

## CHAPTER 52

### CREDIT UNIONS

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NOTE: "Commissioner" means commissioner of banks. See sections 46.03 and 46.04.

#### 52.01 ORGANIZATION.

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

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

A credit union is organized in the following manner:

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

- (a) The name and location of the proposed credit union;
- (b) The names and addresses of the subscribers to the certificate and the number of shares subscribed by each;
- (c) The par value of the shares of the credit union, which shall not exceed \$10 each;

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

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

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

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

(6) The applicants shall thereupon file the duplicate of the certificate of organization, with the certificate of approval attached thereto, with the county

recorder of the county within which the credit union is to do business, who shall make a record of the certificate and return it, with his certificate of record attached thereto, to the commissioner of banks, for permanent records; and

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

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

**History:** 1925 c 206 s 1; 1949 c 88 s 1; 1951 c 308 s 1; 1971 c 154 s 1; 1975 c 303 s 1; 1976 c 181 s 2 (7774-1)

## 52.02 BYLAWS AND AMENDMENTS, APPROVAL.

To amend certificate of organization or bylaws, proposed amendments shall be set forth as follows:

(a) If balloting by mail has not been authorized by the board of directors, then the proposed amendments shall be set forth in the notice of the meeting; or

(b) If balloting by mail has been authorized by the board of directors as either the exclusive means of voting or in conjunction with voting in person, the proposed amendments shall be set forth in a notice mailed to all members eligible to vote at least ten days prior to the close of balloting by mail. Any amendments to the certificate of organization or bylaws shall be approved by two-thirds vote of the members actually voting, provided the members actually voting constitute a quorum. Any and all amendments to the certificate of organization or bylaws must be approved by the commissioner of banks before they become operative. The commissioner shall not unreasonably withhold such approval if such amendments do not violate any provision of this chapter or other state law. In any event the commissioner shall approve or disapprove the proposed amendment within 90 days of the date the proposed amendment is submitted to him by the credit union. In case of disapproval the credit union shall have the right to appeal to a court of competent jurisdiction within the time limits as stated in clause (5) of section 52.01. In case the amendment to the certificate of organization is adopted, the resolution, containing a full text thereof and verified by its president and treasurer and approved by the commissioner of banks, shall be recorded in the office of the county recorder in the county in which the credit union is located. If the amendment proposes to change the place of business from one county to another, it shall be recorded in the office of the county recorder of the county of the place of business immediately prior to the amendment and a certified copy of the original certificate of organization and all amendments thereto shall be recorded in the office of the county recorder in the county in which the credit union desires to do business.

**History:** 1925 c 206 s 2; 1933 c 346 s 1; 1949 c 88 s 2; 1961 c 331 s 1; 1971 c 154 s 2; 1976 c 176 s 1; 1976 c 181 s 2 (7774-2)

## 52.03 "CREDIT UNION," UNLAWFUL USE.

It shall be a misdemeanor for any person, association, copartnership, or corporation, except corporations organized in accordance with the provisions of this chapter, to use the words "credit union" in their name or title.

**History:** 1925 c 206 s 3 (7774-3)

**52.04 POWERS.**

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

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

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

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

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

(5) To invest in any investment legal for savings banks or for trust funds in the state;

(6) To borrow money as hereinafter indicated;

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

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

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

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

(11) Upon written authorization from a member, retained at the credit union, to make payments to third parties by withdrawals from the member's share or deposit accounts or through proceeds of loans made to such member, or by permitting the credit union to make such payments from the member's funds prior to deposit; to permit draft withdrawals from member accounts; however, this clause does not permit a credit union to establish demand deposits (checking accounts) for its members;

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

(13) To facilitate its members' voluntary purchase of types of insurance incidental to promotion of thrift or the borrowing of money for provident and productive purposes including, but not limited to the following types of group or individual insurance: Fire, theft, automobile, life and temporary disability; to be

the policy holder of a group insurance plan or a sub-group under a master policy plan and to disseminate information to its members concerning the insurance provided thereunder; to remit premiums to an insurer or the holder of a master policy on behalf of a credit union member, provided that the credit union shall obtain written authorization from such member for remittance by share or deposit withdrawals or through proceeds of loans made by such members, or by permitting the credit union to make such payments from the member's funds prior to deposit; and to accept from the insurer reimbursement for the actual cost of ministerial tasks performed pertaining to insurance;

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

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

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

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

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

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

Subd. 2. The commissioner of banks may by rule authorize a state chartered credit union to engage in any activity in which the credit union could engage were it operating as a federally chartered credit union provided that the activity is not expressly prohibited by the laws of this state and was permitted by law or rule as of June 1, 1977.

**History:** 1925 c 206 s 4; 1937 c 213 s 1; 1943 c 247 s 1; 1949 c 88 s 3; 1961 c 331 s 2; 1963 c 384 s 1; 1967 c 301 s 1; 1971 c 154 s 3; 1973 c 740 s 1; 1975 c 394 s 1; 1976 c 308 s 1; 1977 c 71 s 1; 1977 c 84 s 1; 1977 c 315 s 1; 1978 c 747 s 3; 1979 c 50 s 7; 1979 c 149 s 1 (7774-4)

## 52.05 MEMBERSHIP.

Credit union membership shall consist of the incorporators and such other persons as may be elected to membership and subscribe to at least one share, pay the initial instalment thereon and the entrance fee if any. The spouse and blood or adoptive relatives of a regularly qualified member may be members. When an individual member of a credit union leaves the field of membership, the member, and the spouse and blood or adoptive relatives of a member may continue as members. The surviving spouse of a regularly qualified member may become a member. Organizations, incorporated or otherwise, composed for the most part of the same general group as the credit union membership may be members. Credit unions chartered by this or any other state, or any federal credit union may be members. Credit union organizations shall be limited to

groups, of both large and small membership, having a common bond of occupation, or association, or to residents within a well-defined neighborhood, community, or rural district.

