

CHAPTER 51A

SAVINGS ASSOCIATION ACT

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51A.01 CITATION.

Sections 51A.01 to 51A.57 may be cited as the "savings association act."

History: 1969 c 490 s 1

51A.02 DEFINITIONS.

Subdivision 1. When used in sections 51A.01 to 51A.57, the words and phrases defined in this section have the meanings given them, except to the extent that any such word or phrase specifically is qualified by its context.

Subd. 2. "Association" means a savings association or savings and loan association subject to the provisions of sections 51A.01 to 51A.57.

Subd. 3. "Commissioner" means the commissioner of banks of the state of Minnesota.

Subd. 4. "Direct reduction loan" means a loan or other obligation repayable in consecutive monthly installments, equal or unequal, beginning not later than 90 days after the date of the advance, sufficient to retire the debt, interest, and principal within 35 years, the initial contract of which shall not provide for any subsequent monthly installment of interest and principal of an amount larger than any previous monthly installment, except that provisions may be contained in such contract which specify that one or more consecutive monthly installments may be lapsed to the extent that monthly installments have been made ahead of schedule or, in the event of an emergency to the borrower affecting his ability to pay, to the extent of no more than six monthly installments but that nevertheless the full amount of principal and interest shall be paid within the scheduled term of the loan; provided that in the case of construction loans the first installment under said contract shall be payable not later than 18 months after the date of the first advance. Any such loan or obligation is an amortized loan.

Subd. 4a. Pursuant to rules the commissioner finds necessary and proper "direct reduction loan" also means renegotiable rate notes or bonds secured by mortgages or trust deeds where the notes or bonds do not exceed 95 percent of the appraised value of the security for the same.

For the purposes of this subdivision, a renegotiable rate mortgage loan is a loan issued for a term of three years to five years, secured by a mortgage maturing in not to exceed 30 years, and automatically renewable at equal intervals after the original loan term which may be up to six months shorter or longer than subsequent terms. The loan must be repayable in equal monthly installments of principal and interest during the loan term, in an amount at least sufficient to amortize a loan with the same principal and at the same interest rate over the remaining life of the mortgage.

In the mortgage documents, the association must grant to the borrower an option to renew the loan for a new term, but not beyond the maturity date of the mortgage, at a new interest rate which shall be the association's current market rate of interest on similar loans determined 60 days before the due date of the loan; provided, that the maximum interest rate increase shall be equal to one-half of one percent per year multiplied by the number of years in the loan term with a maximum net increase of five percent over the life of the mortgage. Interest rate increases are optional with the association; net decreases from the previous loan term are mandatory.

The borrower may not be charged costs connected with the renewal of the loan.

Sixty days before the due date of the loan, the association shall send a written notification to the borrower containing the following information: (i) The date on which the entire balance of borrower's loan is due and payable; (ii) a statement that the loan will be renewed automatically by the association at the rate specified in the notice unless the borrower pays the loan by the due date; (iii) the amount of the monthly payment, calculated according to the new rate determined at the time of notice; (iv) a statement that the borrower may prepay the loan without penalty at any time after the original loan becomes due and payable; and (v) the name and phone number of an association employee who will answer the borrowers' questions concerning the information in the notice.

An applicant for a renegotiable rate mortgage loan must be given, at the time an application is requested, written disclosure materials prepared in reasonably simple terms that contain at least the following information: (i) An explanation of how a renegotiable rate mortgage differs from a standard fixed rate mortgage; (ii) an example of a renegotiable rate mortgage indicating the maximum possible interest rate increase and monthly payment calculated on that rate at the time of the first renewal; and (iii) an explanation of how the association determines what the rate will be at the end of each loan term.

Subd. 5. "Dwelling unit" means a single, unified combination of rooms designed for residential use by one family in a multiple dwelling unit structure, and which is not "home property."

Subd. 6. "Earnings" means that part of the sources available for payment of earnings of an association which is declared payable on savings accounts from time to time by the board of directors, and is the cost of savings money to the association. Earnings also may be referred to as "interest" or "dividends".

Subd. 7. "Financial institution" means a thrift institution, commercial bank, trust company, credit union, industrial loan and thrift company or investment company.

Subd. 8. "Home property" means real estate on which there is located, or will be located pursuant to a real estate loan, either a structure designed for residential use by one family or a single condominium unit, or unit in a residential

cooperative, including all elements pertinent thereto, designed for residential use by one family in a multiple dwelling unit structure or complex, and includes fixtures, furnishings and equipment.

Subd. 9. "Impaired condition" means a condition in which, based upon accepted examination practices, the assets of an association do not have an aggregate value equal to the aggregate amount of liabilities of the association to its creditors, including its members and all other persons.

Subd. 10. "Improved real estate" means real estate on which there is a structure or an enclosure, or which is reclaimed, prepared as building lots or sites, or otherwise occupied, made better, more useful, or of greater value by care so as to provide an enjoyment thereof.

Subd. 11. "Insured association" means an association the saving accounts of which are insured wholly or in part in accordance with the provisions of sections 51A.01 to 51A.57.

Subd. 12. "Liquid assets" means cash on hand; cash on deposit in federal home loan banks, state banks performing similar reserve functions, commercial banks, or insured savings and loan associations, which is withdrawable upon not more than 30 days' notice and which is not pledged as security for indebtedness, except that any deposits in a bank under the control or in the possession of any supervisory authority shall not be considered as liquid assets; and obligations of the United States, or such government guaranteed obligations as are approved by the Federal Savings and Loan Insurance Corporation.

Subd. 13. "Member" means a person holding a savings account of an association, and a person borrowing from or assuming or obligated upon a loan or interest therein held by an association, or purchasing property securing a loan or interest held by an association, and any other person obligated to an association. A joint and survivorship relationship, whether of savers or borrowers, constitutes a single membership.

Subd. 14. "Net income" means gross revenues for an accounting period less all expenses paid or incurred, taxes, and losses sustained as shall not have been charged to reserves pursuant to the provisions of sections 51A.01 to 51A.57.

Subd. 15. "One borrower" means (1) any person or entity which is, or which upon the making of a loan will become, obligor on a real estate loan, (2) nominees of such obligor, (3) all persons, trusts, partnerships, syndicates, and corporations of which such obligor is a nominee or a beneficiary, partner, member, or record or beneficial stockholder owning ten percent or more of the capital stock, and (4) if such obligor is a trust, partnership, syndicate, or corporation, all trusts, partnerships, syndicates, and corporations of which any beneficiary, partner, member, or record or beneficial stockholder owning ten percent or more of the capital stock, is also a beneficiary, partner, member, or record or beneficial stockholder owning ten percent or more of the capital stock of such obligor.

Subd. 16. "Primarily residential property" means real estate on which there is located or will be located pursuant to a real estate loan, any of the following: a structure or structures designed or used primarily for residential rather than nonresidential purposes and consisting of more than one dwelling unit; a structure or structures designed or used primarily for residential rather than nonresidential purposes for students, residents, and persons under care, employees or members of the staff of an educational, health, or welfare institution or facility; and a structure or structures which are used in part for residential purposes for not more than one family and in part for business purposes, provided that the residential use of such structure or structures must be substantial and permanent, and the area used for business purposes shall not exceed twice the area of the residence.

Subd. 17. "Primary lending area" means the state of Minnesota.

Subd. 18. "Real estate loan" means any loan or other obligation secured by a first lien on real estate held in fee or in a leasehold extending or renewable automatically for a period of at least ten years beyond the date scheduled for the final principal payment of such loan or obligation, or any transaction out of which a first lien or claim is created against such real estate, including inter alia the purchase of such real estate in fee by an association and the concurrent or immediate sale thereof on installment contract.

Subd. 19. "Savings account" means that part of the savings liability of the association which is credited to the account of the holder thereof. A savings account also may be referred to as a deposit.

Subd. 20. "Savings liability" means the aggregate amount of savings accounts of members, including earnings credited to such accounts, less redemptions and withdrawals.

Subd. 21. "Service organization" means an organization substantially all the activities of which consist of originating, purchasing, selling, and servicing loans upon real estate and participating interests therein, or clerical, bookkeeping, accounting, statistical, or similar functions performed primarily for savings and loan associations, as clearly permitted under appropriate federal laws or regulations, and such other activities as the commissioner may approve.

Subd. 22. "Sources available for payment of earnings" means net income for an accounting period less amounts transferred to reserves as provided in or permitted by sections 51A.01 to 51A.57, plus any balance of undivided profits whether same are designated as such or by other language from preceding accounting periods.

Subd. 23. "Thrift institution" means an association, a mutual savings bank, a cooperative bank, a homestead association, a savings and loan association, a building and loan association, a federal savings association, a federal savings and loan association, and a supervised thrift and residential financing institution of a substantially similar nature.

Subd. 24. "Unamortized real estate loan" means a real estate loan repayable within five years from date, with or without amortization of principal, but with interest payable at least semi-annually.

Subd. 25. "Withdrawal value" means the amount credited to a savings account of a member, less lawful deduction therefrom, as shown by the records of the association.

History: 1969 c 490 s 2; 1971 c 387 s 1; 1980 c 524 s 2-4; 1980 c 618 s 12

51A.03 INCORPORATION.

Subdivision 1. **Application for certificate of incorporation.** At any time hereafter any five or more individuals, citizens of this state, may apply to form an association to promote thrift and home financing subject to approval as hereinafter provided in sections 51A.01 to 51A.57. Five of such individual applicants shall be incorporators and sign and acknowledge before an officer competent to take acknowledgments of deeds, two copies of an application for a certificate of incorporation in the form prescribed by the commerce commission, and of the bylaws in the form set out in this section or in a form approved by the commissioner, which shall be filed with the commissioner, accompanied by the incorporation fee. The applicants shall submit with their application statements, exhibits, map, and other data which the commissioner may require, which data shall be sufficiently detailed and comprehensive to enable the commerce commission to pass upon the application as to the criteria set out in subdivision 3.

Subd. 2. **Bylaws; filing; form.** The following form of bylaws may be adopted and used by any association without specific approval of the commissioner. Such bylaws may be amended and different bylaws may be adopted with the approval of the commissioner.

(1) Meeting procedure. All meetings of the members and of the board of directors shall be conducted in accordance with Robert's Rules of Order.

(2) Annual meeting of members. The annual meeting of the members of the association for the election of directors and for the transaction of other business of the association shall be held at its home office at a time and day to be specified in January in each year, or, if a legal holiday, then on the next succeeding day not a legal holiday. The annual meeting may be held at such other time on such other day in January or at such other place in the same community as the board of directors may determine, but in such event at least ten days' written notice thereof shall be sent to each member at his last known address appearing upon the membership records of the association, or ten days' notice of such other time, date, and place of meeting shall be given by publication in a newspaper of general circulation in the county in which the home office of the association is located. At each annual meeting, the officers shall make a report of the financial condition of the association and of its progress for the preceding year, and shall outline a program for the succeeding year.

(3) Special meetings of members. A special meeting of the members of the association may be called at any time by the chairman of the board of directors, the president, or the board of directors, and shall be called by the president, a vice president, or the secretary upon the written request of members of record holding, in the aggregate, at least one-tenth of the savings liability of the association. Such written requests shall state the purposes of the meeting and shall be delivered at the principal office of the association addressed to the president.

(4) Notice of meetings of members. Except as hereinabove provided, no notice of annual meetings of members need be given to members. Notice of each special meeting of members shall state the purposes for which the meeting is called, the place of meeting, and the time when it shall convene, and shall be published once a week for two consecutive calendar weeks, in each instance on any day of the week, prior to the date on which such special meeting shall convene, in a newspaper of general circulation in the county in which the principal office of the association is located. In addition to the publication of such notice, a copy thereof shall be posted in a conspicuous public place in the principal office of the association during the 14 days immediately preceding the date on which such special meeting shall convene.

(5) Procedure for nomination of directors. On or before the 30th day prior to the date of the annual meeting the president, with the approval of the board of directors, shall appoint a nominating committee of three members of the association, and the nominating committee shall, on or before the 15th day prior to the date of the annual meeting, nominate a qualified member of the association to serve as a director for each vacancy in the board of directors of the association and to succeed each director whose term is expiring at such annual meeting. Said nominations shall be in writing, signed by the members of the nominating committee, and shall be filed with the secretary of the association. Any member of the association, acting in his own membership capacity, may nominate any qualified member of the association for the office of director to fill any vacancy in the board of directors or to succeed each director whose term is expiring at such annual meeting, provided such nomination is made in writing, signed by said member, and filed with the secretary of the association and with the commissioner at least 15 days before the meeting. Such written nomination by a member acting in his own membership capacity shall contain the following information to the extent known to the member: (1) The names and addresses

of the nominees; (2) the major occupations of the nominees; (3) the total number of votes that to the knowledge of the member will be voted for the nominees; (4) the name and residence address of the member; and (5) the number of votes which may be cast by the members. The names of all nominees nominated by the nominating committee and by members, as herein provided, shall be printed, typed, or written upon ballots, which shall be used in the election of directors at the annual meeting, and no other nomination shall be considered at such meeting; provided that in the event no nomination has been made either by the nominating committee or by a member as herein provided, nominations may be made from the floor at the annual meeting.

(6) New business. Any new business to be taken up at the annual meeting, including any proposal to increase or decrease the number of directors of the association, shall be stated in writing and filed with the secretary of the association on or before the 20th day prior to the date of the annual meeting, and all business so stated, proposed, and filed shall be considered at the annual meeting, but no other proposals shall be acted upon at the annual meeting. Any member may make any other proposal at the annual meeting and the same may be discussed; but unless stated in writing and filed with the secretary at least 20 days before the meeting, such proposals shall be laid over for action at an adjourned, special, or regular meeting of the members taking place 30 days or more after the annual meeting. This provision shall not prevent consideration at the annual meeting of the reports of officers and reports of committees. No new business shall be acted upon at a special meeting of the members except that which has been stated in the published notice of such meeting as provided in paragraph 4 of the bylaws.

(7) Meetings of the board of directors. The board of directors shall meet regularly without notice at least once each month at the place, hour, and date fixed by resolution of the board of directors. Special meetings of the board of directors may be held and shall be called by the secretary upon the written request of the president or of three directors. All special meetings shall be held upon at least three days' written notice to each director unless notice be waived in writing by each director before or after such meeting. Such notice shall state the place, time, and purposes of such meeting. No notice need be given of any meeting at which every director shall be present. A majority of the total number of directors authorized shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors. If the board of directors of the association elects a chairman of the board of directors, he shall preside at all meetings of the board of directors, if present, and may exercise any and all powers and perform any and all duties which the board of directors, by resolution, confers upon him.

