

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) They next prepare and adopt by-laws 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 by-laws, both executed in duplicate, are forwarded to the commissioner of banks;

(4) The commissioner of banks shall, within 30 days of the receipt of the certificate and the by-laws, 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 by-laws, to the applicants; if it is unfavorable, the applicants may, within 30 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 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 record; 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 by-laws, 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 by-laws.

[1925 c 206 s 1; 1949 c 88 s 1] (7774-1)

52.02 BY-LAWS AND AMENDMENTS, APPROVAL. To amend certificate of organization or by-laws, 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 by-laws 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 by-laws must be approved by the commissioner of banks before they become operative. 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.

[1925 c 206 s 2; 1933 c 346 s 1; 1949 c 88 s 2] (7774-2)

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

[1925 c. 206 s. 3] (7774-3)

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

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

(2) To make loans to members for provident or productive purposes;

(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, or operating in this state under the provisions of the Federal Credit Union Act, in amounts not exceeding in the aggregate 22 per cent of its unimpaired assets.

(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; provided that so long as the credit union pays a premium for such insurance, the directors shall, in December of each year, declare and pay a special dividend on all share accounts, or portions thereof, not covered by such life insurance contract. Such special dividend to be at the same annual rate as the premium paid for insurance on incurred share balances and computed as of December 31 in the same manner as provided for the payment of regular dividends; and

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

[1925 c 206 s 4; 1937 c 213 s 1; 1943 c 647 s 1; 1949 c 88 s 3] (7774-4)

52.05 MEMBERSHIP. Credit union membership shall consist of the incorporators and such other persons as may be elected to membership and subscribe to at least one share, pay the initial instalment thereon and the entrance fee. The spouse and blood relatives of a regularly qualified member may also be 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 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 union organiza-

tions shall be limited to groups, of both large and small membership, having a common bond of occupation, or association, or to groups within a well defined rural district.

[1925 c 206 s 5; 1945 c 540 s 1; 1949 c 88 s 4] (7774-5)

52.06 SUPERVISION; REPORTS; AUDITS; REVOCATION OF CERTIFICATE OF APPROVAL; FEES. Credit unions shall be under the supervision of the commissioner of banks. Each credit union shall annually, on or before the fifteenth day of January, file a report with the commissioner of banks on blanks supplied by him for that purpose giving such relevant information as he may require concerning the operations during the preceding calendar year. Additional reports may be required. Credit unions shall be examined, at least annually, by the commissioner of banks, except that, if a credit union has assets of less than \$25,000, he may accept the audit of a certified public accountant in place of this examination. For failure to file reports when due, unless excused for cause, the credit union shall pay to the state treasurer \$5.00 for each day of its delinquency. If the commissioner of banks determines that a credit union is violating the provisions of this chapter, or is insolvent, or the share capital is impaired, or the interests of the members are in jeopardy, he may serve notice on the credit union of his intention to revoke the certificate of approval, and may suspend its operation immediately by giving notice thereof by registered mail. If, for a period of 15 days after any such notice, the violation continues, the commissioner of banks may revoke the certificate and take possession of the business and property of the credit union and maintain possession until such time as he shall permit it to continue business, or its affairs are finally liquidated. He may take similar action if any report remains in arrears for more than 15 days.

[1925 c 206 s 6; 1945 c 540 s 2; 1949 c 88 s 5] (7774-6)

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

[1925 c. 206 s. 7; 1933 c. 346 s. 2; 1937 c. 213 s. 2; 1943 c. 20 s. 1] (7774-7)

52.08 ANNUAL MEETING. At the annual meeting (the organization meeting shall be the first annual meeting) the credit union shall elect a board of directors of not less than five members, a credit committee of not less than three members, and a supervisory committee of three members, all to hold office for such terms, respectively, as the by-laws provide and until successors qualify. A record of the names and addresses of the members of the board and committees and the officers shall be filed with the commissioner of banks within ten days of their election.

