible as evidence of  
 25 transactions with the credit union.

1 Section 13. General powers. A credit union may:  
 2 (1) make contracts;  
 3 (2) sue and be sued;  
 4 (3) adopt and use a common seal and alter same;  
 5 (4) acquire, lease, hold and dispose of property,  
 6 either in whole or in part, necessary or incidental to its  
 7 operations;  
 8 (5) at the discretion of the board of directors,  
 9 require the payment of an entrance fee or annual membership  
 10 fee, or both, of any person admitted to membership;  
 11 (6) receive savings from its members in the form of  
 12 shares or special purpose thrift accounts;  
 13 (7) lend its funds to its members as hereinafter  
 14 provided;  
 15 (8) borrow from any source in accordance with policy  
 16 established by the board of directors;  
 17 (9) discount and sell any eligible obligations,  
 18 subject to rules and regulations prescribed by the director;  
 19 (10) sell all or substantially all of its assets or  
 20 purchase all or substantially all of the assets of another  
 21 credit union, subject to the approval of the director;  
 22 (11) invest surplus funds as provided in this act;  
 23 (12) make deposits in legally chartered banks, savings  
 24 banks, building and loan associations, savings and loan  
 25 associations, trust companies and central type credit union

organizations;

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

(14) hold membership in other credit unions organized under this act or other acts, and in other associations and organizations composed of credit unions;

(15) declare dividends and pay interest refunds to borrowers as provided in this act;

(16) collect, receive and disburse monies in connection with the sale of negotiable checks, money orders and other money type instruments, and for such other purposes as may provide benefit or convenience to its members, and charge a reasonable fee for such services;

(17) perform such tasks and missions as are requested by the federal government or this state or any agency or political subdivision thereof, when approved by the board of directors and not inconsistent with this act;

(18) contribute to, support or participate in any nonprofit service facility whose services will benefit the credit union or its membership, subject to such regulations as are prescribed by the director;

(19) make donations or contributions to any civic, charitable or community organizations as authorized by the board of directors, subject to regulations as are prescribed

by the director; or

(20) purchase or make available insurance for its directors, officers, agents, employees and members.

Section 14. Incidental powers. A credit union may exercise such incidental powers as are granted corporations organized under the laws of this state including those that are necessary to enable it to promote and carry on most effectively its purposes.

Section 15. Membership defined. (1) The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons within the common bond set forth in the bylaws as have been duly admitted members, have paid the required entrance fee or membership fee, or both, have subscribed for one (1) or more shares, and have paid the initial installment thereon, and have complied with such other requirements as the articles of incorporation or bylaws specify.

(2) Credit union membership may include groups having a common bond of similar occupation, association or interest, or to employees of a common employer, and members of the immediate family of such persons.

Section 16. Societies -- associations. Societies, and copartnerships composed primarily of individuals who are eligible for membership, and corporations whose stockholders

1 are composed primarily of such individuals, may be admitted  
2 to membership in the same manner and under the same  
3 conditions as individuals, but may not borrow in excess of  
4 their shareholdings.

5 Section 17. Other credit unions. Any credit union  
6 organized under this act may permit membership of any other  
7 credit union organized under this act or other acts.

8 Section 18. Limited income persons. Existing credit  
9 unions may include within their field of membership limited  
10 income persons as defined by the director of the department  
11 of business regulation for whom credit union services are  
12 otherwise unavailable.

13 Section 19. Members who leave field. Members who leave  
14 the field of membership may be permitted to retain their  
15 membership in the credit union as a matter of general policy  
16 of the board of directors.

17 Section 20. Liability of members. The members of the  
18 credit union shall not be personally or individually liable  
19 for the payment of its debts.

20 Section 21. Meetings of members. (1) The annual  
21 meeting and any special meetings of the members of the  
22 credit union shall be held at the time, place, and in the  
23 manner indicated by the bylaws.

24 (2) At all such meetings a member shall have but one  
25 (1) vote, irrespective of his shareholdings. No member may

1 vote by proxy, but a member may vote by absentee ballot if  
2 the bylaws of the credit union so provide.

3 (3) A society, association, copartnership or  
4 corporation, having membership in the credit union, may be  
5 represented and have its vote cast by one of its members or  
6 shareholders, provided such person has been fully authorized  
7 by the organization's governing body.

8 (4) The board of directors may establish a minimum  
9 age, not greater than eighteen (18) years of age, as a  
10 qualification of eligibility to vote at meetings of the  
11 members, or to hold office, or both.

12 Section 22. Election or appointment of officials. (1)  
13 The credit union shall be directed by a board consisting of  
14 an odd number of directors, at least five (5) in number, to  
15 be elected at the annual membership meeting by and from the  
16 members. All members of the board shall hold office for  
17 such terms as the bylaws provide.

18 (2) The board of directors shall appoint a supervisory  
19 committee of not less than three (3) members at the  
20 organization meeting and within thirty (30) days following  
21 each annual meeting of the members for such terms as the  
22 bylaws provide.

23 (3) The board of directors shall appoint a credit  
24 committee consisting of an odd number, not less than three  
25 (3), for such terms as the bylaws provide, or in lieu of a

1 credit committee, a credit manager.

2 Section 23. Record of board and committee members.  
3 Within fifteen (15) days after election or appointment, a  
4 record of the names and addresses of the members of the  
5 board, committees and all officers of the credit union shall  
6 be filed with the department of business regulation on forms  
7 provided by the department.

8 Section 24. Vacancies. The board of directors shall  
9 fill any vacancies occurring in the board until successors  
10 elected at the next annual meeting have qualified. The  
11 board shall also fill vacancies in the credit and  
12 supervisory committees.

13 Section 25. Compensation of officials. No officer,  
14 director, or committee member, other than the treasurer, a  
15 credit manager, or a loan officer may be compensated for his  
16 service as such, but reasonable life, health, accident and  
17 similar insurance protection for a director or committee  
18 member shall not be considered compensation. Directors and  
19 committee members, while on official business of the credit  
20 union, may be reimbursed for necessary expenses incidental  
21 to the performance of the business.

22 Section 26. Conflicts of interest. No director,  
23 committee member, officer, agent or employee of the credit  
24 union shall in any manner, directly or indirectly,  
25 participate in the deliberation upon or the determination of

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

5 Section 27. Executive officers. (1) At their  
6 organization meeting and within thirty (30) days following  
7 each annual meeting of the members, the directors shall  
8 elect from their own number an executive officer, who may be  
9 designated as chairman of the board or president; a vice  
10 chairman of the board or one (1) or more vice presidents; a  
11 treasurer; and a secretary. The treasurer and the secretary  
12 may be the same individual. The persons so elected shall be  
13 the executive officers of the corporation.

14 (2) The terms of the officers shall be one (1) year,  
15 or until their successors are chosen and have duly  
16 qualified.

17 (3) The duties of the officers shall be prescribed in  
18 the bylaws.

19 (4) The board of directors may employ an officer in  
20 charge of operations whose title shall be either president  
21 and/or general manager; or, in lieu thereof, the board of  
22 directors may designate the treasurer or an assistant  
23 treasurer to act as general manager and be in active charge  
24 of the affairs of the credit union.

25 Section 28. Authority of directors. The board of

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1 directors shall have the general direction of the business  
2 affairs, funds, and records of the credit union.

3 Section 29. Executive committee. From the persons  
4 elected to the board, the board may appoint an executive  
5 committee of not less than three (3) directors who may be  
6 authorized to act for the board in all respects, subject to  
7 such conditions and limitations as are prescribed by the  
8 board.

9 Section 30. Meetings of directors. The board of  
10 directors and the executive committee shall meet as often as  
11 necessary, but one body must meet at least monthly and the  
12 other at least quarterly.

13 Section 31. Duties of directors. It shall be the duty  
14 of the directors to:

15 (1) act upon applications for membership; or to  
16 appoint one (1) or more membership officers to approve  
17 applications for membership under such conditions as the  
18 board prescribes. A record of a membership officer's  
19 approval or denial of membership shall be available to the  
20 board of directors for inspection. A person denied  
21 membership by a membership officer may appeal the denial to  
22 the board;

23 (2) purchase a blanket fidelity bond, in accordance  
24 with any rules and regulations of the director, to protect  
25 the credit union against losses caused by occurrences

1 covered therein such as fraud, dishonesty, forgery,  
2 embezzlement, misappropriation, misapplication, or  
3 unfaithful performance of duty by a director, officer,  
4 employee, member of an official committee, attorney at law,  
5 or other agent;

6 (3) determine from time to time the interest rate or  
7 rates consistent with this act, which shall be charged on  
8 loans and to authorize interest refunds, if any, to members  
9 from income earned and received in proportion to the  
10 interest paid by them on such classes of loans and under  
11 such conditions as the board prescribes;

12 (4) fix from time to time the maximum amount which may  
13 be loaned to any one member;

14 (5) declare dividends on shares in the manner and form  
15 as provided in the bylaws;

16 (6) limit the number of shares which may be owned by a  
17 member, such limitations to apply alike to all members;

18 (7) have charge of the investment of surplus funds,  
19 except that the board of directors may designate an  
20 investment committee or any qualified individual to have  
21 charge of making investments under controls established by  
22 the board of directors;

23 (8) authorize the employment of such persons necessary  
24 to carry on the business of the credit union, including the  
25 credit manager, loan officers and auditing assistants



1 requested by the supervisory committee; and fix the  
 2 compensation, if any, of the treasurer and the general  
 3 manager and provide for compensation for other employees  
 4 within guidelines predetermined by the board of directors;

5 (9) authorize the conveyance of property;  
 6 (10) borrow or lend money to carry on the functions of  
 7 the credit union;

8 (11) designate a depository or depositories for the  
 9 funds of the credit union;

10 (12) suspend any or all members of the credit or  
 11 supervisory committee for failure to perform their duties;

12 (13) appoint any special committees deemed necessary;  
 13 and

14 (14) perform such other duties as the members from time  
 15 to time direct, and perform or authorize any action not  
 16 inconsistent with this act and not specifically reserved by  
 17 the bylaws for the members.

18 Section 32. Authority of credit committee. The credit  
 19 committee shall have the general supervision of all loans to  
 20 members.

21 Section 33. Meeting of credit committee. The credit  
 22 committee shall meet as often as the business of the credit  
 23 union requires and not less frequently than once a month to  
 24 consider applications for loans. No loan shall be made  
 25 unless it is approved by a majority of the committee who are

1 present at the meeting at which the application is  
 2 considered.

3 Section 34. Loan officers. (1) The credit committee  
 4 may appoint one (1) or more loan officers and delegate the  
 5 power to approve loans, subject to such limitations or  
 6 conditions as the credit committee prescribes.

7 (2) Loan applications not approved by a loan officer  
 8 shall be reviewed and acted upon by the credit committee.

9 Section 35. Credit manager. The credit committee may  
 10 be dispensed with, and a credit manager empowered to approve  
 11 or disapprove loans under conditions prescribed by the board  
 12 of directors. In the event the credit committee is  
 13 dispensed with, the procedures prescribed in sections [32],  
 14 [33] and [34] do not apply, and no loans shall be made  
 15 unless approved by the credit manager, except the credit  
 16 manager may appoint one (1) or more loan officers with the  
 17 power to approve loans, subject to such limitations or  
 18 conditions as he prescribes.

19 Section 36. Duties of supervisory committee. (1) The  
 20 supervisory committee shall make or cause to be made a  
 21 comprehensive annual audit of the books and affairs of the  
 22 credit union and shall submit a report of that audit to the  
 23 board of directors and a summary of that report to the  
 24 members at the next annual meeting of the credit union. It  
 25 shall make or cause to be made such supplementary audits or

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1 examinations as it deems necessary or as are required by the  
2 director or by the board of directors, and submit reports of  
3 these supplementary audits to the board of directors.

4 (2) The supervisory committee shall cause the accounts  
5 of the members to be verified with the records of the credit  
6 union from time to time, and not less frequently than every  
7 two (2) years.

8 Section 37. Suspension and removal of officials. (1)  
9 The supervisory committee by a unanimous vote may suspend  
10 any member of the credit committee and shall report such  
11 action to the board of directors for appropriate action.

12 (2) The supervisory committee by a unanimous vote may  
13 suspend any officer or member of the board of directors  
14 until the next members' meeting, which shall be held not  
15 less than seven (7) nor more than twenty-one (21) days after  
16 such suspension. At such meeting the suspension shall be  
17 acted upon by the members.

18 (3) Any member of the supervisory committee may be  
19 removed by the board of directors for failure to perform his  
20 duties in accordance with this act, the articles of  
21 incorporation, or the bylaws.

22 Section 38. Calling of special meeting. The  
23 supervisory committee by a majority vote may call a special  
24 meeting of the members to consider any violation of this  
25 act, the credit union's charter or bylaws, or any practice

1 of the credit union deemed by the supervisory committee to  
2 be unsafe or unauthorized.

3 Section 39. Shares. (1) The capital of a credit union  
4 consists of the payments by the members on shares.

5 (2) Shares may be subscribed to, paid for and  
6 transferred in such manner as the bylaws prescribe.

7 (3) A certificate need not be issued to denote  
8 ownership of a share in a credit union.

9 Section 40. Dividends. (1) At such intervals and for  
10 such periods as the board of directors may authorize, and  
11 after provision for the required reserves, the board of  
12 directors may declare dividends to be paid from the  
13 undivided earnings at such rates and upon such classes of  
14 shares as are determined by the board. Such dividends shall  
15 be paid on all paid up shares outstanding at the close of  
16 the period for which the dividend is declared.

17 (2) Shares which become fully paid up during such  
18 dividend period and are outstanding at the close of the  
19 period shall be entitled to a proportionate share of such  
20 dividend.

21 (3) Dividend credit for a month may be accrued on  
22 shares which are or become fully paid up during the first  
23 fifteen (15) days of that month.

24 Section 41. Thrift accounts. Christmas clubs, vacation  
25 clubs, and other thrift accounts may be operated under

1 conditions established by the board of directors.

2 Section 42. Minors accounts. Shares may be issued to a  
3 minor who may withdraw the shares including the dividends  
4 and interest thereon. Share payments made by a minor and  
5 withdrawals thereof by the minor shall be valid in all  
6 respects. For such purposes a minor is deemed of full age.

7 Section 43. Joint accounts. (1) A member may designate  
8 any person or persons to hold shares and thrift club  
9 accounts with him in joint tenancy with the right of  
10 survivorship, but no joint tenant, unless a member in his  
11 own right, shall be permitted to vote, obtain loans, or hold  
12 office or be required to pay an entrance or membership fee.

13 (2) Payment of part or all of such accounts to any of  
14 the joint tenants shall, to the extent of such payment,  
15 discharge the liability to all.

16 Section 44. Trust accounts. (1) Shares may be issued  
17 in the name of a member in trust for a beneficiary,  
18 including a minor, but no beneficiary, unless a member in  
19 his own right, shall be permitted to vote, obtain loans,  
20 hold office or be required to pay an entrance or membership  
21 fee.

22 (2) Payment of part or all of such shares to such  
23 member shall, to the extent of such payment, discharge the  
24 liability of the credit union to the member and the  
25 beneficiary, and the credit union shall be under no

1 obligation to see the application of such payment.

2 (3) In the event of the death of the member, and if  
3 shares are so issued or held and the credit union has been  
4 given no other written notice of the existence or terms of  
5 any trust, such shares or deposits and any dividends or  
6 interest thereon shall be paid to the beneficiary.

7 Section 45. Liens. The credit union shall have a lien  
8 on the shares and accumulated dividends or interest of a  
9 member in his individual, joint or trust account, for any  
10 sum past due the credit union from said member or for any  
11 loan endorsed by him.

12 Section 46. Dormant accounts. (1) If a credit union is  
13 unable to contact a member, beneficiary or other person via  
14 first class mail at the last address shown on the records of  
15 the credit union, and if such inability continues for a  
16 period of more than five (5) years, all shares, accounts,  
17 dividends, interest and other sums due or standing in the  
18 name of such member, beneficiary or other person may, by  
19 action of the board of directors, be segregated, and  
20 thereafter no dividends or interest will accrue thereto.

21 (2) The member may reclaim any such sums by proper  
22 administrative or judicial proceedings or in accordance with  
23 the Uniform Disposition of Unclaimed Property Act.

24 (3) This section does not apply to shares, accounts,  
25 dividends, interest and other sums due to or standing in the

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1 name of two (2) or more persons unless the credit union is  
 2 unable to contact any such persons in the manner and during  
 3 the period specified in subsection (1).

4 Section 47. Reduction in shares. (1) Whenever the  
 5 losses of any credit union, resulting from a depreciation in  
 6 value of its loans or investments or otherwise, exceed its  
 7 undivided earnings and reserve fund so that the estimated  
 8 value of its assets is less than the total amount due the  
 9 shareholders, the credit union may by a majority vote of the  
 10 entire membership order a reduction in the shares of each of  
 11 its shareholders to divide the loss proportionately among  
 12 the members.

13 (2) If the credit union thereafter realizes from such  
 14 assets a greater amount than was fixed by the order of  
 15 reduction, such excess shall be divided proportionately  
 16 among the shareholders whose assets were reduced, but only  
 17 to the extent of such reduction.

18 Section 48. Purposes, terms, and interest rate. A  
 19 credit union may loan to members for such purpose and upon  
 20 such security and terms as the credit committee, credit  
 21 manager, or loan officer approves, at rates of interest not  
 22 exceeding one and one-half percent (1 1/2%) per month on the  
 23 unpaid monthly balances.

24 Section 49. Application. Every application for a loan  
 25 shall be made in writing upon a form, which the credit

1 committee, credit manager, or loan officer prescribes. The  
 2 application shall state the purpose for which the loan is  
 3 desired, and the security, if any, offered. Each loan shall  
 4 be evidenced by a written document.

5 Section 50. Loan limit. No loan shall be made to any  
 6 member in an aggregate amount in excess of ten percent (10%)  
 7 of the credit union's total assets.

8 Section 51. Security. In addition to generally  
 9 accepted types of security, the endorsement of a note by a  
 10 surety, comaker or guarantor, or assignment of shares of  
 11 wages, in a manner consistent with the laws of this state,  
 12 shall be deemed security within the meaning of this act.  
 13 The adequacy of any security shall be determined by the  
 14 credit committee, credit manager, or loan officer, subject  
 15 to this act and the bylaws.

16 Section 52. Installments. A member may receive a loan  
 17 in installments, or in one sum, and may pay the whole or any  
 18 part of his loan on any day on which the office of the  
 19 credit union is open for business.

20 Section 53. Line of credit. The credit committee or  
 21 credit manager may approve in advance upon their own motion  
 22 or upon application by a member, a line of credit, and  
 23 advances may be granted to each member within the limit of  
 24 such extension of credit. Where a line of credit has been  
 25 approved, no additional loan applications are required as

1 long as the aggregate obligation does not exceed the limit  
2 of such extension of credit.

3 Section 54. Other loan programs. (1) A credit union  
4 may participate in loans to credit union members jointly  
5 with other credit unions, corporations, or financial  
6 organizations.

7 (2) A credit union may participate in guaranteed loan  
8 programs of the federal and state government.

9 (3) A credit union may purchase the conditional sales  
10 contracts, notes and similar instruments of its members.

11 Section 55. Loans to officials. (1) A credit union may  
12 make loans to its directors, employees, loan officers,  
13 credit manager, and to members of its supervisory and credit  
14 committees, provided that:

15 (a) the loan complies with all lawful requirements  
16 under this act with respect to loans to other borrowers and  
17 is not on terms more favorable than those extended to other  
18 borrowers; and

19 (b) any such loan or aggregate of loans to any one  
20 director or committee member which exceeds two thousand five  
21 hundred dollars (\$2,500) plus pledged shares must be  
22 reported to the board of directors. Loans to directors and  
23 committee members may not exceed an aggregate of twenty  
24 percent (20%) of unimpaired capital and surplus of the  
25 credit union.

1 (2) A credit union may permit directors, employees,  
2 loan officers, credit manager, and members of its  
3 supervisory and credit committees to act as comakers,  
4 guarantors or endorsers of loans to other members, except  
5 when any such loan standing alone or when added to any  
6 outstanding loan or loans to the comaker, guarantor or  
7 endorser exceeds two thousand five hundred dollars (\$2,500),  
8 approval of the board of directors is required.

9 Section 56. Insurance for members. (1) A credit union  
10 may purchase or make available insurance for its members in  
11 amounts related to their respective ages, shares, or loan  
12 balances, or to any combination of them.

13 Section 57. Liability insurance for officers. A credit  
14 union may purchase and maintain insurance on behalf of any  
15 person who is or was a director, officer, employee or agent  
16 of the credit union, or who is or was serving at the request  
17 of the credit union as a director, officer, employee, or  
18 agent of another corporation, partnership, joint venture,  
19 trust or other enterprise against any liability asserted  
20 against such person and incurred by such person in any such  
21 capacity or arising out of such person's status as such,  
22 whether or not the credit union would have the power to  
23 indemnify such person against such liability.

24 Section 58. Share insurance. (1) Not later than  
25 January 1, 1976, each credit union shall apply for insurance

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1

1 on share accounts under the provisions of Title II of the  
 2 National Credit Union Act. A credit union which has been  
 3 denied a commitment for insurance of its share accounts  
 4 shall either dissolve, merge with another credit union which  
 5 is insured under Title II of the National Credit Union Act,  
 6 or apply in writing within thirty (30) days of denial to the  
 7 director of the department of business regulation for  
 8 additional time to obtain an insurance commitment.

9 (2) The director of the department of business  
 10 regulation shall grant additional time for the credit union  
 11 to obtain the insurance commitment upon satisfactory  
 12 evidence that the credit union has made or is making a  
 13 substantial effort to achieve the conditions precedent to  
 14 issuance of the commitment. Additional time or times shall  
 15 not extend later than January 1, 1978.

16 (3) The director of the department of business  
 17 regulation shall make available reports of condition and  
 18 examination reports to the administrator of the National  
 19 Credit Union Administration and may accept any report of  
 20 examination made on behalf of such administrators. The  
 21 director may appoint the administrator of the National  
 22 Credit Union Administration as liquidating agent of an  
 23 insured credit union.

