

NORTH CAROLINA GENERAL ASSEMBLY
1965 SESSION

CHAPTER 956
HOUSE BILL 296

1 AN ACT TO AMEND SUBCHAPTER III OF CHAPTER 54 OF VOLUME 2B
2 (REPLACEMENT, 1960) OF THE GENERAL STATUTES OF NORTH CAROLINA
3 FOR THE PURPOSE OF CLARIFYING VARIOUS STATUTES RELATING TO
4 CREDIT UNIONS.

5
6 The General Assembly of North Carolina do enact:

7
8 **Section 1.** G.S. 54-74 is hereby rewritten so that the same shall hereinafter read as
9 follows:

10 "**Sec. 54-74. Creation of Division.** There shall be established in the North Carolina
11 Department of Agriculture a Credit Union Division, which shall be under the supervision of
12 Administrator of Credit Unions appointed by the Commissioner of Agriculture. The Credit
13 Union Division and the Administrator of Credit Unions shall be under the general direction and
14 supervision of the Commissioner of Agriculture, and there shall be such assistants to the
15 Administrator of Credit Unions as may be necessary and the salaries of the Administrator and
16 assistants shall be fixed by the State Personnel Council.

17 "That wherever the word or term 'superintendent' appears in subchapter III of Chapter 54 of
18 Volume 2B (Replacement, 1960) of the General Statutes of North Carolina the same is hereby
19 stricken out and deleted and there is inserted in lieu thereof the word or term 'Administrator'."

20 **Sec. 2.** Subsection (3) of G.S. 54-75 is hereby rewritten so that the same shall
21 hereafter read as follows:

22 "(3) To maintain an educational campaign in the State looking to the promotion
23 and organization of Credit Unions. Upon the written request of twelve bona
24 fide residents of any particular locality in this State expressing a desire to
25 form a local Credit Union at or in such locality, the Administrator of Credit
26 Unions, or one of his assistants, shall proceed as promptly as may be
27 convenient to such locality and make an investigation in order that the
28 Administrator may determine whether or not a local Credit Union should be
29 established according to the standards set forth and provided in this
30 suchapter. The Administrator shall notify the applicants of his decision
31 within thirty days after receipt of the written request. Before refusing the
32 establishment of a Credit Union the Administrator shall afford the applicants
33 an opportunity to be heard therewith in person or by counsel and at least
34 sixty days prior to the date set for a hearing on any such matter shall notify
35 in writing the applicants of the date of said hearing and assign therein the
36 grounds for the action contemplated to be taken and as to which inquiry shall
37 be made on the date of such hearing. The determination of the Administrator
38 shall be subject to judicial review in all respects according to the provisions
39 and procedures set forth in Article 33 of Chapter 143 of the General Statutes
40 of North Carolina, as amended.

41 **Sec. 3.** Subsection (5) of G.S. 54-75 Volume 2B (Replacement, 1960) is hereby
42 amended by adding at the end of said subsection the following:

1 "The following schedule shall be deemed as the minimum fidelity and faithful performance
2 bond requirements only:

3	ASSETS		MINIMUM COVERAGE
4	\$ 0,000 to	\$ 5,000	\$ 1,000
5	5,001 to	10,000	2,000
6	10,001 to	20,000	4,000
7	20,001 to	30,000	6,000
8	30,001 to	40,000	8,000
9	40,001 to	50,000	10,000
10	50,001 to	75,000	15,000
11	75,001 to	100,000	20,000
12	100,001 to	150,000	30,000
13	200,001 to	300,000	40,000
14	300,001 to	400,000	50,000
15	400,001 to	500,000	70,000
16	500,001 to	750,000	85,000
17	750,001 to	1,000,000	100,000

18 "Over \$1,000,000 minimum amount, \$100,000 plus \$50,000 for each additional million or
19 fraction thereof of assets.

20 "It shall be the duty of the board of directors of each Credit Union to provide proper
21 protection to meet any circumstances by obtaining adequate bond (and insurance) coverage in
22 excess of the above minimum schedule. The treasurer and all other persons handling Credit
23 Union funds or records before entering upon his or their duties shall give a proper bond with
24 good and sufficient surety, in an amount and character to be determined by the board in
25 compliance with regulations conditioned upon the faithful performance of his or their trust.