**History:** 1925 c 206 s 5; 1945 c 540 s 1; 1949 c 88 s 4; 1953 c 40 s 1; 1955 c 453 s 1; 1961 c 331 s 3; 1971 c 154 s 4; 1973 c 740 s 2; 1979 c 106 s 1 (7774-5)

### 52.06 SUPERVISION; REPORTS; AUDITS; FEES.

Subdivision 1. Credit unions shall be under the supervision of the commissioner of banks. Each credit union shall annually, on or before January 25, file a report with the commissioner of banks on forms supplied by him for that purpose giving such relevant information as he may require concerning the operations during the preceding calendar year. Additional reports may be required. Credit unions shall be examined, at least annually, by the commissioner of banks, except that if a credit union requests, the commissioner may accept the audit of a certified public accountant in place of this examination. Such certified public accountant must be approved by the commissioner. The qualitative type of audit examination to be performed by the certified public accountant shall be defined by banking division regulation and approved by the commission. Further, in lieu of this examination the commissioner may accept any examination made by the National Credit Union Administration, provided a copy of the examination is furnished to the commissioner. A report of the examination by the commissioner of banks shall be forwarded to the president of the examined credit union within 60 days after completion of the examination. Within 60 days of the receipt of such report, a general meeting of the directors and committees shall be called to consider matters contained in the report. For failure to file reports when due, unless excused for cause, the credit union shall pay to the state treasurer \$5 for each day of its delinquency.

Subd. 2. Whenever it shall appear to the commissioner of banks that any credit union operating in this state does not keep books and accounts in such manner as to enable him to readily ascertain the true condition of such credit union, he shall have the power to require the officers of such credit union or any of them to open and keep such books or accounts as he may in his discretion determine and prescribe for the purpose of keeping accurate and convenient records of the transactions and accounts of such credit union. Credit union books and records must be maintained in one location and be available for examination sometime between the hours of 8 a.m. and 5 p.m. weekdays. Any credit union failing to produce the books and records when requested shall be charged for such attempted examination by the examiner on the basis outlined in section 46.131 and a like charge shall be assessed for each and every attempt made by the examiner to obtain the books and records. Prepaid expenses may be treated as an asset account in accordance with sound accounting procedures.

**History:** 1925 c 206 s 6; 1945 c 540 s 2; 1949 c 88 s 5; 1961 c 331 s 4; 1963 c 396 s 1; 1967 c 51 s 1; 1971 c 154 s 5; 1973 c 740 s 3,4 (7774-6)

### 52.061 CREDIT UNION ADVISORY COUNCIL.

There is established a credit union advisory council to consult with, advise, and make recommendations to the commissioner of banks in all matters pertaining to credit unions. The advisory council shall consist of five members who shall be appointed by the commissioner of banks and who shall be persons who have had three or more years of experience as a credit union officer, director or committee member. To aid in making a selection of the five advisory council members, the Minnesota league of credit unions may submit a list of not less than 15 names; however, the commissioner of banks shall not be limited to such list in making his selections. The chairman of the advisory council shall be elected annually by and from the members thereof. Meetings shall be held at such

times and places as shall be determined by the chairman and the commissioner of banks. Meetings may be called by either the chairman or the commissioner of banks. Three members of the advisory council shall constitute a quorum. However, at least three affirmative votes shall be needed to pass any motion. The authority and responsibility of the advisory council shall be to advise the governor and the commissioner of banks on problems concerning credit unions and to foster the interest and cooperation of credit unions in improving their methods of operation. The commissioner of banks may review with the advisory council the records of the banking division concerning the supervision, regulation, and examination of credit unions. The council shall expire and the terms, compensation, and removal of members shall be as provided in section 15.059.

**History:** 1967 c 51 s 2; 1975 c 315 s 7

### **52.062 CREDIT UNIONS; SUSPENSION OF OPERATION.**

Subdivision 1. Whenever the commissioner of banks shall find that a credit union is engaged in unsafe or unsound practices in conducting its business or that the shares of the members are impaired or are in immediate danger of becoming impaired, or that such credit union has knowingly or negligently permitted any of its officers, directors, committee members, or employees to violate any material provision of any law, bylaw, or regulation to which the credit union is subject, the commissioner of banks may proceed in the manner provided by either subdivision 2 or subdivision 3.

Subd. 2. The commissioner of banks may suspend the operation of the credit union by giving notice to its board of directors by certified mail with a copy to the advisory council. Said notice shall include a list of reasons for said suspension and a list of any specific violations of law, bylaw, or regulation, and shall specify which operations of the credit union may be continued during the period of suspension. The notice shall also fix a time and place for a hearing before the commissioner of banks or such person or persons as the commissioner of banks may designate. The hearing shall be held within 60 days of the notice of suspension, and the advisory council shall sit at such hearing for the purpose of providing advice and counsel to the commissioner of banks or his representative. Evidence may be produced at said hearing by any party thereto, and the commissioner of banks shall base his decision as to the continued suspension of operation of the credit union upon said evidence. If the commissioner of banks decides to continue the suspension, he shall give notice of his decision to the board of directors of the credit union.

