

NORTH CAROLINA GENERAL ASSEMBLY
1975 SESSION

CHAPTER 538
HOUSE BILL 897

AN ACT TO REWRITE ARTICLES 9 THROUGH 14 OF CHAPTER 54 OF THE GENERAL
STATUTES RELATING TO CREDIT UNIONS.

The General Assembly of North Carolina enacts:

Section 1. Articles 9 through 14 of Chapter 54 of the General Statutes are hereby repealed and in lieu thereof there is hereby enacted the following Articles:

"ARTICLE 9.

"Formation of Credit Union.

"§ 54-74. **Definition and purposes.** — A credit union is a cooperative, nonprofit association, incorporated under this act, for the purposes of encouraging thrift among its members, creating a source of credit at a fair and reasonable rate of interest, and providing an opportunity for its members to use and control their own money in order to improve their economic and social condition.

"§ 54-75. **Organization procedure.** — (a) Any twelve or more residents of this State, of legal age, who have a common bond referred to in G.S. 54-78 may make application to organize a credit union and become charter members thereof by complying with this section.

(b) The subscribers shall execute in duplicate articles of incorporation and agree to the terms thereof, which articles shall state:

- (1) The name, which shall include the words 'credit union' and which shall not be the same as that of any other existing credit union in this State, and the location where the proposed credit union is to have its principal place of business;
- (2) That the existence of the credit union shall be perpetual;
- (3) The par value of the shares of the credit union, which shall be in five dollar (\$5.00) multiples, of not less than five dollars (\$5.00), nor more than twenty-five dollars (\$25.00);
- (4) The names and addresses of the subscribers to the articles of incorporation, and the value of shares subscribed to by each, which shall be not less than five dollars (\$5.00); and
- (5) That the credit union may exercise such incidental powers as are necessary or requisite to enable it to carry on effectively the business for which it is incorporated, and those powers which are inherent in the credit union as a legal entity.

(c) The subscribers shall prepare and adopt bylaws for the general government of the credit union, consistent with this act, and execute the same in duplicate.

(d) They shall select at least five qualified persons who agree to serve on the board of directors, and at least three qualified persons who agree to serve on the supervisory committee. A signed agreement to serve in these capacities until the first annual meeting or until the election of their successors, whichever is later, shall be executed by those who so agree. This agreement shall be submitted to the administrator of credit unions.

(e) The subscribers shall forward the required charter fee and an investigation fee, as prescribed by the Credit Union Commission, and the articles of incorporation and the bylaws to

the administrator of the credit union division. The administrator may issue a certificate of approval, if the articles and the bylaws are in conformity with this act and he is satisfied that the proposed field of operation is favorable to the success of such credit union and that the standing of the proposed organizers is such as to give assurance that its affairs will be properly administered. He shall issue to the corporation a certificate of approval, annexed to a duplicate certificate of incorporation and of the bylaws, which certificate of approval, together with the attached duplicate certificate of incorporation, shall be recorded in the office of the register of deeds of the county in which the office of such credit union is situated, and upon recordation of the incorporators shall become and be a corporation for the purposes set forth in this Article. The register of deeds of the county in which such recordation is made shall charge the same fee for such recordation as he is now allowed to charge for handling and recording a certificate of incorporation of a corporation organized under the business corporation laws of this State. The application shall be acted upon within 30 days.

"§ 54-75.1. Form of articles and bylaws. — In order to simplify the organization of credit unions, the administrator of credit unions shall cause to be prepared a form of articles of incorporation and a form of bylaws, consistent with this act, which may be used by credit union incorporators for their guidance. Such articles of incorporation and bylaws shall provide:

- (1) The name of corporation.
- (2) The purposes for which it is formed.
- (3) Qualifications for membership.
- (4) The date of the annual meeting; the manner in which members shall be notified of meetings; the manner of conducting the meetings; the number of members which constitute a quorum at the meetings, and the regulations as to voting.
- (5) The number of members of the board of directors, their powers and duties, and the compensation and duties of officers elected by the board of directors, and frequency of meetings.
- (6) The number of members of the credit committee, if any, their powers and duties.
- (7) The number of members of the supervisory committee, if any, their powers and duties.
- (8) The par value of shares of capital stock.
- (9) The conditions upon which shares may be issued, paid in, transferred, and withdrawn.
- (10) The fines, if any, which shall be charged for failure to meet obligations to the corporation punctually.
- (11) The conditions upon which deposits may be received and withdrawn. Whether the proposed corporation shall, in addition, have power to borrow funds.
- (12) The manner in which the funds of the corporation shall be invested.
- (13) The conditions upon which loans may be made and repaid.
- (14) The maximum rate of interest that may be charged upon loans, not to exceed, however, the legal rate.
- (15) The method of receipting for money paid on account of shares, deposits, or loans.
- (16) The manner in which the reserve fund shall be accumulated.
- (17) The manner in which dividends shall be determined and paid to members.
- (18) The manner in which a voluntary dissolution of the corporation shall be effected.
- (19) The manner in which the bylaws and articles of incorporation may be amended.

"§ 54-75.2. **Amendments.** — (a) The articles of incorporation or the bylaws may be amended as provided in the bylaws. Amendments to the articles of incorporation or bylaws shall be submitted to the administrator of credit unions who shall approve or disapprove the amendments within 60 days.