(8) Resignation and removal of directors. Any director may resign at any time by sending a written notice of such resignation to the principal office of the association addressed to the secretary. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the secretary. Any director may be removed either with or without cause at any time by the majority of all votes cast at any annual meeting of members, or at any special meeting of members called for such purpose. Any director, after an opportunity afforded him for being heard, may be removed for cause by a two-thirds majority vote of the total number of directors authorized, at any regular meeting or at any special meeting called for such purpose. More than three consecutive absences from regular meetings of the board of directors, unless excused by resolution of the board of directors, shall automatically constitute a resignation, effective when such resignation is accepted by the board of directors.

(9) Compensation of directors. The board of directors, by resolution, may provide for reasonable compensation to be paid to directors for services as directors, which compensation shall not preclude any director from serving the association in any other capacity and receiving compensation therefor.

(10) Executive and other committees. The president with the approval of the board of directors may appoint an executive committee of not less than three members of the board which shall have all the powers of the board of directors between meetings of the board. Actions taken by the executive committee shall be disclosed to the board of directors at its next regular or special meeting. There may be a loan policy committee, and such other committees with such powers as the president may appoint and empower with the approval of the board of directors.

(11) Officers. The officers of the association shall consist of a president to be chosen from among the directors, one or more vice presidents, a secretary, a treasurer, and any other officers authorized by the board of directors, and shall be elected at the first meeting of the board of directors which follows the annual meeting of members, and which shall be held within 30 days after the annual meeting of members. The board of directors may authorize the appointment of such additional officers and employees as it may from time to time determine. Any one person may hold any two such offices, except that during his tenure as president, the president may not hold the office of secretary or treasurer. The term of office of all officers shall be one year or until their respective successors are elected and qualified; but any officer may be removed at any time by the board of directors for or without cause. Such officers shall have the powers, duties, and authority generally appropriate to the office held, subject to special provision made by the board of directors at any time.

(12) Execution of instruments. All contracts, notes, drafts, acceptances, checks, endorsements, assignments, releases, deeds, all evidences of indebtedness of the association, and all documents, instruments, or writings of any nature shall be signed, executed, verified, acknowledged, and delivered by such officers, agents, or employees of the association, or any one of them in such manner as from time to time may be determined by resolution of the board of directors. Proxies to vote with respect to securities or accounts owned by the association may be executed and delivered from time to time by the president, a vice president, the secretary or treasurer of the association, or by any other person authorized by resolution of the board of directors.

(13) Evidence of savings account. Such officers or employees as may be designated by the board of directors shall deliver to each person upon the initial credit to his savings account in the association an account book or other written evidence of such account where the issuance of such evidence may be required.

(14) Corporate seal. The seal shall be two concentric circles between which shall be the name of the association. The year of incorporation and the name of this state shall, and an emblem may, appear in the center.

(15) Fiscal year. The fiscal year shall be the calendar year.

(16) Amendments. With the approval of the commissioner, amendments of these bylaws may be made from time to time or different bylaws adopted by vote of the members, or by a two-thirds majority vote of the total number of directors authorized.

We, the undersigned, being the incorporators of the SAVINGS ASSOCIATION, do hereby adopt and for that purpose do sign and acknowledge the foregoing bylaws as and for the bylaws of the SAVINGS ASSOCIATION, this day of, 19.....

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Subd. 3. **Notice and hearing.** Upon receipt of an application for a certificate of incorporation to form an association, including supporting data, the commerce commission shall fix a time, within 60 days after the filing of the application, for a hearing at its office at the state capitol, at which hearing it shall decide whether or not the application shall be granted. A notice of hearing shall be published in the form prescribed by the commerce commission in a newspaper of general circulation published in the municipality in which the proposed association is to be located, and if there be no such newspaper, then at the county seat of the county in which the association is proposed to be located. The notice shall be published once, at the expense of the applicants, not less than 30 days prior to the date of the hearing. Any interested person may appear at such hearing in person or by agent or attorney, and orally or in writing show cause upon any relevant ground why such certificate should not be issued.

If upon the hearing it appears that the applicants are of good moral character and financial integrity, that there is a reasonable public demand for this association in the location specified by the application, that there is a reasonable probability of the proposed association's usefulness and success, that such association can be established without undue injury to the properly conducted, existing financial institution in the locality, and that such association will be properly and safely managed, the application may be granted; otherwise it shall be denied. The supreme court, upon petition of any person aggrieved, may review by certiorari any such determination of the department of commerce.

Subd. 4. **Procedure; filing of articles.** The procedure for processing such application, conducting the hearing, and other matters pertinent thereto, shall be established by regulations promulgated by the commissioner. After approval, if approved, the commissioner shall issue a certificate of approval and the articles of incorporation shall then be filed with the secretary of state, who shall record same and certify the fact, thereon. The certificate and articles shall be filed with the county recorder of the county of the principal place of business, as specified in the certificate.

Subd. 5. **Publication.** Every article of incorporation shall be published in a legal newspaper in the county of the principal place of business, for two successive days in a daily, or for two successive weeks in a weekly, newspaper. Thereafter the articles of incorporation, together with proof of publication, shall be filed with the commissioner. Savings associations shall be exempt from the filing fee provided by law for payment to the state treasurer before filing any articles, renewal, or amendment.

History: 1969 c 490 s 3; 1971 c 387 s 2-4; 1976 c 181 s 2

51A.04 ORGANIZATION.

Subdivision 1. **Selection of chairman of incorporators; savings liability required.** The incorporators shall appoint one of their number as chairman of the incorporators. The incorporators, before a certificate of incorporation is issued, shall pay in cash to such chairman, as subscriptions to the savings accounts of the proposed association, including that part of the original subscription paid by such chairman, an aggregate amount, not less than \$100,000; provided the commissioner may, in his discretion, require a larger amount to be paid in.

Subd. 2. **Chairman of incorporators to procure surety bond.** The chairman of the incorporators shall procure from a surety company or other surety acceptable to the commissioner, a surety bond in form approved by the commissioner in an amount at least equal to the amount subscribed by the incorporators plus the expense fund. Such bond shall name the commissioner as obligee and shall be delivered to him. It shall assure the safekeeping of the funds subscribed and their delivery to the association after the issuance of the certificate of incorporation and after the bonding of the officers. In the event of the failure to complete organization, such bond shall assure the return of the amounts collected to the respective subscribers or their assigns, less reasonable expense which shall be deducted from the expense fund.

Subd. 3. **Expense fund for incorporation and organization.** The incorporators, in addition to their subscriptions to savings accounts, shall create an expense fund in an amount not less than one-half of the minimum amount of savings account subscriptions required to be paid in under sections 51A.01 to 51A.57, from which expense fund the expense of organizing the association and its operating expenses may be paid until such time as its net income is sufficient to pay such earnings as may be declared and paid or credited to its savings account holders from sources available for payment of earnings. The incorporators and others, before a certificate of incorporation is issued, shall deposit to the credit of the chairman of the incorporators and others shall not constitute a liability of the association except as hereinafter provided.

Subd. 4. **Repayment of contributions made to expense fund.** Contributions made by the incorporators and others to the expense fund may be repaid pro rata to the contributors from the net income of the association after provision for statutory reserves and declaration of earnings of not less than two percent on savings accounts. In case of the liquidation of an association before contributions to the expense fund have been repaid, any contributions to the expense fund remaining unexpended, after the payment of expenses of liquidation, all creditors, and the withdrawal value of all savings accounts, shall be repaid to the contributors pro rata. The books of the association shall reflect the expense fund. Contributors to the expense fund shall at the times earnings regularly are distributed to savings account holders be paid earnings on the amounts paid in by them and for such purpose such contributions shall in all respects be considered as savings accounts of the association.

Subd. 5. **Organization meeting.** Within 30 days after the corporate existence of an association begins, the directors of the association shall hold an organization meeting and shall elect officers pursuant to the provisions of sections 51A.01 to 51A.57 and the bylaws. At the organization meeting the directors shall take such other action as is appropriate in connection with beginning the transaction of business by the association. The commissioner may extend by order the time within which the organization meeting shall be held.

History: 1969 c 490 s 4

51A.05 NAME; OFFICE; FORFEITURE OF CHARTER FOR NON-USE.

Subdivision 1. **Corporate name.** The name of every association shall include either the words "savings association," or "savings and loan association." These words shall be preceded by an appropriate descriptive word or words approved by the commissioner. An ordinal number may not be used as a single descriptive word preceding the words "savings association," or "savings and loan association," unless such words are followed by the words "of, " the blank being filled by the name of the community, town, city, or county in which the association has its principal office. An ordinal number may be used together with another descriptive word, preceding the words "savings association" or "savings and loan association," provided the

other descriptive word has not been used in the corporate name of any other association in the state, in which case the suffix mentioned above is not required to be used. An ordinal number may be used, together with another descriptive word, preceding the words "savings association" or "savings and loan association," even when such other descriptive word has been used in the corporate name of an association in the state, provided the suffix "of, " as provided above, is also used. The suffix provided above may be used in any corporate name. The use of the words, "national," "federal," "United States," "insured," "guaranteed," or any form thereof, separately or in any combination thereof with other words or syllables, is prohibited as part of the corporate name of an association. No certificate of incorporation of a proposed association having the same name as a corporation authorized to do business under the laws of this state or a name so nearly resembling it as to be likely to deceive shall be issued by the commissioner, except to an association formed by the reincorporation, reorganization, or consolidation of the association with other associations, or upon the sale of the property or franchise of an association. Any association in existence at the time of the adoption of sections 51A.01 to 51A.57 may continue to operate under its existing name.

Subd. 2. Exclusiveness of name. No person, firm, company, association, fiduciary, partnership, or corporation, either domestic or foreign, unless he or it is lawfully authorized to do business in this state under the provisions of sections 51A.01 to 51A.57 and actually is engaged in carrying on a savings association business shall do business under any name or title which contains the terms "savings association," "savings and loan association," "building and loan association," "building association," or any combination employing either or both of the words "building" or "loan" with one or more of the words "saving," "savings," or words of similar import, or any combination employing one or more of the words "saving," "savings," or words of similar import with one or more of the words "association," "institution," "society," "company," "fund," "corporation," or words of similar import, or use any name or sign or circulate or use any letterhead, billhead, circular or paper whatever, or advertise or represent in any manner which indicates or reasonably implies that his or its business is the character or kind of business carried on or transacted by an association of which is likely to lead any person to believe that his or its business is that of an association. Upon application by the commissioner or any association, a court of competent jurisdiction may issue an injunction to restrain any such entity from violating or continuing to violate any of the foregoing provisions of this subdivision. Any person who violates any provision of this subdivision shall be guilty of a gross misdemeanor. The prohibitions of this subdivision shall not apply to any corporation or association formed for the purpose of promoting the interests of thrift institutions, the membership of which is comprised of thrift institutions, their officers, or other representatives.

Subd. 3. Corporate office. Without the prior approval of the commissioner, as provided in sections 51A.01 to 51A.57, no association shall establish any office other than its principal office, which shall be in the location named in the certificate of incorporation. No office of an association shall be moved from its immediate vicinity unless approved by the commissioner.

Subd. 4. Change of name or office. The name or the location of the principal office of any association fixed in the certificate of incorporation may be changed in the following manner:

The proposed new name or the new location of the principal office of the association shall be approved by a resolution adopted by the board of directors. Immediately preceding application to the commissioner for approval, notice of intention to change the name or the location of the principal office, signed by two officers, shall be published once a week for two successive weeks in a news-

paper of general circulation in the county in which the principal office is located, and a copy of such notice shall be displayed during such consecutive two week period in a conspicuous public place in the principal office of the association. Five copies of an application to the commissioner for approval shall be signed by two officers of the association, acknowledged before an officer competent to take acknowledgments of deeds, and filed with the commissioner. Upon approval of an application for change of name, the commissioner shall endorse on each copy of the application therefor a certificate of approval thereof, and the change of name of such association shall be effective immediately. Whenever the commissioner shall receive from any association an application for change of location of its principal office, he shall make a determination based upon the criteria set out in section 51A.03, subdivision 3 in the case of establishment of a newly chartered association and, may hold a hearing as provided for in that section. Upon his approval of such application, the commissioner shall endorse on each copy of such application a certificate of approval, as provided in sections 51A.01 to 51A.57. When the commissioner shall have endorsed such approval upon the copies of an application for approval of change of name or change of location of principal office, he shall file one copy thereof with the secretary of state, two copies with the federal home loan bank of which the association is a member, return one copy to the applicant association, and retain the original copy in the permanent files of his office.

Subd. 5. **Forfeiture of charter for non-use.** Any association which shall not commence business within six months after the date upon which its corporate existence shall have begun, shall forfeit its corporate existence, unless the commissioner, before the expiration of such six month period, shall have approved the extension of time within which it may commence business, upon a written application stating the reasons for such delay. Upon such forfeiture the certificate of incorporation shall expire, and all action taken in connection with the incorporation thereof except the payment of the incorporation fee shall become void. Amounts credited on savings accounts, less expenditures authorized by law, shall be returned pro rata to the respective holders thereof.

History: 1969 c 490 s 5

51A.06 CONVERSION.

