

municipal clerk within the region and those town clerks who in advance have requested a copy of the budget and notice of public hearing. On or before October 1, 1971, and each year thereafter, the commission shall adopt, after a public hearing held not later than September 20, a budget covering its anticipated receipts and disbursements for the ensuing year and shall decide upon the total amount necessary to be raised from ad valorem tax levies to meet its budget. After adoption of the budget and no later than October 1, the secretary of the commission shall certify to the auditor of each county within the region the county share of such tax, which shall be an amount bearing the same proportion to the total levy agreed on by the commission as the assessed valuation of the county bears to the assessed valuation of the region. The maximum amount of any levy made for the purposes of sections 462.381 to 462.396 shall not exceed one half mill on each dollar of assessed valuation of all taxable property in the region. The auditor of each county in the region shall add the amount of any levy made by the commission within the limits imposed by this subdivision to other tax levies of the county for collection by the county treasurer with other taxes. When collected the county treasurer shall make settlement of such taxes with the commission in the same manner as other taxes are distributed to political subdivisions. The levy authorized by this section shall be in addition to any other county taxes authorized by law.

Sec. 12. Minnesota Statutes 1969, Section 462.396, Subdivision 5, is amended to read:

Subd. 5. Every contract of the commission for the purchase of merchandise, materials, or supplies ~~which requires an expenditure of \$1,000 or more shall be let in accordance with the provisions of Minnesota Statutes, Section 471.345 to the lowest responsible bidder after notice has been published once in a legal newspaper of general circulation in the region at least ten days in advance of the last day for the submission of bids.~~

Sec. 13. Minnesota Statutes 1969, Sections 462.386, Subdivision 2; 462.387, Subdivision 2; and 462.388, Subdivision 3, are repealed.

Approved April 23, 1971.

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## CHAPTER 154—S.F.No.296

*An act relating to credit unions; amending Minnesota Statutes 1969, Sections 52.01; 52.02; 52.04; 52.05; 52.06; 52.09, Subdivision 2; 52.12; 52.17; 52.18; 52.20, Subdivision 2; 52.201; 52.203, and 52.21.*

Changes or additions indicated by underline, deletions by ~~strikeout~~.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Minnesota Statutes 1969, Section 52.01, is amended to read:

**52.01 CREDIT UNIONS; REVISIONS; 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 \$25;

(4) The commissioner of banks shall, within ~~30~~ 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 ~~30~~ 60 days after said decision, have the right to appeal for a review in a court of competent jurisdiction.

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

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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.

Sec. 2. Minnesota Statutes 1969, Section 52.02, is amended to read:

**52.02 BYLAWS AND AMENDMENTS, APPROVAL.** To amend certificate of organization or bylaws, whether at a regular or special meeting, proposed amendments shall be set forth in the notice of the meeting. Any amendments to the certificate of organization or bylaws shall be approved by two-thirds vote of the members then present and entitled to vote, provided there is 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. and 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 register of deeds 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 register of deeds 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 register of deeds in the county in which the credit union desires to do business.

Sec. 3. Minnesota Statutes 1969, Section 52.04, is amended to read:

**52.04 POWERS.** A credit union shall have the following powers:

Changes or additions indicated by underline, deletions by ~~strikeout~~.

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

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

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

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

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

(6) To borrow money as hereinafter indicated;

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

(8) To make payments on shares of and deposit with any other credit union ~~operating under the provisions of this chapter, chartered by this or any other state or operating in this state~~ 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;

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

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

(11) 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

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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.

Sec. 4. Minnesota Statutes 1969, Section 52.05, is amended to read:

**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 relatives family of a regularly qualified member may be members. Members of the family include grandparents, parents, husband, wife, children, grandchildren, brothers, and sisters, living under the same roof and in the same household. A person who is a member of a credit union prior to July 1, 1971, whether or not within the definition of family as stated herein, may continue as a member with all of the rights and privileges of any other member. Any person admitted to membership as a member of the family may continue as a member even though he discontinues living under the same roof and in the same household as the regularly qualified member. When an individual member of a credit union leaves the field of membership, such member, his spouse, or blood relative having membership therein, and members of his family and others who have been admitted to membership as a member of his family, and any other person having membership prior to July 1, 1971, as a blood relative of a member may continue as a member, but shall not be eligible to hold any office, or serve on any board or committee, or one year after leaving the field of membership borrow therefrom in excess of the amount of his shares and deposits. Organizations, incorporated or otherwise, composed for the most part of the same general group as the credit union membership may be members. Credit unions operating under the provisions of this chapter, or operating in this state under the provisions of the federal credit union act, 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 rural district.