(b) Amendments shall become effective upon approval in writing by the administrator and no fee shall be charged for such approval.

"§ 54-75.3. **Use of name exclusive.** — With the exception of a credit union organized under the provisions of this act or of any other credit union act, or an association of credit unions or a recognized chapter thereof, any person, corporation, co-partnership or association using a name or title containing the words 'credit union' or any derivation thereof or representing themselves in their advertising or otherwise as conducting business as a credit union shall be guilty of a misdemeanor punishable by fine of not more than five hundred dollars (\$500.00) or imprisoned not more than one year, or both, and may be permanently enjoined from using such words in its name.

"§ 54-75.4. **Office facilities.** — (a) A credit union may maintain service facilities at locations other than its main office if the maintenance of such offices is reasonably necessary to furnish service to its members, subject to the approval of the administrator of credit unions.

(b) A credit union may change its place of business within this State upon written notice to the credit union division. Such a change shall be recorded in the office of the register of deeds where its office was located, and a second duplicate in the office of the register of deeds of the county in which the new office is to be located, if same is changed to another county. If the change is from one location to another in the same county, then only the administrator of credit unions need be notified.

(c) A credit union may share office space with one or more credit unions and contract with any person or corporation to provide facilities or personnel.

"ARTICLE 10.

"Supervision and Regulation.

"§ 54-76. **Creation and supervision of division.** — There shall be established in the North Carolina Department of Commerce a credit union division which shall be under the supervision of administrator of credit unions appointed by the Secretary of Commerce. The credit union division and the administrator of credit unions shall be under the general direction and supervision of the Secretary of Commerce, and there shall be such assistants to the administrator of credit unions as may be necessary and the salaries of the administrator and assistants shall be fixed by the State Personnel Council.

"§ 54-76.1. **Duties of administrator.** — The duties of the administrator of credit unions shall be as follows:

- (1) To organize and conduct in the State Department of Commerce, a bureau of information in regard to cooperative associations and rural and industrial credits.
- (2) Upon request, to furnish, without cost, such printed information and blank forms as, in his discretion, may be necessary for the formation and establishment of any local credit union in the State.
- (3) To maintain an educational campaign in the State looking to the promotion and organization of credit unions. Upon the written request of 12 bona fide residents of any particular locality in this State expressing a desire to form a local credit union at or in such locality, the administrator of credit unions, or one of his assistants, shall proceed as promptly as may be convenient to such locality and make an investigation in order that the administrator may determine whether or not a local credit union should be established according to the standards set forth and provided in this Article. The administrator shall notify the applicants of his decision within 30 days after

receipt of the written request. Before refusing the establishment of a credit union, the administrator shall afford the applicants an opportunity to be heard therewith in person or by counsel and at least 60 days prior to the date set for a hearing on any such matter shall notify in writing the applicants of the date of said hearing and assign therein the grounds for the action contemplated to be taken and as to which inquiry shall be made on the date of such hearing. The determination of the administrator shall be subject to judicial review in all respects according to the provisions and procedures set forth in Article 33 of Chapter 143 of the General Statutes of North Carolina, as amended.

- (4) To examine at least once a year, and oftener if such examination be deemed necessary by the administrator or his assistant, the credit unions formed under this Article. A report of such examination shall be filed with the State Department of Commerce, and a copy mailed to the credit union at its proper address.
- (5) The administrator of credit unions is authorized, empowered, and directed to fix the amount of a blanket surety bond which shall be required of each credit union official, committee member and employee, irrespective of whether such official, committee member and employee receives, pays or has custody of money or other personal property owned by a credit union or in the custody or control of the credit union as collateral or otherwise. The surety on the bond shall be a surety company authorized to do business in North Carolina. Any such bond or bonds shall be in a form approved by the administrator of credit unions with a view to providing surety coverage to the credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction or misapplication on the part of the person, directly or through connivance with others, and such other surety coverages as the administrator of credit unions may determine to be reasonably appropriate or as elsewhere required by the Chapter. Any such bond or bonds shall be in an amount in relation to the money or other personal property involved or in relation to the assets of the credit union as the administrator may from time to time prescribe by regulation for the purpose of requiring reasonable coverage. The administrator may also approve the use of a form of excess coverage bond whereby a credit union may obtain an amount of coverage in excess of the basic surety coverage. No agreement, compromise or settlement of any claim or claims filed by a credit union with any surety or any surety company, for less than the full amount of said claim or claims, shall be entered into or made by the board of directors of any credit union unless and until the said claim or claims shall have been submitted to the administrator of credit unions and his advice thereon given or transmitted to the board of directors of said credit union. The following schedule shall be deemed as the minimum fidelity and faithful performance bond requirements only:

<u>Assets</u>		<u>Minimum Coverage</u>
\$ 0,000 to	\$ 5,000	\$ 1,000
5,001 to	10,000	2,000
10,001 to	20,000	4,000
20,001 to	30,000	6,000
30,001 to	40,000	8,000
40,001 to	50,000	10,000
50,001 to	75,000	15,000

75,001 to	100,000	20,000
100,001 to	200,000	30,000
200,001 to	300,000	40,000
300,001 to	400,000	50,000
400,001 to	500,000	70,000
500,001 to	750,000	85,000
750,001 to	1,000,000	100,000

Over one million dollars (\$1,000,000) minimum amount, one hundred thousand dollars (\$100,000) plus fifty thousand dollars (\$50,000) for each additional million or fraction thereof of assets.