Subdivision 1. **Conversion into federal savings association.** At an annual meeting or at any special meeting of the members called to consider such action, any association or corporation of this state doing a home financing business may convert itself into a federal savings association or federal savings and loan association, hereinafter called "federal association," in accordance with the provisions of the laws of the United States, as now or hereafter amended, upon a vote of 51 percent or more of the total number of votes cast in person or by proxy. A copy of the minutes of the proceedings of such meeting of the members, verified by the affidavit of the secretary or an assistant secretary, shall be filed in the office of the commissioner within ten days after the date of such meeting. A sworn copy of the proceedings of such meeting, when so filed, shall be presumptive evidence of the holding and action of such meeting. Within three months after the date of such meeting, the association shall take such action in the manner prescribed and authorized by the laws of the United States as shall make it a federal association. There shall be filed with the commissioner a copy of the charter issued to such federal association by the federal home loan bank board or a certificate showing the organization of such association as a federal association, certified by the secretary or assistant secretary of the federal home loan bank board. A similar copy of the charter, or of such certificate, shall be filed by the association with the secretary of state. No failure to file any such instruments with either the commissioner or the secretary of state shall

affect the validity of such conversion. Upon the grant to any association of a charter by the federal home loan bank board, the association receiving such charter shall cease to be an association incorporated under sections 51A.01 to 51A.57 and shall no longer be subject to the supervision and control of the commissioner. Upon the conversion of any association into a federal association, the corporate existence of such association shall not terminate, but such federal association shall be deemed to be a continuation of the entity of the association so converted and all property of the converted association, including its rights, titles, and interests in and to all property of whatever kind, whether real, personal, or mixed, and things in action, and every right, privilege, interest, and asset of any conceivable value or benefit then existing, or pertaining to it, or which would inure to it, shall immediately by operation of law and without any conveyance or transfer and without any further act or deed remain and be vested in and continue and be the property of such federal association into which the state association has converted itself, and such federal association shall have, hold, and enjoy the same in its own right as fully and to the same extent as the same was possessed, held, and enjoyed by the converting association, and such federal association as of the time of the taking effect of such conversion shall continue to have and succeed to all the rights, obligations and relations of the converting association. All pending actions and other judicial proceedings to which the converting state association is a party shall not be deemed to have abated or to have discontinued by reason of such conversion, but may be prosecuted to final judgment, order, or decree in the same manner as if such conversion into such federal association had not been made, and such federal association resulting from such conversion may continue such action in its corporate name as a federal association, and any judgment, order, or decree may be rendered for or against it which might have been rendered for or against the converting state association theretofore involved in such judicial proceedings. Any association or corporation, which has heretofore converted itself into a federal association under the provisions of the laws of the United States and has received a charter from the federal home loan bank board, shall hereafter be recognized as a federal association, and its federal charter shall be given full recognition by the courts of this state to the same extent as if such conversion had taken place under the provisions of this section; provided, however, that there shall have been compliance with the foregoing requirements with respect to the filing with the commissioner of a copy of the federal charter or a certificate showing the organization of such association as a federal association. All such conversions are hereby ratified and confirmed, and all the obligations of such an association which has so converted shall continue as valid and subsisting obligations of such federal association, and the title to all of the property of such an association shall be deemed to have continued and vested, as of the date of issuance of such federal charter, in such federal association as fully and completely as if such conversion had taken place since the enactment of sections 51A.01 to 51A.57 pursuant to this section.

Subd. 2. Conversion into state-chartered association. At an annual meeting or at any special meeting of the members called to consider such action, any federal association may convert itself into an association under sections 51A.01 to 51A.57 upon a vote of 51 percent or more of the total number of votes cast in person or by proxy. Copies of the minutes of the proceedings of such meeting of members, verified by the affidavit of the secretary or an assistant secretary, shall be filed in the office of the commissioner and mailed to the federal home loan bank board, Washington, D.C., within ten days after such meeting. Such verified copies of the proceedings of the meeting when so filed shall be presumptive evidence of the holding and action of such meeting. At the meeting at which conversion is voted upon, the members shall also vote upon the directors

who shall be the directors of the state chartered association after conversion takes effect. Such directors then shall execute two copies of the petition for certificate of incorporation provided for in sections 51A.01 to 51A.57 and two copies of the bylaws, as provided in sections 51A.01 to 51A.57. The commissioner shall insert in the certificate of incorporation, at the end of the paragraph preceding the testimonium clause, the following:

This association is incorporated by conversion from a federal association.

All of the directors who are chosen for the association shall sign and acknowledge the petition for certificate of incorporation as subscribers thereto and the proposed bylaws as incorporators of the association. The provisions of sections 51A.01 to 51A.57 shall, so far as applicable, apply to such conversion under sections 51A.01 to 51A.57. The commissioner may provide, by regulation, for the procedure to be followed by any such federal association converting into an association under sections 51A.01 to 51A.57. All the provisions regarding property and other rights contained in the preceding subdivision shall apply, in reverse order, to the conversion of a federal association into an association incorporated under sections 51A.01 to 51A.57, so that the state chartered association shall be a continuation of the corporate entity of the converting federal association and continue to have all of its property and rights.

Subd. 3. **Limitation.** No conversion of an association or a federal association, direct or indirect, shall be permitted except as specifically authorized by sections 51A.01 to 51A.57 or other provision of the Minnesota Statutes.

History: 1969 c 490 s 6

51A.07 POWER TO REORGANIZE, MERGE OR CONSOLIDATE.

Pursuant to a plan adopted by the board of directors and approved by the commissioner as equitable to the members of the association and as not impairing the usefulness and success of other properly conducted associations in the community, an association shall have power to reorganize or to merge or consolidate with another association or federal association within its primary lending area, provided that the plan of such reorganization, merger, or consolidation shall be approved at an annual meeting or at any special meeting of the members called to consider such action by a vote of 51 percent or more of the total number of votes of the members cast in person or by proxy. In all cases the corporate continuity of the resulting corporation shall possess the same incidents as that of an association which has converted in accordance with sections 51A.01 to 51A.57. No association, directly or indirectly, shall convert or reorganize, or merge, consolidate, assume liability to pay savings accounts or other liabilities of, transfer assets in consideration of the assumption of liabilities for any portion of the savings accounts, deposits made in, or other liabilities of such association to, or acquire the assets of or assume liability to pay any liabilities of, any financial institution or any other organization, person, or entity, except as specifically authorized by sections 51A.01 to 51A.57. Any association aggrieved by any action or nonaction of the commissioner under this section may appeal therefrom to the supreme court in the manner provided by section 51A.03, subdivision 3.

History: 1969 c 490 s 7

51A.08 DISSOLUTION.

Subdivision 1. **Notice and vote.** Any association, by a vote of three-fourths of its members eligible to vote at any regular meeting of its members or at any special meeting called for that purpose, of which regular or special meeting at least ten days' written notice, specifying the matter to be considered under this section, shall have been mailed to each member at his last recorded address, may, with the approval of the commissioner, voluntarily go into liquidation.

Subd. 2. **Certificate of dissolution.** Upon such vote, five copies of a certificate of dissolution, which shall state the vote cast in favor of dissolution, shall be signed by two officers and acknowledged before an officer competent to take acknowledgments of deeds. Five copies of such certificate shall be filed with the commissioner, who shall examine such association, and if he finds that it is not in an impaired condition, shall so note, together with his approval of such dissolution, upon all the copies of the certificate of dissolution. The commissioner shall place a copy in the permanent files of his office, file a copy with the secretary of state, and return the remaining copies to the parties filing the same. Notice of commissioner's approval shall be mailed to each shareholder and shall be published at least once in a qualified legal newspaper published at the principal place of business of the association.

Subd. 3. **Association continues as corporate entity for sole purpose of winding up affairs.** Upon such approval, the association shall be dissolved and shall cease to carry on business but nevertheless shall continue as a corporate entity for the sole purpose of paying, satisfying, and discharging existing liabilities and obligations, collecting and distributing assets, and doing all other acts required to adjust, wind up, and dissolve its business and affairs.

Subd. 4. **Directors to act as liquidating trustees.** The board of directors shall act as trustees for liquidation as provided in this section. They shall proceed as quickly as may be practicable to wind up the affairs of the association and, to the extent necessary or expedient to that end, shall exercise all the powers of such dissolved association and, without prejudice to the generality of such authority, may fill vacancies, elect officers, carry out the contracts, make new contracts, borrow money, mortgage or pledge the property, sell its assets at public or private sale, or compromise claims in favor of or against the association, apply assets to the discharge of liabilities, distribute assets in cash or in kind among savings account members according to their respective pro rata interests after paying or adequately providing for the payment of other liabilities, and perform all acts necessary or expedient to the winding up of the association. All deeds or other instruments shall be in the name of the association and executed by the president or a vice president and the secretary or an assistant secretary. The board of directors shall also have power to exchange or otherwise dispose of or to put in trust all, or substantially all, or any part of the assets, upon such terms and conditions and for such considerations, which may be money, stock, bonds, shares, or accounts of any insured association, or of any federal association, or other instruments for the payment of money, or other property, or other considerations, as the board of directors may deem reasonable or expedient, and may distribute such considerations or the proceeds thereof, or trust receipts, or certificates of beneficial interest among the savings account members in proportion to their pro rata interests therein. In the absence of fraud, any determination of value made by the board of directors for any such purposes shall be conclusive.

Subd. 5. **Association subject to commissioner during liquidation.** The association, during the liquidation of the assets of the association by the board of directors, shall continue to be subject to the supervision of the commissioner, and the board of directors shall report the progress of such liquidation to the commissioner from time to time as he may require. Upon completion of liquidation, the board of directors shall file with the commissioner a final report and accounting of such liquidation. The approval of such report by the commissioner shall operate as a complete and final discharge of the board of directors and each member thereof in connection with the liquidation of such association. No such dissolution or any action of the board of directors in connection therewith shall impair any contract right between such association and any borrower or other person or persons or the vested rights of any member of such association.

History: 1969 c 490 s 8

51A.09 MEETINGS OF MEMBERS.

Subdivision 1. **Annual and special.** An annual meeting of the members of each association shall be held in the month of January, as fixed in the bylaws of such association. Special meetings may be called as provided in the bylaws.

Subd. 2. **Members entitled to vote.** The members who shall be entitled to vote at any meeting of the members shall be those who are members of record at the end of the calendar month next preceding the date of the meeting of members, except those who have ceased to be members. The number of votes which members shall be entitled to cast shall be in accordance with the books on the said date determinative of entitlement to vote.

Subd. 3. **Voting rights.** In the determination of all questions requiring action by the members, each member shall be entitled to cast one vote, plus an additional vote for each \$100 or fraction thereof of the withdrawal value of savings accounts, if any, held by such member. No member, however, shall cast more than 150 votes.

Subd. 4. **Voting by proxy.** At any meeting of the members, voting may be in person or by proxy, provided that no proxy shall be eligible to be voted at any meeting unless such proxy shall have been filed with the secretary of the association, for verification, at least five days prior to the date of such meeting. Every proxy shall be in writing and signed by the member or his duly authorized attorney-in-fact and, when filed with the secretary, shall, unless otherwise specified in the proxy, continue in force from year to year until revoked by a writing duly delivered to the secretary or until superseded by subsequent proxies.

Subd. 5. **Quorum.** At an annual meeting or at any special meeting of the members, any number of members present in person or by proxy eligible to be voted constitutes a quorum. A majority of all votes cast at any meeting of members shall determine any question unless sections 51A.01 to 51A.57 specifically provide otherwise.

History: 1969 c 490 s 9

51A.10 MEMBERSHIP CHARGES PROHIBITED.

The association shall not directly or indirectly charge any membership, admission, withdrawal, or any fee or sum of money for the privilege of becoming, remaining, or ceasing to be a member of the association, except reasonable charges upon the making or modification of a loan. Except as authorized by sections 51A.01 to 51A.57, the association shall not charge any member any sum of money by way of fine or penalty for any cause, except that a reasonable charge may be made against borrowers for defaults or prepayments.

History: 1969 c 490 s 10

51A.11 ACCESS TO BOOKS AND RECORDS; COMMUNICATION WITH MEMBERS.

Subdivision 1. **Exclusiveness of access.** Every member shall have the right to inspect such books and records of an association as pertain to his loan or savings account. Otherwise, the right of inspection and examination of the books and records shall be limited (1) to the commissioner or his duly authorized representatives as provided in sections 51A.01 to 51A.57, (2) to persons duly authorized to act for the association, and (3) to any federal or state instrumentality or agency authorized to inspect or examine the books and records of an insured association. The books and records pertaining to the accounts and loans of members shall be kept confidential by the association, its directors, officers, and employees, and by the commissioner, his examiners and representatives, except

where the disclosure thereof shall be compelled by a court of competent jurisdiction, and no member or any other person shall have access to the books and records or shall be furnished or shall possess a partial or complete list of the members except upon express action and authority of the board of directors.

Subd. 2. **Communication with members.** In the event, however, that any member or members desires to communicate with the other members of the association with reference to any question pending or to be presented for consideration at a meeting of the members, the association shall furnish upon request a statement of the approximate number of members of the association at the time of such request, and an estimate of the cost of forwarding such communication. The requesting member or members shall then submit the communication, together with a sworn statement that the proposed communication is not for any reason other than the business welfare of the association, to the commissioner who, if he finds it to be appropriate, truthful, and in the best interests of the association and its members, shall execute a certificate setting out such findings, forward the certificate together with the communication to the association, and direct that the communication be prepared and mailed by the association to the members upon the requesting member's or members' payment to it of the expenses of such preparation and mailing. If the commissioner finds such proposed communication to be inappropriate, untruthful, or contrary to the best interests of the association and its members, he shall have the discretion to make any disposition of the request to communicate which he deems proper and he shall execute a certificate setting out such finding and deliver it to the requesting member together with his order making disposition of the request.

Subd. 3. **Applicability of section to federal associations.** Insofar as the provisions of this section are not inconsistent with federal law, such provisions shall apply to federal associations whose principal offices are located in this state, and to the members thereof, except that the communication and statement provided for in subdivision 2 shall be tendered to the federal home loan bank board, Washington, D.C., in the case of a federal association and forwarded only upon that board's certificate and direction.

History: 1969 c 490 s 11

51A.12 FINANCIAL STATEMENT.

Every association shall prepare and publish annually in the month of January in a newspaper of general circulation in the county in which the principal office of such association is located, and shall deliver to each member upon application therefor, a statement of its financial condition in the form prescribed or approved by the commissioner.

History: 1969 c 490 s 12

51A.13 DIRECTORS.

Subdivision 1. **Association under direction of board of directors.** The business of the association shall be directed by a board of directors of not less than five nor more than 15 as determined by, and elected by ballot from among, the members by a plurality of the votes of the members present. If authorized by vote of the members the directors may elect all directors. At all times at least two-thirds of the directors shall be bona fide residents of this state.