24 Section 59. Investment of funds. Funds not used in  
 25 loans to members may be invested:

1 (1) in securities, obligations or other instruments of  
 2 or issued by or fully guaranteed as to principal and  
 3 interest by the United States of America, or any agency  
 4 thereof, or in any trust or trusts established for investing  
 5 directly or collectively in the same;

6 (2) in obligations of any state of the United States,  
 7 the District of Columbia, the Commonwealth of Puerto Rico,  
 8 and the several territories organized by congress, or any  
 9 political subdivisions thereof;

10 (3) in certificates of deposit or passbook type  
 11 accounts issued by a state or national bank, mutual savings  
 12 bank, building and loan association, or savings and loan  
 13 association;

14 (4) in loans to or in shares or deposits of other  
 15 credit unions;

16 (5) in the capital shares, obligations, or preferred  
 17 stock issues of any agency or association organized either  
 18 as a stock company, mutual association or membership  
 19 corporation, provided the membership or stockholdings, as  
 20 the case may be, of such agency or association are primarily  
 21 confined or restricted to credit unions, or organizations of  
 22 credit unions, and provided the purposes for which such  
 23 agency or association is organized are designed primarily to  
 24 service or otherwise assist credit union operations;

25 (6) in shares of a cooperative society organized under

1 the laws of this state or of the laws of the United States  
2 in the total amount not exceeding ten percent (10%) of the  
3 shares and surplus of the credit union;

4 (7) in loans to any credit union association or  
5 corporation, national or state, of which the credit union is  
6 a member, except that such investments shall be limited to  
7 two percent (2%) of the assets of the credit union.

8 Section 60. Transfers to regular reserve. (1)  
9 Immediately before the payment of each dividend, the gross  
10 earnings of the credit union shall be determined. From this  
11 amount, there shall be set aside sums as a regular reserve  
12 for contingencies in accordance with the following schedule:

13 (a) ten percent (10%) of gross income until the  
14 regular reserve equals five percent (5%) of the total of  
15 outstanding loans and risk assets; then

16 (b) seven percent (7%) of gross income until the  
17 regular reserve equals six percent (6%) of the total of  
18 outstanding loans and risk assets; then

19 (c) five percent (5%) of gross income until the  
20 regular reserve equals seven percent (7%) of the total of  
21 outstanding loans and risk assets.

22 (2) Whenever the regular reserve falls below seven  
23 percent (7%), six percent (6%), or five percent (5%) of the  
24 total outstanding loans and risk assets, as the case may be,  
25 it shall be replenished by regular contributions in such

1 amounts as are needed to maintain the reserve goals of five  
2 percent (5%), six percent (6%), or seven percent (7%).

3 (3) Any entrance fees, charges and transfer fees  
4 shall, after payment of organization expense, be added to  
5 the regular reserve.

6 Section 61. Use of regular reserve. The regular  
7 reserve shall belong to the credit union and shall be used  
8 to meet losses except those resulting from an excess of  
9 expenses over income and shall not be distributed except on  
10 liquidation of the credit union, or in accordance with a  
11 plan approved by the director of the department of business  
12 regulation.

13 Section 62. Risk assets defined. For the purpose of  
14 establishing the reserves required, all assets except the  
15 following shall be considered risk assets:

16 (1) cash on hand;

17 (2) deposits and shares in federal or state banks,  
18 savings and loan associations, and credit unions;

19 (3) assets which are insured, fully guaranteed as to  
20 principal and interest, or due from the United States  
21 government, its agencies, the federal national mortgage  
22 association, or the government national mortgage  
23 association;

24 (4) loans to other credit unions;

25 (5) loans to students insured under the provision of

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1 Title IV, part B of the Higher Education Act of 1965, or  
2 similar state insurance programs;

3 (6) loans insured under Title I of the National  
4 Housing Act by the federal housing administration;

5 (7) shares or deposits in central credit unions  
6 organized under this act or of any other state act or of the  
7 Federal Credit Union Act;

8 (8) common trust investments which deal in investments  
9 authorized by this act;

10 (9) prepaid expenses;

11 (10) accrued interest on nonrisk investments;

12 (11) furniture and equipment; and

13 (12) land and buildings.

14 Section 63. Special reserves. In addition to such  
15 regular reserve, special reserves to protect the interest of  
16 members shall be established:

17 (1) when required by regulation; or

18 (2) when found by the board of directors of the credit  
19 union or by the director of the department of business  
20 regulation, in any special case, to be necessary for that  
21 purpose.

22 Section 64. Suspension. (1) If it appears that any  
23 credit union is bankrupt or insolvent, or that it has  
24 willfully violated this act, or is operating in an unsafe or  
25 unsound manner, the director of the department of business

1 regulation shall issue an order temporarily suspending the  
2 credit union's operations for not less than thirty (30) nor  
3 more than sixty (60) days. The board of directors shall be  
4 given notice by registered mail of such suspension, which  
5 notice shall include a list of the reasons for such  
6 suspension, and/or a list of the specific violations of this  
7 act.

8 (2) Upon receipt of such suspension notice, the credit  
9 union shall cease all operations, except those authorized by  
10 the director. The credit union shall then file with the  
11 director a reply to the suspension notice, and may request a  
12 hearing to present a plan of corrective actions proposed if  
13 it desires to continue operations. The board may request  
14 that the credit union be declared insolvent and a  
15 liquidating agent be appointed.

16 (3) Upon receipt from the suspended credit union of  
17 evidence that the conditions causing the order of suspension  
18 have been corrected, the director may revoke the suspension  
19 notice and permit the credit union to resume normal  
20 operations.

21 (4) If the director, after issuing notice of  
22 suspension and providing an opportunity for a hearing,  
23 rejects the credit union's plan to continue operations, he  
24 may issue a notice of involuntary liquidation and appoint a  
25 liquidating agent. The credit union may request the



1 appropriate court to stay execution of such action.  
 2 Involuntary liquidation may not be ordered prior to the  
 3 conclusion of suspension procedures outlined in this  
 4 section.

5 (5) If, within the suspension period, the credit union  
 6 fails to answer the suspension notice or request a hearing,  
 7 the director may then revoke the credit union's charter,  
 8 appoint a liquidating agent and liquidate the credit union.

9 Section 65. Liquidation. (1) A credit union may elect  
 10 to dissolve voluntarily and liquidate its affairs in the  
 11 manner prescribed in this section and the applicable Montana  
 12 corporation laws.

13 (2) The board of directors shall adopt a resolution  
 14 recommending the credit union be dissolved voluntarily, and  
 15 directing that the question of liquidation be submitted to  
 16 the members.

17 (3) Within ten (10) days after the board of directors  
 18 decides to submit the question of liquidation to the  
 19 members, the president shall notify the director of the  
 20 department of business regulation thereof in writing,  
 21 setting forth the reasons for the proposed action. Within  
 22 ten (10) days after the members act on the question of  
 23 liquidation, the president shall notify the director in  
 24 writing as to whether or not the members approved the  
 25 proposed liquidation.

1 (4) As soon as the board of directors decides to  
 2 submit the question of liquidation to the members, payment  
 3 on shares, withdrawal of shares, making any transfer of  
 4 shares to loans and interest, making investments of any  
 5 kind, and granting loans shall be suspended pending action  
 6 by members on the proposal to liquidate. On approval by the  
 7 members of such proposal, all such business transactions  
 8 shall be permanently discontinued. Necessary expenses of  
 9 operation shall, however, continue to be paid on  
 10 authorization of the board of directors or liquidating agent  
 11 during the period of liquidation.

12 (5) For a credit union to enter voluntary liquidation,  
 13 approval by a majority of the members in writing or by a  
 14 two-thirds (2/3) majority of the members present at a  
 15 regular or special meeting of the members is required.  
 16 Where authorization for liquidation is to be obtained at a  
 17 meeting of the members, notice in writing shall be given to  
 18 each member, by first class mail, at least ten (10) days  
 19 prior to such meeting.

20 (6) A liquidating credit union shall continue in  
 21 existence for the purpose of discharging its debts,  
 22 collecting and distributing its assets, and doing all acts  
 23 required in order to wind up its business and may sue and be  
 24 sued for the purpose of enforcing such debts and obligations  
 25 until its affairs are fully adjusted.

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1 (7) The board of directors of the liquidating agent  
2 shall use the assets of the credit union to pay:

3 (a) expenses incidental to liquidating, including any  
4 surety bond that may be required;

5 (b) any liability due nonmembers; and

6 (c) deposits and special purpose thrift accounts as  
7 provided in this act.

8 Assets then remaining shall be distributed to the  
9 members proportionately to the shares held by each member as  
10 of the date dissolution was voted.

11 (8) As soon as the board of directors or the  
12 liquidating agent determines that all assets from which  
13 there is a reasonable expectancy of realization have been  
14 liquidated and distributed as set forth in this section,  
15 they shall execute a certificate of dissolution on a form  
16 prescribed by the department of business regulation and file  
17 the same, together with all pertinent books and records of  
18 the liquidating credit union, with the department of  
19 business regulation whereupon such credit union shall be  
20 dissolved.

21 Section 66. Merger. (1) Any credit union may with the  
22 approval of the director of the department of business  
23 regulation, and compliance with the applicable Montana  
24 corporation law, merge with another credit union under the  
25 existing charter of the other credit union, pursuant to any

1 plan agreed upon by the majority of each board of directors  
2 of each credit union joining in the merger, and approved by  
3 the affirmative vote of a majority of the members of the  
4 merging credit union present at a meeting of its members  
5 duly called for such purpose.

6 (2) After agreement by the directors and approval by  
7 the members of the merging credit union, the president and  
8 secretary of the credit union shall execute a certificate of  
9 merger, which shall set forth all of the following:

10 (a) the time and place of the meeting of the board of  
11 directors at which the plan was agreed upon;

12 (b) the vote in favor of the adoption of the plan;

13 (c) a copy of the resolution or other action by which  
14 the plan was agreed upon;

15 (d) the time and place of the meeting of the members  
16 at which the plan agreed upon was approved; and

17 (e) the vote by which the plan was approved by the  
18 members.

19 (3) Such certificate and a copy of the plan of merger  
20 agreed upon shall be forwarded to the director, certified by  
21 him, and returned to both credit unions within thirty (30)  
22 days.

23 (4) Upon return of the certificate from the director,  
24 all property rights, and members' interest of the merged  
25 credit union shall vest in the surviving credit union

1 without deed, endorsement or other instrument of transfer,  
 2 and all debts, obligations and liabilities of the merged  
 3 credit union shall be deemed to have been assumed by the  
 4 surviving credit union under whose charter the merger was  
 5 effected. The rights and privileges of the members of the  
 6 merged credit union shall remain intact.

7 (5) This section shall be construed whenever possible  
 8 to permit a credit union chartered under any other act to  
 9 merge with one chartered under this act, or to permit one  
 10 chartered under this act to merge with one chartered under  
 11 any other act.

12 Section 67. Conversion of charter. (1) A credit union  
 13 chartered under the laws of this state may be converted to a  
 14 credit union chartered under the laws of any other state or  
 15 under the laws of the United States, subject to regulations  
 16 issued by the director of the department of business  
 17 regulation.

18 (2) A credit union chartered under the laws of the  
 19 United States or of any other state may convert to a credit  
 20 union chartered under the laws of this state. To effect  
 21 such a conversion, a credit union must comply with all the  
 22 requirements of the jurisdiction under which it was  
 23 originally chartered and the requirements of the director of  
 24 the department of business regulation and file proof of such  
 25 compliance with said director.

1 Section 68. Organization. Any central credit union may  
 2 be organized and operated under this act and subject to all  
 3 such provisions not inconsistent with this article. Such  
 4 credit union shall use the term "central" in its official  
 5 name.

6 Section 69. Membership. Membership in such central  
 7 credit union may include, but not be limited to:

8 (1) credit unions organized and operating under this  
 9 act or under any other credit union act;

10 (2) officers, directors, committee members and  
 11 employees of such credit unions; officials and employees of  
 12 any association of credit unions; and employees of federal  
 13 or state government agencies responsible for the supervision  
 14 of credit unions in this state;

15 (3) organizations and associations of those persons or  
 16 organizations enumerated in subsections (1) and (2);

17 (4) employees of an employer with insufficient numbers  
 18 to form or conduct the affairs of a separate credit union;

19 (5) persons in the field of membership of liquidated  
 20 credit unions or of credit unions which have entered into or  
 21 are about to enter into voluntary or involuntary liquidation  
 22 proceedings; or

23 (6) members of the immediate families of all members  
 24 qualified above.

25 Section 70. Voting representative. Each credit union

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1 becoming a member of such central credit union may designate  
 2 one (1) person to be its voting representative in the  
 3 central credit union, which person shall be designated by  
 4 the board of directors of the member credit union. Such  
 5 voting representative shall be eligible to hold office in  
 6 the central credit union as if such person were himself a  
 7 member of the central credit union.

8 Section 71. Additional rights and powers. (1) A  
 9 central credit union shall have all of the rights and powers  
 10 of any other credit union organized under this act and the  
 11 additional rights and power specified in this section,  
 12 notwithstanding any limitations or restrictions found  
 13 elsewhere in this act.

14 (2) A central credit union may make loans to other  
 15 credit unions; purchase shares of and make deposits in other  
 16 credit unions; and obtain or acquire the assets and  
 17 liabilities of any credit union operating in this state  
 18 which enters into liquidation.

19 (3) A central credit union may invest in and grant  
 20 loans to associations of credit unions, central funds of  
 21 credit unions or organizations chartered to provide service  
 22 to credit unions.

23 (4) A central credit union may borrow money and accept  
 24 from any source, and issue notes or debentures.

25 Section 72. Taxation. All credit unions organized

1 under this or any other credit union act shall have the same  
 2 immunity from state and local taxation that federal credit  
 3 unions have from time to time under the laws of the United  
 4 States.

5 Section 73. Stock transfer taxes. The shares of any  
 6 credit union shall not be subject to stock transfer taxes,  
 7 either when issued or when transferred from one member to  
 8 another.

9 Section 74. Participation in government programs. The  
 10 participation by a credit union in any government program  
 11 providing unemployment, social security, old age pension or  
 12 other benefits shall not be deemed a waiver of the taxation  
 13 exemption hereby granted.

14 Section 75. Instruction in schools. With the consent  
 15 and under the direction of the state superintendent of  
 16 public instruction, the organization, management, and  
 17 extension of credit unions as set forth in this act may be  
 18 taught in the public schools of this state.

19 Section 76. Additional powers of director. In addition  
 20 to any and all other powers heretofore granted to the  
 21 director of the department of business regulation, the  
 22 director shall have the power to authorize any credit union  
 23 to engage in any activity in which such credit union could  
 24 engage were they operating as a federal chartered credit  
 25 union at the time such authority is granted, including but

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1 not without limitation because of enumeration the power to  
2 do any act, and own, possess and carry as assets, property  
3 of such character including stocks, bonds or other  
4 debentures which, at the time the authority is granted, are  
5 authorized under federal laws and regulations for  
6 transactions by federal credit unions notwithstanding any  
7 restrictions elsewhere contained in the statutes of the  
8 state of Montana. Upon receipt of a written request from  
9 any state chartered credit union, the director shall  
10 exercise such power by the issuance of a special order  
11 therefor if he deems it reasonably required to preserve and  
12 protect the welfare of such an institution and promote the  
13 general economy of this state.

14 Section 77. It is the intent of the legislature that  
15 if a part of this act is invalid, all valid parts that are  
16 severable from the invalid part remain in effect. If a part  
17 of this act is invalid in one or more of its applications,  
18 the part remains in effect in all valid applications that  
19 are severable from the invalid applications.

20 Section 78. Sections 14-130 through 14-158, R.C.M.  
21 1947, are repealed.

-End-

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Approved by Committee  
on Business and Industry

HOUSE BILL NO. 67

INTRODUCED BY MANUEL, SHELDEN, GERKE, FAGG, STOLTZ,  
MENAHAN, W. BAETH, GUNDERSON, LYNCH, HARPER, HUENNEKENS,  
LUEBECK, FLEMING, O'CONNELL, R. BAETH, HAGEMAN,  
BARDANOUVE, JOHNSTON

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
ORGANIZATION, OPERATION, AND SUPERVISION OF COOPERATIVE,  
NONPROFIT THRIFT AND CREDIT ASSOCIATIONS TO BE KNOWN AS  
CREDIT UNIONS AND TO DEFINE THEIR POWERS; AND REPEALING  
SECTIONS 14-130 THROUGH 14-158, R.C.M. 1947."

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

Section 1. Short title. This act shall be known and  
may be cited as the "Montana Credit Union Act".

Section 2. Definition and purposes. A credit union is  
a cooperative, nonprofit association, incorporated under  
this act, for the purposes of encouraging thrift among its  
members, creating a source of credit at a fair and  
reasonable rate of interest, and providing an opportunity  
for its members to use and control their own money in order  
to improve their economic and social condition.

Section 3. Organization procedure. (1) Any seven (7)  
or more residents of this state, of legal age, who have a  
common bond defined in section [15], may organize a credit

union and become charter members thereof by complying with  
this section.

(2) The subscribers shall execute in duplicate  
articles of incorporation, which conform to the applicable  
Montana corporation law, and agree to the terms thereof,  
which articles shall state:

(a) the name, which shall include the words "credit  
union" and which shall not be the same as that of any other  
existing credit union in this state, and the location where  
the proposed credit union is to have its principal place of  
business;

(b) that the existence of the credit union is  
perpetual;

(c) the par value of the shares of the credit union,  
which shall be in five dollar (\$5) multiples of not less  
than five dollars (\$5), nor more than twenty-five dollars  
(\$25);

(d) that the credit union shall be organized under  
this act for the purposes set forth therein;

(e) the names and addresses of the subscribers to the  
articles of incorporation, and the value of shares  
subscribed to by each, which shall be not less than five  
dollars (\$5); and

(f) that the credit union may exercise such incidental  
powers as are necessary or requisite to enable it to carry

1 on effectively the business for which it is incorporated,  
2 and those powers which are inherent in the credit union as a  
3 legal entity.

4 (3) The subscribers shall prepare and adopt bylaws for  
5 the general government of the credit union consistent with  
6 this act, and execute the same in duplicate.

7 (4) The subscribers shall select at least five (5)  
8 qualified persons who agree to serve on the board of  
9 directors, and at least three (3) qualified persons who  
10 agree to serve on the supervisory committee. A signed  
11 agreement to serve in these capacities until the first  
12 annual meeting or until the election of their successors,  
13 whichever is later, shall be executed by those who so agree.  
14 This agreement shall be submitted to the director of the  
15 department of business regulation.

16 (5) The subscribers shall forward the articles of  
17 incorporation and the bylaws to the director of the  
18 department of business regulation. The director may issue a  
19 certificate of approval, if the articles and the bylaws are  
20 in conformity with this act and he is satisfied that the  
21 proposed field of operation is favorable to the success of  
22 such credit union and that the standing of the proposed  
23 organizers is such as to give assurance that its affairs  
24 will be properly administered. He shall return a copy of  
25 the bylaws and the articles to the applicants or their

1 representatives, which shall be preserved in the permanent  
2 files of the credit union. The application shall be acted  
3 upon within thirty (30) days. The articles of incorporation  
4 shall then be filed with the secretary of state who, upon  
5 payment of the filing fees therefor, shall issue a  
6 certificate of incorporation.

7 (6) The subscribers for a credit union charter shall  
8 not transact any business until formal approval of the  
9 charter has been received.

10 Section 4. Form of articles and bylaws. In order to  
11 simplify the organization of credit unions, the director of  
12 the department of business regulation shall cause to be  
13 prepared a form of articles of incorporation and a form of  
14 bylaws, consistent with this act, which may be used by  
15 credit union incorporators for their guidance. Such  
16 articles of incorporation and bylaws shall be available  
17 without charge to persons desiring to organize a credit  
18 union.

19 Section 5. Amendments. (1) The articles of  
20 incorporation or the bylaws may be amended as provided in  
21 the bylaws. Amendments to the articles of incorporation or  
22 bylaws shall be submitted to the director of the department  
23 of business regulation who shall approve or disapprove the  
24 amendments within sixty (60) days.

25 (2) Amendments shall become effective upon approval in

1 writing by the director and no fee shall be charged for such  
2 approval.

3 Section 6. Use of name exclusive. With the exception  
4 of a credit union organized under the provisions of this act  
5 or of any other credit union act, or an association of  
6 credit unions or a recognized chapter thereof, any person,  
7 corporation, copartnership or association using a name or  
8 title containing the words "credit union" or any derivation  
9 thereof or representing themselves in their advertising or  
10 otherwise as conducting business as a credit union shall be  
11 fined not more than five hundred dollars (\$500) or  
12 imprisoned not more than one (1) year, or both, and may be  
13 permanently enjoined from using such words in its name.

14 Section 7. Office facilities. (1) A credit union may  
15 change its place of business within this state upon written  
16 notice to the department of business regulation.

17 (2) A credit union may share office space with one (1)  
18 or more credit unions and contract with any person or  
19 corporation to provide facilities or personnel.

20 Section 8. Fiscal year. The fiscal year of each credit  
21 union organized under this act shall end on December 31.

22 Section 9. Director of the department of business  
23 regulation. (1) The director shall administer the laws of  
24 this state relating to credit unions. He may appoint or  
25 employ such special assistants, deputies, examiners, or

1 other employees as are necessary for the purpose of  
2 administering or enforcing this act.

3 (2) The director may prescribe rules and regulations  
4 for the administration of this act and may establish  
5 chartering, supervisory and examination fees.

6 (3) The director shall, from time to time, issue rules  
7 and regulations prescribing the minimum amount of surety  
8 bond coverage and casualty, liability and fire insurance  
9 required of credit unions in relation to their assets or to  
10 the money and other personal property involved, or their  
11 exposure to risk.

12 Section 10. Reports. (1) Credit unions organized under  
13 this act shall report to the director annually on or before  
14 February 1 on forms supplied by him for that purpose.  
15 Additional reports may be required.

16 (2) A fine of five dollars (\$5) for each day a report  
17 is in arrears shall be levied against the offending credit  
18 union unless it is excused for cause by the director.

19 Section 11. Examinations. (1) The department of  
20 business regulation shall annually examine or cause to be  
21 examined each credit union. Each credit union and all of  
22 its officers and agents shall be required to give to  
23 representatives of the director of the department full  
24 access to all books, papers, securities, records and other  
25 sources of information under their control; and for the



1 purpose of the examination the representatives may subpoena  
2 witnesses, administer oaths, compel the giving of testimony,  
3 and require the submission of documents.

4 (2) A report of the examination shall be forwarded to  
5 the executive officer of each credit union within thirty  
6 (30) days after completion. The report shall contain  
7 comments relative to the management of the affairs of the  
8 credit union and also as to the general condition of its  
9 assets. Within sixty (60) days after the receipt of the  
10 report, the directors and committeemen shall meet to  
11 consider matters contained in the report.

12 (3) In lieu of making an annual examination of a  
13 credit union, the director may accept an audit report of the  
14 condition of the credit union made by an auditor approved by  
15 the director. The cost of the audit shall be borne by the  
16 credit union.

17 Section 12. Records. (1) A credit union shall maintain  
18 all books, records, accounting systems and procedures in  
19 accordance with such rules as the director from time to time  
20 prescribes. In prescribing such rules, the director shall  
21 consider the relative size of a credit union and its  
22 reasonable capability of compliance.