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

The administrator may require additional coverage for any credit union when, in his opinion, the surety bonds in force are insufficient to provide adequate surety coverage, and it shall be the duty of the board of directors of any credit union to obtain such additional coverage within 60 days after the date of written notice by the administrator to such board of directors. For good cause shown, the administrator may extend the time to obtain additional coverage.

"§ 54-76.2. Corporations organized hereunder subject to administrator of credit unions; rules and regulations. - In addition to any and all other powers, duties and functions vested in the administrator of credit unions under the provisions of this Article, the administrator of credit unions shall have general control, management and supervision over all corporations organized under the provisions of this Article. All corporations organized under the provisions of this Article shall be subject to the management, control and supervision of the administrator of credit unions as to their conduct, organization, management, business practices and their financial and fiscal matters. The administrator of credit unions may prescribe rules and regulations for the administration of this Article, as well as rules and regulations relating to financial records, business practices and the conduct and management of credit unions, and it shall be the duty of the board of directors and of the various officers of the credit union to put into effect and to carry out such regulations.

"§ 54-76.3. Revocation of certificate; liquidation. — If any such corporation shall neglect to make its annual report, as provided in this Article, or any other report required by the administrator of credit unions for more than 15 days, or shall fail to pay the charges required, including the fines for delay in filing reports, the administrator of credit unions shall give notice to such corporation of his intention to revoke the certificate of approval of the corporation for such neglect or failure, and if such neglect or failure continues for 15 days after such notice, the said administrator shall, at his discretion, personally or by an agent appointed by him, take possession of the property and business of the corporation and retain possession until such time as he may permit it to resume business, or until its affairs be finally liquidated as provided for in G.S. 54-96.

"§ 54-76.4. Fees. — (a) Each credit union subject to supervision and examination by the administrator of credit unions, including credit unions in process of voluntary liquidation, shall pay into the office of the administrator of credit unions twice each year, in the months of January and July, supervision and examination fees.

The administrator of credit unions, subject to the advice and consent of the credit union commission, shall, on or before December 1 of each year, determine and fix the scale of supervisory and examination fees to be assessed during the next calendar year. However, when the costs of any examination exceed the annual fees assessed and paid by the credit union, the

administrator of credit unions may, in his discretion, invoke the provisions of G.S. 54-76.6, giving due consideration to the time and expense incident to such examination, and the ability of the credit union to pay such additional fees. The additional fees, if assessed by the administrator, in his discretion, shall be paid by each credit union promptly after the completion of the examination; provided that such additional fees shall not exceed the estimated cost of such examination.

No credit union shall be required to pay any supervisory fee until the expiration of 12 months from the date of the issuance of a certificate of incorporation to such credit union.

(b) Moneys collected under this section shall be deposited with the State Treasurer of North Carolina and expended, under the terms of the Executive Budget Act, to defray expenses incurred by the office of the administrator of credit unions in carrying out its supervisory and auditing functions.

(c) All revenue derived from fees will be placed into a special account to be administered solely for the operation of the credit union division.

"§ 54-76.5. Reports. — (a) Credit unions organized under this act shall, in January and in July of each year, make a report of condition to the administrator of credit unions on forms supplied by him for that purpose. Additional reports may be required.

(b) Any such corporation which neglects to make semiannual reports as provided in subsection (a) of this section, or any of the other reports required by the administrator of credit unions at the time fixed by the administrator, shall forfeit to the administrator of credit unions five dollars (\$5.00) for each day such neglect continues; and, furthermore, the administrator of credit unions shall have authority, in his discretion, to revoke the certificate of incorporation and take possession of the assets and business of any corporation failing to pay the fees required in this section after serving notice of at least 15 days upon such corporation of his intention so to do.

"§ 54-76.6. Annual examinations required; payment of cost. — The administrator of credit unions shall cause every such corporation to be examined once a year and whenever he deems it necessary. The examiners appointed by him shall be given free access to all books, papers, securities, and other sources of information in respect to the corporation; and for the purpose of such examination the administrator shall have power and authority to subpoena and examine personally, or by one of his deputies or examiners, witness on oath and documents, whether such witnesses are members of the corporation or not, and whether such documents are documents of the corporation or not. Whenever the cost of making the annual examination exceeds the annual fees paid by the credit union to the State, the administrator may charge the credit union the cost per day, per man for each day required to complete the examination. The administrator may designate an independent auditing firm to do the work under his direction and supervision, with the cost to be paid by the credit union involved.

"§ 54-76.7. Records. — (a) A credit union shall maintain all books, records, accounting systems and procedures in accordance with such rules as the administrator from time to time prescribes. In prescribing such rules, the administrator shall consider the relative size of a credit union and its reasonable capability of compliance.

(b) A credit union is not liable for destroying records after the expiration of the record retention time prescribed by the administrator.

(c) A photostatic or photographic reproduction of any credit union records shall be admissible as evidence of transactions with the credit union.

"ARTICLE 11.

"Powers of Credit Union.

