

1 Department of Commerce

2

3 Adopted Rules Governing Credit Unions

4

5 Rules as Adopted

6 2675.6100 BOOKS, RECORDS, AND REPORTS.

7 Subpart 1. [See repealer.]

8 Subp. 2. Data processing off premises. Any credit union
9 receiving recordkeeping services from another credit union or
10 from a service corporation shall provide a certificate from the
11 other credit union or service corporation, stating its agreement
12 to perform the services in compliance with Minnesota Statutes,
13 section 52.06. The certificate must acknowledge that it is
14 subject to regulation and examination to the same extent as if
15 the services were being performed by the credit union on its
16 premises.

17 Subp. 2a. Daily closing. Credit unions that maintain in
18 excess of \$500,000 in accounts subject to draft withdrawal shall
19 post all assets and liabilities daily.

20 Subp. 3. Semiannual audit. The supervisory committee
21 shall file a report in duplicate on forms furnished by the
22 Department of Commerce, within 30 days after the date of each
23 semiannual audit.

24 Subp. 4. Commingled funds. All cash receipts and assets
25 of the credit union must be kept intact and separate from other
26 funds.

27 Subp. 5. [See repealer.]

28 Subp. 5a. Statement of accounts. A statement of account
29 that itemizes all transactions must be issued at least monthly
30 for sharedraft accounts. A statement must be issued at the end
31 of a dividend period on all other accounts, except that a
32 statement need not be issued more often than quarterly and must
33 be issued at least annually.

34 Subp. 5b. Inactive and segregated accounts. If the board
35 determines that an account is inactive and segregated, it must
36 be issued a statement at least annually. Statements on inactive

1 accounts must be issued under the control of the supervisory
2 committee.

3 Subp. 5c. Passbooks. When issued, passbooks must show the
4 current position of shares, deposits, and loans. The credit
5 union shall annually notify members to bring passbooks into the
6 credit union office for current posting. A credit union may not
7 hold a passbook.

8 Subp. 6. Issuing account numbers. A number must be
9 assigned to each member in sequence upon his election to
10 membership, and that number may never be reissued to another
11 member. Each member's assigned number must appear on his
12 individual record of accounts for shares, deposits, and loans.

13 2675.6110 PURCHASE OF REAL ESTATE.

14 A credit union may not purchase real estate other than for
15 credit union premises.

16 2675.6111 INVESTMENTS IN CREDIT UNION PREMISES.

17 Investments in credit union premises or leasehold
18 investments may not exceed 50 percent of total reserves of the
19 credit union unless the Department of Commerce grants a prior
20 approval.

21 2675.6120 OTHER REAL ESTATE.

22 Subpart 1. Transfers. Whenever real estate is acquired by
23 a credit union through foreclosure or by deed in lieu of
24 foreclosure, it must be transferred from loans to an account
25 titled "other real estate" on the date upon which the credit
26 union actually acquired title.

27 Subp. 2. Repair and restoration costs. Costs of repairs
28 and costs of restoration of the property may not be added to the
29 real estate account, unless the expenditures are for permanent
30 improvements. Taxes delinquent when title is acquired may, when
31 paid by the credit union, be added to the book value of the
32 property.

33 Subp. 3. Additions to book value. Additions to book value
34 may not be made after the date of sale in cases of foreclosure
35 except as noted in subpart 2. If a deed is taken in lieu of

1 foreclosure, real estate must be carried at a figure not
2 exceeding the balance due on the mortgage, plus delinquent taxes
3 and assessments paid by the credit union at the time of
4 acquiring title.

5 Subp. 4. Sale of other real estate. A credit union may
6 finance the sale of other real estate or credit union premises
7 under the terms and conditions available to any seller or owner
8 of real property. A profit on the sale of other real estate
9 sold on contract is considered deferred profit and must be held
10 in reserve to be realized after two consecutive years of
11 contracted payments have been made.

12 Subp. 5. Unsold other real estate. Other real estate that
13 is not sold must be charged off annually through earnings at the
14 rate of at least ten percent of the original amount. The first
15 charge off must be based on the number of full months in which
16 other real estate was booked.

17 2675.6141 REAL ESTATE MORTGAGES.