23 (2) A credit union is not liable for destroying  
24 records after the expiration of the record retention time  
25 prescribed by the director.

1 (3) A photostatic or photographic reproduction of any  
2 credit union records shall be admissible as evidence of  
3 transactions with the credit union.

4 Section 13. General powers. A credit union may:

- 5 (1) make contracts;
- 6 (2) sue and be sued;
- 7 (3) adopt and use a common seal and alter same;
- 8 (4) acquire, lease, hold and dispose of property,  
9 either in whole or in part, necessary or incidental to its  
10 operations;
- 11 (5) at the discretion of the board of directors,  
12 require the payment of an entrance fee or annual membership  
13 fee, or both, of any person admitted to membership;
- 14 (6) receive savings from its members in the form of  
15 shares or special purpose thrift accounts;
- 16 (7) lend its funds to its members as hereinafter  
17 provided;
- 18 (8) borrow from any source in accordance with policy  
19 established by the board of directors;
- 20 (9) discount and sell any eligible obligations,  
21 subject to rules and regulations prescribed by the director;
- 22 (10) sell all or substantially all of its assets or  
23 purchase all or substantially all of the assets of another  
24 credit union, subject to the approval of the director;
- 25 (11) invest surplus funds as provided in this act;

1 (12) make deposits in legally chartered banks, savings  
 2 banks, building and loan associations, savings and loan  
 3 associations, trust companies and central type credit union  
 4 organizations;

5 (13) assess charges to members in accordance with the  
 6 bylaws for failure to meet promptly their obligations to the  
 7 credit union;

8 (14) hold membership in other credit unions organized  
 9 under this act or other acts, and in other associations and  
 10 organizations composed of credit unions;

11 (15) declare dividends and pay interest refunds to  
 12 borrowers as provided in this act;

13 (16) collect, receive and disburse monies in connection  
 14 with the sale of negotiable checks, money orders and other  
 15 money type instruments, and for such other purposes as may  
 16 provide benefit or convenience to its members, and charge a  
 17 reasonable fee for such services, BUT NOT INCLUDING CHECKING  
 18 ACCOUNT SERVICES;

19 (17) perform such tasks and missions as are requested  
 20 by the federal government or this state or any agency or  
 21 political subdivision thereof, when approved by the board of  
 22 directors and not inconsistent with this act;

23 (18) contribute to, support or participate in any  
 24 nonprofit service facility whose services will benefit the  
 25 credit union or its membership, subject to such regulations

1 as are prescribed by the director;

2 (19) make donations or contributions to any civic,  
 3 charitable or community organizations as authorized by the  
 4 board of directors, subject to regulations as are prescribed  
 5 by the director; or

6 (20) purchase or make available insurance for its  
 7 directors, officers, agents, employees and members.

8 HOWEVER, THE CREDIT UNION SHALL NOT ENGAGE, DIRECTLY OR  
 9 INDIRECTLY, IN THE SALE OR BUSINESS OF INSURANCE, OTHER THAN  
 10 ON LIFE ON SHARES AND LOANS.

11 Section 14. Incidental powers. A credit union may  
 12 exercise such incidental powers as are granted corporations  
 13 organized under the laws of this state including those that  
 14 are necessary to enable it to promote and carry on most  
 15 effectively its purposes.

16 Section 15. Membership defined. (1) The membership of  
 17 a credit union shall be limited to and consist of the  
 18 subscribers to the articles of incorporation and such other  
 19 persons within the common bond set forth in the bylaws as  
 20 have been duly admitted members, have paid the required  
 21 entrance fee or membership fee, or both, have subscribed for  
 22 one (1) or more shares, and have paid the initial  
 23 installment thereon, and have complied with such other  
 24 requirements as the articles of incorporation or bylaws  
 25 specify.

1 (2) Credit union membership may include groups having  
2 a common bond of similar occupation, association or  
3 interest, or to employees of a common employer, and members  
4 of the immediate family of such persons.

5 Section 16. Societies -- associations. Societies, and  
6 copartnerships composed primarily of individuals who are  
7 eligible for membership, and corporations whose stockholders  
8 are composed primarily of such individuals, may be admitted  
9 to membership in the same manner and under the same  
10 conditions as individuals, but may not borrow in excess of  
11 their shareholdings.

12 Section 17. Other credit unions. Any credit union  
13 organized under this act may permit membership of any other  
14 credit union organized under this act or other acts.

15 Section 18. Limited income persons. Existing credit  
16 unions may include within their field of membership limited  
17 income persons as defined by the director of the department  
18 of business regulation for whom credit union services are  
19 otherwise unavailable.

20 Section 19. Members who leave field. Members who leave  
21 the field of membership may be permitted to retain their  
22 membership in the credit union as a matter of general policy  
23 of the board of directors.

24 Section 20. Liability of members. The members of the  
25 credit union shall not be personally or individually liable

1 for the payment of its debts.

2 Section 21. Meetings of members. (1) The annual  
3 meeting and any special meetings of the members of the  
4 credit union shall be held at the time, place, and in the  
5 manner indicated by the bylaws.

6 (2) At all such meetings a member shall have but one  
7 (1) vote, irrespective of his shareholdings. No member may  
8 vote by proxy, but a member may vote by absentee ballot if  
9 the bylaws of the credit union so provide.

10 (3) A society, association, copartnership or  
11 corporation, having membership in the credit union, may be  
12 represented and have its vote cast by one of its members or  
13 shareholders, provided such person has been fully authorized  
14 by the organization's governing body.

15 (4) The board of directors may establish a minimum  
16 age, not greater than eighteen (18) years of age, as a  
17 qualification of eligibility to vote at meetings of the  
18 members, or to hold office, or both.

19 Section 22. Election or appointment of officials. (1)  
20 The credit union shall be directed by a board consisting of  
21 an odd number of directors, at least five (5) in number, to  
22 be elected at the annual membership meeting by and from the  
23 members. All members of the board shall hold office for  
24 such terms as the bylaws provide.

25 (2) The board of directors shall appoint a supervisory

1 committee of not less than three (3) members at the  
2 organization meeting and within thirty (30) days following  
3 each annual meeting of the members for such terms as the  
4 bylaws provide.

5 (3) The board of directors shall appoint a credit  
6 committee consisting of an odd number, not less than three  
7 (3), for such terms as the bylaws provide, or in lieu of a  
8 credit committee, a credit manager.

9 Section 23. Record of board and committee members.  
10 Within fifteen (15) days after election or appointment, a  
11 record of the names and addresses of the members of the  
12 board, committees and all officers of the credit union shall  
13 be filed with the department of business regulation on forms  
14 provided by the department.

15 Section 24. Vacancies. The board of directors shall  
16 fill any vacancies occurring in the board until successors  
17 elected at the next annual meeting have qualified. The  
18 board shall also fill vacancies in the credit and  
19 supervisory committees.

20 Section 25. Compensation of officials. No officer,  
21 director, or committee member, other than the treasurer, a  
22 credit manager, or a loan officer may be compensated for his  
23 service as such, but reasonable life, health, accident and  
24 similar insurance protection for a director or committee  
25 member shall not be considered compensation. Directors and

1 committee members, while on official business of the credit  
2 union, may be reimbursed for necessary expenses incidental  
3 to the performance of the business.

4 Section 26. Conflicts of interest. No director,  
5 committee member, officer, agent or employee of the credit  
6 union shall in any manner, directly or indirectly,  
7 participate in the deliberation upon or the determination of  
8 any question affecting his pecuniary interest or the  
9 pecuniary interest of any corporation, partnership, or  
10 association (other than the credit union) in which he is  
11 directly or indirectly interested.

12 Section 27. Executive officers. (1) At their  
13 organization meeting and within thirty (30) days following  
14 each annual meeting of the members, the directors shall  
15 elect from their own number an executive officer, who may be  
16 designated as chairman of the board or president; a vice  
17 chairman of the board or one (1) or more vice presidents; a  
18 treasurer; and a secretary. The treasurer and the secretary  
19 may be the same individual. The persons so elected shall be  
20 the executive officers of the corporation.

21 (2) The terms of the officers shall be one (1) year,  
22 or until their successors are chosen and have duly  
23 qualified.

24 (3) The duties of the officers shall be prescribed in  
25 the bylaws.

1 (4) The board of directors may employ an officer in  
2 charge of operations whose title shall be either president  
3 and/or general manager; or, in lieu thereof, the board of  
4 directors may designate the treasurer or an assistant  
5 treasurer to act as general manager and be in active charge  
6 of the affairs of the credit union.

7 Section 28. Authority of directors. The board of  
8 directors shall have the general direction of the business  
9 affairs, funds, and records of the credit union.

10 Section 29. Executive committee. From the persons  
11 elected to the board, the board may appoint an executive  
12 committee of not less than three (3) directors who may be  
13 authorized to act for the board in all respects, subject to  
14 such conditions and limitations as are prescribed by the  
15 board.

16 Section 30. Meetings of directors. The board of  
17 directors and the executive committee shall meet as often as  
18 necessary, but one body must meet at least monthly and the  
19 other at least quarterly.

20 Section 31. Duties of directors. It shall be the duty  
21 of the directors to:

22 (1) act upon applications for membership; or to  
23 appoint one (1) or more membership officers to approve  
24 applications for membership under such conditions as the  
25 board prescribes. A record of a membership officer's

1 approval or denial of membership shall be available to the  
2 board of directors for inspection. A person denied  
3 membership by a membership officer may appeal the denial to  
4 the board;

5 (2) purchase a blanket fidelity bond, in accordance  
6 with any rules and regulations of the director, to protect  
7 the credit union against losses caused by occurrences  
8 covered therein such as fraud, dishonesty, forgery,  
9 embezzlement, misappropriation, misapplication, or  
10 unfaithful performance of duty by a director, officer,  
11 employee, member of an official committee, attorney at law,  
12 or other agent;

13 (3) determine from time to time the interest rate or  
14 rates consistent with this act, which shall be charged on  
15 loans and to authorize interest refunds, if any, to members  
16 from income earned and received in proportion to the  
17 interest paid by them on such classes of loans and under  
18 such conditions as the board prescribes;

19 (4) fix from time to time the maximum amount which may  
20 be loaned to any one member;

21 (5) declare dividends on shares in the manner and form  
22 as provided in the bylaws;

23 (6) limit the number of shares which may be owned by a  
24 member, such limitations to apply alike to all members;

25 (7) have charge of the investment of surplus funds,

1 except that the board of directors may designate an  
2 investment committee or any qualified individual to have  
3 charge of making investments under controls established by  
4 the board of directors;

5 (8) authorize the employment of such persons necessary  
6 to carry on the business of the credit union, including the  
7 credit manager, loan officers and auditing assistants  
8 requested by the supervisory committee; and fix the  
9 compensation, if any, of the treasurer and the general  
10 manager and provide for compensation for other employees  
11 within guidelines predetermined by the board of directors;

12 (9) authorize the conveyance of property;

13 (10) borrow or lend money to carry on the functions of  
14 the credit union;

15 (11) designate a depository or depositories for the  
16 funds of the credit union;

17 (12) suspend any or all members of the credit or  
18 supervisory committee for failure to perform their duties;

19 (13) appoint any special committees deemed necessary;  
20 and

21 (14) perform such other duties as the members from time  
22 to time direct, and perform or authorize any action not  
23 inconsistent with this act and not specifically reserved by  
24 the bylaws for the members.

25 Section 32. Authority of credit committee. The credit

1 committee shall have the general supervision of all loans to  
2 members.

3 Section 33. Meeting of credit committee. The credit  
4 committee shall meet as often as the business of the credit  
5 union requires and not less frequently than once a month to  
6 consider applications for loans. No loan shall be made  
7 unless it is approved by a majority of the committee who are  
8 present at the meeting at which the application is  
9 considered.

10 Section 34. Loan officers. (1) The credit committee  
11 may appoint one (1) or more loan officers and delegate the  
12 power to approve loans, subject to such limitations or  
13 conditions as the credit committee prescribes.

14 (2) Loan applications not approved by a loan officer  
15 shall be reviewed and acted upon by the credit committee.

16 Section 35. Credit manager. The credit committee may  
17 be dispensed with, and a credit manager empowered to approve  
18 or disapprove loans under conditions prescribed by the board  
19 of directors. In the event the credit committee is  
20 dispensed with, the procedures prescribed in sections [32],  
21 [33] and [34] do not apply, and no loans shall be made  
22 unless approved by the credit manager, except the credit  
23 manager may appoint one (1) or more loan officers with the  
24 power to approve loans, subject to such limitations or  
25 conditions as he prescribes.

1 Section 36. Duties of supervisory committee. (1) The  
 2 supervisory committee shall make or cause to be made a  
 3 comprehensive annual audit of the books and affairs of the  
 4 credit union and shall submit a report of that audit to the  
 5 board of directors and a summary of that report to the  
 6 members at the next annual meeting of the credit union. It  
 7 shall make or cause to be made such supplementary audits or  
 8 examinations as it deems necessary or as are required by the  
 9 director or by the board of directors, and submit reports of  
 10 these supplementary audits to the board of directors.

11 (2) The supervisory committee shall cause the accounts  
 12 of the members to be verified with the records of the credit  
 13 union from time to time, and not less frequently than every  
 14 two (2) years.

15 Section 37. Suspension and removal of officials. (1)  
 16 The supervisory committee by a unanimous vote may suspend  
 17 any member of the credit committee and shall report such  
 18 action to the board of directors for appropriate action.

19 (2) The supervisory committee by a unanimous vote may  
 20 suspend any officer or member of the board of directors  
 21 until the next members' meeting, which shall be held not  
 22 less than seven (7) nor more than twenty-one (21) days after  
 23 such suspension. At such meeting the suspension shall be  
 24 acted upon by the members.

25 (3) Any member of the supervisory committee may be

1 removed by the board of directors for failure to perform his  
 2 duties in accordance with this act, the articles of  
 3 incorporation, or the bylaws.

4 Section 38. Calling of special meeting. The  
 5 supervisory committee by a majority vote may call a special  
 6 meeting of the members to consider any violation of this  
 7 act, the credit union's charter or bylaws, or any practice  
 8 of the credit union deemed by the supervisory committee to  
 9 be unsafe or unauthorized.

10 Section 39. Shares. (1) The capital of a credit union  
 11 consists of the payments by the members on shares.

12 (2) Shares may be subscribed to, paid for and  
 13 transferred in such manner as the bylaws prescribe.

14 (3) A certificate need not be issued to denote  
 15 ownership of a share in a credit union.

16 Section 40. Dividends. (1) At such intervals and for  
 17 such periods as the board of directors may authorize, and  
 18 after provision for the required reserves, the board of  
 19 directors may declare dividends to be paid from the  
 20 undivided earnings at such rates and upon such classes of  
 21 shares as are determined by the board. Such dividends shall  
 22 be paid on all paid up shares outstanding at the close of  
 23 the period for which the dividend is declared.

24 (2) Shares which become fully paid up during such  
 25 dividend period and are outstanding at the close of the

1 period shall be entitled to a proportionate share of such  
2 dividend.

3 (3) Dividend credit for a month may be accrued on  
4 shares which are or become fully paid up during the first  
5 fifteen (15) days of that month.

6 Section 41. Thrift accounts. Christmas clubs, vacation  
7 clubs, and other thrift accounts may be operated under  
8 conditions established by the board of directors.

9 Section 42. Minors accounts. Shares may be issued to a  
10 minor who may withdraw the shares including the dividends  
11 and interest thereon. Share payments made by a minor and  
12 withdrawals thereof by the minor shall be valid in all  
13 respects. For such purposes a minor is deemed of full age.

14 Section 43. Joint accounts. (1) A member may designate  
15 any person or persons to hold shares and thrift club  
16 accounts with him in joint tenancy with the right of  
17 survivorship, but no joint tenant, unless a member in his  
18 own right, shall be permitted to vote, obtain loans, or hold  
19 office or be required to pay an entrance or membership fee.

20 (2) Payment of part or all of such accounts to any of  
21 the joint tenants shall, to the extent of such payment,  
22 discharge the liability to all.

23 Section 44. Trust accounts. (1) Shares may be issued  
24 in the name of a member in trust for a beneficiary,  
25 including a minor, but no beneficiary, unless a member in

1 his own right, shall be permitted to vote, obtain loans,  
2 hold office or be required to pay an entrance or membership  
3 fee.

4 (2) Payment of part or all of such shares to such  
5 member shall, to the extent of such payment, discharge the  
6 liability of the credit union to the member and the  
7 beneficiary, and the credit union shall be under no  
8 obligation to see the application of such payment.

9 (3) In the event of the death of the member, and if  
10 shares are so issued or held and the credit union has been  
11 given no other written notice of the existence or terms of  
12 any trust, such shares or deposits and any dividends or  
13 interest thereon shall be paid to the beneficiary.

14 Section 45. Liens. The credit union shall have a lien  
15 on the shares and accumulated dividends or interest of a  
16 member in his individual, joint or trust account, for any  
17 sum past due the credit union from said member or for any  
18 loan endorsed by him.

19 Section 46. Dormant accounts. (1) If a credit union is  
20 unable to contact a member, beneficiary or other person via  
21 first class mail at the last address shown on the records of  
22 the credit union, and if such inability continues for a  
23 period of more than five (5) years, all shares, accounts,  
24 dividends, interest and other sums due or standing in the  
25 name of such member, beneficiary or other person may, by



1 action of the board of directors, be segregated, and  
2 thereafter no dividends or interest will accrue thereto.

3 (2) The member may reclaim any such sums by proper  
4 administrative or judicial proceedings or in accordance with  
5 the Uniform Disposition of Unclaimed Property Act.

6 (3) This section does not apply to shares, accounts,  
7 dividends, interest and other sums due to or standing in the  
8 name of two (2) or more persons unless the credit union is  
9 unable to contact any such persons in the manner and during  
10 the period specified in subsection (1).

11 Section 47. Reduction in shares. (1) Whenever the  
12 losses of any credit union, resulting from a depreciation in  
13 value of its loans or investments or otherwise, exceed its  
14 undivided earnings and reserve fund so that the estimated  
15 value of its assets is less than the total amount due the  
16 shareholders, the credit union may by a majority vote of the  
17 entire membership order a reduction in the shares of each of  
18 its shareholders to divide the loss proportionately among  
19 the members.

20 (2) If the credit union thereafter realizes from such  
21 assets a greater amount than was fixed by the order of  
22 reduction, such excess shall be divided proportionately  
23 among the shareholders whose assets were reduced, but only  
24 to the extent of such reduction.

25 Section 48. Purposes, terms, and interest rate. A

1 credit union may loan to members for such purpose and upon  
2 such security and terms as the credit committee, credit  
3 manager, or loan officer approves, at rates of interest not  
4 exceeding one and one-half percent (1 1/2%) per month on the  
5 unpaid monthly balances.

6 Section 49. Application. Every application for a loan  
7 shall be made in writing upon a form, which the credit  
8 committee, credit manager, or loan officer prescribes. The  
9 application shall state the purpose for which the loan is  
10 desired, and the security, if any, offered. Each loan shall  
11 be evidenced by a written document.

12 Section 50. Loan limit. No loan shall be made to any  
13 member in an aggregate amount in excess of ten percent (10%)  
14 of the credit union's total assets.

15 Section 51. Security. In addition to generally  
16 accepted types of security, the endorsement of a note by a  
17 surety, comaker or guarantor, or assignment of shares of  
18 wages, in a manner consistent with the laws of this state,  
19 shall be deemed security within the meaning of this act.  
20 The adequacy of any security shall be determined by the  
21 credit committee, credit manager, or loan officer, subject  
22 to this act and the bylaws.

23 Section 52. Installments. A member may receive a loan  
24 in installments, or in one sum, and may pay the whole or any  
25 part of his loan on any day on which the office of the

1 credit union is open for business.

2 Section 53. Line of credit. The credit committee or  
3 credit manager may approve in advance upon their own motion  
4 or upon application by a member, a line of credit, and  
5 advances may be granted to each member within the limit of  
6 such extension of credit. Where a line of credit has been  
7 approved, no additional loan applications are required as  
8 long as the aggregate obligation does not exceed the limit  
9 of such extension of credit.

10 Section 54. Other loan programs. (1) A credit union  
11 may participate in loans to credit union members jointly  
12 with other credit unions, corporations, or financial  
13 organizations.

14 (2) A credit union may participate in guaranteed loan  
15 programs of the federal and state government.

16 (3) A credit union may purchase the conditional sales  
17 contracts, notes and similar instruments of its members.

18 Section 55. Loans to officials. (1) A credit union may  
19 make loans to its directors, employees, loan officers,  
20 credit manager, and to members of its supervisory and credit  
21 committees, provided that:

22 (a) the loan complies with all lawful requirements  
23 under this act with respect to loans to other borrowers and  
24 is not on terms more favorable than those extended to other  
25 borrowers; and

1 (b) any such loan or aggregate of loans to any one  
2 director or committee member which exceeds two thousand five  
3 hundred dollars (\$2,500) plus pledged shares must be  
4 reported to the board of directors. Loans to directors and  
5 committee members may not exceed an aggregate of twenty  
6 percent (20%) of unimpaired capital and surplus of the  
7 credit union.

8 (2) A credit union may permit directors, employees,  
9 loan officers, credit manager, and members of its  
10 supervisory and credit committees to act as comakers,  
11 guarantors or endorsers of loans to other members, except  
12 when any such loan standing alone or when added to any  
13 outstanding loan or loans to the comaker, guarantor or  
14 endorser exceeds two thousand five hundred dollars (\$2,500),  
15 approval of the board of directors is required.

16 Section 56. Insurance for members. (1) A credit union  
17 may purchase or make available insurance for its members in  
18 amounts related to their respective ages, shares, or loan  
19 balances, or to any combination of them.

20 Section 57. Liability insurance for officers. A credit  
21 union may purchase and maintain insurance on behalf of any  
22 person who is or was a director, officer, employee or agent  
23 of the credit union, or who is or was serving at the request  
24 of the credit union as a director, officer, employee, or  
25 agent of another corporation, partnership, joint venture,

1 trust or other enterprise against any liability asserted  
 2 against such person and incurred by such person in any such  
 3 capacity or arising out of such person's status as such,  
 4 whether or not the credit union would have the power to  
 5 indemnify such person against such liability.

6 Section 58. Share insurance. (1) Not later than  
 7 January 1, 1976, each credit union shall apply for insurance  
 8 on share accounts under the provisions of Title II of the  
 9 National Credit Union Act. A credit union which has been  
 10 denied a commitment for insurance of its share accounts  
 11 shall either dissolve, merge with another credit union which  
 12 is insured under Title II of the National Credit Union Act,  
 13 or apply in writing within thirty (30) days of denial to the  
 14 director of the department of business regulation for  
 15 additional time to obtain an insurance commitment.