Subd. 3. In lieu of immediate suspension of the operation of the credit union, the commissioner of banks may submit to the advisory council, with a copy to the affected credit union, a statement with respect to said practices or violations for the purpose of investigation and review by the advisory council so that it may attempt to cause the correction of said practices or violations. Unless said corrections shall be made within 60 days of the notice to the advisory council and the credit union, the commissioner of banks, if he shall determine to proceed further, shall give to the affected credit union written notice of his intention to suspend the operation of the credit union, and shall fix a time and place for a hearing before the commissioner of banks, or such person or persons as the commissioner of banks may designate. The advisory council shall sit at such hearing for the purpose of providing advice and counsel to the commissioner of banks or his representative. Evidence may be produced at said hearing by any party thereto, and the commissioner of banks shall base his decision as to the suspension of operation of the credit union upon said evidence. If the commissioner of banks decides to suspend operation of the credit union, the board of directors shall be given notice by certified mail of such suspension, which notice shall include a list of reasons for such suspension and a list of any specific viola-

tions of law, bylaw, or regulation, and shall specify which operations of the credit union may continue during the period of suspension.

**History:** 1967 c 51 s 3; 1978 c 674 s 60

#### **52.063 PROCEEDINGS FOLLOWING SUSPENSION OR CONTINUATION OF SUSPENSION.**

Upon receipt of the suspension notice or the notice of the continuation of suspension, the credit union shall immediately cease or continue cessation of all operations except those operations specifically authorized by the commissioner of banks. If the notice is given pursuant to determination by the commissioner of banks after a hearing, the board of directors shall have 60 days from the receipt of said notice in which to file with the commissioner of banks a proposed plan of corrective actions or to request that a receiver be appointed for the credit union. The commissioner of banks shall have 30 days from the receipt of the proposed plan of corrective actions to determine if the proposed corrective actions are sufficient to correct the deficiencies which formed the basis for the suspension. If the commissioner of banks determines that the proposed corrective actions are sufficient, the suspension shall be lifted and the credit union returned to normal operations under its board of directors. If the commissioner of banks believes the proposed corrective actions insufficient, or if the board has failed to answer the suspension notice, or has requested that a receiver be appointed, then the commissioner of banks shall apply to the district court for appointment of a receiver. The credit union shall have the right, within six months of the receipt of any notice of suspension or continuation of suspension pursuant to a determination by the commissioner of banks after hearing, to appeal to the district court for a ruling as to the validity of such notice.

**History:** 1967 c 51 s 4

#### **52.064 RECEIVERSHIP.**

Subdivision 1. A receiver shall take possession and control of all the books, assets, and records of the credit union, which shall not be subject to any levy or attachment, and shall cease or continue cessation of all operations except those which have been authorized by the court. For a period of 90 days after the appointment of the receiver, or such longer time as the court may prescribe, the receiver, the board of directors of the credit union, or any group of 15 members of the credit union may apply to the court for permission to file, and if permitted may file, a plan of reorganization, merger, or consolidation for the credit union. If such plan is approved by the commissioner of banks and the court, the books, assets, and records of the credit union shall be returned to the members pursuant to the plan, and the receiver shall be discharged.

Subd. 2. If a plan of reorganization, merger, or consolidation is not submitted during the 90 day period, or such other period allowed by the court, or if any such plan is not approved by the commissioner of banks and the court, the receiver shall proceed to collect and distribute the assets of the credit union, discharge its debts, and do such other acts required in order to wind up its business, and may sue and be sued for the purpose of enforcing its claims, debts, and obligations until its affairs are completed and the receiver discharged. The receiver shall use the assets of the credit union to pay first, expenses incidental to the receivership and liquidation proceedings; second, any creditors other than depositors; and third, depositors. Assets then remaining shall be distributed to the members proportionately to shares held by each member as of the date the receiver is appointed.

**History:** 1967 c 51 s 5

**52.07 FISCAL YEAR; MEETINGS; VOTING.**

The fiscal year of all credit unions shall end December 31. General and special meetings may be held in the manner and for the purposes indicated in the bylaws. At least ten days before any regular meeting, and at least seven days before any special meeting, written notice shall be mailed or handed to each member, and in the case of a special meeting, the notice shall clearly state the purpose of the meeting and what matters will be considered thereat. No member shall be eligible to vote at any meeting or to hold any office unless he owns at least one share of the credit union which is fully paid. At all meetings a member shall have but a single vote, whatever his share holdings. Upon resolution of the board of directors, credit union members shall be authorized to vote by mail for election of directors, credit committee and supervisory members and amendments to bylaws at annual and special meetings. There shall be no voting by proxy. Any firm, society or corporation having a membership in the credit union and entitled to vote may cast its vote by one person upon presentation by him of written authority of the firm, society or corporation.