18 Subpart 1. Loans. Credit unions may make loans upon the
19 security of real estate if it is a first lien on the real estate.
20 Additionally, credit unions may take a junior lien if the loan
21 is made:

22 A. to secure debts previously contracted;

23 B. if at least 80 percent of the principal balance is
24 guaranteed or insured by a governmental agency or nationally
25 recognized insurer;

26 C. to secure a loan if the total unpaid aggregate of
27 all outstanding liens against the same real estate, including
28 the credit union's proposed lien, does not exceed 80 percent of
29 its appraised value. A loan made under Minnesota Statutes,
30 section 52.165 is deemed to comply with this rule if it was in
31 compliance at the date of its origination.

32 Subp. 2. Appraisal report. Real estate appraisal reports
33 are required for each mortgage. The appraisal and the
34 reasonableness of its accuracy is the responsibility of the
35 credit committee or, in the absence of a credit committee, the
36 board of directors. The appraisal report and its acceptance by

1 the board or credit committee must be made part of the mortgage
2 file.

3 Subp. 3. Valid lien. An attorney's opinion or a title
4 insurance policy is required on all real estate loans and must
5 describe the status of fee title, the validity of the credit
6 union's lien, and the position of the lien.

7 Subp. 4. Insurance. Evidence of adequate insurance with
8 loss payable clause payable to credit union is required for
9 mortgages on improved property.

10 Written binders of insurance are acceptable evidence of
11 insurance. A credit union may not refuse to accept a binder
12 tendered at the time of closing as evidence of insurance
13 coverage required as a condition of a loan agreement; provided
14 that the binder conforms with usual and customary conditions as
15 to designation of loss payee and mortgagor.

16 Subp. 5. Fees. As specified by board policy, a credit
17 union may require members to pay fees in connection with the
18 making, closing, disbursing, extending, readjusting, or renewing
19 of real estate loans. Upon acceptance of an application for a
20 real estate loan, the borrower shall be provided with an
21 estimate of all costs other than interest authorized by law.
22 Additionally, the applicant shall be provided with an estimate
23 of costs to be refunded in the event the loan is not granted.

24 Subp. 6. Exempt loans. Real estate lending policies may
25 exclude the title perfection requirements of part 2675.6141 on
26 advances of \$7,500 or less. These loans will not be considered
27 real estate secured loans for examination purposes or for
28 purposes of transferring or imposing fees as provided by part
29 2675.6141, subpart 5.

30 2675.6142 PERSONAL LOANS.

31 Subpart 1. Fees. Charges, other than interest authorized
32 by law, may not be made for any non-real estate loan except that
33 there may be charged to the borrower or included in the amount
34 financed:

35 A. Fees paid or to be paid by the credit union to any
36 public officer for filing, recording, or releasing in a public

1 office an instrument securing the loan.

2 B. Premiums or charge for insurance protecting the
3 lender against the risk of loss from not filing or recording a
4 security agreement or financing statement and in lieu of filing
5 the agreement or statement. The premium or charge may not
6 exceed the actual premium or charge made by the insurance
7 company to the lender or the actual costs if the documents were
8 filed, recorded, or released in any public office.

9 C. The premium on any life, accident and health,
10 property, or other insurance written upon or in connection with
11 a loan; provided notification is given in writing that the
12 borrower has the option of furnishing this coverage through
13 existing policies of insurance owned or controlled by him or of
14 furnishing the coverage through any insurer authorized to
15 transact business in this state. The premium may not be
16 included as part of the loan and must be accounted for as a
17 separate receivable unless advanced as part of the principal at
18 the time of origination or payments are increased to provide
19 amortization of the premium within the original maturity of the
20 loan.

21 Subp. 2. Financial statements. An unsecured loan in an
22 amount indicated below must be supported by a signed financial
23 statement of the borrower, comaker, and guarantors that lists
24 the assets and obligations and shows the net worth of the
25 borrower, comaker, or guarantor:

26 A. an unsecured loan in excess of \$1,500 in a credit
27 union with assets of less than \$1,000,000;

28 B. an unsecured loan in excess of \$3,000 in a credit
29 union with assets of \$1,000,000 to \$10,000,000; or

30 C. an unsecured loan in excess of \$5,000 in a credit
31 union with assets of \$10,000,000 or more.

32 Current financial information is also required on loans
33 which the commissioner or his examiners consider inadequately
34 secured. The loan application must show the estimated value of
35 any collateral offered at the time a loan is granted.

36 2675.6143 DELINQUENT LOANS.