Subd. 2. **Qualifications required of directors.** In order to qualify as a director, a member of an association must hold individually, or jointly with his spouse, a savings account, the withdrawal value of which is at least \$500; provided that, if the assets of the association exceed \$5 million, the withdrawal value of such account must be at least \$1,000. Except with the written consent of the commissioner, no member shall be eligible for election or shall serve as a

director or officer of an association who has been adjudicated a bankrupt or convicted of a criminal offense involving dishonesty or a breach of trust. A director shall automatically cease to be a director when he ceases to be a member, or when he is adjudicated a bankrupt or is convicted of a criminal offense as herein provided, or when the net equity above loans of all savings accounts in the association held by him aggregates less than the minimum required to be eligible for election as a director, but no action of the board of directors shall be invalidated through the participation of such director in such action; provided, that if a director becomes ineligible under the terms of this subdivision by reason of the exercise by the association of the right of redemption of savings accounts provided for in section 51A.34, he shall remain validly in office until the expiration of his term or until he otherwise becomes ineligible, resigns, or is removed, whichever may occur first.

Subd. 3. Classification of directors. At the first annual meeting, the members shall by majority vote divide the directors into three classes of as nearly equal numbers as possible. The term of office of directors of the first class shall expire at the annual meeting next after the first election; of the second class, one year thereafter; and of the third class, two years thereafter; and at each annual election thereafter directors shall be chosen for a full term of three years to succeed those whose terms expire.

Subd. 4. Number of directors changed only by members. The authorized number of directors determined by the members within the limits hereinabove specified may subsequently be increased or decreased only by vote of the members.

Subd. 5. How vacancy on board of directors caused by increase in number of directors is to be filled. If the members fail to elect a director to fill each vacancy created by any such increase, the directors may fill such vacancy by electing a director to serve until the next annual meeting of the members, at which time a director shall be elected to fill the vacancy for the unexpired term for the class of director in which such vacancy exists.

Subd. 6. Classification of new directors elected to fill vacancies. Whenever under the provisions hereof the number of directors is changed and vacancies caused by such change are filled, the directors so elected shall be classified in accordance with the provisions hereof, so that each of the three classes shall always contain numbers as nearly equal as possible.

Subd. 7. When vacancy on board of directors may be filled by directors. Any vacancy among directors, not so filled by the members, may be filled by a majority vote of the remaining directors, though less than a quorum, by electing a director to serve until the next annual meeting of the members, at which time a director shall be elected to fill the vacancy for the unexpired term for the class of director in which such vacancy exists. In event of a vacancy on the board of directors from any cause, the remaining directors shall have full power and authority to continue direction of the association until such vacancy is filled.

History: 1969 c 490 s 13

51A.14 INDEMNITY BONDS.

All directors, officers, and employees of an association shall, before entering upon the performance of any of their duties, execute their individual bonds with adequate corporate surety payable to the association as an indemnity for any loss the association may sustain of money or other property by or through any fraud, dishonesty, forgery or alteration, larceny, theft, embezzlement, robbery, burglary, holdup, wrongful or unlawful abstraction, misapplication, misplacement, destruction or misappropriation, or any other dishonest or criminal act or omission by any such director, officer, employee, or agent. Associa-

tions which employ collection agents, who for any reason are not covered by a bond as hereinabove required, shall provide for the bonding of each such agent in an amount equal to at least twice the average monthly collection of such agent. Such agents shall be required to make settlement with the association at least monthly. No bond coverage will be required of any agent which is a financial institution insured by the federal deposit insurance corporation or by the federal savings and loan insurance corporation. The amounts and form of such bonds and sufficiency of the surety thereon shall be approved by the board of directors and by the commissioner. In lieu of individual bonds, a blanket bond, protecting the association from loss through any such act or acts on the part of any such director, officer, or employee, may be obtained. Such bonds shall provide that a cancellation thereof either by the surety or by the insured shall not become effective unless and until ten days' notice in writing first shall have been given to the commissioner unless he shall have approved such cancellation earlier.

History: 1969 c 490 s 14

51A.15 TRANSACTIONS OF OFFICERS AND DIRECTORS.

Subdivision 1. **Fiduciary relationships.** Directors and officers occupy a fiduciary relationship to the association of which they are directors or officers, and no director or officer shall engage or participate, directly or indirectly, in any business or transaction conducted on behalf of or involving the association, which would result in a conflict of his own personal interests with those of the association which he serves, unless such business or transactions are conducted in good faith and are honest, fair, and reasonable to the association; a full disclosure of such business or transactions and the nature of the director's or officer's interest is made to the board of directors; such business or transactions are approved in good faith by the board of directors, any interested director abstaining, and such approval is recorded in the minutes; any profits inuring to the officer or director are not at the expense of the association and do not prejudice the best interests of the association in any way; and such business or transaction does not represent a breach of the officer's or director's fiduciary duty and is not fraudulent, illegal, or ultra vires; and without limitation by any of the specific provisions of any of the subdivisions hereof, the commissioner may require the disclosure by directors, officers, and employees of their personal interest directly or indirectly in any business or transactions on behalf of or involving the association and of their control of or active participation in enterprises having activities related to the business of the association. The following restrictions governing the conduct of directors and officers expressly are specified, but such specification is not to be construed in any manner as excusing such persons from the observance of any other aspect of the general fiduciary duty owed by them to the association which they serve.

Subd. 2. **Dual status.** No officer or director of an association shall hold office or status as a director or officer of another financial institution the principal office of which is located in the association's primary lending area; except such directors or officers who are holding office at the time of the adoption of sections 51A.01 to 51A.57, and such directors or officers may continue to be reelected for two additional terms.

Subd. 3. **Remuneration.** No director shall receive remuneration as director except reasonable fees for service as a director or for service as a member of a committee of directors, except that nothing herein contained shall be deemed to prohibit or in any way to limit any right of a director who is also an officer or employee of or attorney for the association to receive compensation for service as an officer, employee, or attorney.

Subd. 4. **Loans.** No director or officer shall have any interest, directly or indirectly, in the proceeds of a loan or investment or of a purchase or sale made by the association, unless such loan, investment, purchase, or sale is authorized expressly by resolution of the board of directors, and unless such resolution is approved by vote of at least two-thirds of the directors authorized of the association, any interested director taking no part in such vote.

Subd. 5. **Savings.** No director or officer shall have any interest, direct or indirect, in the purchase at less than its face value of any evidence of a savings account, deposit, or other indebtedness issued by the association.

Subd. 6. **Coercion.** No director, association, or officer thereof shall require, as a condition of the granting of any loan or the extension of any other service by the association, that the borrower or any other person undertake a contract of insurance or any other agreement, or understanding with respect to the furnishing of any other goods or services, with any specific company, agency, or individual.

Subd. 7. **Voting rights; office.** No officer or director acting as proxy for a member of an association shall exercise, transfer, or delegate such vote or votes in any consideration of a private benefit or advantage, direct or indirect, accruing to himself, nor shall he surrender control or pass his office to any other for any consideration of a private benefit or advantage, direct or indirect. The voting rights of members and directors shall not be the subject of sale, barter, exchange, or similar transaction, either directly or indirectly. Any officer or director who violates the provisions of this section shall be held accountable to the association for any increment.

Subd. 8. **Inducements.** No director or officer shall solicit, accept, or agree to accept, directly or indirectly, from any person other than the association any gratuity, compensation, or other personal benefit for any action taken by the association or for endeavoring to procure any such action.

Subd. 9. **Penalty.** Any violation of the provisions of this section is punishable as a misdemeanor.

History: 1969 c 490 s 15; 1971 c 387 s 5

51A.16 DEPOSITARIES.

No association shall deposit any of its funds except with a depository approved by a vote of a majority of the directors authorized of the association, any director who is an officer, partner, director, or trustee of the depository so designated taking no part in such vote.

History: 1969 c 490 s 16

51A.17 INDEMNIFICATION OF OFFICERS, DIRECTORS AND EMPLOYEES.

Any person shall be indemnified or reimbursed by the association for reasonable expenses, including but not limited to attorney fees, actually incurred by him in connection with any action, suit, or proceeding, instituted or threatened, judicial or administrative, civil or criminal, to which he is made a party by reason of his being or having been a director, officer, or employee of an association; provided, however, that no person shall be so indemnified or reimbursed, nor shall he retain any advancement or allowance for indemnification which may have been made by the association in advance of final disposition, in relation to such action, suit, or proceeding in which and to the extent that he finally shall be adjudicated to have been guilty of a breach of good faith, to have been negligent in the performance of his duties, or to have committed an action or failed to perform a duty for which there is a common law or a statutory liability; and provided further, that a person may, with the approval of the commissioner, be

so indemnified or reimbursed for (1) amounts paid in compromise or settlement of any action, suit, or proceeding, including reasonable expenses incurred in connection therewith, or (2) reasonable expenses including fines and penalties incurred in connection with a criminal or civil action, suit, or proceeding in which such person has been adjudicated guilty, negligent, or liable if it shall be determined by the board of directors and by the commissioner that such person was acting in good faith and in what he believed to be the best interests of the association and without knowledge that the action was illegal and if such indemnification or reimbursement is approved at an annual or special meeting of the members by a majority of the votes eligible to be cast. Amounts paid to the association, whether pursuant to judgment or settlement by any person within the meaning of this section shall not be indemnified or reimbursed in any case.

History: 1969 c 490 s 17

51A.18 OPERATING CONTRACTS MUST BE APPROVED BY COMMISSIONER.

No association shall make any operating or management contract with any person or persons extending for more than one year, except with the approval of the commissioner.

History: 1969 c 490 s 18

51A.19 RECORDS.

Subdivision 1. Records to be kept at principal office. Every association shall keep at the principal office correct and complete books of account and minutes of the proceedings of members, directors, and the executive committee. Complete records of all business transacted at the principal office shall be maintained at the principal office. Control records of all business transacted at other offices shall be maintained at the principal office.

Subd. 2. Records to be kept at other office. Each other office shall keep detailed records of all transactions at such other office and shall furnish full control records to the principal office.

Subd. 3. Records to be kept by managing officer. Each managing officer of an association office shall keep an original record of each transaction of business of the association and shall report promptly to the principal office. Complete detailed permanent records of such transactions are not required to be maintained at such other office.

Subd. 4. Books to be closed at least annually. Every association shall close its books at the close of business on December 31 of each year, or more often if desired by the association.

Subd. 5. Charging off or setting up reserves against bad assets. The commissioner may order that assets, individually or in the aggregate, to the extent that such assets are overvalued on an association's books, be charged off, or that a special reserve or reserves equal to such overvaluation be set up by transfers from undivided profits or reserves.

Subd. 6. Bonds and other obligations to be carried at cost. The bonds or other interest bearing obligations purchased by an association shall not be carried on its books at more than the cost thereof.

Subd. 7. Real estate to be carried at amount invested in same. An association shall not carry any real estate on its books at a sum in excess of the total amount invested by such association on account of such real estate, including advances, costs, and improvements but excluding accrued but uncollected interest.

Subd. 8. Appraisal of real estate owned and that securing delinquent loans. Every association shall have appraised each parcel of real estate at the time of

acquisition thereof. The report of each such appraisal shall be submitted in writing to the board of directors and shall be kept in the records of the association. In addition to his powers under section 51A.44, subdivision 6, the commissioner may require the appraisal of real estate securing loans which are delinquent more than four months.

Subd. 9. Maintenance of loan and investment records. Every association shall maintain complete loan and investment records, and shall do so in a manner satisfactory to the commissioner. Detailed records necessary to make determinations of compliance by an association with the requirements of sections 51A.35 to 51A.39, and other provisions of sections 51A.01 to 51A.57 shall be maintained consistently and at all times, the record of each real estate loan or other secured loan or investment containing documentation to the satisfaction of the commissioner of the type, adequacy, and complexion of the security.

Subd. 10. Maintenance of membership records. Every association shall maintain membership records, which shall show the name and address of the member, the status of the member as a savings account holder, or an obligor, or a savings account holder and obligor, and the date of membership thereof. In the case of members holding a savings account the association shall obtain a savings account contract containing the signature of each holder of such account or his duly authorized representative, and shall preserve such contract in the records of the association.

History: 1969 c 490 s 19; 1976 c 196 s 7

51A.20 RESERVE ACCOUNTS; UNDIVIDED PROFITS.

Every association shall set up and maintain the reserves required by, and may set up and maintain such additional reserves as are permitted by, sections 51A.01 to 51A.57. On or before the closing date of each accounting period, after payment of or provision for all expenses, each association shall transfer to a separate reserve account, which shall be set up and maintained for the sole purpose of absorbing losses (termed in sections 51A.01 to 51A.57 "general reserve"), an amount equal to at least ten percent of its net income or, in the case of an association which at the close of such period has assets in excess of \$20 million or which has done business as a savings association in this state for more than 20 years, the greater of ten percent of its net income or an amount equal to the difference between four percent of its assets, excluding liquid assets, at the end of the period and the amount of its general reserve at the beginning of the period, until the general reserve is equal to at least ten percent of the savings liability. Upon advance written application of an association, the commissioner, acting in his sole discretion, may approve the transfer to the general reserve of a lesser amount for such period, provided that the reduction shall not be greater than that of federal regulations. In the event that any credit to the general reserve is made following July 1, 1969, in excess of the minimum requirement, the dollar amount of any such excess may be carried over as a credit toward the minimum requirement of any subsequent period. If and whenever the general reserve is not equal to at least ten percent of its savings liability, credits, as above provided, shall again be made to the general reserve until it shall again be equal to at least ten percent of its savings liability. The board of directors may make additional transfers to other reserve accounts. Interest receivable on all loans shall be accrued monthly and an evaluation account shall be maintained equivalent to all accrued and uncollected interest. On or before each closing date, after payment or provision for all expenses and appropriate transfers to reserves, the remainder of net income for the period shall be credited to the undivided profits account.

History: 1969 c 490 s 20

51A.21 POWERS OF ASSOCIATION.

Subdivision 1. **Generally.** Every association incorporated pursuant to or operating under the provisions of sections 51A.01 to 51A.57 shall have all the powers enumerated, authorized, and permitted by sections 51A.01 to 51A.57 and such other rights, privileges, and powers as may be incidental to or reasonably necessary or appropriate for the accomplishment of the objects and purposes of the association. Among others, and except as otherwise limited by the provisions of sections 51A.01 to 51A.57, every association shall have the powers set forth in this section.

Subd. 2. **Existence; seal; bylaws.** To have perpetual existence; to adopt and use a corporate seal, which may be affixed by imprint, facsimile, or otherwise; and to adopt and amend bylaws as provided in sections 51A.01 to 51A.57.

Subd. 3. **Plaintiff; defendant.** To sue and be sued, complain and defend in any court of law or equity.