**History:** 1925 c 206 s 7; 1933 c 346 s 2; 1937 c 213 s 2; 1943 c 20 s 1; 1976 c 176 s 2 (7774-7)

**52.08 ANNUAL MEETING.**

At the annual meeting (the organization meeting shall be the first annual meeting) the credit union shall elect a board of directors of not less than five members, a credit committee of not less than three members, and a supervisory committee of three members, all to hold office for such terms, respectively, as the bylaws provide and until successors qualify. Some or all of such terms of office may be staggered, as the bylaws provide. A record of the names and addresses of the members of the board and committees and the officers shall be filed with the commissioner of banks within ten days of their election. No full time manager of a credit union shall be a director of such credit union operating under this chapter.

**History:** 1925 c 206 s 8; 1961 c 331 s 5; 1965 c 724 s 1 (7774-8)

**52.09 DIRECTORS; POWERS AND DUTIES.**

Subdivision 1. **Meetings; officers.** At their first meeting, and annually thereafter at the first meeting following the annual meeting of members, the directors shall elect from their own number a president, vice-president, and from their own number or otherwise a treasurer, and secretary, of whom the last two named may be the same individual, and the directors may engage such other employees as may be necessary to properly conduct the business of the credit union.

Subd. 2. **Particular duties.** It shall be the duty of the directors to have general management of the affairs of the credit union, particularly:

(1) To act on applications for membership, provided that this power may be delegated to a membership chairman who shall serve at the pleasure of the board of directors and subject to its rules, however such application shall contain a certification signed by the membership chairman or a member of the board showing the basis of membership;

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



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

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

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

(6) To limit the number of shares and deposits which may be owned by a member, not to exceed 10 percent of the outstanding shares and deposits, or \$2,000, whichever is larger, and the maximum individual loan which can be made with and without security, including liability indirectly as a co-maker, guarantor, or endorser to 10 percent of outstanding shares and deposits; provided, however, that the 10 percent share and deposit limitation shall not be applicable to the Minnesota Central Credit Union, or to credit unions insured by the National Credit Union Administration;

(7) To have charge of investments other than loans to members;

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

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

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

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

(12) To provide financial assistance to the supervisory committee in carrying out its audit responsibilities.

**Subd. 3. Officers, bylaws; compensation.** The duties of the officers shall be as determined in the bylaws, except that the treasurer may be the general manager. No member of the board or of either committee shall receive a salary as such, but may be compensated for time actually spent in his official duties at an hourly rate as determined by the annual meeting of members.

**History:** 1925 c 206 s 9; 1937 c 213 s 3; 1945 c 540 s 3; 1955 c 453 s 2; 1961 c 331 s 6; 1963 c 384 s 2,3; 1967 c 301 s 2,3; 1971 c 154 s 6; 1979 c 149 s 2 (7774-9)

### 52.10 CREDIT COMMITTEE; POWERS.

The credit committee shall have the general supervision of all loans to members as provided herein. Applications for loans shall be on a form prepared by the credit committee, shall set forth the purpose for which the loan is desired, the security, if any, offered and such other data as may be required. Within the meaning of this section an assignment of shares or deposits or the endorsement of a note may be deemed security. Except where the credit committee approves the extension of a self-replenishing line of credit pursuant to section 52.16, subdivision 2, at least a majority of the members of the credit committee shall pass on all loans and approval must be in writing and by unanimous vote of the members present. The credit committee shall meet as often as may be necessary after due notice to each member thereof. Provided, however, in the case of any credit union having total assets in excess of \$10,000, the board of directors may authorize the credit committee to appoint one or more loan

officers. Loan officers, subject to the supervision of the committee, may be delegated authority by the credit committee, to act on all or some applications for loans and to approve them, reporting thereon to the credit committee at their next meeting or within 15 days. The credit committee and the board of directors, meeting jointly and acting collectively as a whole, shall have the general supervision of all loans to a member who is a director, officer, or a member of the credit or supervisory committee whenever the application exceeds the amount of the member's holdings in shares and deposits. Application for these loans shall be in similar form as may be required to be furnished to the credit committee for a loan in the case of any other member. At least a majority of the members of the credit committee and of the board of directors at a joint meeting and acting collectively as a whole, shall pass on all such loans in the absence of the applicant, and the approval of the loan must be in writing and by unanimous vote of all members present. The credit committee and the board of directors shall meet for this purpose as often as may be necessary after due notice to each member thereof.

**History:** 1925 c 206 s 10; 1943 c 647 s 2; 1945 c 540 s 4; 1955 c 453 s 3; 1967 c 301 s 4; 1978 c 663 s 1 (7774-10)

### 52.11 SUPERVISORY COMMITTEE; DUTIES.

The supervisory committee shall:

(1) Make an examination of the affairs of the credit union at least semi-annually, in June and December, including an audit of its books and, in the event the committee feels such action to be necessary, it shall call the members together thereafter and submit to them its report;

(2) Make an annual report of its audits and submit the same at the annual meeting of the members; and

(3) By unanimous vote, if it deem such action to be necessary to the proper conduct of the credit union, suspend any officer, director, or member of committee, and call the members together to act on the suspension. The members at the meeting may, by majority vote of those present, sustain the suspension and remove an officer permanently, or may reinstate the officer.

By majority vote, the supervisory committee may call a special meeting of the members to consider any matter submitted to it by the committee. The committee shall fill vacancies in its own membership until successors are chosen and qualify at the next annual meeting.