16 (2) The director of the department of business  
 17 regulation shall grant additional time for the credit union  
 18 to obtain the insurance commitment upon satisfactory  
 19 evidence that the credit union has made or is making a  
 20 substantial effort to achieve the conditions precedent to  
 21 issuance of the commitment. Additional time or times shall  
 22 not extend later than January 1, 1978.

23 (3) The director of the department of business  
 24 regulation shall make available reports of condition and  
 25 examination reports to the administrator of the National

1 Credit Union Administration and may accept any report of  
 2 examination made on behalf of such administrators. The  
 3 director may appoint the administrator of the National  
 4 Credit Union Administration as liquidating agent of an  
 5 insured credit union.

6 Section 59. Investment of funds. Funds not used in  
 7 loans to members may be invested:

8 (1) in securities, obligations or other instruments of  
 9 or issued by or fully guaranteed as to principal and  
 10 interest by the United States of America, or any agency  
 11 thereof, or in any trust or trusts established for investing  
 12 directly or collectively in the same;

13 (2) in obligations of any state of the United States,  
 14 the District of Columbia, the Commonwealth of Puerto Rico,  
 15 and the several territories organized by congress, or any  
 16 political subdivisions thereof;

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

21 (4) in loans to or in shares or deposits of other  
 22 credit unions;

23 (5) in the capital shares, obligations, or preferred  
 24 stock issues of any agency or association organized either  
 25 as a stock company, mutual association or membership

1 corporation, provided the membership or stockholdings, as  
 2 the case may be, of such agency or association are primarily  
 3 confined or restricted to credit unions, or organizations of  
 4 credit unions, and provided the purposes for which such  
 5 agency or association is organized are designed primarily to  
 6 service or otherwise assist credit union operations;

7 (6) in shares of a cooperative society organized under  
 8 the laws of this state or of the laws of the United States  
 9 in the total amount not exceeding ten percent (10%) of the  
 10 shares and surplus of the credit union;

11 (7) in loans to any credit union association or  
 12 corporation, national or state, of which the credit union is  
 13 a member, except that such investments shall be limited to  
 14 two percent (2%) of the assets of the credit union.

15 Section 60. Transfers to regular reserve. (1)  
 16 Immediately before the payment of each dividend, the gross  
 17 earnings of the credit union shall be determined. From this  
 18 amount, there shall be set aside sums as a regular reserve  
 19 for contingencies in accordance with the following schedule:

20 (a) ten percent (10%) of gross income until the  
 21 regular reserve equals five percent (5%) of the total of  
 22 outstanding loans and risk assets; then

23 (b) seven percent (7%) of gross income until the  
 24 regular reserve equals six percent (6%) of the total of  
 25 outstanding loans and risk assets; then

1 (c) five percent (5%) of gross income until the  
 2 regular reserve equals seven percent (7%) of the total of  
 3 outstanding loans and risk assets.

4 (2) Whenever the regular reserve falls below seven  
 5 percent (7%), six percent (6%), or five percent (5%) of the  
 6 total outstanding loans and risk assets, as the case may be,  
 7 it shall be replenished by regular contributions in such  
 8 amounts as are needed to maintain the reserve goals of five  
 9 percent (5%), six percent (6%), or seven percent (7%).

10 (3) Any entrance fees, charges and transfer fees  
 11 shall, after payment of organization expense, be added to  
 12 the regular reserve.

13 Section 61. Use of regular reserve. The regular  
 14 reserve shall belong to the credit union and shall be used  
 15 to meet losses except those resulting from an excess of  
 16 expenses over income and shall not be distributed except on  
 17 liquidation of the credit union, or in accordance with a  
 18 plan approved by the director of the department of business  
 19 regulation.

20 Section 62. Risk assets defined. For the purpose of  
 21 establishing the reserves required, all assets except the  
 22 following shall be considered risk assets:

23 (1) cash on hand;

24 (2) deposits and shares in federal or state banks,  
 25 savings and loan associations, and credit unions;

1 (3) assets which are insured, fully guaranteed as to  
2 principal and interest, or due from the United States  
3 government, its agencies, the federal national mortgage  
4 association, or the government national mortgage  
5 association;

6 (4) loans to other credit unions;

7 (5) loans to students insured under the provision of  
8 Title IV, part B of the Higher Education Act of 1965, or  
9 similar state insurance programs;

10 (6) loans insured under Title I of the National  
11 Housing Act by the federal housing administration;

12 (7) shares or deposits in central credit unions  
13 organized under this act or of any other state act or of the  
14 Federal Credit Union Act;

15 (8) common trust investments which deal in investments  
16 authorized by this act;

17 (9) prepaid expenses;

18 (10) accrued interest on nonrisk investments;

19 (11) furniture and equipment; and

20 (12) land and buildings.

21 Section 63. Special reserves. In addition to such  
22 regular reserve, special reserves to protect the interest of  
23 members shall be established:

24 (1) when required by regulation; or

25 (2) when found by the board of directors of the credit

1 union or by the director of the department of business  
2 regulation, in any special case, to be necessary for that  
3 purpose.

4 Section 64. Suspension. (1) If it appears that any  
5 credit union is bankrupt or insolvent, or that it has  
6 willfully violated this act, or is operating in an unsafe or  
7 unsound manner, the director of the department of business  
8 regulation shall issue an order temporarily suspending the  
9 credit union's operations for not less than thirty (30) nor  
10 more than sixty (60) days. The board of directors shall be  
11 given notice by registered mail of such suspension, which  
12 notice shall include a list of the reasons for such  
13 suspension, and/or a list of the specific violations of this  
14 act.

15 (2) Upon receipt of such suspension notice, the credit  
16 union shall cease all operations, except those authorized by  
17 the director. The credit union shall then file with the  
18 director a reply to the suspension notice, and may request a  
19 hearing to present a plan of corrective actions proposed if  
20 it desires to continue operations. The board may request  
21 that the credit union be declared insolvent and a  
22 liquidating agent be appointed.

23 (3) Upon receipt from the suspended credit union of  
24 evidence that the conditions causing the order of suspension  
25 have been corrected, the director may revoke the suspension

1 notice and permit the credit union to resume normal  
2 operations.

3 (4) If the director, after issuing notice of  
4 suspension and providing an opportunity for a hearing,  
5 rejects the credit union's plan to continue operations, he  
6 may issue a notice of involuntary liquidation and appoint a  
7 liquidating agent. The credit union may request the  
8 appropriate court to stay execution of such action.  
9 Involuntary liquidation may not be ordered prior to the  
10 conclusion of suspension procedures outlined in this  
11 section.

12 (5) If, within the suspension period, the credit union  
13 fails to answer the suspension notice or request a hearing,  
14 the director may then revoke the credit union's charter,  
15 appoint a liquidating agent and liquidate the credit union.

16 Section 65. Liquidation. (1) A credit union may elect  
17 to dissolve voluntarily and liquidate its affairs in the  
18 manner prescribed in this section and the applicable Montana  
19 corporation laws.

20 (2) The board of directors shall adopt a resolution  
21 recommending the credit union be dissolved voluntarily, and  
22 directing that the question of liquidation be submitted to  
23 the members.

24 (3) Within ten (10) days after the board of directors  
25 decides to submit the question of liquidation to the

1 members, the president shall notify the director of the  
2 department of business regulation thereof in writing,  
3 setting forth the reasons for the proposed action. Within  
4 ten (10) days after the members act on the question of  
5 liquidation, the president shall notify the director in  
6 writing as to whether or not the members approved the  
7 proposed liquidation.

8 (4) As soon as the board of directors decides to  
9 submit the question of liquidation to the members, payment  
10 on shares, withdrawal of shares, making any transfer of  
11 shares to loans and interest, making investments of any  
12 kind, and granting loans shall be suspended pending action  
13 by members on the proposal to liquidate. On approval by the  
14 members of such proposal, all such business transactions  
15 shall be permanently discontinued. Necessary expenses of  
16 operation shall, however, continue to be paid on  
17 authorization of the board of directors or liquidating agent  
18 during the period of liquidation.

19 (5) For a credit union to enter voluntary liquidation,  
20 approval by a majority of the members in writing or by a  
21 two-thirds (2/3) majority of the members present at a  
22 regular or special meeting of the members is required.  
23 Where authorization for liquidation is to be obtained at a  
24 meeting of the members, notice in writing shall be given to  
25 each member, by first class mail, at least ten (10) days

1 prior to such meeting.

2 (6) A liquidating credit union shall continue in  
3 existence for the purpose of discharging its debts,  
4 collecting and distributing its assets, and doing all acts  
5 required in order to wind up its business and may sue and be  
6 sued for the purpose of enforcing such debts and obligations  
7 until its affairs are fully adjusted.

8 (7) The board of directors of the liquidating agent  
9 shall use the assets of the credit union to pay:

10 (a) expenses incidental to liquidating, including any  
11 surety bond that may be required;

12 (b) any liability due nonmembers; and

13 (c) deposits and special purpose thrift accounts as  
14 provided in this act.

15 Assets then remaining shall be distributed to the  
16 members proportionately to the shares held by each member as  
17 of the date dissolution was voted.

18 (8) As soon as the board of directors or the  
19 liquidating agent determines that all assets from which  
20 there is a reasonable expectancy of realization have been  
21 liquidated and distributed as set forth in this section,  
22 they shall execute a certificate of dissolution on a form  
23 prescribed by the department of business regulation and file  
24 the same, together with all pertinent books and records of  
25 the liquidating credit union, with the department of

1 business regulation whereupon such credit union shall be  
2 dissolved.

3 Section 66. Merger. (1) Any credit union may with the  
4 approval of the director of the department of business  
5 regulation, and compliance with the applicable Montana  
6 corporation law, merge with another credit union under the  
7 existing charter of the other credit union, pursuant to any  
8 plan agreed upon by the majority of each board of directors  
9 of each credit union joining in the merger, and approved by  
10 the affirmative vote of a majority of the members of the  
11 merging credit union present at a meeting of its members  
12 duly called for such purpose.

13 (2) After agreement by the directors and approval by  
14 the members of the merging credit union, the president and  
15 secretary of the credit union shall execute a certificate of  
16 merger, which shall set forth all of the following:

17 (a) the time and place of the meeting of the board of  
18 directors at which the plan was agreed upon;

19 (b) the vote in favor of the adoption of the plan;

20 (c) a copy of the resolution or other action by which  
21 the plan was agreed upon;

22 (d) the time and place of the meeting of the members  
23 at which the plan agreed upon was approved; and

24 (e) the vote by which the plan was approved by the  
25 members.

1 (3) Such certificate and a copy of the plan of merger  
2 agreed upon shall be forwarded to the director, certified by  
3 him, and returned to both credit unions within thirty (30)  
4 days.

5 (4) Upon return of the certificate from the director,  
6 all property rights, and members' interest of the merged  
7 credit union shall vest in the surviving credit union  
8 without deed, endorsement or other instrument of transfer,  
9 and all debts, obligations and liabilities of the merged  
10 credit union shall be deemed to have been assumed by the  
11 surviving credit union under whose charter the merger was  
12 effected. The rights and privileges of the members of the  
13 merged credit union shall remain intact.

14 (5) This section shall be construed whenever possible  
15 to permit a credit union chartered under any other act to  
16 merge with one chartered under this act, or to permit one  
17 chartered under this act to merge with one chartered under  
18 any other act.

19 Section 67. Conversion of charter. (1) A credit union  
20 chartered under the laws of this state may be converted to a  
21 credit union chartered under the laws of any other state or  
22 under the laws of the United States, subject to regulations  
23 issued by the director of the department of business  
24 regulation.

25 (2) A credit union chartered under the laws of the

1 United States or of any other state may convert to a credit  
2 union chartered under the laws of this state. To effect  
3 such a conversion, a credit union must comply with all the  
4 requirements of the jurisdiction under which it was  
5 originally chartered and the requirements of the director of  
6 the department of business regulation and file proof of such  
7 compliance with said director.

8 Section 68. Organization. Any central credit union may  
9 be organized and operated under this act and subject to all  
10 such provisions not inconsistent with this article. Such  
11 credit union shall use the term "central" in its official  
12 name.

13 Section 69. Membership. Membership in such central  
14 credit union may include, but not be limited to:

15 (1) credit unions organized and operating under this  
16 act or under any other credit union act;

17 (2) officers, directors, committee members and  
18 employees of such credit unions; officials and employees of  
19 any association of credit unions; and employees of federal  
20 or state government agencies responsible for the supervision  
21 of credit unions in this state;

22 (3) organizations and associations of those persons or  
23 organizations enumerated in subsections (1) and (2);

24 (4) employees of an employer with insufficient numbers  
25 to form or conduct the affairs of a separate credit union;



1 (5) persons in the field of membership of liquidated  
2 credit unions or of credit unions which have entered into or  
3 are about to enter into voluntary or involuntary liquidation  
4 proceedings; or

5 (6) members of the immediate families of all members  
6 qualified above.

7 Section 70. Voting representative. Each credit union  
8 becoming a member of such central credit union may designate  
9 one (1) person to be its voting representative in the  
10 central credit union, which person shall be designated by  
11 the board of directors of the member credit union. Such  
12 voting representative shall be eligible to hold office in  
13 the central credit union as if such person were himself a  
14 member of the central credit union.

15 Section 71. Additional rights and powers. (1) A  
16 central credit union shall have all of the rights and powers  
17 of any other credit union organized under this act and the  
18 additional rights and power specified in this section,  
19 notwithstanding any limitations or restrictions found  
20 elsewhere in this act.

21 (2) A central credit union may make loans to other  
22 credit unions; purchase shares of and make deposits in other  
23 credit unions; and obtain or acquire the assets and  
24 liabilities of any credit union operating in this state  
25 which enters into liquidation.

1 (3) A central credit union may invest in and grant  
2 loans to associations of credit unions, central funds of  
3 credit unions or organizations chartered to provide service  
4 to credit unions.

5 (4) A central credit union may borrow money and accept  
6 from any source, and issue notes or debentures.

7 Section 72. Taxation. All credit unions organized  
8 under this or any other credit union act shall have the same  
9 immunity from state and local taxation that federal credit  
10 unions have from time to time under the laws of the United  
11 States.

12 Section 73. Stock transfer taxes. The shares of any  
13 credit union shall not be subject to stock transfer taxes,  
14 either when issued or when transferred from one member to  
15 another.

16 Section 74. Participation in government programs. The  
17 participation by a credit union in any government program  
18 providing unemployment, social security, old age pension or  
19 other benefits shall not be deemed a waiver of the taxation  
20 exemption hereby granted.

21 Section 75. Instruction in schools. With the consent  
22 and under the direction of the state superintendent of  
23 public instruction, the organization, management, and  
24 extension of credit unions as set forth in this act may be  
25 taught in the public schools of this state.

1 Section 76. Additional powers of director. In addition  
 2 to any and all other powers heretofore granted to the  
 3 director of the department of business regulation, the  
 4 director shall have the power to authorize any credit union  
 5 to engage in any activity in which such credit union could  
 6 engage were they operating as a federal chartered credit  
 7 union at the time such authority is granted, including but  
 8 not without limitation because of enumeration the power to  
 9 do any act, and own, possess and carry as assets, property  
 10 of such character including stocks, bonds or other  
 11 debentures which, at the time the authority is granted, are  
 12 authorized under federal laws and regulations for  
 13 transactions by federal credit unions notwithstanding any  
 14 restrictions elsewhere contained in the statutes of the  
 15 state of Montana. Upon receipt of a written request from  
 16 any state chartered credit union, the director shall  
 17 exercise such power by the issuance of a special order  
 18 therefor if he deems it reasonably required to preserve and  
 19 protect the welfare of such an institution and promote the  
 20 general economy of this state.

21 Section 77. It is the intent of the legislature that  
 22 if a part of this act is invalid, all valid parts that are  
 23 severable from the invalid part remain in effect. If a part  
 24 of this act is invalid in one or more of its applications,  
 25 the part remains in effect in all valid applications that

1 are severable from the invalid applications.

2 Section 78. Sections 14-130 through 14-158, R.C.M.  
 3 1947, are repealed.

-End-

## 1 HOUSE BILL NO. 67

2 INTRODUCED BY MANUEL, SHELDEN, GERKE, FAGG, STOLTZ,

3 MENAHAN, W. BAETH, GUNDERSON, LYNCH, HARPER, HUENNEKENS,

4 LUEBECK, FLEMING, O'CONNELL, R. BAETH, HAGEMAN,

5 BARDANOUE, JOHNSTON

6  
7 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
8 ORGANIZATION, OPERATION, AND SUPERVISION OF COOPERATIVE,  
9 NONPROFIT THRIFT AND CREDIT ASSOCIATIONS TO BE KNOWN AS  
10 CREDIT UNIONS AND TO DEFINE THEIR POWERS; AND REPEALING  
11 SECTIONS 14-130 THROUGH 14-158, R.C.M. 1947."

12  
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:14 Section 1. Short title. This act shall be known and  
15 may be cited as the "Montana Credit Union Act".16 Section 2. Definition and purposes. A credit union is  
17 a cooperative, nonprofit association, incorporated under  
18 this act, for the purposes of encouraging thrift among its  
19 members, creating a source of credit at a fair and  
20 reasonable rate of interest, and providing an opportunity  
21 for its members to use and control their own money in order  
22 to improve their economic and social condition.23 Section 3. Organization procedure. (1) Any seven (7)  
24 or more residents of this state, of legal age, who have a  
25 common bond defined in section [15], may organize a credit1 union and become charter members thereof by complying with  
2 this section.3 (2) The subscribers shall execute in duplicate  
4 articles of incorporation, which conform to the applicable  
5 Montana corporation law, and agree to the terms thereof,  
6 which articles shall state:7 (a) the name, which shall include the words "credit  
8 union" and which shall not be the same as that of any other  
9 existing credit union in this state, and the location where  
10 the proposed credit union is to have its principal place of  
11 business;12 (b) that the existence of the credit union is  
13 perpetual;14 (c) the par value of the shares of the credit union,  
15 which shall be in five dollar (\$5) multiples of not less  
16 than five dollars (\$5), nor more than twenty-five dollars  
17 (\$25);18 (d) that the credit union shall be organized under  
19 this act for the purposes set forth therein;20 (e) the names and addresses of the subscribers to the  
21 articles of incorporation, and the value of shares  
22 subscribed to by each, which shall be not less than five  
23 dollars (\$5); and24 (f) that the credit union may exercise such incidental  
25 powers as are necessary or requisite to enable it to carry

1 on effectively the business for which it is incorporated,  
2 and those powers which are inherent in the credit union as a  
3 legal entity.

4 (3) The subscribers shall prepare and adopt bylaws for  
5 the general government of the credit union consistent with  
6 this act, and execute the same in duplicate.

7 (4) The subscribers shall select at least five (5)  
8 qualified persons who agree to serve on the board of  
9 directors, and at least three (3) qualified persons who  
10 agree to serve on the supervisory committee. A signed  
11 agreement to serve in these capacities until the first  
12 annual meeting or until the election of their successors,  
13 whichever is later, shall be executed by those who so agree.  
14 This agreement shall be submitted to the director of the  
15 department of business regulation.

16 (5) The subscribers shall forward the articles of  
17 incorporation and the bylaws to the director of the  
18 department of business regulation. The director may issue a  
19 certificate of approval, if the articles and the bylaws are  
20 in conformity with this act and he is satisfied that the  
21 proposed field of operation is favorable to the success of  
22 such credit union and that the standing of the proposed  
23 organizers is such as to give assurance that its affairs  
24 will be properly administered. He shall return a copy of  
25 the bylaws and the articles to the applicants or their

1 representatives, which shall be preserved in the permanent  
2 files of the credit union. The application shall be acted  
3 upon within thirty (30) days. The articles of incorporation  
4 shall then be filed with the secretary of state who, upon  
5 payment of the filing fees therefor, shall issue a  
6 certificate of incorporation.

7 (6) The subscribers for a credit union charter shall  
8 not transact any business until formal approval of the  
9 charter has been received.

10 Section 4. Form of articles and bylaws. In order to  
11 simplify the organization of credit unions, the director of  
12 the department of business regulation shall cause to be  
13 prepared a form of articles of incorporation and a form of  
14 bylaws, consistent with this act, which may be used by  
15 credit union incorporators for their guidance. Such  
16 articles of incorporation and bylaws shall be available  
17 without charge to persons desiring to organize a credit  
18 union.

19 Section 5. Amendments. (1) The articles of  
20 incorporation or the bylaws may be amended as provided in  
21 the bylaws. Amendments to the articles of incorporation or  
22 bylaws shall be submitted to the director of the department  
23 of business regulation who shall approve or disapprove the  
24 amendments within sixty (60) days.

25 (2) Amendments shall become effective upon approval in

1 writing by the director and no fee shall be charged for such  
2 approval.

3 Section 6. Use of name exclusive. With the exception  
4 of a credit union organized under the provisions of this act  
5 or of any other credit union act, or an association of  
6 credit unions or a recognized chapter thereof, any person,  
7 corporation, copartnership or association using a name or  
8 title containing the words "credit union" or any derivation  
9 thereof or representing themselves in their advertising or  
10 otherwise as conducting business as a credit union shall be  
11 fined not more than five hundred dollars (\$500) or  
12 imprisoned not more than one (1) year, or both, and may be  
13 permanently enjoined from using such words in its name.

14 Section 7. Office facilities. (1) A credit union may  
15 change its place of business within this state upon written  
16 notice to the department of business regulation.

17 (2) A credit union may share office space with one (1)  
18 or more credit unions and contract with any person or  
19 corporation to provide facilities or personnel.

20 Section 8. Fiscal year. The fiscal year of each credit  
21 union organized under this act shall end on December 31.

22 Section 9. Director of the department of business  
23 regulation. (1) The director shall administer the laws of  
24 this state relating to credit unions. He may appoint or  
25 employ such special assistants, deputies, examiners, or

1 other employees as are necessary for the purpose of  
2 administering or enforcing this act.

3 (2) The director may prescribe rules and regulations  
4 for the administration of this act and may establish  
5 chartering, supervisory and examination fees.

6 (3) The director shall, from time to time, issue rules  
7 and regulations prescribing the minimum amount of surety  
8 bond coverage and casualty, liability and fire insurance  
9 required of credit unions in relation to their assets or to  
10 the money and other personal property involved, or their  
11 exposure to risk.

12 Section 10. Reports. (1) Credit unions organized under  
13 this act shall report to the director annually on or before  
14 February 1 on forms supplied by him for that purpose.  
15 Additional reports may be required.

16 (2) A fine of five dollars (\$5) for each day a report  
17 is in arrears shall be levied against the offending credit  
18 union unless it is excused for cause by the director.