"§ 54-77. General powers. — A credit union may:

- (1) Make contracts;
- (2) Sue and be sued;
- (3) Adopt and use a common seal and alter same;

- (4) Acquire, lease, hold and dispose of property, either in whole or in part, necessary or incidental to its operations;
- (5) At the discretion of the board of directors, require the payment of an entrance fee or annual membership fee, or both, of any person admitted to membership;
- (6) Receive savings from its members in the form of shares, deposits, or special-purpose thrift accounts;
- (7) Lend its funds to its members as hereinafter provided;
- (8) Borrow from any source in accordance with policy established by the board of directors;
- (9) Discount and sell any eligible obligations, subject to rules and regulations prescribed by the administrator;
- (10) Sell all or substantially all of its assets or purchase all or substantially all of the assets of another financial institution, subject to the approval of the administrator of credit unions;
- (11) Invest surplus funds as provided in this act;
- (12) Make deposits in legally chartered banks, savings banks, savings and loan associations, trust companies and central-type credit union organizations;
- (13) Assess charges to members in accordance with the bylaws for failure to meet properly their obligations to the credit union;
- (14) Hold membership in other credit unions organized under this act or other acts and in other associations and organizations composed of credit unions;
- (15) Declare dividends; pay interest on deposits and pay interest refunds to borrowers as provided in this act;
- (16) Sell travelers checks and money orders and charge a reasonable fee for such services, provided the instruments are payable at institutions other than a credit union.
- (17) Perform such tasks and missions as are requested by the federal government or this State or any agency or political subdivision thereof, when approved by the board of directors and not inconsistent with this act;
- (18) Act as fiscal agent for and receive deposits from the federal government, this State, or any agency or political subdivision thereof;
- (19) Contribute to, support, or participate in any nonprofit service facility whose services will benefit the credit union or its membership subject to such regulations as are prescribed by the administrator;
- (20) Make donations or contributions to any civic, charitable or community organization as authorized by the board of directors, subject to such regulations as are prescribed by the administrator;
- (21) Act as a custodian of qualified pension funds if permitted by federal law;
- (22) Purchase or make available insurance for its directors, officers, agents, employees, and members; and
- (23) Facilitate its members' purchase of goods and services in a manner which promotes the purposes of the credit union.
- (24) The board of directors may expel from the corporation any member who has not carried out his engagement with the corporation, or has been convicted of a criminal offense, or neglects or refuses to comply with the provisions of this Article or of the bylaws, or who habitually neglects to pay his debts, or shall become insolvent or bankrupt. The members at a regularly called meeting may expel from the corporation any member who has become intemperate or in any way financially irresponsible; no member shall be expelled until he has been informed in writing of the charges against him

and an opportunity has been given him, after reasonable notice, to be heard thereon.

A member may withdraw from a credit union by filing a written notice of his intention to withdraw.

The amounts paid in on shares or deposits by an expelled or withdrawing member, with any dividends credited to his shares and any interest accrued on his deposits to the date of expulsion or withdrawal shall be paid to such member, but in the order of expulsion or withdrawal, and only as funds therefor become available, after deducting any amounts due to the corporation by such member. The member shall have no other or further right in the credit union or to any of its benefits, but such expulsion or withdrawal shall not operate to relieve the member from any remaining liability to the corporation.

"§ 54-77.1. Incidental powers. — A credit union may exercise such incidental powers such as are necessary or requisite to enable it to promote and carry on most effectively its purposes.

"ARTICLE 11A.

"Membership.

"§ 54-78. Membership defined. — (a) The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons within the common bond set forth in the bylaws as have been duly admitted members, have paid any required entrance fee or membership fee, or both, have subscribed for one or more shares, and have paid the initial installment thereon, and have complied with such other requirements as the articles of incorporation or bylaws specify.

(b) Credit union membership may include groups having a common bond of similar occupation, association or interest, or groups who reside within an identifiable neighborhood, community, or rural district, or employees of a common employer, and members of the immediate family of such persons.

"§ 54-78.1. Societies, association. — Societies, and co-partnerships composed primarily of individuals who are eligible to membership, and corporations whose stockholders are composed primarily of such individuals, may be admitted to membership in the same manner and under the same conditions as individuals, but may not borrow in excess of their shareholdings.

"§ 54-78.2. Other credit unions. — Any credit union organized under this act may permit membership of any other credit union organized under this act or other acts.

"§ 54-78.3. Members who leave field. — Members who leave the field of membership may be permitted to retain their membership in the credit union as a matter of general policy of the board of directors.

"§ 54-79. Liability of shareholders. — A shareholder of any such corporation, unless the bylaws so provide, shall not be individually liable for the payment of its debts for an amount in excess of the par value of the shares which he owns or for which he has subscribed.

"§ 54-80. Meetings of members. — (a) The annual meeting and any special meetings of the members of the credit union shall be held at the time, place, and in the manner indicated by the bylaws.

(b) At all such meetings, a member shall have but one vote, irrespective of his shareholdings. No member may vote by proxy, but a member may vote by absentee ballot if the bylaws of the credit union so provide.

(c) A society, association, co-partnership or corporation having membership in the credit union may be represented and have its vote cast by one of its members or shareholders, provided such person has been fully authorized by the organization's governing body.

(d) The board of directors may establish a minimum age of 16 years of age as a qualification to vote at meetings of the members.

(e) The board of directors may establish a minimum age of 18 years of age as a qualification to hold office.