Subd. 4. **Property transfers.** To acquire, hold, sell, dispose of and convey real and personal estate consistent with its objects and powers; to mortgage, pledge, or lease any real or personal estate; and to take property by gifts, devise, or bequest.

Subd. 5. **Borrowing.** If and when an association is not a member of a federal home loan bank to borrow from sources, individual or corporate, not more than an aggregate amount equal to one-fourth of its savings liability on the date of borrowing and such additional sums as the commissioner may approve. If and when an association is a member of a federal home loan bank, to secure advances of not more than an aggregate amount equal to one-half of its savings liability; within such amount equal to one-half of its savings liability, the association may borrow from sources, individual or corporate other than such federal home loan bank, an aggregate amount not in excess of 20 percent of its savings liability. Sources of borrowing other than financial institutions or federal home loan banks shall require advance written approval of the commissioner, acting in his sole discretion. A subsequent reduction of savings liability shall not affect in any way outstanding obligations for borrowed money. All such loans and advances may be secured by property of the association, and may be evidenced by such notes, bonds, debentures, or other obligations or securities, (except capital stock) as the commissioner may authorize for all associations; provided that authorization by the commissioner shall not be required in the case of securities guaranteed pursuant to Section 306(g) of the National Housing Act of 1934, as amended.

Subd. 6. **Sale of loans.** To sell without recourse any loan, including any participating interests therein, at any time, provided that the total dollar amount of such loans sold, including such sale, within the calendar year beginning January 1 immediately preceding the date of such sale, does not exceed a sum equivalent to 25 percent of the dollar amount of all loans and participating interests in loans held by such association at the beginning of such calendar year; provided further, that the commissioner, upon application of the association showing good cause, may authorize the sale of a greater amount during a calendar year. Notwithstanding the limitations of this subdivision, loans may be assigned for collateral purposes with recourse to any federal home loan bank of which the association is a member.

Subd. 7. **Insurance of accounts.** To obtain and maintain insurance of its savings accounts by the federal savings and loan insurance corporation or any agency of this state or other federal agency established for the purpose of insuring savings accounts in associations.

Subd. 8. **Federal home loan bank membership.** To qualify as and become a member of a federal home loan bank.

Subd. 9. **Employees.** To appoint officers, agents, and employees as its business shall require and to provide them suitable compensation; to provide for life, health, and casualty insurance for officers and employees, and to adopt and operate reasonable bonus plans and retirement benefits for such officers and employees; and to provide for indemnification of its officers, employees, and directors as prescribed or permitted in sections 51A.01 to 51A.57 whether by insurance or otherwise.

Subd. 10. **Facilitating organizations.** To become a member of, deal with, or make reasonable payments or contributions to any organization to the extent such organization assists in furthering or facilitating the association's purposes, powers, or community responsibilities, and to comply with any reasonable conditions of eligibility.

Subd. 11. **Safe deposit boxes.** To maintain and let safes, boxes, or other receptacles for the safekeeping of personal property upon such terms and conditions as may be agreed upon, other statutory provisions withstanding.

Subd. 12. **Money orders.** To sell money orders, travel checks, and similar instruments, or as agent for any organization empowered to sell such instruments through agents within this state.

Subd. 13. **Fiscal agent.** If and when an association is a member of a federal home loan bank, to act as fiscal agent of the United States, and, when so designated by the secretary of the treasury, to perform, under such regulations as he may prescribe, all such reasonable duties as fiscal agent of the United States as he may require; and to act as agent for any instrumentality of the United States and as agent of this state or any instrumentality thereof.

Subd. 14. **Servicing.** To service loans and investments for others, provided that the maximum principal amount of loans and investments serviced for others at any one time shall not exceed 75 percent of the amount of the savings liability of such association.

Subd. 15. **Savings, investments.** To acquire savings and pay earnings thereon, and to lend and invest its funds as provided in sections 51A.01 to 51A.57.

Subd. 16. **Limited trusteeship.** Upon application to and approval by the commissioner, to act as trustee or custodian within the contemplation of the federal self-employed individuals tax retirement act of 1962, as amended, and also within the contemplation of the employee retirement income security act of 1974, as amended. A \$100 filing fee shall accompany such application. The trustee or custodian may accept such trust funds provided such funds are invested only in savings accounts or deposits in such association or in obligations or securities issued by such association. Associations exercising the powers authorized by this subdivision shall segregate all funds held in such fiduciary capacities from the general assets of the association and shall keep a separate set of books and records, showing in detail all transactions made under authority of this subdivision. Provided individual records are kept for each self-employed individual's or other permitted retirement plan and each investment fund, all funds held in such fiduciary capacities by an association may be commingled for appropriate purposes of investment. In passing upon applications, the commissioner shall take into consideration the investment policies, amount, type and adequacy of reserves, fidelity bonds and any legally required deposits of the applicant, and other pertinent facts and circumstances, and may grant or refuse the application accordingly.

Subd. 16a. **Trustee of individual housing accounts.** Upon application to and approval by the commissioner, to act as trustee of individual housing

accounts established pursuant to the provisions of section 290.09, subdivision 30.

Subd. 17. **Agency.** To act as agent for others in any transaction incidental to the operation of its business.

Subd. 18. **Treasury tax and loan accounts of the United States.** 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 the Treasury of the United States.

Subd. 19. **Open end loan account arrangements.** A savings association or savings and loan association subject to the provisions of sections 51A.01 to 51A.57, and a savings and loan association chartered under the laws of the United States, and a wholly owned subsidiary of such a financial institution, may extend credit through an open end loan account arrangement with a debtor, pursuant to which the debtor may obtain loans from time to time by cash advances, purchases or satisfaction of the obligations of the debtor incurred pursuant to a credit card or other open end loan account plan, or otherwise under a credit card or overdraft plan, pursuant and subject to the provisions of section 48.185, subdivisions 3, 4, 4a, 5, 6 and 7, that are applicable to banks, national banking associations, and savings banks. The extension of credit pursuant to this subdivision may be unsecured or may be secured in whole or in part by an assignment or pledge of a savings account or savings certificate.

History: 1969 c 490 s 21; 1971 c 136 s 1; 1978 c 747 s 2; 1978 c 748 s 1; 1980 c 512 s 3; 1980 c 522 s 2

51A.22 SAVINGS LIABILITY.

The savings liability of an association is not limited, but shall consist only of the aggregate amount of savings accounts of its members, plus earnings credited to such accounts, less redemption and withdrawal payments. Except as limited by the board of directors from time to time, a member may make additions to his savings accounts in such amounts and at such times as he may elect. Savings accounts may be opened for cash or property in which the association is authorized to invest, and, in the absence of fraud in the transaction, the value of the property taken in payment therefor as determined by the board of directors shall be conclusive. The members of an association shall not be responsible for any losses which its savings liability shall not be sufficient to satisfy, and savings accounts shall not be subject to assessment, nor shall the holders thereof be liable for any unpaid installments on their accounts. Earnings shall be declared in accordance with the provisions of sections 51A.01 to 51A.57. Except as provided in section 51A.32, no association shall prefer one of its savings accounts over any other savings account as to the right to participate in earnings. No preference between savings account members shall be created with respect to the distribution of assets upon voluntary liquidation, dissolution, or winding up of an association. No association shall issue, sell, negotiate, or advertise for issuance or sale to members any type of savings or investment media other than savings accounts, nor shall it contract with respect to the savings liability in a manner inconsistent with the provisions of sections 51A.01 to 51A.57.

History: 1969 c 490 s 22

51A.23 SAVINGS ACCOUNT.

Subdivision 1. **Ownership.** Savings accounts may be opened and held solely and absolutely in his own right by, or in trust or other fiduciary capacity for, any person, including an adult or minor individual, male or female, single or married, partnership, association, fiduciary, or corporation. Savings accounts shall be represented only by the account of each savings account holder on the books of the association, and such accounts or any interest therein shall be transferable

only on the books of the association and upon proper written application by the transferee and upon acceptance by the association of the transferee as a member upon terms approved by the board of directors. The association may treat the holder of record of a savings account as the owner thereof for all purposes without being affected by any notice to the contrary unless the association has acknowledged in writing notice of a pledge of such savings account.

An association may issue savings accounts to or in the name of a minor, which shall be held for the exclusive right and benefit of the minor, free from the control or lien of all other persons, except creditors, and, together with dividends thereon, shall be paid to him, and his receipt or acquittance in any form, shall be sufficient release and discharge of the association for withdrawal, until a guardian appointed in this state for the minor shall have delivered a certificate of his appointment.

Subd. 2. Savings account contract. Each holder of a savings account shall execute a savings account contract setting forth any special terms and provisions applicable to such savings account and the ownership thereof and the conditions upon which withdrawals may be made not inconsistent with the provisions of sections 51A.01 to 51A.57.

Subd. 3. Evidence of ownership. An account book may be issued to each savings account holder of record as shown by the books of the association, and such account book shall, if issued, indicate the withdrawal value of the savings account. A separate certificate for a savings account may be issued in lieu of an account book, entitled "certificate of savings account," and if issued shall contain substantially the following information:

This certifies that is a member of the undersigned savings association and holds a dollar savings account therein, subject to the savings association act, the certificate of incorporation, and bylaws of the association.

Subd. 4. Duplicate account books and certificates. Upon the filing with an association by the holder of record as shown by the books of the association, or by his legal representative, of an affidavit to the effect that the account book or certificate evidencing his savings account with the association has been lost or destroyed, and that such account book or certificate has not been pledged or assigned in whole or in part, such association shall issue a new account book or certificate in the name of the holder of record, such evidence stating that it is issued in lieu of the one lost or destroyed, and the association shall in no way be liable thereafter on account of the original account book or certificate, provided that the board of directors shall, if in its judgment it is necessary, require a bond in an amount it deems sufficient to indemnify the association against any loss which might result from the issuance of such new account book or certificate.

Subd. 5. Inducements. No association shall, directly or indirectly, for the opening or increasing of any savings account, give, sell, dispose of, or permit the giving, selling, or disposition of, for any one such opening or increase anything having a cost or value in excess of an amount determined by the commissioner.

Subd. 6. Insurance of accounts. Not later than July 1, 1979, each association incorporated pursuant to or operating under the provisions of sections 51A.01 to 51A.57 shall apply for insurance of its savings accounts by the federal savings and loan insurance corporation or any agency of this state or other federal agency established for the purpose of insuring savings accounts in associations. An association which has been denied a commitment for insurance of its savings accounts shall either dissolve, merge or consolidate with another association which is insured by the federal savings and loan insurance corporation or any agency of this state or any federal agency established for the purpose of insuring savings accounts in associations, or apply in writing within 30 days of

denial to the commissioner of banks for additional time to obtain an insurance commitment.

The commissioner of banks shall grant additional time or times to obtain the insurance commitment upon satisfactory evidence that the association has made or is making a substantial effort to achieve the conditions precedent to issuance of the commitment. Additional time or times shall not extend later than July 1, 1981.

Subd. 7. **Insurance of accounts in new associations.** No association shall be issued a certificate of approval by the commissioner of banks after the effective date of this act unless such association has obtained a commitment for insurance of its deposits by the federal savings and loan insurance corporation or any agency of this state or any federal agency established for the purpose of insuring savings accounts in associations.

History: 1969 c 490 s 23; 1971 c 136 s 3; 1971 c 387 s 6; 1976 c 219 s 1,2

51A.24 CONTRACTS FOR SCHOOL SAVINGS PROGRAMS.

An association may contract with the proper authorities of any public or nonpublic elementary or secondary school or institution of higher learning, or any public or charitable institution caring for minors, for the participation and implementation by the association in any school or institutional thrift or savings plan, and it may accept savings accounts at such a school or institution, either by its own collector or by any representative of the school or institution which becomes the agent of the association for such purpose.

History: 1969 c 490 s 24

51A.25 POWERS OF ATTORNEY ON SAVINGS ACCOUNTS.

Any association or federal association may continue to recognize the authority of an attorney-in-fact authorized in writing to manage or to make withdrawals either in whole or in part from the savings account of a member, whether minor or adult, until it receives written notice or is on actual notice of the revocation of his authority of his attorney. No such institution shall be liable for damages, penalty, or tax by reason of any payment made pursuant to this section.

History: 1969 c 490 s 25

51A.26 ACCOUNTS IN TWO OR MORE NAMES.

When a savings account is maintained in any association or federal association in the names of two or more persons, whether minor or adult, in such form that the moneys in the account are payable to either or the survivor or survivors then, in the absence of fraud or undue influence, such account and all additions thereto shall be the property of such persons as joint tenants. The moneys in such account may be paid to or on the order of any one of such persons during their lifetimes or to or on the order of any one of the survivors of them after the death of any one or more of them. The opening of the account in such form shall, in the absence of fraud or undue influence, be conclusive evidence in any action or proceeding to which either the association or the survivor or survivors is a party of the intention of all of the parties to the account to vest title to such account and the additions thereto in such survivor or survivors. By written instructions given to the association by all the parties to the account, the signatures of more than one of such persons during their lifetimes or of more than one of the survivors after the death of any one of them may be required on any receipt, or withdrawal order, in which case the association shall pay the moneys in the account only in accordance with such instructions, but no such instructions shall limit the right of the survivor or survivors to receive the moneys in the

account. Payment of all or any of the moneys in such account as provided in this section shall discharge the association from liability with respect to the moneys so paid prior to receipt by the association of a written notice from any one of them directing the association not to permit withdrawals in accordance with the terms of the account or the instructions. After receipt of such notice an association may refuse, without liability, to honor any receipt, or withdrawal order on the account pending determination of the rights of the parties.

History: 1969 c 490 s 26

51A.27 PLEDGE TO ASSOCIATION OF SAVINGS ACCOUNTS IN JOINT TENANCY.

The pledge or hypothecation to any association or federal association of all or part of a savings account in joint tenancy signed by any tenant or tenants whether minor or adult, upon whose signature or signatures withdrawals may be made from the account shall, unless the terms of the savings account provide specifically to the contrary, be a valid pledge and transfer to the association of that part of the account pledged or hypothecated, and shall not operate to sever or terminate the joint and survivorship ownership of all or any part of the account.

History: 1969 c 490 s 27

51A.28 ACCOUNTS OF ADMINISTRATORS, EXECUTORS, GUARDIANS, CUSTODIANS, TRUSTEES, AND OTHER FIDUCIARIES.