19 Section 11. Examinations. (1) The department of  
20 business regulation shall annually examine or cause to be  
21 examined each credit union. Each credit union and all of  
22 its officers and agents shall be required to give to  
23 representatives of the director of the department full  
24 access to all books, papers, securities, records and other  
25 sources of information under their control; and for the

1 purpose of the examination the representatives may subpoena  
2 witnesses, administer oaths, compel the giving of testimony,  
3 and require the submission of documents.

4 (2) A report of the examination shall be forwarded to  
5 the executive officer of each credit union within thirty  
6 (30) days after completion. The report shall contain  
7 comments relative to the management of the affairs of the  
8 credit union and also as to the general condition of its  
9 assets. Within sixty (60) days after the receipt of the  
10 report, the directors and committeemen shall meet to  
11 consider matters contained in the report.

12 (3) In lieu of making an annual examination of a  
13 credit union, the director may accept an audit report of the  
14 condition of the credit union made by an auditor approved by  
15 the director. The cost of the audit shall be borne by the  
16 credit union.

17 Section 12. Records. (1) A credit union shall maintain  
18 all books, records, accounting systems and procedures in  
19 accordance with such rules as the director from time to time  
20 prescribes. In prescribing such rules, the director shall  
21 consider the relative size of a credit union and its  
22 reasonable capability of compliance.

23 (2) A credit union is not liable for destroying  
24 records after the expiration of the record retention time  
25 prescribed by the director.

1 (3) A photostatic or photographic reproduction of any  
2 credit union records shall be admissible as evidence of  
3 transactions with the credit union.

4 Section 13. General powers. A credit union may:

5 (1) make contracts;

6 (2) sue and be sued;

7 (3) adopt and use a common seal and alter same;

8 (4) acquire, lease, hold and dispose of property,  
9 either in whole or in part, necessary or incidental to its  
10 operations;

11 (5) at the discretion of the board of directors,  
12 require the payment of an entrance fee or annual membership  
13 fee, or both, of any person admitted to membership;

14 (6) receive savings from its members in the form of  
15 shares or special purpose thrift accounts;

16 (7) lend its funds to its members as hereinafter  
17 provided;

18 (8) borrow from any source in accordance with policy  
19 established by the board of directors;

20 (9) discount and sell any eligible obligations,  
21 subject to rules and regulations prescribed by the director;

22 (10) sell all or substantially all of its assets or  
23 purchase all or substantially all of the assets of another  
24 credit union, subject to the approval of the director;

25 (11) invest surplus funds as provided in this act;

1 (12) make deposits in legally chartered banks, savings  
2 banks, building and loan associations, savings and loan  
3 associations, trust companies and central type credit union  
4 organizations;

5 (13) assess charges to members in accordance with the  
6 bylaws for failure to meet promptly their obligations to the  
7 credit union;

8 (14) hold membership in other credit unions organized  
9 under this act or other acts, and in other associations and  
10 organizations composed of credit unions;

11 (15) declare dividends and pay interest refunds to  
12 borrowers as provided in this act;

13 (16) collect, receive and disburse monies in connection  
14 with the sale of negotiable checks, money orders and other  
15 money type instruments, and for such other purposes as may  
16 provide benefit or convenience to its members, and charge a  
17 reasonable fee for such services, BUT NOT INCLUDING CHECKING  
18 ACCOUNT SERVICES;

19 (17) perform such tasks and missions as are requested  
20 by the federal government or this state or any agency or  
21 political subdivision thereof, when approved by the board of  
22 directors and not inconsistent with this act;

23 (18) contribute to, support or participate in any  
24 nonprofit service facility whose services will benefit the  
25 credit union or its membership, subject to such regulations

1 as are prescribed by the director;

2 (19) make donations or contributions to any civic,  
3 charitable or community organizations as authorized by the  
4 board of directors, subject to regulations as are prescribed  
5 by the director; or

6 (20) purchase or make available insurance for its  
7 directors, officers, agents, employees and members.

8 HOWEVER, THE CREDIT UNION SHALL NOT ENGAGE, DIRECTLY OR  
9 INDIRECTLY, IN THE SALE OR BUSINESS OF INSURANCE, OTHER THAN  
10 ON LIFE ON SHARES AND LOANS.

11 Section 14. Incidental powers. A credit union may  
12 exercise such incidental powers as are granted corporations  
13 organized under the laws of this state including those that  
14 are necessary to enable it to promote and carry on most  
15 effectively its purposes.

16 Section 15. Membership defined. (1) The membership of  
17 a credit union shall be limited to and consist of the  
18 subscribers to the articles of incorporation and such other  
19 persons within the common bond set forth in the bylaws as  
20 have been duly admitted members, have paid the required  
21 entrance fee or membership fee, or both, have subscribed for  
22 one (1) or more shares, and have paid the initial  
23 installment thereon, and have complied with such other  
24 requirements as the articles of incorporation or bylaws  
25 specify.

1 (2) Credit union membership may include groups having  
2 a common bond of similar occupation, association or  
3 interest, or to employees of a common employer, and members  
4 of the immediate family of such persons.

5 Section 16. Societies -- associations. Societies, and  
6 copartnerships composed primarily of individuals who are  
7 eligible for membership, and corporations whose stockholders  
8 are composed primarily of such individuals, may be admitted  
9 to membership in the same manner and under the same  
10 conditions as individuals, but may not borrow in excess of  
11 their shareholdings.

12 Section 17. Other credit unions. Any credit union  
13 organized under this act may permit membership of any other  
14 credit union organized under this act or other acts.

15 Section 18. Limited income persons. Existing credit  
16 unions may include within their field of membership limited  
17 income persons as defined by the director of the department  
18 of business regulation for whom credit union services are  
19 otherwise unavailable.

20 Section 19. Members who leave field. Members who leave  
21 the field of membership may be permitted to retain their  
22 membership in the credit union as a matter of general policy  
23 of the board of directors.

24 Section 20. Liability of members. The members of the  
25 credit union shall not be personally or individually liable

1 for the payment of its debts.

2 Section 21. Meetings of members. (1) The annual  
3 meeting and any special meetings of the members of the  
4 credit union shall be held at the time, place, and in the  
5 manner indicated by the bylaws.

6 (2) At all such meetings a member shall have but one  
7 (1) vote, irrespective of his shareholdings. No member may  
8 vote by proxy, but a member may vote by absentee ballot if  
9 the bylaws of the credit union so provide.

10 (3) A society, association, copartnership or  
11 corporation, having membership in the credit union, may be  
12 represented and have its vote cast by one of its members or  
13 shareholders, provided such person has been fully authorized  
14 by the organization's governing body.

15 (4) The board of directors may establish a minimum  
16 age, not greater than eighteen (18) years of age, as a  
17 qualification of eligibility to vote at meetings of the  
18 members, or to hold office, or both.

19 Section 22. Election or appointment of officials. (1)  
20 The credit union shall be directed by a board consisting of  
21 an odd number of directors, at least five (5) in number, to  
22 be elected at the annual membership meeting by and from the  
23 members. All members of the board shall hold office for  
24 such terms as the bylaws provide.

25 (2) The board of directors shall appoint a supervisory



1 committee of not less than three (3) members at the  
2 organization meeting and within thirty (30) days following  
3 each annual meeting of the members for such terms as the  
4 bylaws provide.

5 (3) The board of directors shall appoint a credit  
6 committee consisting of an odd number, not less than three  
7 (3), for such terms as the bylaws provide, or in lieu of a  
8 credit committee, a credit manager.

9 Section 23. Record of board and committee members.  
10 Within fifteen (15) days after election or appointment, a  
11 record of the names and addresses of the members of the  
12 board, committees and all officers of the credit union shall  
13 be filed with the department of business regulation on forms  
14 provided by the department.

15 Section 24. Vacancies. The board of directors shall  
16 fill any vacancies occurring in the board until successors  
17 elected at the next annual meeting have qualified. The  
18 board shall also fill vacancies in the credit and  
19 supervisory committees.

20 Section 25. Compensation of officials. No officer,  
21 director, or committee member, other than the treasurer, a  
22 credit manager, or a loan officer may be compensated for his  
23 service as such, but reasonable life, health, accident and  
24 similar insurance protection for a director or committee  
25 member shall not be considered compensation. Directors and

1 committee members, while on official business of the credit  
2 union, may be reimbursed for necessary expenses incidental  
3 to the performance of the business.

4 Section 26. Conflicts of interest. No director,  
5 committee member, officer, agent or employee of the credit  
6 union shall in any manner, directly or indirectly,  
7 participate in the deliberation upon or the determination of  
8 any question affecting his pecuniary interest or the  
9 pecuniary interest of any corporation, partnership, or  
10 association (other than the credit union) in which he is  
11 directly or indirectly interested.

12 Section 27. Executive officers. (1) At their  
13 organization meeting and within thirty (30) days following  
14 each annual meeting of the members, the directors shall  
15 elect from their own number an executive officer, who may be  
16 designated as chairman of the board or president; a vice  
17 chairman of the board or one (1) or more vice presidents; a  
18 treasurer; and a secretary. The treasurer and the secretary  
19 may be the same individual. The persons so elected shall be  
20 the executive officers of the corporation.

21 (2) The terms of the officers shall be one (1) year,  
22 or until their successors are chosen and have duly  
23 qualified.

24 (3) The duties of the officers shall be prescribed in  
25 the bylaws.

1 (4) The board of directors may employ an officer in  
2 charge of operations whose title shall be either president  
3 and/or general manager; or, in lieu thereof, the board of  
4 directors may designate the treasurer or an assistant  
5 treasurer to act as general manager and be in active charge  
6 of the affairs of the credit union.

7 Section 28. Authority of directors. The board of  
8 directors shall have the general direction of the business  
9 affairs, funds, and records of the credit union.

10 Section 29. Executive committee. From the persons  
11 elected to the board, the board may appoint an executive  
12 committee of not less than three (3) directors who may be  
13 authorized to act for the board in all respects, subject to  
14 such conditions and limitations as are prescribed by the  
15 board.

16 Section 30. Meetings of directors. The board of  
17 directors and the executive committee shall meet as often as  
18 necessary, but one body must meet at least monthly and the  
19 other at least quarterly.

20 Section 31. Duties of directors. It shall be the duty  
21 of the directors to:

22 (1) act upon applications for membership; or to  
23 appoint one (1) or more membership officers to approve  
24 applications for membership under such conditions as the  
25 board prescribes. A record of a membership officer's

1 approval or denial of membership shall be available to the  
2 board of directors for inspection. A person denied  
3 membership by a membership officer may appeal the denial to  
4 the board;

5 (2) purchase a blanket fidelity bond, in accordance  
6 with any rules and regulations of the director, to protect  
7 the credit union against losses caused by occurrences  
8 covered therein such as fraud, dishonesty, forgery,  
9 embezzlement, misappropriation, misapplication, or  
10 unfaithful performance of duty by a director, officer,  
11 employee, member of an official committee, attorney at law,  
12 or other agent;

13 (3) determine from time to time the interest rate or  
14 rates consistent with this act, which shall be charged on  
15 loans and to authorize interest refunds, if any, to members  
16 from income earned and received in proportion to the  
17 interest paid by them on such classes of loans and under  
18 such conditions as the board prescribes;

19 (4) fix from time to time the maximum amount which may  
20 be loaned to any one member;

21 (5) declare dividends on shares in the manner and form  
22 as provided in the bylaws;

23 (6) limit the number of shares which may be owned by a  
24 member, such limitations to apply alike to all members;

25 (7) have charge of the investment of surplus funds,

1 except that the board of directors may designate an  
2 investment committee or any qualified individual to have  
3 charge of making investments under controls established by  
4 the board of directors;

5 (8) authorize the employment of such persons necessary  
6 to carry on the business of the credit union, including the  
7 credit manager, loan officers and auditing assistants  
8 requested by the supervisory committee; and fix the  
9 compensation, if any, of the treasurer and the general  
10 manager and provide for compensation for other employees  
11 within guidelines predetermined by the board of directors;

12 (9) authorize the conveyance of property;

13 (10) borrow or lend money to carry on the functions of  
14 the credit union;

15 (11) designate a depository or depositories for the  
16 funds of the credit union;

17 (12) suspend any or all members of the credit or  
18 supervisory committee for failure to perform their duties;

19 (13) appoint any special committees deemed necessary;  
20 and

21 (14) perform such other duties as the members from time  
22 to time direct, and perform or authorize any action not  
23 inconsistent with this act and not specifically reserved by  
24 the bylaws for the members.

25 Section 32. Authority of credit committee. The credit

1 committee shall have the general supervision of all loans to  
2 members.

3 Section 33. Meeting of credit committee. The credit  
4 committee shall meet as often as the business of the credit  
5 union requires and not less frequently than once a month to  
6 consider applications for loans. No loan shall be made  
7 unless it is approved by a majority of the committee who are  
8 present at the meeting at which the application is  
9 considered.

10 Section 34. Loan officers. (1) The credit committee  
11 may appoint one (1) or more loan officers and delegate the  
12 power to approve loans, subject to such limitations or  
13 conditions as the credit committee prescribes.

14 (2) Loan applications not approved by a loan officer  
15 shall be reviewed and acted upon by the credit committee.

16 Section 35. Credit manager. The credit committee may  
17 be dispensed with, and a credit manager empowered to approve  
18 or disapprove loans under conditions prescribed by the board  
19 of directors. In the event the credit committee is  
20 dispensed with, the procedures prescribed in sections [32],  
21 [33] and [34] do not apply, and no loans shall be made  
22 unless approved by the credit manager, except the credit  
23 manager may appoint one (1) or more loan officers with the  
24 power to approve loans, subject to such limitations or  
25 conditions as he prescribes.

1 Section 36. Duties of supervisory committee. (1) The  
 2 supervisory committee shall make or cause to be made a  
 3 comprehensive annual audit of the books and affairs of the  
 4 credit union and shall submit a report of that audit to the  
 5 board of directors and a summary of that report to the  
 6 members at the next annual meeting of the credit union. It  
 7 shall make or cause to be made such supplementary audits or  
 8 examinations as it deems necessary or as are required by the  
 9 director or by the board of directors, and submit reports of  
 10 these supplementary audits to the board of directors.

11 (2) The supervisory committee shall cause the accounts  
 12 of the members to be verified with the records of the credit  
 13 union from time to time, and not less frequently than every  
 14 two (2) years.

15 Section 37. Suspension and removal of officials. (1)  
 16 The supervisory committee by a unanimous vote may suspend  
 17 any member of the credit committee and shall report such  
 18 action to the board of directors for appropriate action.

19 (2) The supervisory committee by a unanimous vote may  
 20 suspend any officer or member of the board of directors  
 21 until the next members' meeting, which shall be held not  
 22 less than seven (7) nor more than twenty-one (21) days after  
 23 such suspension. At such meeting the suspension shall be  
 24 acted upon by the members.

25 (3) Any member of the supervisory committee may be

1 removed by the board of directors for failure to perform his  
 2 duties in accordance with this act, the articles of  
 3 incorporation, or the bylaws.

4 Section 38. Calling of special meeting. The  
 5 supervisory committee by a majority vote may call a special  
 6 meeting of the members to consider any violation of this  
 7 act, the credit union's charter or bylaws, or any practice  
 8 of the credit union deemed by the supervisory committee to  
 9 be unsafe or unauthorized.

10 Section 39. Shares. (1) The capital of a credit union  
 11 consists of the payments by the members on shares.

12 (2) Shares may be subscribed to, paid for and  
 13 transferred in such manner as the bylaws prescribe.

14 (3) A certificate need not be issued to denote  
 15 ownership of a share in a credit union.

16 Section 40. Dividends. (1) At such intervals and for  
 17 such periods as the board of directors may authorize, and  
 18 after provision for the required reserves, the board of  
 19 directors may declare dividends to be paid from the  
 20 undivided earnings at such rates and upon such classes of  
 21 shares as are determined by the board. Such dividends shall  
 22 be paid on all paid up shares outstanding at the close of  
 23 the period for which the dividend is declared.

24 (2) Shares which become fully paid up during such  
 25 dividend period and are outstanding at the close of the

1 period shall be entitled to a proportionate share of such  
2 dividend.

3 (3) Dividend credit for a month may be accrued on  
4 shares which are or become fully paid up during the first  
5 fifteen (15) days of that month.

6 Section 41. Thrift accounts. Christmas clubs, vacation  
7 clubs, and other thrift accounts may be operated under  
8 conditions established by the board of directors.

9 Section 42. Minors accounts. Shares may be issued to a  
10 minor who may withdraw the shares including the dividends  
11 and interest thereon. Share payments made by a minor and  
12 withdrawals thereof by the minor shall be valid in all  
13 respects. For such purposes a minor is deemed of full age.

14 Section 43. Joint accounts. (1) A member may designate  
15 any person or persons to hold shares and thrift club  
16 accounts with him in joint tenancy with the right of  
17 survivorship, but no joint tenant, unless a member in his  
18 own right, shall be permitted to vote, obtain loans, or hold  
19 office or be required to pay an entrance or membership fee.

20 (2) Payment of part or all of such accounts to any of  
21 the joint tenants shall, to the extent of such payment,  
22 discharge the liability to all.

23 Section 44. Trust accounts. (1) Shares may be issued  
24 in the name of a member in trust for a beneficiary,  
25 including a minor, but no beneficiary, unless a member in

1 his own right, shall be permitted to vote, obtain loans,  
2 hold office or be required to pay an entrance or membership  
3 fee.

4 (2) Payment of part or all of such shares to such  
5 member shall, to the extent of such payment, discharge the  
6 liability of the credit union to the member and the  
7 beneficiary, and the credit union shall be under no  
8 obligation to see the application of such payment.

9 (3) In the event of the death of the member, and if  
10 shares are so issued or held and the credit union has been  
11 given no other written notice of the existence or terms of  
12 any trust, such shares or deposits and any dividends or  
13 interest thereon shall be paid to the beneficiary.

14 Section 45. Liens. The credit union shall have a lien  
15 on the shares and accumulated dividends or interest of a  
16 member in his individual, joint or trust account, for any  
17 sum past due the credit union from said member or for any  
18 loan endorsed by him.

19 Section 46. Dormant accounts. (1) If a credit union is  
20 unable to contact a member, beneficiary or other person via  
21 first class mail at the last address shown on the records of  
22 the credit union, and if such inability continues for a  
23 period of more than five (5) years, all shares, accounts,  
24 dividends, interest and other sums due or standing in the  
25 name of such member, beneficiary or other person may, by

1 action of the board of directors, be segregated, and  
2 thereafter no dividends or interest will accrue thereto.

3 (2) The member may reclaim any such sums by proper  
4 administrative or judicial proceedings or in accordance with  
5 the Uniform Disposition of Unclaimed Property Act.

6 (3) This section does not apply to shares, accounts,  
7 dividends, interest and other sums due to or standing in the  
8 name of two (2) or more persons unless the credit union is  
9 unable to contact any such persons in the manner and during  
10 the period specified in subsection (1).

11 Section 47. Reduction in shares. (1) Whenever the  
12 losses of any credit union, resulting from a depreciation in  
13 value of its loans or investments or otherwise, exceed its  
14 undivided earnings and reserve fund so that the estimated  
15 value of its assets is less than the total amount due the  
16 shareholders, the credit union may by a majority vote of the  
17 entire membership order a reduction in the shares of each of  
18 its shareholders to divide the loss proportionately among  
19 the members.

20 (2) If the credit union thereafter realizes from such  
21 assets a greater amount than was fixed by the order of  
22 reduction, such excess shall be divided proportionately  
23 among the shareholders whose assets were reduced, but only  
24 to the extent of such reduction.

25 Section 48. Purposes, terms, and interest rate. A

1 credit union may loan to members for such purpose and upon  
2 such security and terms as the credit committee, credit  
3 manager, or loan officer approves, at rates of interest not  
4 exceeding one and one-half percent (1 1/2%) per month on the  
5 unpaid monthly balances.

6 Section 49. Application. Every application for a loan  
7 shall be made in writing upon a form, which the credit  
8 committee, credit manager, or loan officer prescribes. The  
9 application shall state the purpose for which the loan is  
10 desired, and the security, if any, offered. Each loan shall  
11 be evidenced by a written document.

12 Section 50. Loan limit. No loan shall be made to any  
13 member in an aggregate amount in excess of ten percent (10%)  
14 of the credit union's total assets.

15 Section 51. Security. In addition to generally  
16 accepted types of security, the endorsement of a note by a  
17 surety, comaker or guarantor, or assignment of shares of  
18 wages, in a manner consistent with the laws of this state,  
19 shall be deemed security within the meaning of this act.  
20 The adequacy of any security shall be determined by the  
21 credit committee, credit manager, or loan officer, subject  
22 to this act and the bylaws.

23 Section 52. Installments. A member may receive a loan  
24 in installments, or in one sum, and may pay the whole or any  
25 part of his loan on any day on which the office of the

1 credit union is open for business.

2 Section 53. Line of credit. The credit committee or  
3 credit manager may approve in advance upon their own motion  
4 or upon application by a member, a line of credit, and  
5 advances may be granted to each member within the limit of  
6 such extension of credit. Where a line of credit has been  
7 approved, no additional loan applications are required as  
8 long as the aggregate obligation does not exceed the limit  
9 of such extension of credit.

10 Section 54. Other loan programs. (1) A credit union  
11 may participate in loans to credit union members jointly  
12 with other credit unions, corporations, or financial  
13 organizations.

14 (2) A credit union may participate in guaranteed loan  
15 programs of the federal and state government.

16 (3) A credit union may purchase the conditional sales  
17 contracts, notes and similar instruments of its members.

18 Section 55. Loans to officials. (1) A credit union may  
19 make loans to its directors, employees, loan officers,  
20 credit manager, and to members of its supervisory and credit  
21 committees, provided that:

22 (a) the loan complies with all lawful requirements  
23 under this act with respect to loans to other borrowers and  
24 is not on terms more favorable than those extended to other  
25 borrowers; and

1 (b) any such loan or aggregate of loans to any one  
2 director or committee member which exceeds two thousand five  
3 hundred dollars (\$2,500) plus pledged shares must be  
4 reported to the board of directors. Loans to directors and  
5 committee members may not exceed an aggregate of twenty  
6 percent (20%) of unimpaired capital and surplus of the  
7 credit union.

8 (2) A credit union may permit directors, employees,  
9 loan officers, credit manager, and members of its  
10 supervisory and credit committees to act as comakers,  
11 guarantors or endorsers of loans to other members, except  
12 when any such loan standing alone or when added to any  
13 outstanding loan or loans to the comaker, guarantor or  
14 endorser exceeds two thousand five hundred dollars (\$2,500),  
15 approval of the board of directors is required.

16 Section 56. Insurance for members. (1) A credit union  
17 may purchase or make available insurance for its members in  
18 amounts related to their respective ages, shares, or loan  
19 balances, or to any combination of them.