1 Subpart 1. Installment loans. A note due on a monthly
2 installment basis must be scheduled for delinquency. The whole
3 principal balance is considered past due if any portion of an
4 installment remains unpaid 60 days after the scheduled payment
5 date. Delinquent loans must be shown by categories coded as
6 follows:

- 7 A. 60 days to 180 days, code A;
- 8 B. 181 days to 364 days, code B; and
- 9 C. 365 days or more, code C.

10 Subp. 2. Single payment loans. A single payment loan is
11 considered past due the next day after maturity and must be
12 coded past due from that date according to the schedule in
13 subpart 1.

14 Subp. 3. Extensions. A loan is not considered current by
15 extension unless accrued interest has been paid to the date of
16 extension. Special consideration for unusual circumstances
17 affecting the general membership may be permitted by a detailed
18 application to the Department of Commerce.

19 Subp. 4. Delinquent loan report. A detailed report on
20 delinquent loans must be reviewed at each board meeting and made
21 a part of the minutes. The report must include a summary of
22 collection activity, the number of new additions to the
23 delinquent loan list, and a review of loans on the prior month's
24 delinquent loan list which have been extended or rewritten. The
25 board shall verify by direct examination or otherwise that the
26 record of delinquent loans is reasonably accurate.

27 Subp. 5. Delinquent loan reserve requirement. Before
28 declaration of a dividend the board of directors shall ascertain
29 that the statutory reserve as of the date of declaration exceeds
30 the sum of:

- 31 A. ten percent of code A loans;
- 32 B. 25 percent of code B loans; and
- 33 C. 100 percent of code C loans.

34 No net earnings or undivided earnings may be used to pay
35 dividends until the statutory reserve exceeds the above
36 calculations or the commissioner of commerce has approved

1 payment.

2 Subp. 6. Interest earned not collected. Interest earned
3 not collected reflected on a credit union's books under the
4 accrual method of accounting may not be continued on a loan
5 which is more than 90 days delinquent. Accrued interest must be
6 reversed to earnings or undivided profits at the time a loan is
7 charged off to the statutory reserve fund or at the time an
8 allowance for loan losses is established.

9 2675.6180 BOARD OF DIRECTORS.

10 Subpart 1. Change. Notice of any change in officers,
11 directors, or committee members between annual meetings must be
12 forwarded to the Department of Commerce within ten days of the
13 effective date of the change.

14 Subp. 2. Review of examiner's report. When the examiner's
15 report is received by a credit union, it must be reviewed by the
16 board of directors at a regular or special meeting and a reply
17 must be submitted to the Department of Commerce within 60 days
18 of the receipt of the report or as instructed in the transmittal
19 letter. The letter from the Department of Commerce which
20 accompanies the report must also be read at the directors'
21 meeting.

22 Subp. 3. [See repealer.]

23 Subp. 4. Minute book. The minutes of any meeting must be
24 written up as soon as practicable and signed by the secretary
25 and the presiding officer at the next meeting upon approval.
26 The minutes must be kept in a book and be available along with
27 the credit union records for inspection by the commissioner of
28 commerce or his representatives at all times with or without
29 previous notice.

30 2675.6210 ASSET RECEIPT.

31 Whenever it becomes necessary to remove any asset from the
32 files for any reason whatsoever, a properly executed receipt
33 attached to a copy of the asset must replace it.

34 2675.6220 CHARGED OFF ASSETS.

35 A record of all assets charged off, either to the statutory

1 reserve fund or undivided earnings, along with recoveries
2 thereto must be maintained. This record must be available to
3 the examiners at each examination.

4 2675.6230 FURNITURE AND FIXTURES ACCOUNT.

5 Purchases capitalized to the furniture and fixtures account
6 shall be amortized at the minimum rate of ten percent annually,
7 unless exception is made by the commissioner of commerce. The
8 charge off may be based on the number of full months in which
9 the item was capitalized. Adequate records must be maintained
10 to facilitate a determination of the unamortized amount of each
11 capitalized item.

12 2675.6250 FIDELITY BONDS.

13 Subpart 1. Requirements. A credit union operating under
14 Minnesota law is required to be protected by a blanket bond with
15 the following provisions: all officers, committee members,
16 employees, bank messengers, and attorneys representing the
17 credit union shall be covered by the bond. The credit union
18 shall be protected against losses from a lack of honesty,
19 burglary or robbery, forgery or alteration, and misplacement or
20 mysterious and unexplainable disappearance. The bond must be
21 approved by the Department of Commerce. The bond must provide
22 that the commissioner of commerce will be given notice of
23 pending cancellation within 60 days of final termination.