26 "The Administrator may require additional coverage for any Credit Union when, in his
27 opinion, the surety bonds in force are insufficient to provide adequate surety coverage, and it
28 shall be the duty of the board of directors of any Credit Union to obtain such additional
29 coverage within sixty days after the date of written notice by the Administrator to such board of
30 directors. For good cause shown the Administrator may extend the time to obtain additional
31 coverage."

32 **Sec. 4.** Amend G.S. 54-76 by striking out the word "Seven" appearing in the first
33 line of said Section, and by inserting in lieu thereof the word "Twelve".

34 **Sec. 5.** G.S. 54-78 Volume 2B (Replacement, 1960) is hereby rewritten so that the
35 same shall hereafter read as follows:

36 "**Sec. 54-78. Certificate of Incorporation.** The bylaws acknowledged to have been adopted
37 by all of the incorporators, together with the certificate of incorporation, shall be filed in the
38 office of the Administrator of Credit Unions who shall approve the certificate of incorporation
39 if he is satisfied that: (1) the certificate of incorporation and bylaws are in conformity with this
40 subchapter; (2) the general character and fitness of the subscribers or incorporators, and their
41 ability to provide proper business and financial records and conduct sound financial operations
42 is reasonably probable; (3) the bylaws are reasonable and will tend to give assurance that the
43 affairs of the prospective Credit Union will be administered in accord with this Subchapter; (4)
44 the economic advisability and that convenience and necessity require a Credit Union in the
45 locality. Thereupon, the Administrator of Credit Unions shall issue to the corporation a
46 certificate of approval, annexed to a duplicate of the certificate of incorporation and of the
47 bylaws, which certificate of approval, together with the attached duplicate certificate of
48 incorporation, shall be recorded in the office of the Clerk of Superior Court of the county in
49 which the office of such Credit Union is situated, and upon recordation of the incorporators
50 shall become and be a corporation for the purposes set forth in this subchapter. The Clerk of the
51 Superior Court of the county in which such recordation is made shall charge the same fee for

1 such recordation as he is now allowed to charge for handling and recording a certificate of
2 incorporation of a corporation organized under the business corporation laws of the State."

3 **Sec. 6.** Amend G.S. 54-79 Volume 2B (Replacement, 1960) so that the same reads
4 as follows:

5 "**Sec. 54-79. Amendment of Bylaws.** The bylaws adopted by the incorporators and approved
6 by the Administrator of Credit Unions shall be the bylaws of the corporation, and no
7 amendment to the bylaws shall become operative until such amendment shall have been
8 approved and filed by the Administrator of Credit Unions; and a copy thereof certified by him,
9 with a certificate of his approval, shall be filed with the Credit Union. Such approval may be
10 given or withheld by the Administrator of Credit Unions, at his discretion. The determination of
11 the Administrator shall be subject to judicial review in all respects according to the provisions
12 and procedures set forth in Article 33 of Chapter 143 of the General Statutes of North Carolina
13 as amended."

14 **Sec. 7.** Amend G.S. 54-81 Volume 2B (Replacement, 1960) by rewriting said
15 Section so that the same shall read as follows:

16 "**Sec. 54-81. Change of Place of Business.** A Credit Union may change its place of business
17 on the written approval of the Administrator of Credit Unions upon filing with the
18 Administrator of Credit Unions a written application or request setting forth all details of such
19 proposed change, and setting forth the location, building, office, and proper address of such
20 proposed change or new location. If the Administrator of Credit Unions shall approve such
21 change of place of business, then he shall record such approval in his office, and a duplicate of
22 such approval shall be recorded in the office of the Clerk of the Superior Court where its office
23 was located, and a second duplicate in the office of the Clerk of the Superior Court of the
24 county in which the new office is to be located, if same is changed to another county. If the
25 change is from one location to another in the same county, then the recordation shall be in said
26 county. Before refusing any change in location the Administrator shall afford the Credit Union
27 an opportunity to be heard in connection therewith in person or by counsel and at least thirty
28 days prior to the date set for a hearing on any such matter shall notify in writing the Credit
29 Union the date of said hearing and assign therein the grounds for the action contemplated to be
30 taken and as to which inquiry shall be made on the date of such hearing. The determination of
31 the Administrator shall be subject to judicial review in all respects according to the provisions
32 and procedures set forth in Article 33 of Chapter 143 of the General Statutes of North Carolina,
33 as amended."

