

## CHAPTER 43 — H.F.No. 268

*An act relating to financial institutions; credit unions; removing the restrictions on the amounts that credit unions may invest in the corporate credit union; removing the borrowing restrictions of the corporate credit union; changing references to the central credit union to reflect its name change; amending Minnesota Statutes 1982, sections 52.04, subdivision 1; 52.09, subdivision 2; 52.15, subdivisions 1 and 2; and 52.17, subdivision 2.*

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

Section 1. Minnesota Statutes 1982, section 52.04, subdivision 1, is amended to read:

Subdivision 1. A credit union shall have has the following powers:

(1) To receive the savings of its members either as payment on shares or as deposits, including the right to conduct Christmas clubs, vacation clubs, and other such thrift organizations within its membership;

(2) To make loans to members for provident or productive purposes as provided in section 52.16;

(3) To make loans to a cooperative society or other organization having membership in the credit union;

(4) To deposit in state and national banks and trust companies authorized to receive deposits;

(5) To invest in any investment legal for savings banks or for trust funds in the state and, notwithstanding clause (2), to invest in and make loans of unsecured days funds (federal funds or similar unsecured loans) to financial institutions insured by an agency of the federal government and a member of the Federal Reserve System or required to maintain reserves at the Federal Reserve;

(6) To borrow money as hereinafter indicated;

(7) To adopt and use a common seal and alter the same at pleasure;

(8) To make payments on shares of and deposit with any other credit union chartered by this or any other state or operating under the provisions of the federal credit union act, in amounts not exceeding in the aggregate 25 percent of its unimpaired assets ~~providing that~~. However, payments on shares of and deposit with credit unions chartered by other states shall be are restricted to credit unions insured by the National Credit Union Administration. The restrictions imposed by this clause shall do not apply to share accounts and deposit accounts of the Minnesota central corporate credit union in U.S. central credit union or to share accounts and deposit accounts of credit unions in the Minnesota corporate credit union;

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(9) To contract with any licensed insurance company or society to insure the lives of members to the extent of their share accounts, in whole or in part, and to pay all or a portion of the premium therefor;

(10) To indemnify each director, officer, or committee member, or former director, officer, or committee member against all expenses, including attorney's fees but excluding amounts paid pursuant to a judgment or settlement agreement, reasonably incurred by him in connection with or arising out of any action, suit, or proceeding to which he is a party by reason of being or having been a director, officer, or committee member of the credit union, except with respect to matters as to which he ~~shall be~~ is finally adjudged in ~~such~~ the action, suit, or proceeding to be liable for negligence or misconduct in the performance of his duties. ~~Such~~ The indemnification ~~shall~~ is not be exclusive of any other rights to which he may be entitled under any bylaw, agreement, vote of members, or otherwise;

(11) Upon written authorization from a member, retained at the credit union, to make payments to third parties by withdrawals from the member's share or deposit accounts or through proceeds of loans made to such member, or by permitting the credit union to make ~~such~~ those payments from the member's funds prior to deposit; to permit draft withdrawals from member accounts; however, this clause does not permit a credit union to establish demand deposits (checking accounts) for its members, ~~provided that any but a~~ provided that a credit union proposing to permit draft withdrawals shall notify the commissioner of banks, in the form prescribed, of its intent not less than 90 days prior to authorizing draft withdrawals;

(12) To inform its members as to the availability of various group purchasing plans which are related to the promotion of thrift or the borrowing of money for provident and productive purposes by means of informational materials placed in the credit union's office, through its publications, or by direct mailings to members by the credit union;

(13) To facilitate its members' voluntary purchase of types of insurance incidental to promotion of thrift or the borrowing of money for provident and productive purposes including, but not limited to the following types of group or individual insurance: Fire, theft, automobile, life and temporary disability; to be the policy holder of a group insurance plan or a sub-group under a master policy plan and to disseminate information to its members concerning the insurance provided thereunder; to remit premiums to an insurer or the holder of a master policy on behalf of a credit union member, ~~provided that if~~ provided that the credit union ~~shall obtain~~ obtains written authorization from the member for remittance by share or deposit withdrawals or through proceeds of loans made by the members, or by permitting the credit union to make the payments from the member's funds prior to deposit; and to accept from the insurer reimbursement for expenses incurred or in the case of credit life and accident and health insurance within the meaning of chapter 62B commissions for the handling of the insurance. The amount