"ARTICLE 11B.

"Direction of Affairs.

"§ 54-81. **Election or appointment of officials.** — (a) The credit union shall be directed by a board of directors, at least five in number, to be elected at the annual members' meeting by and from the members. All members of the board shall hold office for such terms as the bylaws provide.

(b) The board of directors at its first meeting after its election shall appoint a supervisory committee from the membership (no more than one of whom may be a member of the board of directors and none a member of the credit committee) of not less than three members who shall serve for such terms as may be fixed by the bylaws; or in lieu thereof, the bylaws may authorize the board of directors to employ and use such clerical and auditing assistants as may be required to perform the duties required by G.S. 54-86. The board of directors may remove or suspend any member of the supervisory committee for neglect of duty, misfeasance, malfeasance, official misconduct, or for other good cause shown.

(c) The board of directors shall appoint a credit committee from the membership consisting of an odd number, not less than three, for such terms as the bylaws provide or, in lieu of a credit committee, appoint one or more loan officers from the membership and, in such instances, duties and responsibilities of the credit committee shall be carried out by such loan officer or officers.

"§ 54-81.1. **Record of board and committee members.** — Within 15 days following the board of directors' initial or annual organization meeting, a record of the names and addresses of the members of the board, committees and all other officers of the credit union shall be filed with the credit union division on forms provided by that division.

"§ 54-81.2. **Vacancies.** — The board of directors shall fill any vacancies occurring in the board until successors elected at the next annual meeting have qualified. The board shall also fill vacancies in the credit and supervisory committees.

"§ 54-81.3. **Compensation of officials.** — No member of the board of directors or of the credit committee or supervisory committee shall be compensated for his service in this position, but providing reasonable life, health, accident and similar insurance protection for a director or committee member shall not be considered compensation. Directors and committee members, while on official business of the credit union, may be reimbursed for necessary expenses incidental to the performance of the business.

"§ 54-81.4. **Conflicts of interest.** — No director, committee member, officer, agent or employee of the credit union shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his pecuniary interest or the pecuniary interest of any corporation, partnership, or association (other than the credit union) in which he is directly or indirectly interested.

"§ 54-82. **Executive officers.** — (a) At their organization meeting and within 30 days following each annual meeting of the members, the directors shall elect from their own number an executive officer, who may be designated as chairman of the board or president; a vice-chairman of the board or one or more vice presidents; a treasurer; and a secretary. The treasurer and the secretary may be the same individual. The persons so elected shall be the executive officers of the corporation.

(b) The terms of the officers shall be one year, or until their successors are chosen and have duly qualified.

(c) The duties of the officers shall be prescribed in the bylaws.

(d) The board of directors may employ an officer in charge of operations whose title shall be either president and/or general manager; or, in lieu thereof, the board of directors may designate the treasurer or an assistant treasurer to act as general manager and be in active charge of the affairs of the credit union.

"§ 54-83. **Authority of directors.** — The board of directors shall have the general direction of the business affairs, funds, and records of the credit union.

"§ 54-83.1. **Executive committee.** — From the persons elected to the board, the board may appoint an executive committee of not less than three directors who may be authorized to act for the board in all respects, subject to such conditions and limitations as are prescribed by the board.

"§ 54-84. **Meetings of directors.** — The board of directors and the executive committee shall meet as often as the bylaws prescribe.

"§ 54-84.1. **Duties of directors.** — It shall be the duty of the directors to:

- (1) Act upon applications for membership or to appoint one or more membership officers to approve applications for membership under such conditions as the board prescribes. A record of a membership officer's approval or denial of membership shall be available to the board of directors for inspection. A person denied membership by a membership officer may appeal the denial to the board;
- (2) Purchase a blanket fidelity bond, in accordance with any rules and regulations of the administrator, to protect the credit union against losses caused by occurrences covered therein such as fraud, dishonesty, forgery, embezzlement, misappropriation, misapplication, or unfaithful performance of duty by a director, officer, employee, member of an official committee, attorney-at-law or other agent;
- (3) Determine from time to time the interest rate or rates consistent with this act, which shall be charged on loans and to authorize interest refunds, if any, to members from income earned and received in proportion to the interest paid by them on such classes of loans and under such conditions as the board prescribes;
- (4) Fix from time to time the maximum amount which may be loaned to any one member;
- (5) Declare dividends on shares in the manner and form as provided in the bylaws; and determine the interest rate or rates which will be paid on deposits;
- (6) Set the number of shares and the amount of deposits which may be owned by a member, such limitations to apply alike to all members;
- (7) Have charge of the investment of surplus funds, except that the board of directors may designate an investment committee or any qualified individual to have charge of making investments under controls established by the board of directors;
- (8) Authorize the employment of such persons necessary to carry on the business of the credit union;
- (9) Authorize the conveyance of property;
- (10) Borrow or lend money to carry on the functions of the credit union;
- (11) Designate a depository or depositories for the funds of the credit union;
- (12) Suspend any or all members of the credit or supervisory committee for failure to perform their duties;
- (13) Appoint any special committees deemed necessary; and
- (14) Perform such other duties as the members from time to time direct, and perform or authorize any action not inconsistent with this act and not specifically reserved by the bylaws for the members.

"§ 54-85. **Authority of credit committee.** — The credit committee shall have the general supervision of all loans to members.