**History:** 1925 c 206 s 11; 1937 c 213 s 4 (7774-11)

### 52.12 CAPITAL; ENTRANCE FEES; UNION TO HAVE LIEN.

The capital of a credit union shall consist of the payments that have been made to it by the several members thereof on shares. The credit union shall have a lien on the shares and deposits of a member for any sum due to the credit union from the member, or for any loan endorsed by him. A credit union may, at its discretion, charge an entrance fee. Any entrance fee shall be authorized by the bylaws.

**History:** 1925 c 206 s 12; 1971 c 154 s 7 (7774-12)

### 52.13 SHARES AND DEPOSITS.

Any deposit made by or in the name of a minor, or shares issued in his name, 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 the dividends or interest thereon shall be paid him; and his receipt or acquittance in any form shall be sufficient release and discharge to the credit union for the deposits or shares, or any part thereof, until a guardian appointed in this state

for the minor shall have delivered to the credit union a certificate of his appointment. When any deposits or shares shall be held by any person in trust for another, and no other written notice of the existence and terms of any legal and valid trust shall have been given to the credit union, in case of the death of the trustee, the same or any part thereof and the dividends or interest thereon may be paid to the beneficiaries thereof. When any deposit shall be made or shares held by or in the names of two or more persons upon joint and several account, the same or any part thereof and the dividends or interest thereon may be paid to either of these persons or to a survivor of them or to a personal representative of the survivor; and the receipt or acquittance of such person or persons in any form shall be sufficient release and discharge to the credit union for the payment so made.

**History:** 1925 c 206 s 13; 1949 c 88 s 6; 1961 c 331 s 7 (7774-13)

### 52.135 INDIVIDUAL RETIREMENT ACCOUNTS.

A credit union, upon approval of the commissioner of banks of an application in the prescribed form filed with him together with a filing fee of \$100, may act as trustee or custodian within the contemplation of the federal self-employed individuals tax retirement act of 1962, as amended and may act as trustee or custodian within the contemplation of the federal employee retirement income security act of 1974, as amended, to establish an individual retirement account. The funds shall be invested only in savings, or time deposits, except that this restriction shall not prevent a credit union from accepting and retaining, as a deposit, property or investments derived from any qualified plan from which the applicant desires to transfer the property.

Funds held in the fiduciary capacity may be commingled for purposes of investment or for other purposes approved by the commissioner of banks, but individual records shall be maintained by the fiduciary for each participant and show in detail all transactions engaged in under authority of this section. In passing upon applications the commissioner shall take into consideration all pertinent facts that relate to a credit union's financial responsibility and may grant or refuse the application accordingly.

**History:** 1976 c 279 s 3

### 52.136 INDIVIDUAL HOUSING ACCOUNTS.

Upon application to and approval by the commissioner of banks, a credit union shall have the power to act as trustee of individual housing accounts established pursuant to the provisions of section 290.09, subdivision 30.

**History:** 1980 c 512 s 4

### 52.14 INTEREST ON LOANS.

Subdivision 1. Interest rates on unpaid balances of loans made by a credit union shall not exceed one per cent a month. A loan made prior to June 30, 1982, at a greater rate of interest than is permitted by this subdivision may continue to bear the greater rate of interest if the greater rate was lawful when the loan was made.

Subd. 2. (a) Notwithstanding subdivision 1, interest rates on unpaid balances of loans made by a credit union after April 8, 1980 shall not exceed one percent a month or the rate of interest authorized by section 334.011, whichever is greater at the time the loan is made. If the rate of interest charged is permitted by section 334.011 at the time the loan is made, the rate does not later become usurious because of a fluctuation in the federal discount rate.

(b) This subdivision supersedes subdivision 1 from April 8, 1980 until June 30, 1982.

**History:** 1925 c 206 s 14; 1980 c 522 s 3 (7774-14)

NOTE: Subdivision 2 is repealed by Laws 1980, Chapter 322, Section 4, effective June 30, 1982.

### 52.141 LOAN EXPENSES.

In addition to the interest charged on loans, the borrowing member may be required to pay all reasonable expenses incurred in connection with the making, closing, disbursing, extending, readjusting, or renewing of personal or real estate loans. The commissioner of banks may prescribe by regulation which of said expenses may be charged to the member and may further prescribe maximum amounts which may be charged.

**History:** 1967 c 301 s 5

### 52.15 BORROWING, LIMITATION.

Subdivision 1. A credit union may borrow from any source, or sources, sums which shall not exceed in the aggregate 40 percent of its unimpaired assets. For the purposes of this subdivision, "unimpaired assets" mean total assets less borrowings, including all forms of indebtedness, accounts payable, and any amount by which reserves and undivided earnings will not be adequate to meet the reserve requirements caused by classified assets.

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

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

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

(c) Protracted adjustment needs in the event of unusual or emergency circumstances of a longer-term nature resulting from national, regional or local difficulties.

**History:** 1925 c 206 s 15; 1943 c 647 s 3; 1961 c 331 s 13; 1979 c 149 s 3 (7774-15)

### 52.16 MAY LOAN MONEY, CONDITIONS.

Subdivision 1. A credit union may loan to members. Loans must be for a provident or productive purpose and are made subject to the conditions contained in the bylaws. A borrower may repay his loan, in whole or in part, any day the office of the credit union is open for business. Except for loans secured by first real estate mortgages on homes owned and occupied, of the character made to other members, no director, officer, or member of the credit or supervisory committee may become liable, as a borrower or endorser for other borrowers, or both, to the credit union in which he holds office, beyond the amount of his holdings in shares and deposits therein, unless the loan shall have been approved in the manner provided by section 52.10.

