

CHAPTER 52

CREDIT UNIONS

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52.01 ORGANIZATION.

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

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

A credit union is organized in the following manner:

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

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

(2) The applicants submit the following in the form prescribed by the commissioner of banks:

- (a) a statement of the common bond of the proposed credit union;
- (b) the number of potential members;
- (c) the geographic dispersion of the potential members;
- (d) evidence of interest, including willingness of potential members to assume responsibility for leadership and service;
- (e) a two-year forecast of probable levels of assets, shares and deposits, and income and expense;
- (f) the availability of other credit union services to the potential members;
- (g) other information the commissioner requires;

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

(4) The certificate and the bylaws, both executed in duplicate, are forwarded to the commissioner of banks with a \$100 application fee;

(5) The commissioner of banks shall, within 60 days of the receipt of the certificate, the information required by paragraph (2), the bylaws, and a commitment for insurance of accounts as required by section 52.24, subdivision 2, determine whether they comply with the provisions of this chapter, and whether or not the organization of the credit union in question would benefit its members, be economically feasible, and be consistent with the purposes of this chapter;

(6) Thereupon the commissioner of banks shall notify the applicants of his decision. If it is favorable, the commissioner shall issue a certificate of approval, attached to the duplicate certificate of organization, and return them with the

duplicate bylaws to the applicants. If it is unfavorable, the applicants may, within 60 days after the decision, appeal for a review in a court of competent jurisdiction;

(7) The applicants shall thereupon file the duplicate of the certificate of organization, with the certificate of approval attached thereto, with the secretary of state, who shall make a record of the certificate and return it, with a certificate of record attached thereto, to the commissioner of banks for permanent records; and

(8) Thereupon the applicants shall 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 prepare approved forms of certificate of organization and 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: 1983 c 230 s 1

52.04 POWERS.

Subdivision 1. A credit union has the following powers:

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

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

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

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

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

(6) To borrow money as hereinafter indicated;

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

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

(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 is finally adjudged in the action, suit, or proceeding to be liable for negligence or misconduct in the performance of his duties. The indemnification is not 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 those payments from the member's funds prior to deposit; to permit draft withdrawals from member accounts; however, this clause does not permit a credit union to establish demand deposits (checking accounts) for its members, but a credit union proposing to permit draft withdrawals shall notify the commissioner of banks, in the form prescribed, of its intent not less than 90 days prior to authorizing draft withdrawals;

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

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

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

(15) In furtherance of the twofold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes, and not in limitation of the specific powers hereinbefore conferred, to have all the powers enumerated, authorized, and permitted by this chapter, and such other rights, privileges and powers 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 if the credit union obtains adequate insurance or bonding coverage for losses which might result from the rental of safe deposit boxes;

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

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

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

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

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

(b) The board of directors approves the sale;

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

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

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

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

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

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

(vi) Provide for loan status reports;

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

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

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

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

(iii) Allows substitution of one loan for another;

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

[For text of subd 2, see M.S.1982]

History: 1983 c 43 s 1

52.05 MEMBERSHIP.

Credit union membership consists of the incorporators and other persons as may be elected to membership and subscribe to at least one share, pay the initial installment thereon and the entrance fee if any. In addition to a regularly qualified member, the spouse of a member, the blood or adoptive relatives of either of them and their spouses may be members. When an individual member of a credit union leaves the field of membership, the member, and all persons who became members by virtue of his or her membership may continue as members.

The surviving spouse of a regularly qualified member, and the blood or adoptive relatives of either of them and their spouses may become members. 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.

Any 25 residents of the state representing a group may apply to the commissioner, advising him of the common bond of the group and its number of potential members, for a determination whether it is feasible for the group to form a credit union. Upon a determination that it is not feasible to organize because the number of potential members is too small, the applicants will be certified by the commissioner as eligible to petition for membership in an existing credit union geographically situated to adequately service the group. If the credit union so petitioned resolves to accept the group into membership, it shall follow the bylaw amendment and approval procedure set forth in section 52.02.