"§ 54-85.1. **Meetings of credit committee.** — The credit committee shall meet as often as the business of the credit union requires and not less frequently than once a month to consider applications for loans. No loan shall be made unless it is approved by a majority of the committee who are present at the meeting at which the application is considered.

"§ 54-85.2. **Loan officers.** — (a) The credit committee may appoint one or more loan officers and delegate the power to approve loans, subject to such limitations or conditions as the credit committee prescribes.

(b) Loan applications not approved by a loan officer shall be reviewed and acted upon by the credit committee.

"§ 54-85.3. **Loan officer.** — The credit committee may be dispensed with, and loan officer(s) empowered to approve or disapprove loans under conditions prescribed by the board of directors. In the event the credit committee is dispensed with, the procedures prescribed in G.S. 54-85, G.S. 54-85.1 and G.S. 54-85.2 do not apply, and no loans shall be made unless approved by the loan officer(s).

"§ 54-86. **Duties of supervisory committee.** — The supervisory committee shall make or cause to be made an annual audit, in accordance with rules and regulations promulgated by the administrator of credit unions, and shall submit a report of that audit to the board of directors and a summary of the report to the members at the next annual meeting of the credit union. The supervisory committee shall make or cause to be made such supplemental audits as deemed necessary by it or as may be ordered by the administrator of credit unions. Any violation of this Article or of the bylaws or of any practice of the corporation which in the opinion of the supervisory committee is unsafe, unsound, or unauthorized, shall be reported to the board of directors and the administrator of credit unions within seven days after its discovery.

"ARTICLE 11C.

"Savings Accounts.

"§ 54-87. **Shares.** — (a) The capital of a credit union consists of the payments made by members on shares, undivided surplus, and reserves.

(b) Shares may be subscribed to, paid for and transferred in such manner as the bylaws prescribe.

(c) A certificate need not be issued to denote ownership of a share in a credit union.

"§ 54-88. **Dividends.** — The board of directors of any credit union may declare dividends as its bylaws provide. Dividends shall be paid on fully paid shares outstanding at the close of the accounting period, but shares which become fully paid by the tenth of any month of the period may be entitled to a proportional part of such dividend, calculated from the first day of the month.

"§ 54-89. **Deposits.** — A credit union may receive on deposit the savings of its members and also nonmembers in such amounts and upon such terms as the board of directors may determine and the bylaws shall provide.

"§ 54-89.1. **Thrift accounts.** — Christmas clubs, vacation clubs, and other thrift accounts may be operated under conditions established by the board of directors.

"§ 54-89.2. **Shares and deposits for minors and in trust.** — Shares may be issued and deposits received in the name of a minor, and such shares and deposits may, in the discretion of the directors, be withdrawn by such minor or his parent or guardian, and in either case payments made on such withdrawals shall be valid. If shares are held or deposits made in trust, the name and residence of the beneficiary shall be disclosed and the account shall be kept in the name of such holder as trustee for such person. Such shares or deposits may, upon the death of the trustee, be withdrawn by the person for whom the shares were held or for whom such deposits were made, or by his legal representatives.

"§ 54-89.3. **Joint accounts.** — (a) A member may designate any person or persons to hold shares, deposits and thrift club accounts with him in joint tenancy with the right of

survivorship, but no joint tenant, unless a member in his own right, shall be permitted to vote, obtain loans, or hold office or be required to pay an entrance or membership fee.

(b) Payment of part or all of such accounts to any of the joint tenants shall, to the extent of such payment, discharge the liability to all.

"§ 54-89.4. **Liens.** — The credit union shall have a lien on the shares, deposits and accumulated dividends or interest of a member in his individual, joint or trust account, for any sum past due the credit union from said member or for any loan endorsed by him.

"§ 54-89.5. **Dormant accounts.** — (a) If a credit union member's account be without activity for a period of two years, the account may be declared dormant and 60 days subsequent to written notification to the member, which would be by statement or letter, be transferred to the reserve fund of the credit union.

(b) The member may reclaim any such sums by proper judicial proceedings commenced within 10 years after such action of the board of directors.

(c) This section does not apply to shares, deposits, accounts, dividends, interest and other sums due to or standing in the name of two or more persons unless the credit union is unable to contact any of such persons in the manner and during the period specified in subsection (a).

"§ 54-89.6. **Reduction in shares.** — Whenever the losses of any credit union, resulting from a depreciation in value of its loans or investments or otherwise, exceed its undivided earnings and reserve fund so that the estimated value of its assets is less than the total amount due the shareholders, the credit union may by a majority vote of the members present at a special meeting called for that purpose order a reduction in the shares of each of its shareholders to divide the loss proportionately among the members.

(b) If the credit union thereafter realizes from such assets a greater amount than was fixed by the order of reduction, such excess shall be divided proportionately among the shareholders whose assets were reduced, but only to the extent of such reduction.

"ARTICLE 11D.

"Loans.

"§ 54-90. **Purposes, terms and interest rate.** — A credit union may loan to its members for such purpose and upon such security and terms as the board of directors prescribe, at rates of interest not exceeding twelve (12%) annual percentage rate, unless a greater rate not to exceed eighteen (18%) annual percentage rate is otherwise approved by the credit union commission. Such action by the commission will be uniform and apply to all credit unions.