Sec. 5. Minnesota Statutes 1969, Section 52.06, is amended to read:

**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

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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 has assets of less than \$25,000, he may accept the audit of a certified public accountant in place of this examination. 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 ~~such~~ 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 ~~30~~ 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 Minnesota Statutes 1969, 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.

Sec. 6. Minnesota Statutes 1969, Section 52.09, Subdivision 2, is amended to read:

Subd. 2. **PARTICULAR DUTIES.** It shall be the duty of the directors to have general management of 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.

Changes or additions indicated by underline, deletions by ~~strikeout~~.

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 determine the maximum individual share holdings, the maximum amount of deposits, and the maximum individual loan which can be made with and without security, including liability indirectly as a co-maker, guarantor, or endorser;~~

(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 comaker, 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, in a total sum which shall not exceed in the aggregate 40 percent of its unimpaired assets;

(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.

**Changes or additions indicated by underline, deletions by ~~strikeout~~.**

Sec. 7. Minnesota Statutes 1969, Section 52.12, is amended to read:

**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, as may be provided. ~~Any entrance fee shall be authorized by the bylaws.~~

Sec. 8. Minnesota Statutes 1969, Section 52.17, is amended to read:

**52.17 RESERVE FUND.** Every credit union shall maintain a reserve fund, which shall be used as a reserve against bad loans and other losses, and shall not be used to pay expenses of the credit union or otherwise distributed, except in case of liquidation. All entrance fees, if any, fines, and each year, before the declaration of a dividend, ten percent of the gross earnings, shall be set aside as a reserve fund against bad loans and other losses until such time as the fund shall equal 15 percent of the assets of the credit union, and thereafter there shall be added to the fund, at the end of each fiscal year, such percent of the gross earnings as will be required to maintain the fund, as herein provided. ~~When the reserve fund equals 7-½ percent of the outstanding loans to members and risk assets, excluding loans to other credit unions, five percent of gross earnings shall be set aside in the reserve fund. When the reserve fund equals ten percent of the outstanding loans and risk assets, no further transfer of gross earnings to the reserve fund shall be required. If the reserve fund becomes less than ten percent of the outstanding loans to members and risk assets then the schedule of allocation to the reserve fund shall apply until the ten percent ratio of reserves to loans outstanding to members and risk assets is again established. There shall also be established, and at all times maintained, a reserve of not less than five 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 maturing in one year or less.~~

Sec. 9. Minnesota Statutes 1969, Section 52.18, is amended to read:

**52.18 DIVIDENDS.** The directors of a credit union may, on a daily, monthly, quarterly, semiannual, 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

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statutory reserve has been set aside, which dividend ~~shall~~ may be paid on all shares ~~outstanding at the end of a whether or not they have been withdrawn during the~~ dividend period. ~~Shares withdrawn during a dividend period shall receive no dividend. Dividends may be computed on a daily basis. 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.

Sec. 10. Minnesota Statutes 1969, Section 52.20, Subdivision 2, is amended to read:

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 register of deeds 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.

Sec. 11. Minnesota Statutes 1969, Section 52.201, is amended to read:

**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

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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.

Sec. 12. Minnesota Statutes 1969, Section 52.203, is amended to read:

**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.

~~If the credit union being absorbed is chartered by this state it shall comply with section 52.20 (with exception of the bond requirement) and a majority of its liquidating committee 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. Such approved agreement shall be filed with the register of deeds in the county where such credit union is located, in lieu of a liquidation certificate as required by subdivision 2 of section 52.20. 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 register of deeds in the county where such credit union is located.~~

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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 not approve of any the merger agreement if the membership of the successor or continuing credit union resulting from the merger proposed in such agreement would not have a common bond of occupation or association or be residents within a well defined rural district, unless one of the credit unions involved in the proposed merger has a share impairment or is losing its field of membership. A member of a credit union being absorbed who does not possess a common bond of occupation or association or share residence within a well defined rural district with the membership of the absorbing credit union may continue with the absorbing credit union any share, deposit, or loan account which he maintained with the absorbed credit union on the date of merger, but he may not thereafter add to such a share or deposit account or borrow from the absorbing credit union in excess of the amount of his share and deposit holdings therein 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 the credit union being absorbed shall have all rights of membership in the successor credit union .~~

~~In either case, 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. Except as provided herein, this section shall not be construed to limit the requirement that the membership of the credit union organization shall conform to the provisions of section 52.05.~~

Sec. 13. Minnesota Statutes 1969, Section 52.21, is amended to read:

**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.

Approved April 23, 1971.

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