

# MINNESOTA STATUTES 1975 SUPPLEMENT

## 49.01 LIQUIDATION, REORGANIZATION

[For text of subd 1, see M.S.1974]

Subd. 2. "Financial institution" means and includes a bank, a savings bank, a trust company, a savings, building and loan association, a credit union, and an industrial loan and thrift company.

[1975 c 166 s 7]

[For text of subds 3 to 6, see M.S.1974]

## CHAPTER 52. CREDIT UNIONS

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### 52.01 Organization.

Any seven residents of the state may apply to the commissioner of banks for permission to organize a credit union.

A credit union is a cooperative society, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes.

A credit union is organized in the following manner:

(1) The applicants execute, in duplicate, a certificate of organization by the terms of which they agree to be bound, which shall state:

(a) The name and location of the proposed credit union;

(b) The names and addresses of the subscribers to the certificate and the number of shares subscribed by each;

(c) The par value of the shares of the credit union, which shall not exceed \$10 each;

(2) They next prepare and adopt bylaws for the general governance of the credit union consistent with the provisions of this chapter, and execute the same in duplicate;

(3) The certificate and the bylaws, both executed in duplicate, are forwarded to the commissioner of banks; and there shall be paid to the commissioner an application fee of \$100;

(4) The commissioner of banks shall, within 60 days of the receipt of the certificate and the bylaws, determine whether they comply with the provisions of this chapter, and whether or not the organization of the credit union in question would benefit the members of it and be consistent with the purposes of this chapter;

(5) Thereupon the commissioner of banks shall notify the applicants of his decision; if it is favorable, he shall issue a certificate of approval, attached to the duplicate certificate of organization, and return the same, together with the duplicate bylaws, to the applicants; if it is unfavorable, the applicants may, within 60 days after said decision, have the right to appeal for a review in a court of competent jurisdiction;

(6) The applicants shall thereupon file the duplicate of the certificate of organization, with the certificate of approval attached thereto, with the register of deeds of the county within which the credit union is to do business, who shall make a record of the certificate and return it, with his certificate of record attached thereto, to the commissioner of banks, for permanent records; and

(7) Thereupon the applicants shall become and be a credit union, incorporated in accordance with the provisions of this chapter.

In order to simplify the organization of credit unions, the commissioner

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of banks shall cause to be prepared an approved form of certificate of organization and a form of bylaws, consistent with this chapter, which may be used by credit union incorporators for their guidance, and on written application of seven residents of the state, shall supply them, without charge, with a blank certificate of organization and a copy of the form of suggested bylaws.

[1975 c 303 s 1]

**52.04 Powers.**

A credit union shall have 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;

(6) To borrow money as hereinafter indicated;

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

(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 payments on shares of and deposit with credit unions chartered by other states shall be restricted to credit unions insured by the National Credit Union Administration. The restrictions imposed by this clause shall not apply to share accounts and deposit accounts of Minnesota central credit union in U.S. central credit union;

(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 finally adjudged in such action, suit, or proceeding to be liable for negligence or misconduct in the performance of his duties. Such indemnification shall not be exclusive of any other rights to which he may be entitled under any bylaw, agreement, vote of members, or otherwise; and

(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 payments from the member's funds prior to deposit; however, this clause does not permit a credit union to establish demand deposits (checking accounts) for its members;

(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

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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 the credit union shall obtain written authorization from such member for remittance by share or deposit withdrawals or through proceeds of loans made by such members, or by permitting the credit union to make such payments from the member's funds prior to deposit; and to accept from the insurer reimbursement for the actual cost of ministerial tasks performed pertaining to insurance;

(14) 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.

[1975 c 394 s 1]

### 52.061 Credit union advisory council.

There is established a credit union advisory council to consult with, advise, and make recommendations to the commissioner of banks in all matters pertaining to credit unions. The advisory council shall consist of five members who shall be appointed by the commissioner of banks and who shall be persons who have had three or more years of experience as a credit union officer, director or committee member. To aid in making a selection of the five advisory council members, the Minnesota league of credit unions may submit a list of not less than 15 names; however, the commissioner of banks shall not be limited to such list in making his selections. The chairman of the advisory council shall be elected annually by and from the members thereof. Meetings shall be held at such times and places as shall be determined by the chairman and the commissioner of banks. Meetings may be called by either the chairman or the commissioner of banks. Three members of the advisory council shall constitute a quorum. However, at least three affirmative votes shall be needed to pass any motion. The authority and responsibility of the advisory council shall be to advise the governor and the commissioner of banks on problems concerning credit unions and to foster the interest and cooperation of credit unions in improving their methods of operation. The commissioner of banks may review with the advisory council the records of the banking division concerning the supervision, regulation, and examination of credit unions. The council shall expire and the terms, compensation, and removal of members shall be as provided in section 15.059.