34 **Sec. 8.** G.S. 54-84 Volume 2B (Replacement, 1960) is hereby rewritten so that the
35 same shall read as follows:

36 "**Sec. 54-84. Borrowing Money.** If the bylaws so provide, a Credit Union shall have power to
37 borrow money in addition to receiving deposits, but the aggregate amount of such indebtedness
38 shall not at any one time exceed more than the total sum of its capital, surplus, and reserve
39 fund."

40 **Sec. 9.** Article 11 of Chapter 54 of the General Statutes is hereby amended by
41 adding thereto a new Section to be designated as "Sec. 54-85.1", and which shall read as
42 follows:

43 "**Sec. 54.85.1. Conversion From State to Federal Credit Union and From Federal to State**
44 **Credit Union.** (a) A State Credit Union may be converted into a Federal Credit Union under
45 the laws of the Federal Credit Union Act.

- 46 (1) The proposition for such conversion shall be approved, and a date set for a
47 vote thereon by the members (either at a meeting to be held on such date or
48 by written ballot to be filed on or before such date), by a majority of the
49 directors of the State Credit Union. Written notice of the proposition and of
50 the date set for the vote shall then be delivered in person to each member, or
51 mailed to each member at the address for such person appearing on the

1 records of the Credit Union, not more than thirty nor less than seven days
2 prior to such date. Approval of the proposition for conversion shall be by the
3 affirmative vote of a majority of the members, in person or in writing.

4 (2) A statement of the results of the vote, verified by the affidavits of the
5 president or vice president and the secretary, shall be filed with the State
6 Credit Union Division within ten days after the vote is taken.

7 (3) Promptly after the vote is taken and in no event later than ninety days
8 thereafter, if the proposition for conversion was approved by such vote, the
9 Credit Union shall take such action as may be necessary under the Federal
10 Credit Union Act to make it a Federal Credit Union, and within ten days
11 after receipt of the Federal Credit Union charter there shall be filed with the
12 State Credit Union Division a copy of the charter thus issued. Upon such
13 filing the Credit Union shall cease to be a State Credit Union.

14 (4) Upon ceasing to be a State Credit Union such Credit Union shall no longer
15 be subject to any of the provisions of the North Carolina Credit Union Act.
16 The successor Federal Credit Union shall be vested with all of the assets and
17 shall continue responsible for all of the obligations of the State Credit Union
18 to the same extent as though the conversion had not taken place.

19 "(b) (1) A Federal Credit Union organized under the laws of the United States, may
20 be converted into a State Credit Union (a) complying with all Federal Credit
21 Union requirements requisite to enabling it to convert to a State Credit
22 Union or to cease being a Federal Credit Union, (b) filing with the State
23 Credit Union Division proof of such compliance, satisfactory to the
24 Administrator of Credit Unions and (c) filing with the State Credit Union
25 Division an organization certificate as required by the State Credit Union
26 Act.

27 (2) When the Administrator of the State Credit Union Division has been
28 satisfied that all of such requirements, and all other requirements of the State
29 Act, have been complied with, the Administrator of the Credit Union
30 Division shall approve the organization certificate. Upon such approval, the
31 Federal Credit Union shall become a State Credit Union as of the date it
32 ceases to be a Federal Credit Union. The State Credit Union shall be vested
33 with all of the assets and shall continue responsible for all of the obligations
34 of the Federal Credit Union to the same extent as though the conversion had
35 not taken place."

36 **Sec. 10.** Amend G.S. 54-86 Volume 2B (Replacement, 1960) by adding thereto the
37 following:

38 "(5) They may be invested in obligations of the United States, including bonds
39 and securities upon which payment of principal and interest is fully
40 guaranteed by the United States.