History: 1983 c 230 s 2

52.061 CREDIT UNION ADVISORY TASK FORCE.

The commissioner of banks may appoint a credit union advisory task force to consult with, advise, and make recommendations to the commissioner in all matters pertaining to credit unions. If created, the advisory task force shall consist of five members who shall be appointed by the commissioner 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 task force members, the Minnesota league of credit unions may submit a list of not less than 15 names; however, the commissioner shall not be limited to this list in making his selections. The commissioner may review with the advisory task force the records of the banking division concerning the supervision, regulation, and examination of credit unions. The task force expiration, terms, compensation, and removal of members shall be as provided in section 15.059.

History: 1983 c 260 s 16

52.062 CREDIT UNIONS; SUSPENSION OF OPERATION.

[For text of subds 1 and 2, see M.S.1982]

Subd. 3. In lieu of immediate suspension of the operation of the credit union, the commissioner of banks may submit to the advisory task force, 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 task force 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 task force 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 task force 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 violations of law, bylaw, or regulation, and shall specify which operations of the credit union may continue during the period of suspension.

History: 1983 c 260 s 17

52.09 DIRECTORS; POWERS AND DUTIES.

[For text of subd 1, see M.S.1982]

Subd. 2. **Particular duties.** The directors shall manage the affairs of the credit union and shall:

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

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

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

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

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

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

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

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

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

(10) 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, suspend any member of the credit committee or supervisory committee if it deems this action necessary to the proper conduct of the credit union, and call the members together to act on the suspension within a reasonable time after the suspension. The members at the

meeting may, by majority vote of those present, sustain the suspension and remove the committee members permanently or may reinstate the committee members;

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

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

[For text of subds 3 and 4, see M.S.1982]

History: 1983 c 43 s 2

52.15 BORROWING, LIMITATION.

Subdivision 1. A credit union may borrow from any source, or sources, sums not exceeding in the aggregate 40 percent of its unimpaired assets. For the purposes of this subdivision, "unimpaired assets" mean total assets less borrowings, including all forms of indebtedness, accounts 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. Applications for written approval shall include the specific dollar amount or increase in the aggregate percentage with respect to unimpaired assets that may be borrowed by the credit union and the period of time the additional borrowed sums will be needed. The commissioner's approval must state the specific dollar amount or increase in the aggregate percentage being approved and the period of time for which the approval is effective.

History: 1983 c 43 s 3,4

52.17 RESERVE FUND.

[For text of subd 1, see M.S.1982]

Subd. 2. **Required liquidity.** Every credit union shall maintain a reserve in the form of liquid assets at a level reasonably necessary to meet anticipated withdrawals, commitments, and loan demand. Reserves must be in cash and balances due from solvent banks or which may be, in whole or in part, in short term obligations guaranteed as to principal and interest by the U.S. government or in certificates of deposit of a federally insured bank or in a passbook or other account in a federally insured savings and loan association or in balances due from the Minnesota corporate credit union or ICU services corporation or U.S. central credit union. The commissioner of banks may prescribe the required amount of reserves for any individual credit union from time to time based upon examination findings or other reports relating to the credit union that are available to the commissioner. The determination by the commissioner of a required

amount of reserves for a credit union shall not be considered a rule as defined by section 14.02, subdivision 4. Reserves for an individual credit union as prescribed by the commissioner pursuant to this section shall be enforced in accordance with sections 46.24 and 46.30 to 46.33.

History: 1983 c 43 s 5

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. At the time of filing with the commissioner of any proposed merger or consolidation plan, the credit unions proposing to merge or consolidate shall submit a fee of \$100 payable to the commissioner of banks. The fee shall be paid in equal parts by the credit unions' party to the proposal.

A credit union may be absorbed after two-thirds of its members present and entitled to vote have voted in favor of the merger 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. Thereafter, the board of directors may execute an agreement of merger with the successor credit union, subject to approval of the agreement by the commissioner of banks. The commissioner shall approve or disapprove of the agreement within 60 days of the date the agreement is submitted to him. The approved agreement must be filed with the county recorder in the county where the credit union is located.

If the successor credit union which absorbs one or more credit unions is chartered by this state it may execute an agreement of merger upon approval of the 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 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 is deemed to be transferred to and invested in the successor credit union upon 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 does not abate by reason of the merger. If the credit union being absorbed is chartered by this state, its corporate existence ceases upon the execution and approval of the merger agreement without further action.

History: 1983 c 250 s 18