Subd. 2. Upon application by a member, the credit committee may approve in advance a self-replenishing line of credit, and advances may be granted to a member within the limit of the extension of credit. Where a self-replenishing line of credit has been approved, additional loan applications may be required.

**History:** 1925 c 206 s 16; 1943 c 647 s 4; 1978 c 663 s 2 (7774-16)

**52.165 GRADUATED PAYMENT HOME LOAN.**

Subdivision 1. **Definition.** As used in this section, "graduated payment home loan" means a real estate loan made pursuant to section 52.16, whereunder initial periodic repayments are lower than those under the standard real estate loan having equal periodic repayments, and gradually rise to a predetermined point after which they remain constant.

Subd. 2. **Authorization.** Notwithstanding the provisions of section 334.01, subdivision 1, and subject to the provisions of section 47.201, subdivisions 4 to 6, a credit union may make graduated payment home loans and purchases representing graduated payment home loans pursuant to such rules as the commissioner of banks finds to be necessary and proper, if any, at an interest rate not in excess of the rate prescribed in section 52.14. Notwithstanding the provisions of section 334.01, subdivision 1, where initial repayments of a graduated payment home loan are less than the total accrued outstanding interest, the excess accrued and unpaid interest may be added to the outstanding loan balance on which interest accrues at the contracted rate.

**History:** 1979 c 239 s 2

**52.17 RESERVE FUND.**

Every credit union shall maintain a reserve fund, which shall be used as a reserve against bad loans and other losses, and shall not be used to pay expenses of the credit union or otherwise distributed, except in case of liquidation. At the end of each monthly accounting period the gross income shall be determined. From this amount, there shall be set aside, as a statutory reserve against losses on loans and against other losses as may be specified in rules prescribed by the commissioner of banks, sums in accordance with the following schedule:

(a) A credit union in operation for more than four years and having assets of \$500,000 or more shall set aside (1) ten percent of gross income until the statutory reserve shall equal four percent of the total of outstanding loans and risk assets, then (2) five percent of gross income until the statutory reserve shall equal six percent of the total of outstanding loans and risk assets;

(b) A credit union in operation less than four years or having assets of less than \$500,000 shall set aside (1) ten percent of gross income until the statutory reserve shall equal seven percent of the total of outstanding loans and risk assets, then (2) five percent of gross income until the statutory reserve shall equal ten percent of the total outstanding loans and risk assets.

Whenever the statutory reserve falls below the percent of the total of outstanding loans and risk assets required by clause (a) or (b), it shall be replenished in the manner provided by clause (a) or (b) by regular contributions to maintain the stated reserve goals.

The following shall not be included in computing outstanding loans and risk assets pursuant to clauses (a) and (b): loans to other credit unions; loans fully secured by a pledge of savings in the lending credit union equal to and maintained to at least the amount of the loan outstanding; loans which are purchased or acquired from liquidating or merging credit unions and guaranteed by an insurance corporation pursuant to section 52.24; loans insured or guaranteed by the United States or the state of Minnesota, any agency or instrumentality of the United States or the state of Minnesota, to the amount of the insurance or guarantee.

There shall also be established, and at all times maintained, a reserve of not less than ten percent of the amount of the deposits, which shall be in cash and balances due from solvent banks or which may be, in whole or in part, in short term obligations guaranteed as to principal and interest by the U.S. government or in certificates of deposit of a federally insured bank or in a passbook

or other account in a federally insured savings and loan association or in balances due from Minnesota central credit union or ICU services corporation or U.S. central credit union.

**History:** 1925 c 206 s 17; 1933 c 346 s 3; 1937 c 213 s 5; 1971 c 154 s 8; 1973 c 740 s 5; 1975 c 394 s 2; 1978 c 642 s 1; 1980 c 492 s 1 (7774-17)

#### 52.18 DIVIDENDS.

The directors of a credit union may, on a daily, monthly, quarterly, semi-annual, or annual basis as its board of directors may determine, declare and pay a dividend from net earnings or accumulated net undivided profits remaining after statutory reserve has been set aside, which dividend may be paid on all shares whether or not they have been withdrawn during the dividend period. Dividends may be computed on a daily basis. The board of directors may classify its share accounts according to character, amount and duration and declare dividends which may be at variable rates. A dividend shall be uniform within a classification. At the discretion of the board of directors dividends may not be declared or paid on share accounts of less than \$10. Shares which become fully paid up during a dividend period shall be entitled to a proportional part of the dividend calculated from the first day of the month following the payment in full. For the purpose of this section, shares which become fully paid up by the fifteenth day of any month may be treated as being paid up from the first day of the month.