41 "(6) They may be placed on time deposits in any banks insured by the Federal
42 Deposit Insurance Corporation or may be deposited or may be invested in
43 any savings or building and loan association insured by the Federal Savings
44 and Loan Insurance Corporation."

45 Further amend G.S. 54-86 Volume 2B (Replacement, 1960) by striking out the
46 words and figures "ten (10)", as the same appear in the first line of subsection (4) of the said
47 Section, and by inserting in lieu thereof the words and figures "twenty-five (25)".

48 Further amend G.S. 54-86 Volume 2B (Replacement, 1960) by striking out after the
49 word "in" and before the word "of" in the second line of said Section, the word "one", and by
50 inserting in lieu thereof the word "any"; and by striking out immediately after the word "such"

1 in the third line of said Section and before the word "only" the word "way" and by inserting in
2 lieu thereof the word "ways".

3 **Sec. 11.** Amend subsection (3) of G.S. 54-86 Volume 2B (Replacement, 1960) by
4 adding at the end of said subsection the following:

5 "The said five per cent (5%) representing said deposit shall not be encumbered or in any
6 manner pledged, hypothecated, used as collateral, or in any manner used as security for a loan."

7 **Sec. 12.** That subsection (b) of G.S. 54-87 Volume 2B (Replacement, 1960) be and
8 the same is hereby repealed, and subsection (c) of said Section is designated as subsection (b),
9 subsection (d) of said Section is designated as subsection (c), and subsection (e) of said Section
10 is now designated as subsection (d).

11 **Sec. 13.** That subsection (d) which now becomes subsection (c) of G.S. 54-87
12 Volume 2B (Replacement, 1960), is hereby deleted and the following is inserted in lieu thereof:

13 "(c) Loans to Persons not Members Forbidden. All officers and members of any
14 committees in any way knowingly permitting or participating in making a loan of funds of a
15 Credit Union to persons not members shall be guilty of a misdemeanor and upon conviction or
16 plea of guilty shall be imprisoned not more than two years or fined not in excess of ten
17 thousand dollars (\$10,000.00), or both such fine and imprisonment. The Credit Union shall
18 have the right to recover the amount of such illegal loans from the borrower or from any
19 officers or members of committees who knowingly permitted or participated in the making
20 thereof, or from all of them jointly."

21 **Sec. 14.** That G.S. 54-89 Volume 2B (Replacement, 1960) be and the same is
22 deleted in its entirety and the following inserted in lieu thereof:

23 "**Sec. 54.89. Own Real Estate.** Any Credit Union may purchase and hold a lot and building to
24 be used principally for the transaction of Credit Union business, by first obtaining written
25 approval from the Administrator of Credit Unions. Provisions may be made for future
26 expansion; and any excess space which is not occupied by the Credit Union may be leased to
27 the public."

28 **Sec. 15.** That G.S. 54-91 Volume 2B (Replacement, 1960) is hereby amended by
29 changing the period at the end of the last line of said Section to a colon, and by adding after
30 said colon the following: "Provided that not over twenty-five per cent (25%) of a dividend shall
31 be paid from the undivided earnings account and the other seventy-five per cent (75%) shall be
32 paid from the current year's earnings."

33 **Sec. 16.** G.S. 54-94 Volume 2B (Replacement, 1960) is hereby amended by striking
34 out the first sentence of said Section and by inserting in lieu thereof the following:

35 "The capital of a Credit Union shall consist of the payments that have been made to it by
36 the several members thereof on the shares, undivided surplus, and reserves."

37 **Sec. 17.** That the second and third paragraphs of G.S. 54-94, Volume 2B
38 (Replacement, 1960) be and the same are hereby repealed.

39 **Sec. 18.** Amend G.S. 54-98 Volume 2B (Replacement, 1960) by striking out the
40 period at the end of the first sentence of said Section and by inserting in lieu thereof a colon
41 and the following: "Provided, that Credit Union membership shall be limited to groups having a
42 common bond of occupation or association or residents within a well defined neighborhood
43 community, or rural district, employees of a common employer, or members of a bona fide
44 fraternal, religious, cooperative, labor, rural, educational or similar organization.

