

Subd. 2. LOCATION OF MISSING CHILD. Immediately after a missing child is located, the law enforcement agency which located or returned the missing child shall notify the law enforcement agency having jurisdiction over the investigation, and that agency shall cancel the entry from the NCIC computer.

Sec. 4. EFFECTIVE DATE.

Section 2 is effective the day following final enactment.

Approved April 25, 1984

CHAPTER 511 — H.F.No. 1456

An act relating to Otter Tail county; authorizing the board of county commissioners to sell certain real property.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. OTTER TAIL COUNTY; SALE OF REAL PROPERTY.

The board of county commissioners of Otter Tail county may by resolution, without advertising for bids, list with a licensed real estate agent and sell the former juvenile female group home owned and operated by the county and the tract of land where the home is located.

Sec. 2. EFFECTIVE DATE.

This act is effective the day after compliance with Minnesota Statutes, section 645.021, subdivision 3, by the Otter Tail county board.

Approved April 25, 1984

CHAPTER 512 — H.F.No. 1481

An act relating to financial institutions; credit unions; authorizing credit unions to offer various classes of shares, share certificates, deposits, or deposit certificates; authorizing the board of directors to establish different classes of shares and place certain restrictions on one class of shares; allowing credit unions to designate the par value of shares; specifying certain components of the capital of a credit union; adding investment losses to the category

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of contingencies against which credit unions are required to reserve; permitting the board to pay no dividend; permitting the exclusion of one share of a member from the requirement for insurance; amending Minnesota Statutes 1982, sections 52.12; 52.17, subdivision 1; 52.18; and 52.24, by adding a subdivision; Minnesota Statutes 1983 Supplement, sections 52.01; 52.04, subdivision 1; 52.05; and 52.09, subdivision 2.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1983 Supplement, section 52.01, is amended to read:

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;

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(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.

Sec. 2. Minnesota Statutes 1983 Supplement, section 52.04, subdivision 1, is amended to read:

Subdivision 1. A credit union has the following powers:

(1) To offer its members and other credit unions various classes of shares, share certificates, deposits, or deposit certificates;

(2) 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;

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~~(2)~~ (3) To make loans to members for provident or productive purposes as provided in section 52.16;

~~(3)~~ (4) To make loans to a cooperative society or other organization having membership in the credit union;

~~(4)~~ (5) To deposit in state and national banks and trust companies authorized to receive deposits;

~~(5)~~ (6) To invest in any investment legal for savings banks or for trust funds in the state and, notwithstanding clause ~~(2)~~ (3), 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)~~ (7) To borrow money as hereinafter indicated;

~~(7)~~ (8) To adopt and use a common seal and alter the same at pleasure;

~~(8)~~ (9) 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)~~ (10) 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)~~ (11) 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)~~ (12) 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

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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. The board of directors of a credit union may restrict one class of shares to the extent that it may not be redeemed, withdrawn, or transferred except upon termination of membership in the credit union;

~~(12)~~ (13) 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)~~ (14) 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) (15) 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) (16) 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) (17) 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;

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~~(17)~~ (18) 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)~~ (19) 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)~~ (20) 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)~~ (21) 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;

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(21) (22) 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;

(23) To designate the par value of the shares of the credit union by board resolution.

Sec. 3. Minnesota Statutes 1983 Supplement, section 52.05, is amended to read:

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 as designated by the board of directors, 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.

Sec. 4. Minnesota Statutes 1983 Supplement, section 52.09, subdivision 2, is amended to read:

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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~~ depository institution 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.

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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; and

(14) to establish different classes of shares.

Sec. 5. Minnesota Statutes 1982, 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 includes shares, share certificates, any special class of shares, undivided earnings, reserves, and any entrance or membership fees. 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 or annual membership fee. Any entrance fee shall be if authorized by the bylaws.

Sec. 6. Minnesota Statutes 1982, section 52.17, subdivision 1, is amended to read:

Subdivision 1. **PROVISION FOR LOSSES.** Every credit union shall maintain a reserve fund, which shall be used as a reserve against bad losses on loans, losses on investments, 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, losses on investments, 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,

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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 commissioner may waive the requirements in paragraph (a), clause (2), and paragraph (b), clause (2), based on applications by credit unions demonstrating need and considering levels of total reserves and other factors bearing on the credit union's safety and soundness. The commissioner may also require special reserves to protect the interests of members either by rule or by an individual credit union in any special case.

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.

Sec. 7. Minnesota Statutes 1982, section 52.18, is amended to read:

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 with due regard to the conditions that pertain to each class of shares, or pay no dividend at all. 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.

Sec. 8. Minnesota Statutes 1982, section 52.24, is amended by adding a subdivision to read:

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Subd. 3. EXCLUSION. Notwithstanding the provisions of subdivisions 1 and 2, any one share of a member, as designated in the bylaws of the credit union, may be excluded from the requirement for insurance. At the time a share so designated as an uninsured, nonwithdrawable membership share is subscribed to, the person subscribing will be provided the following separate notification printed in not less than the equivalent of 8-point type, 0.075 inch computer type, or elite-sized typewriter numerals, or shall be legibly handwritten:

"Membership shares are not insured by any state or federal agency and may be used to pay the expenses and losses of the credit union in the event all other available reserves have been depleted."

Approved April 25, 1984

CHAPTER 513 — H.F.No. 1524

An act relating to claims against the state; providing for claims arising out of the injury or death of an inmate conditionally released or a person performing work pursuant to a court order; amending Minnesota Statutes 1982, section 3.739, subdivisions 1, 2, and by adding a subdivision.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1982, section 3.739, subdivision 1, is amended to read:

Subdivision 1. **LEGISLATIVE AUTHORITY PERMISSIBLE CLAIMS.** Claims and demands arising out of the circumstances described in this subdivision shall be presented to, heard, and determined by the legislature as provided in subdivision 2:

(1) An injury to or death of an inmate of a state, regional, or local correctional facility or county jail who has been conditionally released from a state correctional facility and ordered to perform uncompensated work for a state agency, a political subdivision or public corporation of this state, or a nonprofit educational, medical, or social service agency, or a private business or individual, as a condition of his release, while performing the work;

(2) An injury to or death of a person who has been placed on probation by a court sentenced by a court, granted a suspended sentence by a court, or subject to a court disposition order, and who, is performing work in restitution pursuant to court order, is performing work (a) in restitution, (b) in lieu of or to work off fines or court ordered costs, (c) in lieu of incarceration, or (d) as a term or condition of a sentence, suspended sentence, or disposition order, while performing the work; or

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