The term 'interest', as used in this section, shall not be deemed to include charges made by a credit union for appraisals of real or personal property; attorneys' fees for searching title to real property, preparing notes, deeds of trust, mortgages and closing loans; and recording fees. Rate of interest and terms of repayment shall appear on each note but the corporation may, for the purpose of making loans, discount and negotiate promissory notes and deduct in advance, from the proceeds of such loan, interest at a rate not to exceed the rate herein fixed, which shall be the legal rate for corporations under this Article, and such deductions shall be made upon the amount of the loan from the date thereof until the maturity of the final installment, notwithstanding that the principal amount of such loan is required to be repaid in such installments.

"§ 54-90.1. **Application.** — Every application for a loan shall be made in writing upon a form, which the board of directors prescribe. The application shall state the purpose for which the loan is desired, and the security, if any, offered. Each loan shall be evidenced by a written document.

"§ 54-90.2. **Loan limit.** — No loan shall be made to any member in an aggregate amount in excess of two hundred dollars (\$200.00), or ten percent (10%) of the credit union's unimpaired capital and surplus, whichever is greater, provided that no unsecured loan shall be greater than five thousand dollars (\$5,000).

"§ 54-90.3. **Security.** — In addition to generally accepted types of security, the endorsement of a note by a surety, co-maker or guarantor, or assignment of shares, in a manner consistent with the laws of this State, shall be deemed security within the meaning of this act. The adequacy of any security shall be determined by the board of directors subject to this act and the bylaws.

"§ 54-90.4. **Installments.** — A member may receive a loan in installments, or in one sum, and may pay the whole or any part of his loan on any day on which the office of the credit union is open for business.

"§ 54-90.5. **Line of credit.** — A line of credit and advances may be granted to each member within guidelines established by the board of directors. Where a line of credit has been approved, no additional loan applications are required as long as the aggregate obligation does not exceed the limit of such line of credit.

"§ 54-90.6. **Other loan programs.** — (a) A credit union may participate in loans to credit union members jointly with other credit unions, corporations, or financial organizations.

(b) A credit union may participate in guaranteed loan programs of the federal and State government.

(c) A credit union may purchase the conditional sales contracts, notes and similar instruments of its members.

"ARTICLE 11E.

"Insurance and Group Purchasing.

"§ 54-91. **Insurance for members.** — (a) A credit union may purchase or make available insurance for its members in amounts related to their respective ages, shares, deposits or loan balances or to any combination of them.

(b) A credit union may enter into cooperative marketing arrangements to facilitate its members' voluntary purchase of insurance including, but not by way of limitation, life insurance, disability insurance, accident and health insurance, property insurance, liability insurance, and legal expense insurance.

"§ 54-91.1. **Liability insurance for officers.** — A credit union may purchase and maintain liability insurance on behalf of any person who is or was a director, officer, employee, or agent of the credit union, or who is or was serving at the request of the credit union as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the credit union would have the power to indemnify such person against such liability.

"§ 54-91.2. **Group purchasing.** — A credit union may enter into cooperative marketing arrangements to facilitate its members' voluntary purchase of such goods and services as are in the interest of improving economic and social conditions of the members.

"§ 54-92. **Share and deposit insurance.** — (a) All credit unions established under this Chapter shall, no later than July 1, 1976, apply for insurance of member share and deposit accounts from any mutual deposit guaranty association which qualifies under Article 7A of Chapter 54 of the General Statutes (Mutual Deposit Guaranty Associations), or from the National Credit Union Administration under the Federal Credit Union Act. All such credit unions shall, on or before January 1, 1977, obtain and thereafter maintain the above mentioned insurance. A credit union which is unable to obtain a commitment for insurance of the share and deposit accounts within the time limit specified above shall be dissolved by action of the administrator of credit unions or permitted to merge with another credit union. Provided, the administrator may grant additional time to obtain the insurance commitment, upon satisfactory evidence that the credit union has made or is making a substantial effort to achieve the conditions precedent to issuance of the commitment. Granting of additional time or times to obtain the insurance commitment shall not extend later than January 1, 1978.

(b) All credit unions chartered under this act after ratification shall apply for and obtain insurance as a condition to granting the Charter.

"ARTICLE 12.

"Investments.

"§ 54-93. **Investment of funds.** — The capital, deposits, undivided profits and reserve fund of the corporation may be invested in any of the following ways, and in such ways only:

- (1) They may be lent to the members of the corporation in accordance with the provisions of this Chapter.
- (2) In capital shares, obligations, or preferred stock issues of any agency or association organized either as a stock company, mutual association, or membership corporation, provided the membership or stockholdings, as the case may be, of such agency or association are confined or restricted to credit unions or organizations of credit unions, or provided the purposes for which such agency or association is organized or designed to service or otherwise assist credit union operations.
- (3) In obligations of the State of North Carolina or any subdivision thereof.
- (4) In obligations of the United States, including bonds and securities upon which payment of principal and interest is fully guaranteed by the United States.
- (5) They may be deposited to the credit of the corporation in savings banks, credit unions, savings and loan associations, State banks or trust companies incorporated under the laws of the State, or in national banks located therein.
- (6) In loans to other credit unions in any amount not to exceed twenty-five percent (25%) of the shares and unimpaired surplus of the lending credit union.
- (7) In an aggregate amount not to exceed twenty-five percent (25%) of the allocations to the reserve fund in any agency or association of the type described in subdivision (2) hereof, provided the purposes of any such agency or association are designed to assist in establishing and maintaining liquidity, solvency, and security in credit union operations.
- (8) In the North Carolina Savings Guaranty Corporation.
- (9) They may be placed on time deposits in any banks insured by the Federal Deposit Insurance Corporation or may be deposited or may be invested in any savings or building and loan association insured by the Federal Savings and Loan Insurance Corporation.
- (10) Debentures which are issued by an agency of the United States Government.