45 "The provisions of this subsection shall not prohibit a Credit Union from maintaining
46 offices from locations other than its main office if the maintenance of such offices shall be
47 reasonably necessary to furnish service to its membership. Provided, however, no such
48 additional offices shall be established to serve persons who are not entitled to membership as
49 defined in the preceding paragraph and would not be entitled to services of the Credit Union at
50 its main office. Provided further that the establishment of additional offices shall be subject to
51 the approval of the Administrator of Credit Unions.

1 **Sec. 19.** Subsection (a) of G.S. 54-101 Volume 2B (Replacement, 1960) is hereby
2 deleted in its entirety and the following inserted in lieu thereof:

3 "(a) Number Elected. At the annual meeting the members shall elect a board of directors
4 of not less than five (5) members and a credit committee of not less than three (3) members.
5 However, in Credit Unions whose business offices are located in places other than incorporated
6 cities, the board of directors may also be the credit committee. Except as herein specified, no
7 member of the board of directors shall be a member of the credit committee or of the
8 supervisory committee, hereinafter provided, nor shall one person be a member of more than
9 one such committee. All members of committees and all directors, as well as all officers whom
10 they may elect, shall be sworn, and shall hold their several offices for such terms as may be
11 determined by the bylaws. The board of directors may appoint a membership committee or
12 membership officer from the members of the Credit Union, other than the treasurer, and
13 assistant treasurers, or a loan officer, and authorize such membership committee or membership
14 officer to approve applications for membership under such conditions as the board may
15 prescribe, except that such membership committee or membership officer so authorized shall
16 submit to the board at each monthly meeting a list of approved or pending applications for
17 membership received since the previous monthly meeting, together with such other related
18 information as the bylaws or board may require."

19 **Sec. 20.** Subsection (b) of 54-102 Volume 2B (Replacement, 1960) is hereby
20 amended by adding a new paragraph to said subsection which shall be designated as paragraph
21 "(7)", and which shall read as follows:

22 "(7) The board of directors at its first meeting after its election shall appoint a
23 supervisory committee, (no more than one of whom may be a member of the
24 board of directors and none a member of the credit committee), of not less
25 than three members who shall serve for such terms as may be fixed by the
26 bylaws. The board of directors may remove or suspend any member of the
27 supervisory committee for neglect of duty, misfeasance, malfeasance,
28 official misconduct, or for other good cause shown."

29 **Sec. 21.** G.S. 54-104 Volume 2B (Replacement, 1960) is hereby deleted in its
30 entirety and the following inserted in lieu thereof:

31 "**Sec. 54-104. Duties of Supervisory Committee.** The supervisory committee shall examine
32 the securities, cash and accounts of the corporation, and evaluate the acts of the board of
33 directors, credit committee, and employees at least quarterly. Any violation of this subchapter
34 or of the bylaws or any practice of the corporation which, in the opinion of the said committee,
35 is unsafe, unsound, or unauthorized shall be reported to the board of directors and
36 Administrator of Credit Unions within seven days after its discovery.

37 "At least once during each fiscal year the supervisory committee shall make, or cause to be
38 made, a thorough audit of the receipts, disbursements, income, assets, and liabilities of the
39 corporation, which shall include verification of members' accounts, and shall make a full report
40 thereon to the directors; and a copy shall be sent to the Administrator of Credit Unions. This
41 report shall be read at the annual meeting of the members and shall be filed and preserved with
42 the records of the corporation."

43 **Sec. 22.** Amend G.S. 54-105 Volume 2B (Replacement, 1960) by adding at the end
44 of said Section the following: "The Administrator of Credit Unions may prescribe rules and
45 regulations for the administration of this subchapter, as well as rules and regulations relating to
46 financial records, business practices and the conduct and management of Credit Unions, and it
47 shall be the duty of the board of directors and of the various officers of the Credit Union to put
48 into effect and to carry out such regulations."