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reimbursed or the commissions received may constitute the general income of the credit union. The directors, officers, committee members and employees of a credit union shall not profit on any insurance sale facilitated through the credit unions;

(14) To contract with another credit union to furnish services which either could otherwise perform. Contracted services under this clause are subject to regulation and examination by the commissioner of banks like other services;

(15) In furtherance of the twofold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes, and not in limitation of the specific powers hereinbefore conferred, to have all the powers enumerated, authorized, and permitted by this chapter, and such other rights, privileges and powers as may be incidental to, or necessary for, the accomplishment of the objectives and purposes of the credit union;

(16) To rent safe deposit boxes to its members ~~provided~~ if the credit union obtains adequate insurance or bonding coverage for losses which might result from the rental of safe deposit boxes;

(17) Notwithstanding the provisions of section 52.05, to accept deposits of public funds in an amount secured by insurance or other means pursuant to chapter 118;

(18) To accept and maintain treasury tax and loan accounts of the United States and to pledge collateral to secure the treasury tax or loan accounts, in accordance with the regulations of the Department of Treasury of the United States;

(19) To accept deposits pursuant to section 149.12, notwithstanding the provisions of section 52.05, if the deposits represent funding of prepaid funeral plans of members;

(20) To sell, in whole or in part, real estate secured loans provided that:

(a) The loan is secured by a first lien;

(b) The board of directors approves the sale;

(c) If the sale is partial, the agreement to sell a partial interest shall, at a minimum:

(i) Identify the loan or loans covered by the agreement;

(ii) Provide for the collection, processing, remittance of payments of principal and interest, taxes and insurance premiums and other charges or escrows, if any;

(iii) Define the responsibilities of each party in the event the loan becomes subject to collection, loss or foreclosure;

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(iv) Provide that in the event of loss, each owner shall share in the loss in proportion to its interest in the loan or loans;

(v) Provide for the distribution of payments of principal to each owner proportionate to its interest in the loan or loans;

(vi) Provide for loan status reports;

(vii) State the terms and conditions under which the agreement may be terminated or modified; and

(d) The sale is without recourse or repurchase unless the agreement:

(i) Requires repurchase of a loan because of any breach of warranty or misrepresentation;

(ii) Allows the seller to repurchase at its discretion; or

(iii) Allows substitution of one loan for another;

(2) In addition to the sale of loans secured by a first lien on real estate, to sell, pledge, discount, or otherwise dispose of, in whole or in part, to any source, a loan or group of loans, other than a self-replenishing line of credit; provided, that within a calendar year beginning January 1 the total dollar value of loans sold, other than loans secured by real estate or insured by a state or federal agency, shall not exceed 25 percent of the dollar amount of all loans and participating interests in loans held by the credit union at the beginning of the calendar year, unless otherwise authorized in writing by the commissioner.

Sec. 2. Minnesota Statutes 1982, section 52.09, subdivision 2, is amended to read:

Subd. 2. **PARTICULAR DUTIES.** ~~It shall be the duty of The directors to have general management of~~ shall manage the affairs of the credit union, ~~particularly and shall:~~

(1) ~~to act on applications for membership.~~ This power may be delegated to a membership chairman who serves at the pleasure of the board of directors and is subject to its rules. ~~The An~~ application shall must contain a certification signed by the membership chairman or a member of the board showing the basis of membership;

(2) ~~to determine interest rates on loans and on deposits.~~ The interest period on deposits may be on a daily, monthly, quarterly, semi-annual or annual basis, and may be paid on all deposits whether or not the deposits have been withdrawn during the interest period. Interest may be computed on a daily basis. At the discretion of the board of directors, ~~interest may need~~ interest may need not be paid on deposit accounts of less than \$10;

(3) ~~to fix the amount of the surety bond which shall be required of all officers and employees handling money;~~

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(4) ~~to~~ declare dividends, and ~~to~~ transmit to the members, recommended amendments to the bylaws;

(5) ~~to~~ fill vacancies in the board and in the credit committee until successors are chosen and qualify at the next annual meeting;