Any association or federal association may accept savings accounts in the name of any administrator, executor, custodian, conservator, guardian, trustee, or other fiduciary for a named beneficiary or beneficiaries. Any such fiduciary shall have power to vote as a member as if the membership were held absolutely, to open and to make additions to, and to withdraw any such account in whole or in part. The withdrawal value of any such account, and earnings thereon, or other rights relating thereto may be paid or delivered, in whole or in part, to such fiduciary without regard to any notice to the contrary as long as such fiduciary is living. The payment or delivery to any such fiduciary or a receipt or acquittance signed by any such fiduciary to whom any such payment or any such delivery of rights is made shall be a valid and sufficient release and discharge of an association for the payment or delivery so made. Whenever a person holding an account in a fiduciary capacity dies and no written notice of the revocation or termination of the fiduciary relationship shall have been given to an association and the association has no written notice of any other disposition of the beneficial estate, the withdrawal value of such account, and earnings thereon, or other rights relating thereto may, at the option of an association, be paid or delivered, in whole or in part, to the beneficiary or beneficiaries. Whenever an account shall be opened by any person, describing himself in opening such account as trustee for another and no other or further notice of the existence and terms of a legal and valid trust than such description shall have been given in writing to such association, in the event of the death of the person so described as trustee, the withdrawal value of such account or any part thereof, together with the earnings thereon, may be paid to the person for whom the account was thus described to have been opened. The payment or delivery to any such beneficiary, beneficiaries, or designated person, or a receipt or acquittance signed by any such beneficiary, beneficiaries, or designated person for any such payment or delivery shall be a valid and sufficient release and discharge of an association for the payment or delivery so made.

History: 1969 c 490 s 28

51A.29 ACCOUNTS OF INCOMPETENTS.

When a savings account is held in any association or federal association by a person who becomes incompetent and an adjudication of incompetency has been made by a court of competent jurisdiction, such an association may pay or deliver the withdrawal value of such savings account and any earnings that may have accrued thereon to the guardian for such person upon proof of his appointment and qualification; provided that if such association has received no written notice and is not on actual notice that such savings account holder has been adjudicated incompetent, it may pay or deliver such funds to such holder in accordance with the provisions of the savings account contract, and the receipt or acquittance of such holder therefor shall be a valid and sufficient release and discharge of the association for the payment or delivery so made.

History: 1969 c 490 s 29

51A.30 ACCOUNTS OF DECEASED NONRESIDENTS.

When a savings account is held in any association or federal association by a person residing in another state or country, the account, together with additions thereto and earnings thereon, or any part thereof, shall be exempt from any taxation otherwise imposed by this state and may be paid to the administrator or executor appointed in the state or country where the account holder resided at the time of death provided such administrator or executor has furnished the association with (1) authenticated copies of his letters and of the order of the court which issued the letters to him authorizing him to collect, receive, and remove the personal estate, and (2) an affidavit by the administrator or executor that to his knowledge no letters then are outstanding in this state and no petition for letters by an heir, legatee, devisee, or creditor of the decedent is pending on the estate in this state, and that there are no creditors of the estate in this state. Upon payment or delivery to such representative after receipt of the affidavit and authenticated copies, the association is released and discharged to the same extent as if the payment or delivery had been made to a legally qualified resident executor or administrator, and is not required to see to the application or disposition of the property. No action at law or in equity shall be maintained against the association for payment made in accordance with this section.

History: 1969 c 490 s 30

51A.31 SAVINGS ACCOUNTS AS LEGAL INVESTMENTS.

Subdivision 1. **Legal investments.** Administrators, executors, custodians, conservators, guardians, trustees, and other fiduciaries of every kind and nature, insurance companies, business and manufacturing companies, banks, trust companies, credit unions, and other types of similar financial organizations, charitable, educational, eleemosynary and such public corporations as are authorized by law, funds, and organizations, are specifically authorized and empowered to invest funds held by them, without any order of any court, in savings accounts of savings associations which are under state supervision, and in accounts of federal associations organized under the laws of the United States and under federal supervision, and such investments shall be deemed and held to be legal investments for such funds.

Subd. 2. **Provisions supplemental.** The provisions of this section are supplemental to any and all other laws relating to and declaring what shall be legal investments for the persons, fiduciaries, corporations, organizations, and officials referred to in this section.

History: 1969 c 490 s 31

51A.32 EARNINGS.

An association may pay earnings on its savings accounts from sources available for payment of earnings at such rate and at such times and for such time or notice periods as shall be determined by resolution of its board of directors. All savings account holders shall participate equally in earnings pro rata to the withdrawal value of their respective accounts, except that an association may classify its savings accounts according to the character, amount, or duration thereof, or regularity of additions thereto, and may agree in advance to pay an additional or different rate of earnings not to exceed one percent over and above the rate of earnings paid on all savings accounts on accounts based on such classification, and shall regulate such earnings in such manner that each savings account in the same classification shall receive the same ratable portion of such additional earnings, except for accounts which shall be classified according to a specified contractual time or notice period. Earnings shall be declared on the withdrawal value of each savings account at the beginning of the accounting period, plus additions thereto made during the period (less amounts previously withdrawn and noticed for withdrawal, which for earnings purposes shall be deducted from the latest previous additions thereto) computed at the declared rate for the time the funds have been invested, determined as next provided. The date of investment shall be the date of actual receipt by the association of an account or an addition to an account, except that if the board of directors shall so determine, accounts in one or more classifications or additions thereto received by the association on or before a date not later than the 20th day of the month in which such payments were received; if the board shall make such determination, it also shall determine that payments received subsequent to such determination date shall either (1) receive earnings as if invested on the first day of the next succeeding month, or (2) receive earnings from the date of actual receipt by the association. Unless the commissioner shall issue his approval in writing, no earnings shall be declared or paid for an accounting period unless the allocation to the general reserve for the preceding accounting period required by section 51A.20 or approved by the commissioner thereunder has been made. Notwithstanding the provisions of the second sentence of this section, the board of directors, by resolution, may determine that earnings shall not be paid on any savings account which has a withdrawal value of a specified amount less than \$50 or which by written agreement is intended to be closed within a specified period less than 15 months from the date on which such savings account is opened, provided that an exception may be made and earnings paid on savings accounts opened pursuant to section 51A.24. The directors shall determine by resolution the method of calculating the amount of any earnings on savings accounts as herein provided, and the time or times when earnings are to be declared, paid, or credited.

History: 1969 c 490 s 32

51A.33 WITHDRAWAL.

Any savings account member or his authorized representative may at any time present a written application for withdrawal of all or any part of his savings accounts. No member shall have on file in any one association more than one application at a time. Every application shall request immediate withdrawal of a stated amount in accordance with this section. Any member may cancel his application at any time in whole or in part by a writing. Every association shall pay or number, date, and file in the order of actual receipt every withdrawal application. Withdrawals shall be made in the order of actual receipt of applications, except as provided in this section. Upon receipt of a withdrawal request signed by the person or persons authorized to withdraw by the savings account contract or by operation of law, an association shall pay the amount stated

thereon in the form of cash or one or more checks or similar instruments payable to the order of such person or persons or to the order of others as directed, or transfer credits to the account or accounts of others in the institution as directed, but not in excess of the withdrawal value of such savings account or accounts, together with any earnings which may have been declared and may have accrued thereon for the current period. If an association so elects, it may at any time pay in full each and every application as presented. It shall not, however, pay some in full unless it pays every application on file in full, except by paying all applications on file on the rotation system prescribed in this section. The board of directors, however, shall have an absolute right to pay upon any application not exceeding \$200 to any one savings account member in any one month in any order. No association can obligate itself to pay withdrawals on any plan other than as provided in sections 51A.01 to 51A.57. Savings account holders who have filed written applications for withdrawal shall remain savings account members so long as their applications remain on file. No earnings shall be declared upon that portion of an account which has been noticed for withdrawal, which for earnings purposes is required to be deducted from the latest previous additions to such account, so long as application is on file. The rotation system for payment of withdrawals is as follows: On the first day of each month, each application which has been on file since the first day of the preceding month and which is reached in order shall be paid \$1,000 on account, or in full if the amount noticed for withdrawal or the unpaid balance of such application is less than \$1,000. Each such application for more than \$1,000 so paid shall be deemed refiled as if filed on that day. Such limited payment on the first day of each month and such renumbering shall take place on the first day of each subsequent month as long as there are applications unpaid. At least one-third of the receipts of an association from its members during the preceding calendar month shall be applied on the first day of each month to the payment of applications which have been on file since the first day of the preceding month. Any association may apply to withdrawals an amount larger than one-third of such receipts, but cannot obligate itself to do so. When an application to withdraw is reached for payment as above provided, a written notice shall be sent to the applicant by mail at his last address recorded on the books, and unless the applicant shall apply in person or in writing for such withdrawal within 30 days from the date of such notice, no payment on account of such application shall be made and such application shall be cancelled. In no event shall an association voluntarily or involuntarily delay or postpone the whole or partial payment of the value of any savings account pursuant to a written withdrawal application by a savings account member for a period exceeding 30 days following the receipt of such application without first securing written permission, in the case of an association the accounts of which are not insured by the federal savings and loan insurance corporation, from the commissioner, or in the case of an association the accounts of which are insured by the federal savings and loan insurance corporation, from the said corporation. If the association is under control of a conservator appointment pursuant to section 51A.45, subdivision 2, withdrawal shall be governed by the lawful rules and orders of the conservator.

History: 1969 c 490 s 33

51A.34 REDEMPTION.

At any time funds are on hand for the purpose, the association shall have the right to redeem by lot or otherwise, as the board of directors may determine, all or any part of any of its savings accounts on an earnings date by giving 30 days' notice by certified mail addressed to each affected account holder at his last address as recorded on the books of the association. No association shall redeem any of its savings accounts when the association is in an impaired condi-

tion or when it has applications for withdrawal which have been on file more than 30 days and have not been reached for payment. The redemption price of savings accounts redeemed shall be full value of the account redeemed, as determined by the board of directors, but in no event shall the redemption price be less than the withdrawal value. If the aforesaid notice of redemption shall have been duly given, and if on or before the redemption date the funds necessary for such redemption shall have been set aside so as to be and continue to be available therefor, earnings upon the accounts called for redemption shall cease to accrue from and after the earnings date specified as the redemption date, and all rights with respect to such accounts shall forthwith, after such redemption date, terminate, except only any right of the account holder of record to receive the redemption price without interest.

History: 1969 c 490 s 34; 1978 c 674 s 60

51A.35 INVESTMENT IN SECURITIES.

Savings associations shall have power to invest in securities as follows:

(a) **Investments not subject to limitation.** Without limit, in obligations of, or obligations which are fully guaranteed as to principal and interest by, the United States or this state or the political subdivision of this state in stock or obligations of any federal home loan bank or banks; in stock or obligations of the federal savings and loan insurance corporation; in demand, time, or savings deposits, shares or accounts, or other obligations of any financial institution the accounts of which are insured by a federal agency.

(b) **Investments subject to 25 percent of assets limitation.** Not in excess of 25 percent of its assets in (1) bonds, notes, or other evidences of indebtedness which are a general obligation of, or guaranteed as to principal and interest by, any agency or instrumentality of the United States not specified in subparagraph (a) or of this state, or any city, town, county, district, or other municipal corporation or political subdivision of this state, or any instrumentality or authority of any one or more of the foregoing; (2) capital stock, obligations, or other securities of service organizations, provided that the aggregate of such investments shall not thereupon exceed one percent of its assets.

History: 1969 c 490 s 35; 1973 c 123 art 5 s 7

51A.36 REQUIRED LIQUIDITY.

No association shall invest in any security, other than in liquid assets, or in any loan at any time when its liquid assets are less than an amount from 4 percent up to 8 percent of its savings liability as the commissioner shall determine from time to time.

History: 1969 c 490 s 36

51A.37 INVESTMENT IN LOANS.

Subdivision 1. **Generally.** Every savings association shall have power to invest in loans and other investments as set forth in this section.

Subd. 2. **Savings account loans.** Loans secured by its savings accounts to the extent of the withdrawal value thereof.

Subd. 3. **Real estate loans.** Real estate loans in any amount not exceeding the value of the security, subject to the following conditions:

(a) No association shall make a real estate loan to one borrower if the sum of (1) the amount of the loan and (2) the total balances of all outstanding real estate loans owed to the association by the borrower exceeds an amount equal to ten percent of the association's savings liability or an amount equal to the sum of the association's reserves for losses and undivided profits, whichever amount is less, except that any such loan may be made if the sum of (1) and (2) does not exceed \$100,000.

(b) An association may (1) participate with one or more financial institutions, or entities having a tax exemption under section 501(a) of the internal revenue code, in any real estate loan of the type in which the association is authorized to invest on its own account, provided that the participating interest of the association is not subordinated or inferior to any other participating interest; and (2) participate in real estate loans with other than financial institutions or those entities described, provided that the participating interest of the association is superior to the participating interests of the other participants.

(c) The aggregate balances outstanding of real estate loans on real estate located outside the primary lending area of an association shall at no time exceed ten percent of the assets of the association, except that (1) loans insured or guaranteed in whole or in part by the United States, or a federal agency and (2) loans in which an association owns or has purchased no more than a 75 percent participation interest are not subject to this restriction; and

(d) Direct reduction real estate loans on home property and not in excess of 90 percent of the value of the security except as may be provided by the Federal Home Loan Bank Board for federally insured associations, and direct reduction real estate loans on primarily residential property not in excess of 80 percent of the value of the security, including participating interests in the loans, shall average annually, based on monthly computations, at least 70 percent of assets, other than liquid assets, held by the association.

(e) Real estate loans on home property by mortgage or contract for deed, as provided in clauses (a) through (d) above with no limit on purchase or sale thereof; and may participate with other lenders in the making, purchasing, or selling of the loans, provided (1) the property securing same is within 100 miles of the servicing office of the other lender or lenders and (2) that the other lender or lenders participate to the extent of at least ten percent in the loan and further provided not more than 25 percent of the assets of the association licensed hereunder shall be in the loan.

(f) An association may purchase, at any sheriff's judicial, or other sale, public or private, any real estate upon which it has a mortgage, judgment, or other lien, or in which it has any interest. It may acquire title to any real estate on which it holds any lien, in full or part satisfaction thereof, and may sell, convey, hold, lease, or mortgage the same. In transactions involving the purchase by a vendee of improved real estate for home purposes, or for the construction of a home, a savings and loan association organized under the laws of this state, or of the United States of America, may, when authorized by its bylaws, acquire the title thereof, and it may give to the vendee a contract to convey the same as upon a sale thereof. Provided, that no association shall hereafter invest more than 50 percent of its assets in such contracts to convey. Upon default in the conditions of the contract, the association may terminate the interest of the vendee, his representatives or assigns by serving the notice provided by section 559.21, upon the vendee, his representative or assigns.