20 Section 57. Liability insurance for officers. A credit  
21 union may purchase and maintain insurance on behalf of any  
22 person who is or was a director, officer, employee or agent  
23 of the credit union, or who is or was serving at the request  
24 of the credit union as a director, officer, employee, or  
25 agent of another corporation, partnership, joint venture,

1 trust or other enterprise against any liability asserted  
2 against such person and incurred by such person in any such  
3 capacity or arising out of such person's status as such,  
4 whether or not the credit union would have the power to  
5 indemnify such person against such liability.

6 Section 58. Share insurance. (1) Not later than  
7 January 1, 1976, each credit union shall apply for insurance  
8 on share accounts under the provisions of Title II of the  
9 National Credit Union Act. A credit union which has been  
10 denied a commitment for insurance of its share accounts  
11 shall either dissolve, merge with another credit union which  
12 is insured under Title II of the National Credit Union Act,  
13 or apply in writing within thirty (30) days of denial to the  
14 director of the department of business regulation for  
15 additional time to obtain an insurance commitment.

16 (2) The director of the department of business  
17 regulation shall grant additional time for the credit union  
18 to obtain the insurance commitment upon satisfactory  
19 evidence that the credit union has made or is making a  
20 substantial effort to achieve the conditions precedent to  
21 issuance of the commitment. Additional time or times shall  
22 not extend later than January 1, 1978.

23 (3) The director of the department of business  
24 regulation shall make available reports of condition and  
25 examination reports to the administrator of the National

1 Credit Union Administration and may accept any report of  
2 examination made on behalf of such administrators. The  
3 director may appoint the administrator of the National  
4 Credit Union Administration as liquidating agent of an  
5 insured credit union.

6 Section 59. Investment of funds. Funds not used in  
7 loans to members may be invested:

8 (1) in securities, obligations or other instruments of  
9 or issued by or fully guaranteed as to principal and  
10 interest by the United States of America, or any agency  
11 thereof, or in any trust or trusts established for investing  
12 directly or collectively in the same;

13 (2) in obligations of any state of the United States,  
14 the District of Columbia, the Commonwealth of Puerto Rico,  
15 and the several territories organized by congress, or any  
16 political subdivisions thereof;

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

21 (4) in loans to or in shares or deposits of other  
22 credit unions;

23 (5) in the capital shares, obligations, or preferred  
24 stock issues of any agency or association organized either  
25 as a stock company, mutual association or membership



1 corporation, provided the membership or stockholdings, as  
 2 the case may be, of such agency or association are primarily  
 3 confined or restricted to credit unions, or organizations of  
 4 credit unions, and provided the purposes for which such  
 5 agency or association is organized are designed primarily to  
 6 service or otherwise assist credit union operations;

7 (6) in shares of a cooperative society organized under  
 8 the laws of this state or of the laws of the United States  
 9 in the total amount not exceeding ten percent (10%) of the  
 10 shares and surplus of the credit union;

11 (7) in loans to any credit union association or  
 12 corporation, national or state, of which the credit union is  
 13 a member, except that such investments shall be limited to  
 14 two percent (2%) of the assets of the credit union.

15 Section 60. Transfers to regular reserve. (1)  
 16 Immediately before the payment of each dividend, the gross  
 17 earnings of the credit union shall be determined. From this  
 18 amount, there shall be set aside sums as a regular reserve  
 19 for contingencies in accordance with the following schedule:

20 (a) ten percent (10%) of gross income until the  
 21 regular reserve equals five percent (5%) of the total of  
 22 outstanding loans and risk assets; then

23 (b) seven percent (7%) of gross income until the  
 24 regular reserve equals six percent (6%) of the total of  
 25 outstanding loans and risk assets; then

1 (c) five percent (5%) of gross income until the  
 2 regular reserve equals seven percent (7%) of the total of  
 3 outstanding loans and risk assets.

4 (2) Whenever the regular reserve falls below seven  
 5 percent (7%), six percent (6%), or five percent (5%) of the  
 6 total outstanding loans and risk assets, as the case may be,  
 7 it shall be replenished by regular contributions in such  
 8 amounts as are needed to maintain the reserve goals of five  
 9 percent (5%), six percent (6%), or seven percent (7%).

10 (3) Any entrance fees, charges and transfer fees  
 11 shall, after payment of organization expense, be added to  
 12 the regular reserve.

13 Section 61. Use of regular reserve. The regular  
 14 reserve shall belong to the credit union and shall be used  
 15 to meet losses except those resulting from an excess of  
 16 expenses over income and shall not be distributed except on  
 17 liquidation of the credit union, or in accordance with a  
 18 plan approved by the director of the department of business  
 19 regulation.

20 Section 62. Risk assets defined. For the purpose of  
 21 establishing the reserves required, all assets except the  
 22 following shall be considered risk assets:

23 (1) cash on hand;

24 (2) deposits and shares in federal or state banks,  
 25 savings and loan associations, and credit unions;

1 (3) assets which are insured, fully guaranteed as to  
 2 principal and interest, or due from the United States  
 3 government, its agencies, the federal national mortgage  
 4 association, or the government national mortgage  
 5 association;

6 (4) loans to other credit unions;

7 (5) loans to students insured under the provision of  
 8 Title IV, part B of the Higher Education Act of 1965, or  
 9 similar state insurance programs;

10 (6) loans insured under Title I of the National  
 11 Housing Act by the federal housing administration;

12 (7) shares or deposits in central credit unions  
 13 organized under this act or of any other state act or of the  
 14 Federal Credit Union Act;

15 (8) common trust investments which deal in investments  
 16 authorized by this act;

17 (9) prepaid expenses;

18 (10) accrued interest on nonrisk investments;

19 (11) furniture and equipment; and

20 (12) land and buildings.

21 Section 63. Special reserves. In addition to such  
 22 regular reserve, special reserves to protect the interest of  
 23 members shall be established:

24 (1) when required by regulation; or

25 (2) when found by the board of directors of the credit

1 union or by the director of the department of business  
 2 regulation, in any special case, to be necessary for that  
 3 purpose.

4 Section 64. Suspension. (1) If it appears that any  
 5 credit union is bankrupt or insolvent, or that it has  
 6 willfully violated this act, or is operating in an unsafe or  
 7 unsound manner, the director of the department of business  
 8 regulation shall issue an order temporarily suspending the  
 9 credit union's operations for not less than thirty (30) nor  
 10 more than sixty (60) days. The board of directors shall be  
 11 given notice by registered mail of such suspension, which  
 12 notice shall include a list of the reasons for such  
 13 suspension, and/or a list of the specific violations of this  
 14 act.

15 (2) Upon receipt of such suspension notice, the credit  
 16 union shall cease all operations, except those authorized by  
 17 the director. The credit union shall then file with the  
 18 director a reply to the suspension notice, and may request a  
 19 hearing to present a plan of corrective actions proposed if  
 20 it desires to continue operations. The board may request  
 21 that the credit union be declared insolvent and a  
 22 liquidating agent be appointed.

23 (3) Upon receipt from the suspended credit union of  
 24 evidence that the conditions causing the order of suspension  
 25 have been corrected, the director may revoke the suspension

1 notice and permit the credit union to resume normal  
2 operations.

3 (4) If the director, after issuing notice of  
4 suspension and providing an opportunity for a hearing,  
5 rejects the credit union's plan to continue operations, he  
6 may issue a notice of involuntary liquidation and appoint a  
7 liquidating agent. The credit union may request the  
8 appropriate court to stay execution of such action.  
9 Involuntary liquidation may not be ordered prior to the  
10 conclusion of suspension procedures outlined in this  
11 section.

12 (5) If, within the suspension period, the credit union  
13 fails to answer the suspension notice or request a hearing,  
14 the director may then revoke the credit union's charter,  
15 appoint a liquidating agent and liquidate the credit union.

16 Section 65. Liquidation. (1) A credit union may elect  
17 to dissolve voluntarily and liquidate its affairs in the  
18 manner prescribed in this section and the applicable Montana  
19 corporation laws.

20 (2) The board of directors shall adopt a resolution  
21 recommending the credit union be dissolved voluntarily, and  
22 directing that the question of liquidation be submitted to  
23 the members.

24 (3) Within ten (10) days after the board of directors  
25 decides to submit the question of liquidation to the

1 members, the president shall notify the director of the  
2 department of business regulation thereof in writing,  
3 setting forth the reasons for the proposed action. Within  
4 ten (10) days after the members act on the question of  
5 liquidation, the president shall notify the director in  
6 writing as to whether or not the members approved the  
7 proposed liquidation.

8 (4) As soon as the board of directors decides to  
9 submit the question of liquidation to the members, payment  
10 on shares, withdrawal of shares, making any transfer of  
11 shares to loans and interest, making investments of any  
12 kind, and granting loans shall be suspended pending action  
13 by members on the proposal to liquidate. On approval by the  
14 members of such proposal, all such business transactions  
15 shall be permanently discontinued. Necessary expenses of  
16 operation shall, however, continue to be paid on  
17 authorization of the board of directors or liquidating agent  
18 during the period of liquidation.

19 (5) For a credit union to enter voluntary liquidation,  
20 approval by a majority of the members in writing or by a  
21 two-thirds (2/3) majority of the members present at a  
22 regular or special meeting of the members is required.  
23 Where authorization for liquidation is to be obtained at a  
24 meeting of the members, notice in writing shall be given to  
25 each member, by first class mail, at least ten (10) days

1 prior to such meeting.

2 (6) A liquidating credit union shall continue in  
3 existence for the purpose of discharging its debts,  
4 collecting and distributing its assets, and doing all acts  
5 required in order to wind up its business and may sue and be  
6 sued for the purpose of enforcing such debts and obligations  
7 until its affairs are fully adjusted.

8 (7) The board of directors of the liquidating agent  
9 shall use the assets of the credit union to pay:

10 (a) expenses incidental to liquidating, including any  
11 surety bond that may be required;

12 (b) any liability due nonmembers; and

13 (c) deposits and special purpose thrift accounts as  
14 provided in this act.

15 Assets then remaining shall be distributed to the  
16 members proportionately to the shares held by each member as  
17 of the date dissolution was voted.

18 (8) As soon as the board of directors or the  
19 liquidating agent determines that all assets from which  
20 there is a reasonable expectancy of realization have been  
21 liquidated and distributed as set forth in this section,  
22 they shall execute a certificate of dissolution on a form  
23 prescribed by the department of business regulation and file  
24 the same, together with all pertinent books and records of  
25 the liquidating credit union, with the department of

1 business regulation whereupon such credit union shall be  
2 dissolved.

3 Section 66. Merger. (1) Any credit union may with the  
4 approval of the director of the department of business  
5 regulation, and compliance with the applicable Montana  
6 corporation law, merge with another credit union under the  
7 existing charter of the other credit union, pursuant to any  
8 plan agreed upon by the majority of each board of directors  
9 of each credit union joining in the merger, and approved by  
10 the affirmative vote of a majority of the members of the  
11 merging credit union present at a meeting of its members  
12 duly called for such purpose.

13 (2) After agreement by the directors and approval by  
14 the members of the merging credit union, the president and  
15 secretary of the credit union shall execute a certificate of  
16 merger, which shall set forth all of the following:

17 (a) the time and place of the meeting of the board of  
18 directors at which the plan was agreed upon;

19 (b) the vote in favor of the adoption of the plan;

20 (c) a copy of the resolution or other action by which  
21 the plan was agreed upon;

22 (d) the time and place of the meeting of the members  
23 at which the plan agreed upon was approved; and

24 (e) the vote by which the plan was approved by the  
25 members.

1 (3) Such certificate and a copy of the plan of merger  
2 agreed upon shall be forwarded to the director, certified by  
3 him, and returned to both credit unions within thirty (30)  
4 days.

5 (4) Upon return of the certificate from the director,  
6 all property rights, and members' interest of the merged  
7 credit union shall vest in the surviving credit union  
8 without deed, endorsement or other instrument of transfer,  
9 and all debts, obligations and liabilities of the merged  
10 credit union shall be deemed to have been assumed by the  
11 surviving credit union under whose charter the merger was  
12 effected. The rights and privileges of the members of the  
13 merged credit union shall remain intact.

14 (5) This section shall be construed whenever possible  
15 to permit a credit union chartered under any other act to  
16 merge with one chartered under this act, or to permit one  
17 chartered under this act to merge with one chartered under  
18 any other act.

19 Section 67. Conversion of charter. (1) A credit union  
20 chartered under the laws of this state may be converted to a  
21 credit union chartered under the laws of any other state or  
22 under the laws of the United States, subject to regulations  
23 issued by the director of the department of business  
24 regulation.

25 (2) A credit union chartered under the laws of the

1 United States or of any other state may convert to a credit  
2 union chartered under the laws of this state. To effect  
3 such a conversion, a credit union must comply with all the  
4 requirements of the jurisdiction under which it was  
5 originally chartered and the requirements of the director of  
6 the department of business regulation and file proof of such  
7 compliance with said director.

8 Section 68. Organization. Any central credit union may  
9 be organized and operated under this act and subject to all  
10 such provisions not inconsistent with this article. Such  
11 credit union shall use the term "central" in its official  
12 name.

13 Section 69. Membership. Membership in such central  
14 credit union may include, but not be limited to:

15 (1) credit unions organized and operating under this  
16 act or under any other credit union act;

17 (2) officers, directors, committee members and  
18 employees of such credit unions; officials and employees of  
19 any association of credit unions; and employees of federal  
20 or state government agencies responsible for the supervision  
21 of credit unions in this state;

22 (3) organizations and associations of those persons or  
23 organizations enumerated in subsections (1) and (2);

24 (4) employees of an employer with insufficient numbers  
25 to form or conduct the affairs of a separate credit union;

1 (5) persons in the field of membership of liquidated  
2 credit unions or of credit unions which have entered into or  
3 are about to enter into voluntary or involuntary liquidation  
4 proceedings; or

5 (6) members of the immediate families of all members  
6 qualified above.

7 Section 70. Voting representative. Each credit union  
8 becoming a member of such central credit union may designate  
9 one (1) person to be its voting representative in the  
10 central credit union, which person shall be designated by  
11 the board of directors of the member credit union. Such  
12 voting representative shall be eligible to hold office in  
13 the central credit union as if such person were himself a  
14 member of the central credit union.

15 Section 71. Additional rights and powers. (1) A  
16 central credit union shall have all of the rights and powers  
17 of any other credit union organized under this act and the  
18 additional rights and power specified in this section,  
19 notwithstanding any limitations or restrictions found  
20 elsewhere in this act.

21 (2) A central credit union may make loans to other  
22 credit unions; purchase shares of and make deposits in other  
23 credit unions; and obtain or acquire the assets and  
24 liabilities of any credit union operating in this state  
25 which enters into liquidation.

1 (3) A central credit union may invest in and grant  
2 loans to associations of credit unions, central funds of  
3 credit unions or organizations chartered to provide service  
4 to credit unions.

5 (4) A central credit union may borrow money and accept  
6 from any source, and issue notes or debentures.

7 Section 72. Taxation. All credit unions organized  
8 under this or any other credit union act shall have the same  
9 immunity from state and local taxation that federal credit  
10 unions have from time to time under the laws of the United  
11 States.

12 Section 73. Stock transfer taxes. The shares of any  
13 credit union shall not be subject to stock transfer taxes,  
14 either when issued or when transferred from one member to  
15 another.

16 Section 74. Participation in government programs. The  
17 participation by a credit union in any government program  
18 providing unemployment, social security, old age pension or  
19 other benefits shall not be deemed a waiver of the taxation  
20 exemption hereby granted.

21 Section 75. Instruction in schools. With the consent  
22 and under the direction of the state superintendent of  
23 public instruction, the organization, management, and  
24 extension of credit unions as set forth in this act may be  
25 taught in the public schools of this state.

1 Section 76. Additional powers of director. In addition  
 2 to any and all other powers heretofore granted to the  
 3 director of the department of business regulation, the  
 4 director shall have the power to authorize any credit union  
 5 to engage in any activity in which such credit union could  
 6 engage were they operating as a federal chartered credit  
 7 union at the time such authority is granted, including but  
 8 not without limitation because of enumeration the power to  
 9 do any act, and own, possess and carry as assets, property  
 10 of such character including stocks, bonds or other  
 11 debentures which, at the time the authority is granted, are  
 12 authorized under federal laws and regulations for  
 13 transactions by federal credit unions notwithstanding any  
 14 restrictions elsewhere contained in the statutes of the  
 15 state of Montana. Upon receipt of a written request from  
 16 any state chartered credit union, the director shall  
 17 exercise such power by the issuance of a special order  
 18 therefor if he deems it reasonably required to preserve and  
 19 protect the welfare of such an institution and promote the  
 20 general economy of this state.

21 Section 77. It is the intent of the legislature that  
 22 if a part of this act is invalid, all valid parts that are  
 23 severable from the invalid part remain in effect. If a part  
 24 of this act is invalid in one or more of its applications,  
 25 the part remains in effect in all valid applications that

1 are severable from the invalid applications.

2 Section 78. Sections 14-130 through 14-158, R.C.M.  
 3 1947, are repealed.

-End-

February 15, 1975

SENATE COMMITTEE ON BUSINESS AND INDUSTRY

AMENDMENTS TO HOUSE BILL NO. 67

That House Bill No. 67, third reading, be amended as follows:

1. Amend page 7, section 11, lines 5 and 6.  
Following: "union"  
Strike: "within thirty (30) days"  
Insert: "promptly"
2. Amend page 8, section 13, line 5.  
Following: "contracts"  
Insert: "as provided for in this act"
3. Amend page 8, section 13, lines 18 and 19.  
Following: "source"  
Strike: "in accordance with policy established by the board of directors"  
Insert: "up to fifty percent (50%) of total assets, after deduction of the notes payable account"
4. Amend page 10, section 13, lines 8 through 10.  
Strike: Lines 8 through 10 in their entirety.
5. Amend page 11, section 15, line 3.  
Following: "interest"  
Insert: "provided, that mere residence in a community may not establish a common bond of association or interest "
6. Amend page 14, section 27, line 13.  
Following: "within"  
Strike: "thirty (30)"  
Insert: "fifteen (15)"
7. Amend page 22, section 44, line 12.  
Following: "shares"  
Strike: "or deposits"
8. Amend page 24, section 48, line 4.  
Following: "one and"  
Strike: "one-half percent (1 1/2%)"  
Insert: "one-quarter percent (1 1/4%)"
9. Amend page 26, section 55, line 6.  
Following: "capital"  
Strike: "and surplus"
10. Amend page 28, section 59, line 13.  
Following: "in"  
Insert: "general"



11. Amend page 31, section 65, line 13.  
Following: "shares"  
Strike: "or deposits"
12. Amend page 35, section 65, line 13.  
Following: "(c)"  
Strike: "deposits and"
13. Amend page 39, section 71, line 22.  
Following: "shares of"  
Strike: "and make deposits in"
14. Amend page 40, section 71, line 5.  
Following: "borrow"  
Strike: "money"
15. Amend page 40, section 71, line 5.  
Following: "accept"  
Insert: "money"
16. Amend page 41, section 76, lines 1, 2, and 3.  
Following: "director"  
Strike: "In addition to any and all other powers heretofore granted  
to the director of the department of business regulation, the"  
Insert: "The"
17. Amend page 41, section 76, line 4.  
Following: "director"  
Strike: "shall have the power to"  
Insert: "may"
18. Amend page 41, section 76, line 6.  
Following: "were"  
Strike: "they"  
Insert: "it"
19. Amend page 41, section 76, line 7.  
Following: "granted"  
Strike: ", "  
Insert: "."
20. Amend page 41, section 76, line 7.  
Following: ", "  
Strike: "including"  
Insert: "Such powers shall include"
21. Amend page 41, section 76, line 8.  
Following: "not"  
Strike: "without"  
Insert: "by way of"
22. Amend page 41, section 76, line 8.  
Following: "limitation"  
Strike: "because of enumeration"  
Insert: ", "
23. Amend page 41, section 76, line 15.  
Following: "Montana"  
Insert: "except that the director may not charter a credit union  
not having a common bond of membership as defined in  
section 15 of this act"

1 HOUSE BILL NO. 67  
 2 INTRODUCED BY MANUEL, SHELDEN, GERKE, FAGG, STOLTZ,  
 3 MENAHAN, W. BAETH, GUNDERSON, LYNCH, HARPER, HUENNEKENS,  
 4 LUEBECK, FLEMING, O'CONNELL, R. BAETH, HAGEMAN,  
 5 BARDANOUVE, JOHNSTON  
 6

7 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR THE  
 8 ORGANIZATION, OPERATION, AND SUPERVISION OF COOPERATIVE,  
 9 NONPROFIT THRIFT AND CREDIT ASSOCIATIONS TO BE KNOWN AS  
 10 CREDIT UNIONS AND TO DEFINE THEIR POWERS; AND REPEALING  
 11 SECTIONS 14-130 THROUGH 14-158, R.C.M. 1947."  
 12

13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 Section 1. Short title. This act shall be known and  
 15 may be cited as the "Montana Credit Union Act".

16 Section 2. Definition and purposes. A credit union is  
 17 a cooperative, nonprofit association, incorporated under  
 18 this act, for the purposes of encouraging thrift among its  
 19 members, creating a source of credit at a fair and  
 20 reasonable rate of interest, and providing an opportunity  
 21 for its members to use and control their own money in order  
 22 to improve their economic and social condition.

23 Section 3. Organization procedure. (1) Any seven (7)  
 24 or more residents of this state, of legal age, who have a  
 25 common bond defined in section [15], may organize a credit

1 union and become charter members thereof by complying with  
 2 this section.

3 (2) The subscribers shall execute in duplicate  
 4 articles of incorporation, which conform to the applicable  
 5 Montana corporation law, and agree to the terms thereof,  
 6 which articles shall state:

7 (a) the name, which shall include the words "credit  
 8 union" and which shall not be the same as that of any other  
 9 existing credit union in this state, and the location where  
 10 the proposed credit union is to have its principal place of  
 11 business;

12 (b) that the existence of the credit union is  
 13 perpetual;

14 (c) the par value of the shares of the credit union,  
 15 which shall be in five dollar (\$5) multiples of not less  
 16 than five dollars (\$5), nor more than twenty-five dollars  
 17 (\$25);

18 (d) that the credit union shall be organized under  
 19 this act for the purposes set forth therein;

20 (e) the names and addresses of the subscribers to the  
 21 articles of incorporation, and the value of shares  
 22 subscribed to by each, which shall be not less than five  
 23 dollars (\$5); and

24 (f) that the credit union may exercise such incidental  
 25 powers as are necessary or requisite to enable it to carry

1 on effectively the business for which it is incorporated,  
2 and those powers which are inherent in the credit union as a  
3 legal entity.