(6) ~~to~~ limit the number of shares and deposits which may be owned by a member, not to exceed ten percent of the outstanding shares and deposits, or \$2,000, whichever is larger, and the maximum individual loan which can be made with and without security, including liability indirectly as a co-maker, guarantor, or endorser to ten percent of outstanding shares and deposits. The ten percent share and deposit limitation ~~shall~~ is not be applicable to the Minnesota ~~central Credit~~ corporate credit union, or to credit unions insured by the National Credit Union Administration;

(7) ~~to~~ have charge of investments including loans to members, unless a credit committee is established pursuant to section 52.08 or paragraph (13) of this subdivision;

(8) ~~to~~ fix the salaries of the treasurer and other employees, which ~~shall~~ must be on a fixed monthly or annual basis, in dollars (not percentage);

(9) ~~to~~ designate the bank or banks in which the funds of the credit union ~~shall~~ will be deposited;

(10) ~~to~~ authorize the officers of the credit union to borrow money from any source, as provided in section 52.15;

(11) with the permission of the commissioner of banks ~~to~~, suspend any member of the credit committee or supervisory committee if it deems this action ~~to~~ be necessary to the proper conduct of the credit union, and ~~to~~ call the members together to act on the suspension within a reasonable time after the suspension. The members at the meeting may, by majority vote of those present, sustain the suspension and remove the committee members permanently or may reinstate the committee members;

(12) ~~to~~ provide financial assistance to the supervisory committee in carrying out its audit responsibilities; and

(13) if the bylaws so provide and no credit committee has been elected pursuant to section 52.08, ~~to~~ appoint a credit manager or a credit committee of not less than three members.

Sec. 3. Minnesota Statutes 1982, section 52.15, subdivision 1, is amended to read:

Subdivision 1. A credit union may borrow from any source, or sources, sums ~~which shall~~ not exceed ~~exceeding~~ in the aggregate 40 percent of its unimpaired assets. For the purposes of this subdivision, "unimpaired assets" mean total assets less borrowings, including all forms of indebtedness, accounts

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payable, and any amount by which reserves and undivided earnings will not be adequate to meet the reserve requirements caused by classified assets.

Sec. 4. Minnesota Statutes 1982, section 52.15, subdivision 2, is amended to read:

Subd. 2. Notwithstanding the provisions of subdivision 1, a credit union, with the prior written approval of the commissioner of banks, may borrow additional sums to meet its liquidity needs. For purposes of this subdivision, "liquidity needs" means the needs of a credit union for:

(a) Short-term adjustment credit to cushion deposit or share outflows pending an orderly adjustment of assets and liabilities;

(b) Seasonal needs arising from a combination of expected patterns of movement in share and deposit accounts and loans; and

(c) Protracted adjustment needs in the event of unusual or emergency circumstances of a longer-term nature resulting from national, regional or local difficulties. Applications for written approval shall include the specific dollar amount or increase in the aggregate percentage with respect to unimpaired assets that may be borrowed by the credit union and the period of time the additional borrowed sums will be needed. The commissioner's approval must state the specific dollar amount or increase in the aggregate percentage being approved and the period of time for which the approval is effective.

Sec. 5. Minnesota Statutes 1982, section 52.17, subdivision 2, is amended to read:

Subd. 2. **REQUIRED LIQUIDITY.** Every credit union shall maintain a reserve in the form of liquid assets at a level reasonably necessary to meet anticipated withdrawals, commitments, and loan demand. Reserves ~~shall~~ must be in cash and balances due from solvent banks or which may be, in whole or in part, in short term obligations guaranteed as to principal and interest by the U.S. government or in certificates of deposit of a federally insured bank or in a passbook or other account in a federally insured savings and loan association or in balances due from the Minnesota central corporate credit union or ICU services corporation or U.S. central credit union. The commissioner of banks may prescribe the required amount of reserves for any individual credit union from time to time based upon examination findings or other reports relating to the credit union that are available to the commissioner. The determination by the commissioner of a required amount of reserves for a credit union shall not be considered a rule as defined by section 14.02, subdivision 4. Reserves for an individual credit union as prescribed by the commissioner pursuant to this section shall be enforced in accordance with sections 46.24 and 46.30 to 46.33.

Sec. 6. **EFFECTIVE DATE.**

This act is effective June 1, 1983.

Approved April 19, 1983

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