Subd. 4. Insurance policy loans. Loans secured by the pledge of policies of life insurance, the assignment of which is properly acknowledged by the insurer, but not exceeding the cash value of such policies providing such pledge is made as additional collateral for real estate, home improvement, or mobile home loans.

Subd. 5. Improvement loans. Property improvement loans made pursuant to the provisions of any title of the national housing act, and, other loans, secured or unsecured, to home owners and other property owners for the maintenance, repair, alteration, modernization, landscaping, improvements, including new construction, furnishings, and equipment installed and intended for use as part of the structure.

Subd. 6. **Mobile home loans.** Loans made for the purpose of mobile home financing, subject to any limitations as to maximum loan amount which may be prescribed by regulation of the commissioner for all associations. For the purposes of this subsection "mobile home" shall mean a moveable accommodation or relocatable housing used or designed for use as living quarters.

Subd. 7. **Business property.** Such real property or interests therein as the directors may deem necessary or convenient for the conduct of the business of the association, which for the purposes of sections 51A.01 to 51A.57 shall be deemed to include the ownership of stock of a wholly owned subsidiary corporation having as its exclusive activity the ownership and management of such property or interests, but the amount so invested in land and improvements shall not exceed the sum equal to 5 percent of net assets of the association, provided that the commissioner may authorize a greater amount to be so invested.

Subd. 8. **Educational loans.** Loans made for the payment of expenses of college or university education but the aggregate of such loans shall not exceed 5 percent of the association's assets. These loans may be secured, partially secured, or unsecured, and the association may require a co-maker or co-makers, insurance, guarantee under a governmental loan guarantee plan, or other protection against contingencies and subject to regulations of the commissioner. The term "college or university education" means education at an institution which awards a bachelors degree or which provides not less than a two year program which is acceptable for full credit toward such a degree.

Subd. 9. **Unamortized loans.** Unamortized home loans shall be subject to same limitation as this section provides for direct reduction loans.

History: 1969 c 490 s 37; 1971 c 136 s 2; 1971 c 387 s 7; 1980 c 524 s 5

51A.38 LOAN PLANS.

Subdivision 1. **Generally.** Real estate loans eligible for investment by an association under sections 51A.01 to 51A.57 may be written upon the plan set forth in this section, or upon any other plan approved by the commissioner.

Subd. 2. **Appraisal.** No investment in a real estate loan shall be made until a qualified person or persons approved by the board of directors shall have made a physical inspection and submitted a signed appraisal of the value of the real estate securing such loan.

Subd. 3. **Payments.** Payments on real estate loans shall be applied first to the payment of interest on the unpaid balance of the loan and the remainder on the reduction of principal; provided that if the loan is in default in any manner or is being assumed by the assignee of the mortgagor, payments may be applied by the association to payment of penalties or assumption charges as provided in the loan contract. All real estate loans may be prepaid in part or in full, at any time and the association shall not charge for such privilege of anticipatory payment an amount greater than 5 percent of the amount of such anticipatory payment. Unless otherwise agreed in writing, any prepayment of principal may, at the option of the association, be applied on the final installment of the note or other obligation until fully paid, and thereafter on the installments in the inverse order of their maturity.

Subd. 4. **Evidence of loan.** Every loan shall be evidenced by a note or instrument of obligation for the amount of the loan. The note or instrument shall specify the amount, rate of interest, and terms of repayment including any prepayment penalty or charge for late payment, mortgage assumption fee, and may contain all other terms of the loan contract.

Subd. 5. **Security instrument.** Every real estate loan shall be secured by a mortgage, deed of trust, or other transaction or instrument constituting a first lien or claim, or the full equivalent thereof, upon the real estate securing the

loan, according to any lawful and recognized practice which is suited to the transaction. Any such instrument or transaction constituting a first lien or claim is herein termed a "mortgage." Such mortgage shall provide specifically for full protection to the association with respect to such loan and additional advances and the usual insurance risks, ground rents, taxes, assessments, other governmental levies, maintenance, and repairs. It may provide for an assignment of rents, and if such assignment is made, any such assignment shall be absolute upon the borrower's default, becoming operative upon written demand made by the association. All such mortgages shall be recorded in accordance with the law of this state.

Subd. 6. **Lien of mortgage.** Any mortgage that can be made by an association under the provisions of sections 51A.01 to 51A.57 may be made to secure existing debts or obligations, to secure debts or obligations created simultaneously with the execution of the mortgage, to secure future advances necessary to protect the security, and to secure future advances to be made at the option of the parties up to a total amount stated in the mortgage, and all such debts, obligations, and future advances shall, from and as of the time the mortgage is filed for record as provided by the law of this state, be secured by such mortgage equally with, and have the same priority over the rights of all persons who subsequent to the recording of such mortgage acquire any rights in or liens upon the mortgaged real estate as, the debts and obligations secured thereby at the time of the filing of the mortgage for record; except that (1) the mortgagor or his successor in title is hereby authorized to file for record, and the same shall be recorded, a notice limiting the amount of optional future advances secured by such mortgage to not less than the amount actually advanced at the time of such filing, provided a copy of such filing is also filed with the mortgagee, and (2) if any optional future advance shall be made by the mortgagee to the mortgagor or his successor in title after written notice of any mortgage, lien, or claim against such real property which is junior to such mortgage, then the amount of such advance shall be junior to such mortgage, lien, or claim of which such written notice was given.

Subd. 7. **Advances for taxes.** An association may pay taxes, assessments, ground rents, insurance premiums, and other similar charges for the protection of its real estate loans. All such payments shall be added to the unpaid balance of the loan and shall be equally secured by the first lien on the property as provided above. An association may require life insurance to be assigned as additional collateral upon any real estate loan. In such event, the association shall obtain a first lien upon such policy and may advance premiums thereon, and such premium advances shall be added to the unpaid balance of the loan and shall be equally secured by the first lien on the property as provided above.

Subd. 8. **Provision for taxes, insurance.** An association may require the borrower to pay monthly in advance, in addition to interest or interest and principal payments, the equivalent of one-twelfth of the estimated annual taxes, assessments, insurance premiums, ground rents, and other charges upon the real estate securing a loan, or any of such charges, so as to enable the association to pay such charges as they become due from the funds so received. The amount of such monthly charges may be increased or decreased so as to provide reasonably for the payment of the estimated annual taxes, assessment, insurance premiums, and other charges. The association at its option may hold such funds in trust and commingle them with other such funds and use the same for such purposes, or hold such funds in open account and commingle them with its own funds and advance like amounts for such purposes, or credit such funds as received to the mortgage account and advance a like amount for the purposes stated. If such funds are held in trust or invested in savings accounts, the amounts shall be pledged to further secure the indebtedness and, if held in open account or cred-

ited to the loan account, the amounts when advanced for the purposes stated shall be secured by the mortgage with the same priority as the original amount advanced under the mortgage. The association shall have no obligation to pay interest, earnings, or other increment to the borrower upon such monthly payments, nor to invest the same for the benefit of the borrower, unless such funds have been placed in a savings account or accounts. Every association shall keep a record of the status of taxes, assessments, insurance, ground rents, and other charges on all real estate securing its loans and on all real and other property owned by it.

History: 1969 c 490 s 38

51A.39 LOAN EXPENSES.

Subdivision 1. **Fees and charges.** Every association may require borrowing members to pay all reasonable expenses incurred in connection with the making, closing, disbursing, extending, readjusting, or renewing of real estate loans. Without limiting the generality of the foregoing, such expenses may include appraisal, attorney, abstract, recording, and registration fees, title examination, loan insurance, credit report, survey, drawing of papers, escrow services, loan closing costs, and taxes or charges imposed upon or in connection with the making and recording of any loan. Every association also may require borrowing members to pay the cost of all other necessary and incidental services rendered by the association or by others in connection with real estate and other loans in such reasonable amounts as may be fixed by the board of directors. Without limiting the generality of the foregoing, such costs may include the costs of services of inspectors, engineers, and architects. Such initial charges may be collected by the association from the borrower and paid to any persons, including any director, officer, or employee of the association rendering such services, or paid directly by the borrower. In lieu of such initial charges to cover such expenses and costs, an association may make a reasonable charge, part or all of which may be retained by the association which renders such service, or part of all of which may be paid to others who render such services. The fees and charges authorized by this and the preceding section shall be in addition to interest authorized by law, and shall not be deemed to be a part of the interest collected or agreed to be paid on such loans within the meaning of any law of this state which limits the rate of interest which may be exacted in any transaction. No director, officer, or employee of an association shall receive any fee or other compensation of any kind in connection with procuring any loan for an association, except for services actually rendered as above provided. This section shall not apply to a conventional loan made pursuant to section 47.20.

Subd. 2. **Settlement statement.** The association shall furnish a loan settlement statement to each borrower upon the closing of the loan, indicating in detail the charges and fees such borrower has paid or obligated himself to pay to the association or to any other person in connection with such loan. A copy of such statement shall be retained in the records of the association.

History: 1969 c 490 s 39; 1978 c 529 s 5

51A.40 DEALING WITH SUCCESSORS IN INTEREST.

In the case of any investment made by an association in a real estate loan, in the event the ownership of the real estate security or any part thereof becomes vested in a person other than the party or parties originally executing the security instruments, and provided there is not an agreement in writing to the contrary, an association may, without notice to such party or parties, deal with such successor or successors in interest with reference to said mortgage and the debt thereby secured in the same manner as with such party or parties, and may forbear to sue or may extend time for payment of or otherwise modify the

terms of the debt secured thereby, without discharging or in any way affecting the original liability of such party or parties thereunder or upon the debt thereby secured.

History: 1969 c 490 s 40

51A.41 RIGHT TO ACT TO AVOID LOSS.

Nothing in sections 51A.01 to 51A.57 or the statute law of the state shall be construed as denying to an association the right to invest its funds, operate a business, manage or deal in property, or take any other action over whatever period of time may reasonably be necessary to avoid loss on a loan or investment theretofore made or an obligation created in good faith.

History: 1969 c 490 s 41

51A.42 DEPARTMENT OF SAVINGS ASSOCIATIONS.

Subdivision 1. **Banking department to control.** The banking division of the department of commerce shall have charge of the execution of all laws relating to the savings associations chartered under the laws of Minnesota and the business thereof.

Subd. 2. **Supervisor.** The commissioner may appoint a savings association supervisor, whose duties shall be the supervision of all savings associations in this state.

Subd. 3. **Commissioner to supervise.** (a) **Visits; examinations; books and records.** The commissioner shall exercise a constant supervision over the books and affairs of all associations doing business within the state as provided in section 46.04.

(b) **Rules and regulations.** The commissioner shall have the right to pass further regulations deemed necessary to enable savings associations to properly carry on the activities authorized under sections 51A.01 to 51A.57 and which are not inconsistent with the provisions of sections 51A.01 to 51A.57.

Subd. 4. **Official communications referred to directors.** Each official communication from the commissioner to an association, relating to any examination conducted by the banking department, or containing suggestions and recommendations as to the conduct of business of the association, shall be submitted by the officer receiving it to the board of directors at the next meeting of the board and noted in the minutes thereof.

History: 1969 c 490 s 42

51A.43 SUPERVISORY POWER OF COMMISSIONER.

The commissioner shall have general supervision over all associations, service organizations the principal offices of which are located in this state and which are principally owned by one or more thrift institutions, and corporations which are subject to the provisions of sections 51A.01 to 51A.57 as provided in section 46.06.

History: 1969 c 490 s 43

51A.44 REPORTS AND EXAMINATIONS.

Subdivision 1. **Annual report.** On or before the last day of January in each year, every association shall make an annual written report to the commissioner, upon a form to be prescribed and furnished by the commissioner, of its affairs and operations, which shall include a complete statement of its financial condition, including a statement of income and expense since its last previous similar report, for the 12 months ending on the 31st day of December of the previous year. Every such report shall be verified by the president and treasurer.

Subd. 2. **Other reports.** Every association also shall make such other reports as the commissioner may from time to time require, which shall be in such form and filed on such date as he may prescribe and shall, if required by him, be verified in the same manner as the annual report.

Subd. 3. **Annual audit and examination.** The commissioner shall, at least once each year, without previous notice, examine or cause an examination to be made into the affairs of every association subject to sections 51A.01 to 51A.57. If an association is not audited at least once each year in a manner satisfactory to the commissioner, the examination of such association shall include an audit.

Subd. 4. **Commissioner may accept examinations made by certain federal agencies.** In lieu of such examination, the commissioner may accept any examination made by a federal home loan bank, the federal home loan bank board, or by the federal savings and loan insurance corporation. One copy of any examination, signed and certified by the agencies making such examination, shall be filed promptly with the commissioner.

Subd. 5. **Extra or additional examinations; reports.** Whenever, in the judgment of the commissioner, the condition of any association renders it necessary or expedient to make an extra examination of audit or to devote any extraordinary attention to its affairs, the commissioner shall cause the same to be done. A full and complete copy of the report of all examinations and audits shall be furnished to the association examined. Such report of examination or audit shall be presented by the president to the board of directors at its next regular or special meeting.

Subd. 6. **Commissioner authorized to have appraisals made at expense of association.** The commissioner is authorized in connection with any examination or audit of any association to cause to be made appraisal so real estate held by the association or securing the association's assets when specific facts or information with respect to real estate held, secured loans or lending, or when in his opinion the association's policies, practices, operating results and trends give evidence that an association's appraisals may be excessive, that lending or investment may be of a marginal nature, that appraisal policies and practices may not conform with generally accepted and established professional standards, or that real estate held by the association or assets secured by real estate are overvalued. In lieu of causing such appraisals to be made, the commissioner may accept any appraisal caused to be made by a federal home loan bank, the federal home loan bank board, or by the federal savings and loan insurance corporation or other insuring agency of an insured association. Unless otherwise ordered by the commissioner, appraisal of real estate in connection with any examination or audit pursuant to this section shall be made by a professional appraiser or appraisers selected by the commissioner, and the cost of such appraisal promptly shall be paid by such association directly to such appraiser or appraisers upon receipt by the association of a statement of such cost bearing the written approval of the commissioner. A copy of the report of each appraisal caused to be made by the commissioner pursuant to this subdivision shall be furnished to the association within a reasonable time, not to exceed 60 days, following the completion of such appraisals, and may in the case of an insured association be furnished to the insuring agency.