**History:** 1925 c 206 s 18; 1937 c 213 s 6; 1961 c 331 s 8; 1967 c 301 s 6; 1971 c 154 s 9; 1973 c 740 s 6; 1976 c 176 s 3 (7774-18)

#### 52.19 EXPULSION OR WITHDRAWAL OF MEMBERS.

A member may be expelled by a two-thirds vote of the members present at a special meeting called to consider the matter, but only after a hearing. Any member may withdraw from the credit union at any time, but notice of withdrawal may be required. All amounts paid on shares or as deposits of an expelled or withdrawing member, with any dividends or interest accredited thereto, to the date thereof, shall, as funds become available and after deducting all amounts due from the member to the credit union, be paid to him. The credit union may require 60 days' notice of intention to withdraw shares and 30 days' notice of intention to withdraw deposits. Withdrawing or expelled members shall have no further right in the credit union, but are not, by the expulsion or withdrawal, released from any remaining liability to the credit union.

**History:** 1925 c 206 s 19 (7774-19)

#### 52.191 INACTIVE ACCOUNTS.

Whenever a member's share or deposit balance is not more than \$25 and the member has not transacted any business with the credit union for a period of at least seven years, the board of directors, after giving 30 days written notice by certified mail to the last known address of the member, may transfer the balance to the operating reserve fund of the credit union. Thereafter, subject to the law governing abandoned funds, the member may recover the funds in the account at the time of the transfer by making application to the credit union for such funds, but the credit union shall have no obligation to the member for the payment of dividends or interest on the funds after the transfer to the operating reserve.

**History:** 1969 c 453 s 1

**52.20 VOLUNTARY DISSOLUTION.**

Subdivision 1. A credit union may be voluntarily liquidated after two-thirds of the members present and entitled to vote shall have voted such liquidation at a special meeting called by a majority of the board of directors for that purpose, upon 14 days mailed written notice to each member at his last known address clearly stating the purpose of the special meeting, or at any regular meeting after like notice of the purpose has been given. By a majority vote of the members present and entitled to vote at the meeting, a committee of three members shall be elected to liquidate the credit union.

Vacancies in this committee shall be filled by the remaining members of the committee, acting jointly with the board of directors serving at the time of the vote for liquidation, or by and with the approval of any ten or more shareholders. In case the remaining members of the committee or a majority of said board of directors shall notify the commissioner of banks that a vacancy can not be filled in the manner therein provided, the commissioner shall have authority to fill the vacancy from the membership of the credit union as it existed at the time of the vote for liquidation.

Subd. 2. Immediately after this meeting and before the committee shall proceed with the liquidation, the officers of the credit union shall file with the commissioner of banks a certified copy of the minutes of this meeting, a written statement outlining the plan of liquidation, and a verified statement, in writing, signed by a majority of the officers, consenting to this liquidation containing the names and addresses of all officers and directors of the credit union. After the commissioner of banks shall, by proper examination, determine that the credit union is solvent, he shall, within 60 days, issue a certificate of approval of the liquidation, which certificate shall be filed with the county recorder in the county where the credit union is located. A "solvent" credit union is one which is able to pay all of its debts and deposits. From and after this special meeting the credit union shall cease to do business except for purposes of liquidation. Before commencing the liquidation the committee shall execute and file with the commissioner of banks a bond running to the state of Minnesota for the benefit of the members and creditors of the credit union in such amount and with such sureties and in such form as shall be approved by the commissioner of banks, conditioned for the faithful performance of all duties of its trust. A bond may be waived in case of a bulk sale of assets to one or more purchasers upon terms approved by the commissioner of banks. Such purchasers may include other credit unions or an association of credit unions.

Subd. 3. Upon filing this certificate with the county recorder, the credit union shall be deemed dissolved and its corporate existence terminated except for the purpose of discharging its debts, collecting and distributing its assets, and doing all other acts required in order to liquidate. The credit union shall have a corporate existence and may sue and be sued.

Subd. 4. If the credit union shall not be completely liquidated and its assets discharged within three years after the special meeting of the members, the commissioner of banks may take possession of the books, records and assets and proceed to complete liquidation. If the commissioner determines after one year from the commencement of liquidation proceedings that the liquidation is not proceeding in a reasonable and expeditious manner under all of the circumstances, he may take possession of the books, records, and assets and appoint a liquidating agent who shall give a bond running to the state of Minnesota.

Subd. 5. Funds representing unclaimed dividends in liquidation in the hands of the liquidating committee or the commissioner of banks for six months after date of final dividend, shall be deposited with the state treasurer, who shall, within one year thereafter, pay over the money so held by him to the per-

sons respectively entitled thereto upon being furnished satisfactory evidence of their right to the same, and at the end of that year the state treasurer shall credit all residue of the deposit to the general fund.

There is hereby appropriated to the persons entitled to such amounts, from the funds or accounts in the state treasury to which the money was credited, an amount sufficient to make the payment.

Subd. 6. Upon completion of the liquidation by the liquidating committee, it shall file with the commissioner of banks a verified statement in writing signed by the members of the committee stating that all debts of the credit union, and all deposits, and all shares, or portions of shares which can be paid from the liquidation proceeds, have been paid, except any unclaimed dividends, and if any such, the amount thereof, the names of the persons entitled thereto, with their last known addresses, and all books and papers of the credit union shall thereupon be deposited with the commissioner of banks.