24 Subp. 2. [See repealer.]

25 Subp. 3. Minimum provisions. The board of directors shall
26 at least once a year approve the amount of fidelity insurance to
27 be carried for the ensuing year. The board of directors may
28 establish minimum amounts of bond coverage and maximum
29 deductible amounts.

30 2675.6270 INVESTMENTS.

31 Subpart 1. Records required. During the period in which
32 investments are carried on a credit union's books, original
33 invoices of bond purchases and sales must be retained as a part
34 of the records of a credit union.

35 A record must be maintained of all securities bought and

1 sold showing date of purchase or sale, interest rate, maturity,
2 par value, description, from whom purchased, to whom sold,
3 selling price, and where deposited for safekeeping.

4 Any investment, other than United States governments direct
5 and/or guaranteed, must be supported by full credit information
6 at the time of purchase (dealer's circular or prospectus).

7 Subp. 2. Bond price exceeding par. Purchase of a bond at
8 a price exceeding par is prohibited, unless the credit union
9 shall:

10 A. charge off the premium when the securities are
11 placed on the books;

12 B. provide for the regular amortization of the
13 premium paid so that the premium shall be entirely extinguished
14 at or before the maturity of the security and the security
15 (including premium) shall at no intervening date be carried at
16 an amount in excess of that at which the obligor may legally
17 redeem such security; or

18 C. set up a reserve account to amortize the premium,
19 said account to be credited periodically with an amount not less
20 than the amount required for amortization under item B.

21 Subp. 3. Charges. Accrued interest paid on securities
22 must be charged to interest received under the cash basis of
23 accounting. Bond commissions and all costs of sales or purchase
24 must be charged to expense.

25 Subp. 4. Security at price less than par. Upon the
26 purchase of a security at a price less than par, the credit
27 union shall place the security on its books at cost and may
28 provide for the regular accretion of the discount, ratably over
29 the period from purchase to maturity of the security.

30 2675.6290 INSURANCE.

31 Subpart 1. Insurance agency. A credit union may
32 establish, operate, or maintain an insurance agency as a
33 separate corporation or agency within its physical premises.

34 Subp. 2. Policyholder. A credit union may be the
35 policyholder of either a group insurance plan or a subgroup
36 under a master policy plan.

1 Subp. 3. Remission of premiums. Premiums may be remitted
2 by the credit union to an insurer or the holder of a master
3 policy on behalf of a credit union member provided that the
4 credit union has obtained written authorization from the member.

5 Subp. 4. Election by member. Where a credit union is
6 engaged in the facilitation of its members' voluntary purchase
7 of insurance incidental to the borrowing of money, including but
8 not limited to fire, theft, automobile, life, and temporary
9 disability insurance, a member shall be given the elective of
10 purchasing any required insurance from the vendor of his choice,
11 and the members' file shall contain his signed written elective.

12 Subp. 5. Canceled insurance. If the insurance is
13 canceled, the unearned premium shall be paid to the member or
14 credited to the member's share or deposit or loan account.

15 2675.6301 CERTIFIED PUBLIC ACCOUNTANT REPORT IN LIEU OF
16 EXAMINATION.

17 Subpart 1. Request for approval. A credit union may
18 request prior approval by the Department of Commerce to submit a
19 certified public accountant report in lieu of examination. If
20 approval is given, the department retains the authority to
21 reject the report if it is inadequate by the standards of the
22 department.

23 Subp. 2. Contents of report. A report submitted in lieu
24 of examinations must include a balance sheet examination and the
25 classifying of assets in a manner consistent with Department of
26 Commerce credit union examinations. The report must be
27 submitted on the same forms and in the same manner that
28 Department of Commerce credit union examiners employ.

29
30 REPEALER. Parts 2675.6100, subparts 1 and 5; 2675.6130;
31 2675.6140; 2675.6150; 2675.6160; 2675.6170; 2675.6180, subpart
32 3; 2675.6190; 2675.6240; 2675.6250, subpart 2; 2675.6280;
33 2675.6300; and 2675.9910 of the Department of Commerce are
34 repealed.