[1925 c. 206 s. 8] (7774-8)

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

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

- (1) To act on applications for membership;
- (2) To determine interest rates on loans and on deposits;
- (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 by-laws;
- (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;

(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; and

(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 35 per cent of its unimpaired assets.

Subd. 3. Officers; by-laws; compensation. The duties of the officers shall be as determined in the by-laws, except that the treasurer shall be the general manager. No member of the board or of either committee shall, as such, be compensated.

[1925 c. 206 s. 9; 1937 c. 213 s. 3; 1945 c. 540 s. 3] (7774-9)

52.10 CREDIT COMMITTEE; POWERS AS TO LOANS. The credit committee shall have the general supervision of all loans to members, not including loans to a member who is a director, or an officer, or a member of the credit committee, or a member of the supervisory committee. Applications for such loans shall be on a form prepared by the credit committee, shall set forth the purpose for which the loan is desired, the security, if any, offered, and such other data as may be required. Within the meaning of this section an assignment of shares or deposits or the endorsement of a note may be deemed security. At least a majority of the members of the credit committee shall pass on all such loans and approval of such loans must be in writing and by unanimous vote of such members present. The credit committee shall meet as often as may be necessary after due notice to each member thereof. The credit committee, the supervisory committee, and the board of directors, meeting jointly, and acting collectively as a whole, shall have the general supervision of all loans to a member who is a director, or an officer, or a member of the credit or supervisory committee whenever the application submitted exceeds the amount of such member's holdings in shares and deposits. Application for such loans shall be in similar form as may be required to be furnished to the credit committee for a loan in the case of a member who is not a director, or an officer, or a member of the creditor supervisory committee. At least a majority of the members of each of said committees and of the board of directors, at a joint meeting and acting collectively as a whole, shall pass on all such loans in the absence of the applicant, and the approval of such loan at the meeting must be in writing and by unanimous vote of all such members present. The committees and the board of directors meeting jointly, and acting collectively as a whole, as herein provided for, shall meet as often as may be necessary after due notice to each member thereof.

[1925 c. 206 s. 10; 1943 c. 647 s. 2; 1945 c. 540 s. 4] (7774-10)

52.11 SUPERVISORY COMMITTEE; DUTIES. The supervisory committee shall:

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

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

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

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

[1925 c. 206 s. 11; 1937 c. 213 s. 4] (7774-11)

52.12 CAPITAL; ENTRANCE FEES; UNION TO HAVE LIEN. The capital of a credit union shall consist of the payments that have been made to it by the several members thereof on shares. The credit union shall have a lien on the shares and deposits of a member for any sum due to the credit union from the member, or for any loan endorsed by him. A credit union may charge an entrance fee as may be provided by the by-laws.

[1925 c. 206 s. 12] (7774-12)

52.13 SHARES AND DEPOSITS. Shares may be issued and deposits received in the name of a minor; in the name of a member in trust for other persons whose names are disclosed; and in the name of a member and other persons jointly. Such shares and deposits shall be held in accord with, and in all respects subject to, the provisions of section 48.30.

[1925 c 206 s 13; 1949 c 88 s 6] (7774-13)

52.14 INTEREST ON LOANS. Interest rates on loans made by a credit union shall not exceed one per cent a month on unpaid balances.

[1925 c. 206 s. 14] (7774-14)

52.15 UNION MAY BORROW. A credit union may borrow from any source or sources sums which shall not exceed in the aggregate 35 per cent of its unimpaired assets.

[1925 c. 206 s. 15; 1943 c. 647 s. 3] (7774-15)

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

[1925 c. 206 s. 16; 1943 c. 647 s. 4] (7774-16)

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, fines, and each year, before the declaration of a dividend, ten per cent 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 per cent of the assets of the credit union, and thereafter there shall be added to the fund, at the end of each fiscal year, such per cent of the gross earnings as will be required to maintain the fund, as herein provided. There shall also be established, and at all times maintained, a reserve of not less than five per cent of the amount of the deposits, which shall be in cash and balances due from solvent banks.