History: 1969 c 490 s 44

51A.45 ENFORCEMENT AND CONSERVATORSHIP.

Subdivision 1. **Commissioner may order association to discontinue any illegal practice.** If the commissioner, as a result of any examination or from any report made to him, shall find that any association is violating the provisions of its certificate of incorporation or bylaws, or the laws of this state or of the

United States, or any lawful order or regulation of the commissioner, he shall, by a formal written order delivered to the association as aforesaid, state any alleged violation, together with a statement of the facts alleged to be such violation, and order discontinuance of such violation and conformance with all requirements of law. Such order shall specify the effective date thereof, which may be immediate or may be at a later date, and such order shall remain in effect until withdrawn by the commissioner or until terminated by a court order. Such order of the commissioner, upon application made on or after the effective date thereof by the commissioner to a court of general jurisdiction in the county in which the principal office of the association is located, shall be enforced *ex parte* and without notice by an order to comply entered by said court. Such proceedings shall be given precedence over other cases pending in such court, and shall in every way be expedited. Any association affected by such order of the commissioner shall, after receipt thereof, have the right to apply within 30 days to any such court for an immediate hearing and order suspending the order of the commissioner until such time as the hearing has been completed. The hearing of such application to the court shall be upon such notice to the commissioner as the court shall provide. Whether upon application by the commissioner or by the association, such court shall have power to and shall adjudicate the question and enter the proper order or orders and enforce the same.

Subd. 2. Conservator. If the commissioner, as a result of any examination or from any report made to him believes that the public interest may be served by the appointment of a conservator, and if he shall find that any association: (a) Is in an impaired condition; (b) is engaging in practices which threaten to result in an impaired condition; or (c) is in violation of an order of injunction, as authorized by this section, which has become final in that time to appeal has expired without appeal or a final order entered from which there can be no appeal, the commissioner may appoint a conservator for such association, which may be the commissioner, his deputy or any other person, and upon such appointment shall apply immediately to a court of general jurisdiction in the county in which the principal office of the association is located for confirmation of such appointment, and such court shall have exclusive jurisdiction to determine the issues and all related matters. Such proceedings shall be given precedence over other cases pending in such court, and shall in every way be expedited. Such court shall confirm such appointment if it shall find that one or more such grounds exist, and a certified copy of the order of the court confirming such appointment shall be evidence thereof. Such conservator shall have the power and authority provided in sections 51A.01 to 51A.57 and such other power and authority as may be expressed in the order of the court. Such conservator shall endeavor promptly to remedy the situations complained of by the commissioner in his application for confirmation of such appointment. Within six months of the date of such appointment, or within 12 months if the court shall extend the six month period, such association shall be returned to the board of directors thereof and thereafter shall be managed and operated as if no conservator had been appointed, or a receiver shall be appointed as hereinafter provided. The compensation of the conservator, as determined by the court, shall be paid by the association. A certified copy of the order of the court discharging such conservator and returning such association to the directors thereof shall be sufficient evidence thereof.

Subd. 3. Conservator; powers. Any conservator appointed shall have all the rights, powers, and privileges possessed by the officers, board of directors, and members of the association.

Subd. 4. Conservator; expenses; prohibitions. The conservator shall not retain special counsel or other experts, incur any expense other than normal operating expenses, or liquidate assets except in the ordinary course of operations.

Subd. 5. **Conservator; removal of officer or director.** The directors and officers shall remain in office and the employees shall remain in their respective positions, but the conservator may remove any director, officer, or employee, provided the order of removal of a director or officer shall be approved in writing by the commissioner.

Subd. 6. **Under conservator, association may be operated as a "going concern."** While the association is in the charge of a conservator, members of such association shall continue to make payments to the association in accordance with the terms and conditions of their contracts, and the conservator, in his discretion, may permit savings account members to withdraw their accounts from the association pursuant to the provisions of sections 51A.01 to 51A.57 or under and subject to such rules and regulations as the commissioner may prescribe. The conservator shall have power to accept savings accounts and additions to savings accounts, but any such amounts received by the conservator may be segregated if the commissioner shall so order in writing; if so ordered, such amounts shall not be subject to offset and shall not be used to liquidate any indebtedness of such association existing at the time the conservator was appointed for it or any subsequent indebtedness incurred for the purposes of liquidating the indebtedness of any such association existing at the time such conservator was appointed. All expenses of the association during such conservatorship shall be paid by the association.

History: 1969 c 490 s 45

51A.46 RECEIVERSHIP.

Subdivision. 1. **Appointment of receiver.** If the commissioner shall find that any association: (a) Is in an impaired condition; (b) is engaging in practices which threaten to result in an impaired condition; or (c) is in violation of an order or injunction, as provided in section 51A.45, which has become final in that the time to appeal has expired without appeal or a final order entered from which there can be no appeal, the commissioner may appoint a receiver for such association, which may be the commissioner, his deputy or any other person, and upon such appointment shall apply immediately to a court of general jurisdiction in the county in which the principal office of the association is located for confirmation of such appointment, and such court shall have exclusive jurisdiction to determine the issues and all related matters. Such proceedings shall be given precedence over other cases pending in such court, and shall in every way be expedited. Such court shall confirm such appointment if it shall find that one or more such grounds exist, and a certified copy of the order of the court confirming such appointment shall be evidence thereof. In the case of an insured association, the appointment by the commissioner of a receiver under this section shall constitute an official determination of a public authority of this state pursuant to which a receiver is appointed for the purpose of liquidation as contemplated by and within the meaning of section 401(d) of the national housing act of 1934, as amended, if, within ten days after the date the application of the commissioner is filed, confirmation of such appointment or denial of confirmation has not been issued by the court. Such receiver shall have all the powers and authority of a conservator plus the power to liquidate, and shall have such other powers and authority as may be expressed in the order of the court. If the commissioner, or his deputy, or examiner is appointed receiver, then the compensation of the receiver, as determined by the court, shall be paid from the assets of the association.

Subd. 2. **Appointment of federal savings and loan insurance corporation as receiver or co-receiver.** If the association is an institution insured by the federal savings and loan insurance corporation, the federal savings and loan insurance corporation shall be tendered appointment as receiver or co-receiver. If it

accepts such appointment, it may, nevertheless, make loans on the security of or purchase at public or private sale any part or all of the assets of the association of which it is receiver or co-receiver, provided such loan or purchase is approved by such court.

Subd. 3. **Procedure.** The procedure in such receivership action shall be in all other respects in accordance with the practice in such court, including all rights of appeal and review. The directors, officers, and attorneys of an association in office at the time of the initiation of any proceeding under this section or section 51A.45 may contest any such proceeding.

History: 1969 c 490 s 46

51A.47 CORRECTION OF WRONGDOINGS BY UNIMPAIRED INSTITUTION.

No conservator or receiver shall be appointed, or private property seized, with respect to an association which is not in an impaired condition if the alleged wrongdoing can be otherwise corrected as provided in sections 51A.01 to 51A.57 or otherwise as provided by law.

History: 1969 c 490 s 47

51A.48 RIGHT TO DECLARATORY JUDGMENT.

At any time after any controversy has arisen between the commissioner and an association with respect to any question of law or regulation or with respect to any question involving immeasurable or irreparable damage to the association, and prior to an administrative or judicial hearing, the association or the commissioner may apply to any court of competent jurisdiction in the county in which the principal office of the association is located for a declaratory judgment as to such question, and such court shall have and shall take jurisdiction and decide the controversy on its merits in accordance with the weight of the evidence, and such court shall have full power to enforce its orders.

History: 1969 c 490 s 48

51A.49 FOREIGN ASSOCIATION.

The commissioner hereby is authorized and empowered to obtain an injunction or to take any other action necessary to prevent any foreign association from doing any business of a savings association in this state without approval.

History: 1969 c 490 s 49

51A.50 FEDERAL SAVINGS ASSOCIATIONS.

Federal savings associations or federal savings and loan associations, incorporated pursuant to the laws of the United States, as now or hereafter amended, are not foreign corporations or foreign associations. Unless federal laws or regulations provide otherwise, federal associations and the members thereof shall possess all of the rights, powers, privileges, benefits, immunities, and exemptions that are now provided or that hereafter may be provided by the laws of this state for associations organized under the laws of this state and for the members thereof. This provision is additional and supplemental to any provision which, by specific reference, is applicable to federal associations and the members thereof.

History: 1969 c 490 s 50

51A.51 FEES.

Subdivision 1. **Fees to be paid to state treasurer.** Associations shall pay fees by delivering to the commissioner a check payable to the state treasurer.

Subd. 2. **Incorporation fee.** At the time of filing the application for a certificate of incorporation, the incorporators shall pay a filing fee of \$1,000 which shall be paid into the state treasury and credited to the general fund, and shall pay to the banking department the sum of \$500 as a fee for investigating the application.

Subd. 3. **Fee for change of location of an established office.** There shall accompany each application to the commissioner for leave to change the location of an established office, a fee of \$50 payable to the banking department. In the event of a hearing on the application to change the location of an established office, an additional fee of \$1,000 payable to the state treasury and \$450 payable to the banking department shall be delivered to the office of the commissioner of banks prior to the publication of the notice of hearing.

Subd. 3a. **Fee for establishment of other than principal office.** There shall accompany each application to the commissioner for establishment of other than the principal office a filing fee of \$1,000 payable to the state treasury and \$500 payable to the banking department.

Subd. 4. **Supervision and examination fee.** At the time of filing its annual report each association shall pay to the commissioner as a fee for supervision and examination an annual assessment as determined by the commissioner pursuant to the provisions of section 46.131. Such assessment shall be in lieu of all other license fees and charges of any kind whatsoever to any other state department or office, municipality, county, or other political subdivision; provided that the commissioner may assess against any such association the actual and necessary per diem expenses of and incidental to any additional examinations, or to supervision, or to any appraisal or special audit made pursuant to an order of the commissioner acting under authority of sections 51A.01 to 51A.57.

Subd. 5. **Merger fee.** At the time of filing with the commissioner of any proposed merger or consolidation plan, the associations proposing so to merge or consolidate shall submit therewith a fee of \$250 payable to the banking department, which fee shall be paid in equal parts by the associations parties to the proposal.

History: 1969 c 399 s 1; 1969 c 490 s 51; 1971 c 387 s 8-10; 1973 c 35 s 19

51A.52 DIRECTORS, EMPLOYEES, AND MEMBERS OF ASSOCIATION MAY ACKNOWLEDGE INSTRUMENTS TO WHICH IT IS A PARTY.

No public officer qualified to take acknowledgments or proofs of written instruments shall be disqualified from taking the acknowledgment or proof of any instrument in writing in which an association is interested by reason of his membership in or employment by an association so interested, and any such acknowledgments or proofs heretofore taken are hereby validated.

History: 1969 c 490 s 52

51A.53 POWERS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS; APPROVAL.

Subject to the approval of the commissioner, any savings and loan association organized under sections 51A.01 to 51A.57 is hereby vested with all the powers conferred upon a federal savings and loan association organized under the laws of the United States, as amended, as fully and completely as if such powers were specifically enumerated and described herein, provided that the same are not specifically prohibited by state law.

History: 1969 c 490 s 53

51A.54 INSOLVENT ASSOCIATIONS LIQUIDATED.

Insolvent associations shall be liquidated under and pursuant to the statutes relating to the liquidation of insolvent banks.

History: 1969 c 490 s 54

51A.55 CONFORMITY.

Subdivision 1. **All thrift and home financing organizations, to be subject to provisions of sections 51A.01 to 51A.57.** All persons accepting moneys from the public and engaged in home financing, whether or not incorporated, and every corporation heretofore incorporated under the statutes of this state which has for its purpose the promotion of thrift and the financing of homes, except those regulated under other Minnesota Statutes or federal laws, by whatever name known, shall at the time sections 51A.01 to 51A.57 become effective be subject to the provisions of sections 51A.01 to 51A.57 and shall be deemed to exist hereunder.

Subd. 2. **All such corporations heretofore incorporated conformed to provisions of sections 51A.01 to 51A.57.** The name, rights, powers, privileges, and immunities of every such corporation heretofore incorporated in this state shall be governed, controlled, construed, extended, limited, and determined by the provisions of sections 51A.01 to 51A.57 to the same extent and effect as if such corporation had been incorporated pursuant hereto, and the articles of association, certificate of incorporation, or charter, however entitled, bylaws and constitution, or other rules of every such corporation heretofore made or existing are hereby modified, altered, and amended to conform to the provisions of sections 51A.01 to 51A.57, with or without the issuance or approval by the commissioner of conformed copies of such documents, and the same are declared void to the extent that the same are inconsistent with the provisions of sections 51A.01 to 51A.57; except that the obligations of any such existing corporation, whether between such corporation and its members, or any of them, or any other person or persons, or any valid contract between the members of any such corporation, or between such corporation and any other person or persons, existing on July 1, 1969, shall not be in any way impaired by the provisions of sections 51A.01 to 51A.57, and, with such exceptions, every such corporation shall possess the rights, powers, privileges, and immunities and shall be subject to the duties, liabilities, disabilities, and restrictions conferred and imposed by sections 51A.01 to 51A.57, notwithstanding anything to the contrary in its certificate of incorporation, bylaws, constitution, or rules.

Subd. 3. **All obligations heretofore contracted may be enforced.** All obligations to any such corporation heretofore contracted shall be enforceable by it and in its name, and demands, claims, and rights of action against any such corporation may be enforced against it as fully and completely as they could have been enforced heretofore.

History: 1969 c 490 s 55

51A.56 ACT CONTROLLING.

Insofar as the provisions of sections 51A.01 to 51A.57 are inconsistent with the provisions of any other law affecting savings associations, the provisions of sections 51A.01 to 51A.57 shall control.

History: 1969 c 490 s 56

51A.57 SEPARABILITY.

If any provision, clause, or phrase of sections 51A.01 to 51A.57 or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of sections 51A.01 to 51A.57 which can be given effect without the invalid provisions or application, and to this end the provisions of sections 51A.01 to 51A.57 are declared to be separable.

History: 1969 c 490 s 57