[1975 c 315 s 7]

### 52.17 Reserve fund.

Every credit union shall maintain a reserve fund, which shall be used as a reserve against bad loans and other losses, and shall not be used to pay expenses of the credit union or otherwise distributed, except in case of liquidation. All entrance fees, if any, fines, and each year, before the declaration of a dividend, ten percent of the gross earnings, shall be set aside as a reserve fund against bad loans and other losses. When the reserve fund equals 7 1/2 percent of the outstanding loans to members and risk assets, excluding loans to other credit unions, five percent of gross earnings shall be set aside in the reserve fund. When the reserve fund equals ten percent of the outstanding loans and risk assets, no further transfer of gross earnings to the reserve fund shall be required. If the reserve fund becomes less than ten percent of the outstanding loans to members and risk assets then the schedule of allocation to the reserve fund shall apply until the ten percent ratio of reserves to loans outstanding to members and risk assets is again established. There shall also be established, and at all times maintained, a reserve of not less than ten percent

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of the amount of the deposits, which shall 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 Minnesota central credit union or ICU services corporation or U.S. central credit union.

[1975 c 394 s 2]

### CHAPTER 53. INDUSTRIAL LOAN AND THRIFT COMPANIES

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53.04 Special powers.

Sec.  
53.05 Powers, limitation.

#### 53.04 Special powers.

Industrial loan and thrift companies, in addition to the general and usual powers incidental to ordinary corporations in this state, which are not specifically restricted in this chapter, shall have the following special powers, which powers must be set forth in their articles of incorporation or amendments thereto:

(1) The right to discount or purchase notes, bills of exchange, acceptances or other choses in action;

(2) The right to loan money upon the security of co-makers, personal chattels or other property, exclusive of real estate, for a period not to exceed 60 months; to deduct in advance interest on such loans for the full period of such loans at a rate not in excess of eight percent discount per annum for loans which provide for a repayment period not exceeding 36 months; seven and three-fourths percent discount per annum for loans which provide for a repayment period exceeding 36 months but not exceeding 42 months; seven and one-half percent discount per annum for loans which provide for a repayment period exceeding 42 months but not exceeding 48 months; seven and one-fourth percent discount per annum for loans which provide for a repayment period exceeding 48 months but not exceeding 54 months; seven percent discount per annum for loans which provide for a repayment period exceeding 54 months but not exceeding 60 months; to require as a condition to the making of such a loan that the borrower purchase and pledge with the company, as security for the loan, a certificate of indebtedness of the company in the same amount as the loan secured thereby, providing for payments in equal weekly, bi-weekly, or monthly installments, with or without interest, extending over substantially the period of the loan, payments thereon not to be construed as payments on the loan secured thereby; to charge for a loan exceeding \$50 made pursuant to this subdivision, \$1 for each \$50, or fraction thereof, loaned, for expenses, including any examination or investigation of the character and circumstances of the borrower, co-maker or security, and drawing and taking the acknowledgment of necessary papers, filing fees, or other expenses incurred in making the loan; provided, that no such charge shall be made on that portion of a loan in excess of \$2,000 and no such charge shall be collected unless a loan shall have been made. The full amount of the investigation charge authorized by this section shall be fully earned at the time a loan is made without regard to the expenses incurred and shall not be deemed interest, provided, however, if a loan for which an investigation charge was made is renewed within twelve months from the date of the loan, then one-twelfth of such investigation charge shall be deemed earned for each month or portion thereof from the date of the loan to the date of renewal, and the balance thereof shall be refunded to the borrower. A loan shall be deemed to be renewed at the time the loan is paid in full if any part of such payment is made out of the proceeds of another loan from the same lender. The borrower may repay the entire balance of such loan at any time before maturity and upon such repayment the industrial loan and thrift company shall forthwith refund