[1925 c. 206 s. 17; 1933 c. 346 s. 3; 1937 c. 213 s. 5] (7774-17)

52.18 DIVIDENDS. The directors of a credit union may, in December, each year, declare a dividend from net earnings or accumulated net undivided profits remaining after statutory reserve has been set aside, which dividend shall be paid on all shares outstanding at the end of the fiscal year. Shares withdrawn during the year shall receive no dividend. Shares which become fully paid up during the year 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 10th day of any month may be treated as being paid up from the first day of the month.

[1925 c. 206 s. 18; 1937 c. 213 s. 6] (7774-18)

52.19 EXPULSION OR WITHDRAWAL OF MEMBERS. A member may be expelled by a two-thirds vote of the members present at a special meeting called to consider the matter, but only after a hearing. Any member may withdraw from the credit union at any time, but notice of withdrawal may be required. All amounts paid on shares or as deposits of an expelled or withdrawing member, with any dividends or interest accredited thereto, to the date thereof, shall, as funds become available and after deducting all amounts due from the member to the credit union, be paid to him. The credit union may require 60 days' notice of intention to withdraw shares and 30 days' notice of intention to withdraw deposits. Withdrawing

or expelled members shall have no further right in the credit union, but are not, by the expulsion or withdrawal, released from any remaining liability to the credit union.

[1925 c. 206 s. 19] (7774-19)

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

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

Subd. 2. Immediately after this meeting and before the committee shall proceed with the liquidation, the officers of the credit union shall file with the commissioner of banks a certified copy of the minutes of this meeting, a written statement outlining the plan of liquidation, and a verified statement, in writing, signed by a majority of the officers, consenting to this liquidation containing the names and addresses of all officers and directors of the credit union. After the commissioner of banks shall, by proper examination, determine that the credit union is solvent, he shall 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. 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.

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

Subd. 4. If the credit union shall not be completely liquidated and its assets discharged within three years after the special meeting of the members, the commissioner of banks may take possession of the books, records and assets and proceed to complete liquidation.

Subd. 5. Funds representing unclaimed dividends in liquidation in the hands of the liquidating committee or the commissioner of banks for six months after date of final dividend, shall be deposited with the state treasurer, who shall, within one year thereafter, pay over the money so held by him to the persons respectively entitled thereto upon being furnished satisfactory evidence of their right to the same, and at the end of that year the state treasurer shall credit all residue of the deposit to the general revenue fund.

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

[1925 c. 206 s. 20; 1933 c. 346 s. 4; 1937 c. 213 s. 7; 1943 c. 20 s. 2] (7774-20)

52.201 REORGANIZING FEDERAL CREDIT UNION INTO STATE CREDIT UNION. When any federal credit union authorized to dissolve has taken the necessary steps for that purpose, a majority of its directors, upon authority in writing of two-thirds of the members of the credit union 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. Thereupon the assets of the dissolved 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.

[1941 c. 510 s. 1]

52.202 DIRECTORS MAY EXECUTE CERTIFICATES. When any state credit union authorized to dissolve has taken the necessary steps for that purpose, a majority of its directors, upon authority in writing of two-thirds of the members and the approval of the commissioner of banks, may execute a certificate of incorporation under the provisions of the federal credit union act, which federal union shall be regarded as continuing the existence of the state credit union. Any officer of the state credit union, or member of supervisory and credit committees, elected to a corresponding office in the federal credit union, shall be regarded as holding over such office from the state credit union to federal credit union.

[1941 c. 510 s. 2]

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.

[1925 c. 206 s. 21; 1931 c. 213 s. 8] (7774-21)

52.22 DEEMED SAVINGS BANK FOR PURPOSES OF TAXATION. A credit union shall be deemed a savings bank for purposes of taxation.

[1925 c. 206 s. 22] (7774-22)

52.23 SALARY AND CHATTEL MORTGAGE LOANS EXCEPTED. Nothing contained in this chapter shall apply to any person engaged in the business of loaning money under General Statutes 1923, Sections 7042 and 7043, as amended, nor to any transactions under these sections.

[1925 c. 206 s. 24] (7774-24)