49 **Sec. 23.** Paragraph (1) of subsection (c) of G.S. 54-106 Volume 2B (Replacement,
50 1960) is deleted in its entirety and the following inserted in lieu thereof: "(1) Ninety cents (90¢)
51 for each one thousand dollars \$1,000.00) of assets, or fraction thereof, up to an including seven

1 hundred fifty thousand dollars (\$750,000.00), and sixty cents (60¢) for each additional
2 thousand dollars (\$1,000.00) of assets or fraction thereof, in excess of seven hundred fifty
3 thousand dollars (\$750,000.00) payable during the month of July each year on the basis of total
4 assets as shown by its report of condition made to the Administrator of Credit Unions as of the
5 previous June 30th or the date most nearly approximating same of each year, provided, that the
6 minimum fee for said period shall not be less than fifteen dollars (\$15.00)."

7 **Sec. 24.** Paragraph (2) of subsection (c) of G.S. 54-106 Volume 2B (Replacement,
8 1960) is deleted in its entirety and the following inserted in lieu thereof:

9 "(2) Ninety cents (90¢) for each one thousand dollars (\$1,000.00) of assets or
10 fraction thereof, up to and including seven hundred fifty thousand dollars
11 (\$750,000.00) and sixty cents (60¢) for each additional thousand dollars
12 (\$1,000.00) of assets, or fraction thereof, in excess of seven hundred fifty
13 thousand dollars (\$750,000.00) payable during the month of January each
14 year on the basis of total assets as shown by its report of condition made to
15 the Administrator of Credit Unions as of the previous December 31st, or the
16 date most nearly approximating same of each year, provided, that the
17 minimum fee for said period shall not be less than fifteen dollars (\$15.00)."

18 **Sec. 25.** Amend G.S. 54-107 Volume 2B (Replacement, 1960) by adding to the end
19 of this Section a new paragraph to read as follows:

20 "Whenever the cost of making the annual examination exceeds more than two times the
21 annual fees paid by the Credit Union to the State, the Administrator may charge the Credit
22 Union fifty dollars (\$50.00) per day, per man for each day required to complete the
23 examination. The Administrator may designate an independent auditing firm to do the work
24 under his direction and supervision, with the cost to be paid by the Credit Union involved,
25 except the extra cost of two times the annual fee shall not exceed more than ten per cent (10%)
26 of the Reserve Fund."

27 **Sec. 26.** G.S. 54-109 Volume 2B (Replacement, 1960) is hereby deleted in its
28 entirety and the following inserted in lieu thereof:

29 "**Sec. 54-109. Possession by Administrator of Credit Unions.** The Administrator of Credit
30 Unions may forthwith take possession and control of the business and property of any Credit
31 Union to which this subchapter is applicable whenever he shall find that such Credit Union:

- 32 (a) is conducting its business contrary to law or the regulations of the
33 Administrator promulgated hereunder;
- 34 (b) has violated its charter or bylaws;
- 35 (c) is conducting its business in an unauthorized or unsafe manner;
- 36 (d) is in an unsound or unsafe condition to transact its business;
- 37 (e) has an impairment of its capital;
- 38 (f) cannot with safety and expediency continue business;
- 39 (g) has neglected or refused to comply with the terms of a duly issued order of
40 the Administrator;
- 41 (h) has suspended the payment of its obligations;
- 42 (i) has refused to submit its books, papers, records, or affairs for inspection to
43 any examiner or agency of the Administrator; or
- 44 (j) has refused to submit a sworn statement verified under oath by its treasurer
45 and/or president or other responsible officers regarding its affairs and upon
46 such inquiries as may be submitted to it by the Administrator.

47 "The Administrator of Credit Unions upon taking possession of the property and business
48 of any Credit Union for the reasons above set forth shall retain such possession until such time
49 as he may permit it to resume business or he may order that its affairs be finally liquidated, as
50 provided in Section 54-92 of this subchapter. The determination of the Administrator shall be

1 subject to judicial review in all respects according to the provisions and procedures set forth in
2 Article 33 of Chapter 143 of the General Statutes of North Carolina, as amended."
3 **Sec. 27.** All laws and clauses of laws in conflict with this Act are hereby repealed.
4 **Sec. 28.** This Act shall be in full force and effect from and after its ratification.
5 In the General Assembly read three times and ratified, this the 11th day of June,
6 1965.