4 (3) The subscribers shall prepare and adopt bylaws for  
5 the general government of the credit union consistent with  
6 this act, and execute the same in duplicate.

7 (4) The subscribers shall select at least five (5)  
8 qualified persons who agree to serve on the board of  
9 directors, and at least three (3) qualified persons who  
10 agree to serve on the supervisory committee. A signed  
11 agreement to serve in these capacities until the first  
12 annual meeting or until the election of their successors,  
13 whichever is later, shall be executed by those who so agree.  
14 This agreement shall be submitted to the director of the  
15 department of business regulation.

16 (5) The subscribers shall forward the articles of  
17 incorporation and the bylaws to the director of the  
18 department of business regulation. The director may issue a  
19 certificate of approval, if the articles and the bylaws are  
20 in conformity with this act and he is satisfied that the  
21 proposed field of operation is favorable to the success of  
22 such credit union and that the standing of the proposed  
23 organizers is such as to give assurance that its affairs  
24 will be properly administered. He shall return a copy of  
25 the bylaws and the articles to the applicants or their

1 representatives, which shall be preserved in the permanent  
2 files of the credit union. The application shall be acted  
3 upon within thirty (30) days. The articles of incorporation  
4 shall then be filed with the secretary of state who, upon  
5 payment of the filing fees therefor, shall issue a  
6 certificate of incorporation.

7 (6) The subscribers for a credit union charter shall  
8 not transact any business until formal approval of the  
9 charter has been received.

10 Section 4. Form of articles and bylaws. In order to  
11 simplify the organization of credit unions, the director of  
12 the department of business regulation shall cause to be  
13 prepared a form of articles of incorporation and a form of  
14 bylaws, consistent with this act, which may be used by  
15 credit union incorporators for their guidance. Such  
16 articles of incorporation and bylaws shall be available  
17 without charge to persons desiring to organize a credit  
18 union.

19 Section 5. Amendments. (1) The articles of  
20 incorporation or the bylaws may be amended as provided in  
21 the bylaws. Amendments to the articles of incorporation or  
22 bylaws shall be submitted to the director of the department  
23 of business regulation who shall approve or disapprove the  
24 amendments within sixty (60) days.

25 (2) Amendments shall become effective upon approval in

1 writing by the director and no fee shall be charged for such  
2 approval.

3 Section 6. Use of name exclusive. With the exception  
4 of a credit union organized under the provisions of this act  
5 or of any other credit union act, or an association of  
6 credit unions or a recognized chapter thereof, any person,  
7 corporation, copartnership or association using a name or  
8 title containing the words "credit union" or any derivation  
9 thereof or representing themselves in their advertising or  
10 otherwise as conducting business as a credit union shall be  
11 fined not more than five hundred dollars (\$500) or  
12 imprisoned not more than one (1) year, or both, and may be  
13 permanently enjoined from using such words in its name.

14 Section 7. Office facilities. (1) A credit union may  
15 change its place of business within this state upon written  
16 notice to the department of business regulation.

17 (2) A credit union may share office space with one (1)  
18 or more credit unions and contract with any person or  
19 corporation to provide facilities or personnel.

20 Section 8. Fiscal year. The fiscal year of each credit  
21 union organized under this act shall end on December 31.

22 Section 9. Director of the department of business  
23 regulation. (1) The director shall administer the laws of  
24 this state relating to credit unions. He may appoint or  
25 employ such special assistants, deputies, examiners, or

1 other employees as are necessary for the purpose of  
2 administering or enforcing this act.

3 (2) The director may prescribe rules and regulations  
4 for the administration of this act and may establish  
5 chartering, supervisory and examination fees.

6 (3) The director shall, from time to time, issue rules  
7 and regulations prescribing the minimum amount of surety  
8 bond coverage and casualty, liability and fire insurance  
9 required of credit unions in relation to their assets or to  
10 the money and other personal property involved, or their  
11 exposure to risk.

12 Section 10. Reports. (1) Credit unions organized under  
13 this act shall report to the director annually on or before  
14 February 1 on forms supplied by him for that purpose.  
15 Additional reports may be required.

16 (2) A fine of five dollars (\$5) for each day a report  
17 is in arrears shall be levied against the offending credit  
18 union unless it is excused for cause by the director.

19 Section 11. Examinations. (1) The department of  
20 business regulation shall annually examine or cause to be  
21 examined each credit union. Each credit union and all of  
22 its officers and agents shall be required to give to  
23 representatives of the director of the department full  
24 access to all books, papers, securities, records and other  
25 sources of information under their control; and for the

1 purpose of the examination the representatives may subpoena  
 2 witnesses, administer oaths, compel the giving of testimony,  
 3 and require the submission of documents.

4 (2) A report of the examination shall be forwarded to  
 5 the executive officer of each credit union ~~within--thirty~~  
 6 ~~(30)--days~~ PROMPTLY after completion. The report shall  
 7 contain comments relative to the management of the affairs  
 8 of the credit union and also as to the general condition of  
 9 its assets. Within sixty (60) days after the receipt of the  
 10 report, the directors and committeemen shall meet to  
 11 consider matters contained in the report.

12 (3) In lieu of making an annual examination of a  
 13 credit union, the director may accept an audit report of the  
 14 condition of the credit union made by an auditor approved by  
 15 the director. The cost of the audit shall be borne by the  
 16 credit union.

17 Section 12. Records. (1) A credit union shall maintain  
 18 all books, records, accounting systems and procedures in  
 19 accordance with such rules as the director from time to time  
 20 prescribes. In prescribing such rules, the director shall  
 21 consider the relative size of a credit union and its  
 22 reasonable capability of compliance.

23 (2) A credit union is not liable for destroying  
 24 records after the expiration of the record retention time  
 25 prescribed by the director.

1 (3) A photostatic or photographic reproduction of any  
 2 credit union records shall be admissible as evidence of  
 3 transactions with the credit union.

4 Section 13. General powers. A credit union may:

5 (1) make contracts AS PROVIDED FOR IN THIS ACT;

6 (2) sue and be sued;

7 (3) adopt and use a common seal and alter same;

8 (4) acquire, lease, hold and dispose of property,  
 9 either in whole or in part, necessary or incidental to its  
 10 operations;

11 (5) at the discretion of the board of directors,  
 12 require the payment of an entrance fee or annual membership  
 13 fee, or both, of any person admitted to membership;

14 (6) receive savings from its members in the form of  
 15 shares or special purpose thrift accounts;

16 (7) lend its funds to its members as hereinafter  
 17 provided;

18 (8) borrow from any source ~~in-accordance-with-policy~~  
 19 ~~established-by-the-board-of-directors~~ UP TO FIFTY PERCENT  
 20 (50%) OF TOTAL ASSETS, AFTER DEDUCTION OF THE NOTES PAYABLE  
 21 ACCOUNT;

22 (9) discount and sell any eligible obligations,  
 23 subject to rules and regulations prescribed by the director;

24 (10) sell all or substantially all of its assets or  
 25 purchase all or substantially all of the assets of another

1 credit union, subject to the approval of the director;

2 (11) invest surplus funds as provided in this act;

3 (12) make deposits in legally chartered banks, savings

4 banks, building and loan associations, savings and loan

5 associations, trust companies and central type credit union

6 organizations;

7 (13) assess charges to members in accordance with the

8 bylaws for failure to meet promptly their obligations to the

9 credit union;

10 (14) hold membership in other credit unions organized

11 under this act or other acts, and in other associations and

12 organizations composed of credit unions;

13 (15) declare dividends and pay interest refunds to

14 borrowers as provided in this act;

15 (16) collect, receive and disburse monies in connection

16 with the sale of negotiable checks, money orders and other

17 money type instruments, and for such other purposes as may

18 provide benefit or convenience to its members, and charge a

19 reasonable fee for such services, BUT NOT INCLUDING CHECKING

20 ACCOUNT SERVICES;

21 (17) perform such tasks and missions as are requested

22 by the federal government or this state or any agency or

23 political subdivision thereof, when approved by the board of

24 directors and not inconsistent with this act;

25 (18) contribute to, support or participate in any

1 nonprofit service facility whose services will benefit the

2 credit union or its membership, subject to such regulations

3 as are prescribed by the director;

4 (19) make donations or contributions to any civic,

5 charitable or community organizations as authorized by the

6 board of directors, subject to regulations as are prescribed

7 by the director; or

8 (20) purchase or make available insurance for its

9 directors, officers, agents, employees and members.

10 ~~HOWEVER, THE CREDIT UNION SHALL NOT ENGAGE, DIRECTLY OR~~

11 ~~INDIRECTLY, IN THE SALE OR BUSINESS OF INSURANCE, OTHER THAN~~

12 ~~ON-LIFE ON-SHARES AND LOANS;~~

13 Section 14. Incidental powers. A credit union may

14 exercise such incidental powers as are granted corporations

15 organized under the laws of this state including those that

16 are necessary to enable it to promote and carry on most

17 effectively its purposes.

18 Section 15. Membership defined. (1) The membership of

19 a credit union shall be limited to and consist of the

20 subscribers to the articles of incorporation and such other

21 persons within the common bond set forth in the bylaws as

22 have been duly admitted members, have paid the required

23 entrance fee or membership fee, or both, have subscribed for

24 one (1) or more shares, and have paid the initial

25 installment thereon, and have complied with such other

1 requirements as the articles of incorporation or bylaws  
2 specify.

3 (2) Credit union membership may include groups having  
4 a common bond of similar occupation, association or interest  
5 PROVIDED, THAT MERE RESIDENCE IN A COMMUNITY MAY NOT  
6 ESTABLISH A COMMON BOND OF ASSOCIATION OR INTEREST, or to  
7 employees of a common employer, and members of the immediate  
8 family of such persons.

9 Section 16. Societies -- associations. Societies, and  
10 copartnerships composed primarily of individuals who are  
11 eligible for membership, and corporations whose stockholders  
12 are composed primarily of such individuals, may be admitted  
13 to membership in the same manner and under the same  
14 conditions as individuals, but may not borrow in excess of  
15 their shareholdings.

16 Section 17. Other credit unions. Any credit union  
17 organized under this act may permit membership of any other  
18 credit union organized under this act or other acts.

19 Section 18. Limited income persons. Existing credit  
20 unions may include within their field of membership limited  
21 income persons as defined by the director of the department  
22 of business regulation for whom credit union services are  
23 otherwise unavailable.

24 Section 19. Members who leave field. Members who leave  
25 the field of membership may be permitted to retain their

1 membership in the credit union as a matter of general policy  
2 of the board of directors.

3 Section 20. Liability of members. The members of the  
4 credit union shall not be personally or individually liable  
5 for the payment of its debts.

6 Section 21. Meetings of members. (1) The annual  
7 meeting and any special meetings of the members of the  
8 credit union shall be held at the time, place, and in the  
9 manner indicated by the bylaws.

10 (2) At all such meetings a member shall have but one  
11 (1) vote, irrespective of his shareholdings. No member may  
12 vote by proxy, but a member may vote by absentee ballot if  
13 the bylaws of the credit union so provide.

14 (3) A society, association, copartnership or  
15 corporation, having membership in the credit union, may be  
16 represented and have its vote cast by one of its members or  
17 shareholders, provided such person has been fully authorized  
18 by the organization's governing body.

19 (4) The board of directors may establish a minimum  
20 age, not greater than eighteen (18) years of age, as a  
21 qualification of eligibility to vote at meetings of the  
22 members, or to hold office, or both.

23 Section 22. Election or appointment of officials. (1)  
24 The credit union shall be directed by a board consisting of  
25 an odd number of directors, at least five (5) in number, to

1 be elected at the annual membership meeting by and from the  
2 members. All members of the board shall hold office for  
3 such terms as the bylaws provide.

4 (2) The board of directors shall appoint a supervisory  
5 committee of not less than three (3) members at the  
6 organization meeting and within thirty (30) days following  
7 each annual meeting of the members for such terms as the  
8 bylaws provide.

9 (3) The board of directors shall appoint a credit  
10 committee consisting of an odd number, not less than three  
11 (3), for such terms as the bylaws provide, or in lieu of a  
12 credit committee, a credit manager.

13 Section 23. Record of board and committee members.  
14 Within fifteen (15) days after election or appointment, a  
15 record of the names and addresses of the members of the  
16 board, committees and all officers of the credit union shall  
17 be filed with the department of business regulation on forms  
18 provided by the department.

19 Section 24. Vacancies. The board of directors shall  
20 fill any vacancies occurring in the board until successors  
21 elected at the next annual meeting have qualified. The  
22 board shall also fill vacancies in the credit and  
23 supervisory committees.

24 Section 25. Compensation of officials. No officer,  
25 director, or committee member, other than the treasurer, a

1 credit manager, or a loan officer may be compensated for his  
2 service as such, but reasonable life, health, accident and  
3 similar insurance protection for a director or committee  
4 member shall not be considered compensation. Directors and  
5 committee members, while on official business of the credit  
6 union, may be reimbursed for necessary expenses incidental  
7 to the performance of the business.

8 Section 26. Conflicts of interest. No director,  
9 committee member, officer, agent or employee of the credit  
10 union shall in any manner, directly or indirectly,  
11 participate in the deliberation upon or the determination of  
12 any question affecting his pecuniary interest or the  
13 pecuniary interest of any corporation, partnership, or  
14 association (other than the credit union) in which he is  
15 directly or indirectly interested.

16 Section 27. Executive officers. (1) At their  
17 organization meeting and within ~~thirty-(30)~~ FIFTEEN (15)  
18 days following each annual meeting of the members, the  
19 directors shall elect from their own number an executive  
20 officer, who may be designated as chairman of the board or  
21 president; a vice chairman of the board or one (1) or more  
22 vice presidents; a treasurer; and a secretary. The  
23 treasurer and the secretary may be the same individual. The  
24 persons so elected shall be the executive officers of the  
25 corporation.



1 (2) The terms of the officers shall be one (1) year,  
2 or until their successors are chosen and have duly  
3 qualified.

4 (3) The duties of the officers shall be prescribed in  
5 the bylaws.

6 (4) The board of directors may employ an officer in  
7 charge of operations whose title shall be either president  
8 and/or general manager; or, in lieu thereof, the board of  
9 directors may designate the treasurer or an assistant  
10 treasurer to act as general manager and be in active charge  
11 of the affairs of the credit union.

12 Section 28. Authority of directors. The board of  
13 directors shall have the general direction of the business  
14 affairs, funds, and records of the credit union.

15 Section 29. Executive committee. From the persons  
16 elected to the board, the board may appoint an executive  
17 committee of not less than three (3) directors who may be  
18 authorized to act for the board in all respects, subject to  
19 such conditions and limitations as are prescribed by the  
20 board.

21 Section 30. Meetings of directors. The board of  
22 directors and the executive committee shall meet as often as  
23 necessary, but one body must meet at least monthly and the  
24 other at least quarterly.

25 Section 31. Duties of directors. It shall be the duty

1 of the directors to:

2 (1) act upon applications for membership; or to  
3 appoint one (1) or more membership officers to approve  
4 applications for membership under such conditions as the  
5 board prescribes. A record of a membership officer's  
6 approval or denial of membership shall be available to the  
7 board of directors for inspection. A person denied  
8 membership by a membership officer may appeal the denial to  
9 the board;

10 (2) purchase a blanket fidelity bond, in accordance  
11 with any rules and regulations of the director, to protect  
12 the credit union against losses caused by occurrences  
13 covered therein such as fraud, dishonesty, forgery,  
14 embezzlement, misappropriation, misapplication, or  
15 unfaithful performance of duty by a director, officer,  
16 employee, member of an official committee, attorney at law,  
17 or other agent;

18 (3) determine from time to time the interest rate or  
19 rates consistent with this act, which shall be charged on  
20 loans and to authorize interest refunds, if any, to members  
21 from income earned and received in proportion to the  
22 interest paid by them on such classes of loans and under  
23 such conditions as the board prescribes;

24 (4) fix from time to time the maximum amount which may  
25 be loaned to any one member;

1 (5) declare dividends on shares in the manner and form  
2 as provided in the bylaws;

3 (6) limit the number of shares which may be owned by a  
4 member, such limitations to apply alike to all members;

5 (7) have charge of the investment of surplus funds,  
6 except that the board of directors may designate an  
7 investment committee or any qualified individual to have  
8 charge of making investments under controls established by  
9 the board of directors;

10 (8) authorize the employment of such persons necessary  
11 to carry on the business of the credit union, including the  
12 credit manager, loan officers and auditing assistants  
13 requested by the supervisory committee; and fix the  
14 compensation, if any, of the treasurer and the general  
15 manager and provide for compensation for other employees  
16 within guidelines predetermined by the board of directors;

17 (9) authorize the conveyance of property;

18 (10) borrow or lend money to carry on the functions of  
19 the credit union;

20 (11) designate a depository or depositories for the  
21 funds of the credit union;

22 (12) suspend any or all members of the credit or  
23 supervisory committee for failure to perform their duties;

24 (13) appoint any special committees deemed necessary;  
25 and

1 (14) perform such other duties as the members from time  
2 to time direct, and perform or authorize any action not  
3 inconsistent with this act and not specifically reserved by  
4 the bylaws for the members.

5 Section 32. Authority of credit committee. The credit  
6 committee shall have the general supervision of all loans to  
7 members.

8 Section 33. Meeting of credit committee. The credit  
9 committee shall meet as often as the business of the credit  
10 union requires and not less frequently than once a month to  
11 consider applications for loans. No loan shall be made  
12 unless it is approved by a majority of the committee who are  
13 present at the meeting at which the application is  
14 considered.

15 Section 34. Loan officers. (1) The credit committee  
16 may appoint one (1) or more loan officers and delegate the  
17 power to approve loans, subject to such limitations or  
18 conditions as the credit committee prescribes.

19 (2) Loan applications not approved by a loan officer  
20 shall be reviewed and acted upon by the credit committee.

21 Section 35. Credit manager. The credit committee may  
22 be dispensed with, and a credit manager empowered to approve  
23 or disapprove loans under conditions prescribed by the board  
24 of directors. In the event the credit committee is  
25 dispensed with, the procedures prescribed in sections [32],

1 [33] and [34] do not apply, and no loans shall be made  
 2 unless approved by the credit manager, except the credit  
 3 manager may appoint one (1) or more loan officers with the  
 4 power to approve loans, subject to such limitations or  
 5 conditions as he prescribes.

6 Section 36. Duties of supervisory committee. (1) The  
 7 supervisory committee shall make or cause to be made a  
 8 comprehensive annual audit of the books and affairs of the  
 9 credit union and shall submit a report of that audit to the  
 10 board of directors and a summary of that report to the  
 11 members at the next annual meeting of the credit union. It  
 12 shall make or cause to be made such supplementary audits or  
 13 examinations as it deems necessary or as are required by the  
 14 director or by the board of directors, and submit reports of  
 15 these supplementary audits to the board of directors.

16 (2) The supervisory committee shall cause the accounts  
 17 of the members to be verified with the records of the credit  
 18 union from time to time, and not less frequently than every  
 19 two (2) years.

20 Section 37. Suspension and removal of officials. (1)  
 21 The supervisory committee by a unanimous vote may suspend  
 22 any member of the credit committee and shall report such  
 23 action to the board of directors for appropriate action.

24 (2) The supervisory committee by a unanimous vote may  
 25 suspend any officer or member of the board of directors

1 until the next members' meeting, which shall be held not  
 2 less than seven (7) nor more than twenty-one (21) days after  
 3 such suspension. At such meeting the suspension shall be  
 4 acted upon by the members.

5 (3) Any member of the supervisory committee may be  
 6 removed by the board of directors for failure to perform his  
 7 duties in accordance with this act, the articles of  
 8 incorporation, or the bylaws.

9 Section 38. Calling of special meeting. The  
 10 supervisory committee by a majority vote may call a special  
 11 meeting of the members to consider any violation of this  
 12 act, the credit union's charter or bylaws, or any practice  
 13 of the credit union deemed by the supervisory committee to  
 14 be unsafe or unauthorized.

15 Section 39. Shares. (1) The capital of a credit union  
 16 consists of the payments by the members on shares.

17 (2) Shares may be subscribed to, paid for and  
 18 transferred in such manner as the bylaws prescribe.

19 (3) A certificate need not be issued to denote  
 20 ownership of a share in a credit union.

21 Section 40. Dividends. (1) At such intervals and for  
 22 such periods as the board of directors may authorize, and  
 23 after provision for the required reserves, the board of  
 24 directors may declare dividends to be paid from the  
 25 undivided earnings at such rates and upon such classes of

1 shares as are determined by the board. Such dividends shall  
2 be paid on all paid up shares outstanding at the close of  
3 the period for which the dividend is declared.

4 (2) Shares which become fully paid up during such  
5 dividend period and are outstanding at the close of the  
6 period shall be entitled to a proportionate share of such  
7 dividend.

8 (3) Dividend credit for a month may be accrued on  
9 shares which are or become fully paid up during the first  
10 fifteen (15) days of that month.

11 Section 41. Thrift accounts. Christmas clubs, vacation  
12 clubs, and other thrift accounts may be operated under  
13 conditions established by the board of directors.

14 Section 42. Minors accounts. Shares may be issued to a  
15 minor who may withdraw the shares including the dividends  
16 and interest thereon. Share payments made by a minor and  
17 withdrawals thereof by the minor shall be valid in all  
18 respects. For such purposes a minor is deemed of full age.

19 Section 43. Joint accounts. (1) A member may designate  
20 any person or persons to hold shares and thrift club  
21 accounts with him in joint tenancy with the right of  
22 survivorship, but no joint tenant, unless a member in his  
23 own right, shall be permitted to vote, obtain loans, or hold  
24 office or be required to pay an entrance or membership fee.

25 (2) Payment of part or all of such accounts to any of

1 the joint tenants shall, to the extent of such payment,  
2 discharge the liability to all.

3 Section 44. Trust accounts. (1) Shares may be issued  
4 in the name of a member in trust for a beneficiary,  
5 including a minor, but no beneficiary, unless a member in  
6 his own right, shall be permitted to vote, obtain loans,  
7 hold office or be required to pay an entrance or membership  
8 fee.

9 (2) Payment of part or all of such shares to such  
10 member shall, to the extent of such payment, discharge the  
11 liability of the credit union to the member and the  
12 beneficiary, and the credit union shall be under no  
13 obligation to see the application of such payment.

14 (3) In the event of the death of the member, and if  
15 shares are so issued or held and the credit union has been  
16 given no other written notice of the existence or terms of  
17 any trust, such shares ~~or--deposits~~ and any dividends or  
18 interest thereon shall be paid to the beneficiary.

19 Section 45. Liens. The credit union shall have a lien  
20 on the shares and accumulated dividends or interest of a  
21 member in his individual, joint or trust account, for any  
22 sum past due the credit union from said member or for any  
23 loan endorsed by him.