**History:** 1925 c 206 s 20; 1933 c 346 s 4; 1937 c 213 s 7; 1943 c 20 s 2; 1959 c 158 s 5; 1961 c 331 s 9; 1967 c 301 s 7-9; 1969 c 399 § 1; 1971 c 154 s 10; 1976 c 181 s 2 (7774-20)

### **52.201 REORGANIZING FEDERAL CREDIT UNION INTO STATE CREDIT UNION.**

When any federal credit union authorized to convert to a state charter has taken the necessary steps under the federal law for that purpose, seven or more members, upon authority of two-thirds of the members present and entitled to vote and who shall have voted for such conversion at a regular or special meeting upon 14 days mailed written notice to each member at his last known address clearly stating that such conversion is to be acted upon, and upon approval of the commissioner of banks, may execute a certificate of incorporation under the provisions of the state credit union act, which, in addition to the other requirements of law, shall state the authority derived from the shareholders of such federal credit union; and upon recording such certificate as required by law, it shall become a legal state credit union and the members of the federal credit union shall without further action be members of the state credit union. Thereupon the assets of the federal credit union, subject to its liabilities not liquidated under the federal law before such incorporation, shall vest in and become the property of such state credit union and the members upon request shall be entitled to a new passbook showing existing share and loan balances. The commissioner of banks shall approve or disapprove of the conversion within 60 days of the date the proposal is presented to him.

**History:** 1941 c 510 s 1; 1961 c 331 s 10; 1971 c 154 s 11

### **52.202 DIRECTORS MAY EXECUTE CERTIFICATES.**

When any state credit union authorized to dissolve has taken the necessary steps for that purpose, pursuant to section 52.20, excepting the necessity for the appointment of a liquidating committee and filing a bond, the number of its members required by federal law may execute a certificate of incorporation under the provisions of the federal credit union act, which federal credit union shall be regarded as continuing the existence of the state credit union. Upon approval of the conversion by the federal regulatory agency and upon recording of such certificates as required by law the state credit union shall be fully dissolved. Any officer of the state credit union, or member of supervisory and credit committees, elected to a corresponding office in the federal credit union shall be regarded as holding over such office from the state credit union to the federal credit union.



**History:** 1941 c 510 s 2; 1961 c 331 s 11

### 52.203 MERGER.

Any credit union chartered by this state may merge with and be absorbed by any other state or federal credit union, and any credit union chartered by this or any other state or any federal credit union may be merged into a successor credit union chartered by this state, upon approval of all regulatory agencies concerned, and upon compliance with this section as regards the credit union chartered by this state.

A credit union may be absorbed after two-thirds of its members present and entitled to vote shall have voted in favor of the merger at a special meeting called by a majority of the board of directors for that purpose, upon fourteen days mailed written notice to each member at his last known address clearly stating the purpose of the special meeting, or at any regular meeting after like notice of the purpose has been given. Thereafter, the board of directors shall have authority to execute an agreement of merger with the successor credit union, subject to approval of such agreement by the commissioner of banks. The commissioner shall approve or disapprove of said agreement within 60 days of the date the agreement is submitted to him. Such approved agreement shall be filed with the county recorder in the county where such credit union is located.

If the successor credit union which absorbs one or more credit unions is chartered by this state it shall have authority to execute an agreement of merger upon approval of such agreement by the commissioner of banks and by the board of directors of the credit union. The commissioner of banks shall approve the merger agreement if it is in the best interest of the credit unions involved. In any event, the commissioner of banks shall approve or disapprove of the merger agreement within 60 days of the date the agreement is submitted to him. Members of and persons eligible for membership in the credit union being absorbed shall have all rights of membership in the successor credit union.

The charter and license and all other rights and property of the credit union being absorbed shall be deemed to be transferred to and invested in the successor credit union upon such execution and approval of the merger agreement without further action. Any pending action or other judicial proceeding to which the credit union being absorbed is a party at the date of merger shall not abate by reason of the merger. If the credit union being absorbed is chartered by this state, its corporate existence shall cease upon such execution and approval of the merger agreement without further action.

**History:** 1961 c 331 s 12; 1967 c 63 s 1; 1971 c 154 s 12; 1976 c 181 s 2; 1977 c 16 s 1

### 52.21 CHANGE OF PLACE OF BUSINESS.

A credit union may change its place of business within this state only with the written consent of the commissioner of banks. The commissioner of banks shall consent, or give notice to the credit union of his failure to consent, within 60 days of the date the request for a change of place of business is submitted to him.

**History:** 1925 c 206 s 21; 1931 c 213 s 8; 1971 c 154 s 13 (7774-21)

### 52.22 DEEMED SAVINGS BANK FOR PURPOSES OF TAXATION.

A credit union shall be deemed a savings bank for purposes of taxation.

**History:** 1925 c 206 s 22 (7774-22)

**52.23** [ Obsolete ]**52.24 MANDATORY SHARE AND DEPOSIT INSURANCE.**

Subdivision 1. **Insurance commitment.** Not later than July 1, 1979, each credit union under the supervision of the commissioner of banks shall apply for insurance of member share and deposit accounts under the provisions of title II of the national credit union act, or a legally constituted state credit union share insurance corporation. A credit union which has been denied a commitment for insurance of its share and deposit accounts shall either dissolve, merge with another credit union which is insured under title II of the national credit union act or a legally constituted share insurance corporation, 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 credit union 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. 2. **Certificate of approval.** No credit union shall be granted a certificate of approval by the commissioner of banks after April 10, 1976 unless such credit union has obtained a commitment for insurance of its member share and deposit accounts under the provisions of title II of the national credit union act or a legally constituted state credit union share insurance corporation.

**History:** 1976 c 219 s 3