24 Section 46. Dormant accounts. (1) If a credit union is  
25 unable to contact a member, beneficiary or other person via

1 first class mail at the last address shown on the records of  
 2 the credit union, and if such inability continues for a  
 3 period of more than five (5) years, all shares, accounts,  
 4 dividends, interest and other sums due or standing in the  
 5 name of such member, beneficiary or other person may, by  
 6 action of the board of directors, be segregated, and  
 7 thereafter no dividends or interest will accrue thereto.

8 (2) The member may reclaim any such sums by proper  
 9 administrative or judicial proceedings or in accordance with  
 10 the Uniform Disposition of Unclaimed Property Act.

11 (3) This section does not apply to shares, accounts,  
 12 dividends, interest and other sums due to or standing in the  
 13 name of two (2) or more persons unless the credit union is  
 14 unable to contact any such persons in the manner and during  
 15 the period specified in subsection (1).

16 Section 47. Reduction in shares. (1) Whenever the  
 17 losses of any credit union, resulting from a depreciation in  
 18 value of its loans or investments or otherwise, exceed its  
 19 undivided earnings and reserve fund so that the estimated  
 20 value of its assets is less than the total amount due the  
 21 shareholders, the credit union may by a majority vote of the  
 22 entire membership order a reduction in the shares of each of  
 23 its shareholders to divide the loss proportionately among  
 24 the members.

25 (2) If the credit union thereafter realizes from such

1 assets a greater amount than was fixed by the order of  
 2 reduction, such excess shall be divided proportionately  
 3 among the shareholders whose assets were reduced, but only  
 4 to the extent of such reduction.

5 Section 48. Purposes, terms, and interest rate. A  
 6 credit union may loan to members for such purpose and upon  
 7 such security and terms as the credit committee, credit  
 8 manager, or loan officer approves, at rates of interest not  
 9 exceeding one ~~and one-half percent (1-1/2%)~~ ONE-QUARTER  
 10 PERCENT (1 1/4%) per month on the unpaid monthly balances.

11 Section 49. Application. Every application for a loan  
 12 shall be made in writing upon a form, which the credit  
 13 committee, credit manager, or loan officer prescribes. The  
 14 application shall state the purpose for which the loan is  
 15 desired, and the security, if any, offered. Each loan shall  
 16 be evidenced by a written document.

17 Section 50. Loan limit. No loan shall be made to any  
 18 member in an aggregate amount in excess of ten percent (10%)  
 19 of the credit union's total assets.

20 Section 51. Security. In addition to generally  
 21 accepted types of security, the endorsement of a note by a  
 22 surety, comaker or guarantor, or assignment of shares of  
 23 wages, in a manner consistent with the laws of this state,  
 24 shall be deemed security within the meaning of this act.  
 25 The adequacy of any security shall be determined by the

1 credit committee, credit manager, or loan officer, subject  
2 to this act and the bylaws.

3 Section 52. Installments. A member may receive a loan  
4 in installments, or in one sum, and may pay the whole or any  
5 part of his loan on any day on which the office of the  
6 credit union is open for business.

7 Section 53. Line of credit. The credit committee or  
8 credit manager may approve in advance upon their own motion  
9 or upon application by a member, a line of credit, and  
10 advances may be granted to each member within the limit of  
11 such extension of credit. Where a line of credit has been  
12 approved, no additional loan applications are required as  
13 long as the aggregate obligation does not exceed the limit  
14 of such extension of credit.

15 Section 54. Other loan programs. (1) A credit union  
16 may participate in loans to credit union members jointly  
17 with other credit unions, corporations, or financial  
18 organizations.

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

21 (3) A credit union may purchase the conditional sales  
22 contracts, notes and similar instruments of its members.

23 Section 55. Loans to officials. (1) A credit union may  
24 make loans to its directors, employees, loan officers,  
25 credit manager, and to members of its supervisory and credit

1 committees, provided that:

2 (a) the loan complies with all lawful requirements  
3 under this act with respect to loans to other borrowers and  
4 is not on terms more favorable than those extended to other  
5 borrowers; and

6 (b) any such loan or aggregate of loans to any one  
7 director or committee member which exceeds two thousand five  
8 hundred dollars (\$2,500) plus pledged shares must be  
9 reported to the board of directors. Loans to directors and  
10 committee members may not exceed an aggregate of twenty  
11 percent (20%) of unimpaired capital ~~and--surplus~~ of the  
12 credit union.

13 (2) A credit union may permit directors, employees,  
14 loan officers, credit manager, and members of its  
15 supervisory and credit committees to act as comakers,  
16 guarantors or endorsers of loans to other members, except  
17 when any such loan standing alone or when added to any  
18 outstanding loan or loans to the comaker, guarantor or  
19 endorser exceeds two thousand five hundred dollars (\$2,500),  
20 approval of the board of directors is required.

21 Section 56. Insurance for members. (1) A credit union  
22 may purchase or make available insurance for its members in  
23 amounts related to their respective ages, shares, or loan  
24 balances, or to any combination of them.

25 Section 57. Liability insurance for officers. A credit

1 union may purchase and maintain insurance on behalf of any  
 2 person who is or was a director, officer, employee or agent  
 3 of the credit union, or who is or was serving at the request  
 4 of the credit union as a director, officer, employee, or  
 5 agent of another corporation, partnership, joint venture,  
 6 trust or other enterprise against any liability asserted  
 7 against such person and incurred by such person in any such  
 8 capacity or arising out of such person's status as such,  
 9 whether or not the credit union would have the power to  
 10 indemnify such person against such liability.

11 Section 58. Share insurance. (1) Not later than  
 12 January 1, 1976, each credit union shall apply for insurance  
 13 on share accounts under the provisions of Title II of the  
 14 National Credit Union Act. A credit union which has been  
 15 denied a commitment for insurance of its share accounts  
 16 shall either dissolve, merge with another credit union which  
 17 is insured under Title II of the National Credit Union Act,  
 18 or apply in writing within thirty (30) days of denial to the  
 19 director of the department of business regulation for  
 20 additional time to obtain an insurance commitment.

21 (2) The director of the department of business  
 22 regulation shall grant additional time for the credit union  
 23 to obtain the insurance commitment upon satisfactory  
 24 evidence that the credit union has made or is making a  
 25 substantial effort to achieve the conditions precedent to

1 issuance of the commitment. Additional time or times shall  
 2 not extend later than January 1, 1978.

3 (3) The director of the department of business  
 4 regulation shall make available reports of condition and  
 5 examination reports to the administrator of the National  
 6 Credit Union Administration and may accept any report of  
 7 examination made on behalf of such administrators. The  
 8 director may appoint the administrator of the National  
 9 Credit Union Administration as liquidating agent of an  
 10 insured credit union.

11 Section 59. Investment of funds. Funds not used in  
 12 loans to members may be invested:

13 (1) in securities, obligations or other instruments of  
 14 or issued by or fully guaranteed as to principal and  
 15 interest by the United States of America, or any agency  
 16 thereof, or in any trust or trusts established for investing  
 17 directly or collectively in the same;

18 (2) in GENERAL obligations of any state of the United  
 19 States, the District of Columbia, the Commonwealth of Puerto  
 20 Rico, and the several territories organized by congress, or  
 21 any political subdivisions thereof;

22 (3) in certificates of deposit or passbook type  
 23 accounts issued by a state or national bank, mutual savings  
 24 bank, building and loan association, or savings and loan  
 25 association;

1 (4) in loans to or in shares or deposits of other  
2 credit unions;

3 (5) in the capital shares, obligations, or preferred  
4 stock issues of any agency or association organized either  
5 as a stock company, mutual association or membership  
6 corporation, provided the membership or stockholdings, as  
7 the case may be, of such agency or association are primarily  
8 confined or restricted to credit unions, or organizations of  
9 credit unions, and provided the purposes for which such  
10 agency or association is organized are designed primarily to  
11 service or otherwise assist credit union operations;

12 (6) in shares of a cooperative society organized under  
13 the laws of this state or of the laws of the United States  
14 in the total amount not exceeding ten percent (10%) of the  
15 shares and surplus of the credit union;

16 (7) in loans to any credit union association or  
17 corporation, national or state, of which the credit union is  
18 a member, except that such investments shall be limited to  
19 two percent (2%) of the assets of the credit union.

20 Section 60. Transfers to regular reserve. (1)  
21 Immediately before the payment of each dividend, the gross  
22 earnings of the credit union shall be determined. From this  
23 amount, there shall be set aside sums as a regular reserve  
24 for contingencies in accordance with the following schedule:

25 (a) ten percent (10%) of gross income until the

1 regular reserve equals five percent (5%) of the total of  
2 outstanding loans and risk assets; then

3 (b) seven percent (7%) of gross income until the  
4 regular reserve equals six percent (6%) of the total of  
5 outstanding loans and risk assets; then

6 (c) five percent (5%) of gross income until the  
7 regular reserve equals seven percent (7%) of the total of  
8 outstanding loans and risk assets.

9 (2) Whenever the regular reserve falls below seven  
10 percent (7%), six percent (6%), or five percent (5%) of the  
11 total outstanding loans and risk assets, as the case may be,  
12 it shall be replenished by regular contributions in such  
13 amounts as are needed to maintain the reserve goals of five  
14 percent (5%), six percent (6%), or seven percent (7%).

15 (3) Any entrance fees, charges and transfer fees  
16 shall, after payment of organization expense, be added to  
17 the regular reserve.

18 Section 61. Use of regular reserve. The regular  
19 reserve shall belong to the credit union and shall be used  
20 to meet losses except those resulting from an excess of  
21 expenses over income and shall not be distributed except on  
22 liquidation of the credit union, or in accordance with a  
23 plan approved by the director of the department of business  
24 regulation.

25 Section 62. Risk assets defined. For the purpose of



1 establishing the reserves required, all assets except the  
2 following shall be considered risk assets:

- 3 (1) cash on hand;
- 4 (2) deposits and shares in federal or state banks,  
5 savings and loan associations, and credit unions;
- 6 (3) assets which are insured, fully guaranteed as to  
7 principal and interest, or due from the United States  
8 government, its agencies, the federal national mortgage  
9 association, or the government national mortgage  
10 association;
- 11 (4) loans to other credit unions;
- 12 (5) loans to students insured under the provision of  
13 Title IV, part B of the Higher Education Act of 1965, or  
14 similar state insurance programs;
- 15 (6) loans insured under Title I of the National  
16 Housing Act by the federal housing administration;
- 17 (7) shares ~~or--deposits~~ in central credit unions  
18 organized under this act or of any other state act or of the  
19 Federal Credit Union Act;
- 20 (8) common trust investments which deal in investments  
21 authorized by this act;
- 22 (9) prepaid expenses;
- 23 (10) accrued interest on nonrisk investments;
- 24 (11) furniture and equipment; and
- 25 (12) land and buildings.

1 Section 63. Special reserves. In addition to such  
2 regular reserve, special reserves to protect the interest of  
3 members shall be established:

- 4 (1) when required by regulation; or
- 5 (2) when found by the board of directors of the credit  
6 union or by the director of the department of business  
7 regulation, in any special case, to be necessary for that  
8 purpose.

9 Section 64. Suspension. (1) If it appears that any  
10 credit union is bankrupt or insolvent, or that it has  
11 willfully violated this act, or is operating in an unsafe or  
12 unsound manner, the director of the department of business  
13 regulation shall issue an order temporarily suspending the  
14 credit union's operations for not less than thirty (30) nor  
15 more than sixty (60) days. The board of directors shall be  
16 given notice by registered mail of such suspension, which  
17 notice shall include a list of the reasons for such  
18 suspension, and/or a list of the specific violations of this  
19 act.

20 (2) Upon receipt of such suspension notice, the credit  
21 union shall cease all operations, except those authorized by  
22 the director. The credit union shall then file with the  
23 director a reply to the suspension notice, and may request a  
24 hearing to present a plan of corrective actions proposed if  
25 it desires to continue operations. The board may request

1 that the credit union be declared insolvent and a  
2 liquidating agent be appointed.

3 (3) Upon receipt from the suspended credit union of  
4 evidence that the conditions causing the order of suspension  
5 have been corrected, the director may revoke the suspension  
6 notice and permit the credit union to resume normal  
7 operations.

8 (4) If the director, after issuing notice of  
9 suspension and providing an opportunity for a hearing,  
10 rejects the credit union's plan to continue operations, he  
11 may issue a notice of involuntary liquidation and appoint a  
12 liquidating agent. The credit union may request the  
13 appropriate court to stay execution of such action.  
14 Involuntary liquidation may not be ordered prior to the  
15 conclusion of suspension procedures outlined in this  
16 section.

17 (5) If, within the suspension period, the credit union  
18 fails to answer the suspension notice or request a hearing,  
19 the director may then revoke the credit union's charter,  
20 appoint a liquidating agent and liquidate the credit union.

21 Section 65. Liquidation. (1) A credit union may elect  
22 to dissolve voluntarily and liquidate its affairs in the  
23 manner prescribed in this section and the applicable Montana  
24 corporation laws.

25 (2) The board of directors shall adopt a resolution

1 recommending the credit union be dissolved voluntarily, and  
2 directing that the question of liquidation be submitted to  
3 the members.

4 (3) Within ten (10) days after the board of directors  
5 decides to submit the question of liquidation to the  
6 members, the president shall notify the director of the  
7 department of business regulation thereof in writing,  
8 setting forth the reasons for the proposed action. Within  
9 ten (10) days after the members act on the question of  
10 liquidation, the president shall notify the director in  
11 writing as to whether or not the members approved the  
12 proposed liquidation.

13 (4) As soon as the board of directors decides to  
14 submit the question of liquidation to the members, payment  
15 on shares, withdrawal of shares, making any transfer of  
16 shares to loans and interest, making investments of any  
17 kind, and granting loans shall be suspended pending action  
18 by members on the proposal to liquidate. On approval by the  
19 members of such proposal, all such business transactions  
20 shall be permanently discontinued. Necessary expenses of  
21 operation shall, however, continue to be paid on  
22 authorization of the board of directors or liquidating agent  
23 during the period of liquidation.

24 (5) For a credit union to enter voluntary liquidation,  
25 approval by a majority of the members in writing or by a

1 two-thirds (2/3) majority of the members present at a  
 2 regular or special meeting of the members is required.  
 3 Where authorization for liquidation is to be obtained at a  
 4 meeting of the members, notice in writing shall be given to  
 5 each member, by first class mail, at least ten (10) days  
 6 prior to such meeting.

7 (6) A liquidating credit union shall continue in  
 8 existence for the purpose of discharging its debts,  
 9 collecting and distributing its assets, and doing all acts  
 10 required in order to wind up its business and may sue and be  
 11 sued for the purpose of enforcing such debts and obligations  
 12 until its affairs are fully adjusted.

13 (7) The board of directors of the liquidating agent  
 14 shall use the assets of the credit union to pay:

15 (a) expenses incidental to liquidating, including any  
 16 surety bond that may be required;

17 (b) any liability due nonmembers; and

18 (c) ~~deposits--and~~ special purpose thrift accounts as  
 19 provided in this act.

20 Assets then remaining shall be distributed to the  
 21 members proportionately to the shares held by each member as  
 22 of the date dissolution was voted.

23 (8) As soon as the board of directors or the  
 24 liquidating agent determines that all assets from which  
 25 there is a reasonable expectancy of realization have been

1 liquidated and distributed as set forth in this section,  
 2 they shall execute a certificate of dissolution on a form  
 3 prescribed by the department of business regulation and file  
 4 the same, together with all pertinent books and records of  
 5 the liquidating credit union, with the department of  
 6 business regulation whereupon such credit union shall be  
 7 dissolved.

8 Section 66. Merger. (1) Any credit union may with the  
 9 approval of the director of the department of business  
 10 regulation, and compliance with the applicable Montana  
 11 corporation law, merge with another credit union under the  
 12 existing charter of the other credit union, pursuant to any  
 13 plan agreed upon by the majority of each board of directors  
 14 of each credit union joining in the merger, and approved by  
 15 the affirmative vote of a majority of the members of the  
 16 merging credit union present at a meeting of its members  
 17 duly called for such purpose.

18 (2) After agreement by the directors and approval by  
 19 the members of the merging credit union, the president and  
 20 secretary of the credit union shall execute a certificate of  
 21 merger, which shall set forth all of the following:

22 (a) the time and place of the meeting of the board of  
 23 directors at which the plan was agreed upon;

24 (b) the vote in favor of the adoption of the plan;

25 (c) a copy of the resolution or other action by which

1 the plan was agreed upon;

2 (d) the time and place of the meeting of the members  
3 at which the plan agreed upon was approved; and

4 (e) the vote by which the plan was approved by the  
5 members.

6 (3) Such certificate and a copy of the plan of merger  
7 agreed upon shall be forwarded to the director, certified by  
8 him, and returned to both credit unions within thirty (30)  
9 days.

10 (4) Upon return of the certificate from the director,  
11 all property rights, and members' interest of the merged  
12 credit union shall vest in the surviving credit union  
13 without deed, endorsement or other instrument of transfer,  
14 and all debts, obligations and liabilities of the merged  
15 credit union shall be deemed to have been assumed by the  
16 surviving credit union under whose charter the merger was  
17 effected. The rights and privileges of the members of the  
18 merged credit union shall remain intact.

19 (5) This section shall be construed whenever possible  
20 to permit a credit union chartered under any other act to  
21 merge with one chartered under this act, or to permit one  
22 chartered under this act to merge with one chartered under  
23 any other act.

24 Section 67. Conversion of charter. (1) A credit union  
25 chartered under the laws of this state may be converted to a

1 credit union chartered under the laws of any other state or  
2 under the laws of the United States, subject to regulations  
3 issued by the director of the department of business  
4 regulation.

5 (2) A credit union chartered under the laws of the  
6 United States or of any other state may convert to a credit  
7 union chartered under the laws of this state. To effect  
8 such a conversion, a credit union must comply with all the  
9 requirements of the jurisdiction under which it was  
10 originally chartered and the requirements of the director of  
11 the department of business regulation and file proof of such  
12 compliance with said director.

13 Section 68. Organization. Any central credit union may  
14 be organized and operated under this act and subject to all  
15 such provisions not inconsistent with this article. Such  
16 credit union shall use the term "central" in its official  
17 name.

18 Section 69. Membership. Membership in such central  
19 credit union may include, but not be limited to:

20 (1) credit unions organized and operating under this  
21 act or under any other credit union act;

22 (2) officers, directors, committee members and  
23 employees of such credit unions; officials and employees of  
24 any association of credit unions; and employees of federal  
25 or state government agencies responsible for the supervision

1 of credit unions in this state;

2 (3) organizations and associations of those persons or  
3 organizations enumerated in subsections (1) and (2);

4 (4) employees of an employer with insufficient numbers  
5 to form or conduct the affairs of a separate credit union;

6 (5) persons in the field of membership of liquidated  
7 credit unions or of credit unions which have entered into or  
8 are about to enter into voluntary or involuntary liquidation  
9 proceedings; or

10 (6) members of the immediate families of all members  
11 qualified above.

12 Section 70. Voting representative. Each credit union  
13 becoming a member of such central credit union may designate  
14 one (1) person to be its voting representative in the  
15 central credit union, which person shall be designated by  
16 the board of directors of the member credit union. Such  
17 voting representative shall be eligible to hold office in  
18 the central credit union as if such person were himself a  
19 member of the central credit union.

20 Section 71. Additional rights and powers. (1) A  
21 central credit union shall have all of the rights and powers  
22 of any other credit union organized under this act and the  
23 additional rights and power specified in this section,  
24 notwithstanding any limitations or restrictions found  
25 elsewhere in this act.

1 (2) A central credit union may make loans to other  
2 credit unions; purchase shares of ~~and make deposits in~~ other  
3 credit unions; and obtain or acquire the assets and  
4 liabilities of any credit union operating in this state  
5 which enters into liquidation.

6 (3) A central credit union may invest in and grant  
7 loans to associations of credit unions, central funds of  
8 credit unions or organizations chartered to provide service  
9 to credit unions.

10 (4) A central credit union may borrow ~~money~~ and accept  
11 MONEY from any source, and issue notes or debentures.

12 Section 72. Taxation. All credit unions organized  
13 under this or any other credit union act shall have the same  
14 immunity from state and local taxation that federal credit  
15 unions have from time to time under the laws of the United  
16 States.

17 Section 73. Stock transfer taxes. The shares of any  
18 credit union shall not be subject to stock transfer taxes,  
19 either when issued or when transferred from one member to  
20 another.

21 Section 74. Participation in government programs. The  
22 participation by a credit union in any government program  
23 providing unemployment, social security, old age pension or  
24 other benefits shall not be deemed a waiver of the taxation  
25 exemption hereby granted.

1 Section 75. Instruction in schools. With the consent  
 2 and under the direction of the state superintendent of  
 3 public instruction, the organization, management, and  
 4 extension of credit unions as set forth in this act may be  
 5 taught in the public schools of this state.

6 Section 76. Additional powers of director. ~~in-addition~~  
 7 ~~to--any--and--all--other--powers--heretefore--granted-to-the~~  
 8 ~~director-of-the-department-of-business-regulation,--the~~ THE  
 9 ~~director shall--have--the-power-to~~ MAY authorize any credit  
 10 union to engage in any activity in which such credit union  
 11 could engage were ~~they~~ IT operating as a federal chartered  
 12 credit union at the time such authority is granted, and  
 13 ~~including~~ SUCH POWERS SHALL INCLUDE but not ~~without~~ BY WAY  
 14 OF limitation, ~~because-of-enumeration~~ the power to do any  
 15 act, and own, possess and carry as assets, property of such  
 16 character including stocks, bonds or other debentures which,  
 17 at the time the authority is granted, are authorized under  
 18 federal laws and regulations for transactions by federal  
 19 credit unions notwithstanding any restrictions elsewhere  
 20 contained in the statutes of the state of Montana EXCEPT  
 21 THAT THE DIRECTOR MAY NOT CHARTER A CREDIT UNION NOT HAVING  
 22 A COMMON BOND OF MEMBERSHIP AS DEFINED IN SECTION 15 OF THIS  
 23 ACT. Upon receipt of a written request from any state  
 24 chartered credit union, the director shall exercise such  
 25 power by the issuance of a special order therefor if he

1 deems it reasonably required to preserve and protect the  
 2 welfare of such an institution and promote the general  
 3 economy of this state.

4 Section 77. It is the intent of the legislature that  
 5 if a part of this act is invalid, all valid parts that are  
 6 severable from the invalid part remain in effect. If a part  
 7 of this act is invalid in one or more of its applications,  
 8 the part remains in effect in all valid applications that  
 9 are severable from the invalid applications.

10 Section 78. Sections 14-130 through 14-158, R.C.M.  
 11 1947, are repealed.

-End-