"ARTICLE 13.

"Reserve Allocations.

"§ 54-94. **Transfers to regular reserve.** — (a) Immediately before the payment of each dividend, but more often if the board of directors so determine, the gross earnings of the credit union shall be determined. From this amount, there shall be set aside sums as a regular reserve in accordance with the following schedule:

- (1) Ten percent (10%) of gross income until the regular reserve shall equal seven and one-half percentum (7 1/2%) of the total of outstanding loans and risk assets, then
- (2) Five percentum (5%) of gross income until the regular reserve shall equal ten percentum (10%) of the total of outstanding loans and risk assets.

(b) Subsequent to attainment of the reserve goals of ten percentum (10%) or seven and one-half percentum (7 1/2%) of the total of outstanding loans and risk assets, as the case may be, the regular reserve shall be replenished by regular contributions in such amounts as may be

needed to maintain the reserve goals of seven and one-half percentum (7 1/2%) or ten percentum (10%).

(c) In addition to such regular reserve, special reserves to protect the interests of members shall be established;

- (1) when required by regulations; or
- (2) when found by the administrator, in any special case, to be necessary for that purpose.

(d) Nothing in this section shall be construed as limiting the amount that a credit union may set apart to its reserve fund.

"§ 54-94.1. Use of regular reserve. — The regular reserve shall belong to the credit union and shall be used to meet losses except those resulting from an excess of expenses over income and shall not be distributed except on liquidation of the credit union, or in accordance with a plan approved by the administrator of credit unions.

"§ 54-94.2. Risk assets defined. — For the purpose of establishing the reserves required by G.S. 54-94, all assets except the following shall be considered risk assets:

- (1) Cash on hand.
- (2) Deposits and shares in federal or state banks, savings and loan associations, and credit unions.
- (3) Assets which are issued by, fully guaranteed as to principal and interest by, or due from the U.S. Government, its agencies, the Federal National Mortgage Association, or the Government National Mortgage Association.
- (4) Loans to other credit unions.
- (5) Loans to students insured under the provision of Title IV, Part B of the Higher Education Act of 1965 (20 U.S.C. 1071, et seq.) or similar state insurance programs.
- (6) Loans insured under Title I of the National Housing Act (12 U.S.C. 1703) by the Federal Housing Administration.
- (7) Shares or deposits in central credit unions organized under Article 12 of this Chapter of any other state act or of the Federal Credit Union Act.
- (8) Common trust investments which deal in investments authorized by this act.
- (9) Prepaid expenses.
- (10) Accrued interest on nonrisk investments.
- (11) Furniture and equipment.
- (12) Land and buildings.
- (13) Loans secured by shares.
- (14) Deposits in mutual savings guaranty associations which qualify under Article 7A of Chapter 54 of the General Statutes.

"ARTICLE 14.

"Change in Corporate Status.

"§ 54-95. Suspension. — (a) If it appears that any credit union is bankrupt or insolvent, or that it has willfully violated this act, or is operating in an unsafe or unsound manner, the administrator of credit unions shall issue an order temporarily suspending the credit union's operations for not more than 90 days. The board of directors shall be given notice by registered mail of such suspension, which notice shall include a list of the reasons for such suspension, and/or a list of the specific violations of this act. The administrator of credit unions shall also notify the members of the credit union commission of any suspension.

(b) Upon receipt of such suspension notice, the credit union shall cease all operations, except those authorized by the administrator. The board of directors shall then file with the administrator a reply to the suspension notice, and may request a hearing to present a plan of corrective actions proposed if it desires to continue operations. The board may request that the credit union be declared insolvent and a liquidating agent be appointed.

(c) Upon receipt from the suspended credit union of evidence that the conditions causing the order of suspension have been corrected, the administrator may revoke the suspension notice, permit the credit union to resume normal operations, and notify the commission of such action.

(d) If the administrator, after issuing notice of suspension and providing an opportunity for a hearing, rejects the credit union's plan to continue operations, he may issue a notice of involuntary liquidation and appoint a liquidating agent.

The credit union may request the appropriate court to stay execution of such action. Involuntary liquidation may not be ordered prior to the conclusion of suspension procedures outlined in this section.

(e) If, within the suspension period, the credit union fails to answer the suspension notice or request a hearing, the administrator may then revoke the credit union's charter, appoint a liquidating agent and liquidate the credit union.

"§ 54-96. Liquidation. — (a) A credit union may elect to dissolve voluntarily and liquidate its affairs in the manner prescribed in this section.

(b) The board of directors shall adopt a resolution recommending the credit union be dissolved voluntarily, and directing that the question of liquidation be submitted to the members.

(c) Within 10 days after the board of directors decides to submit the question of liquidation to the members, the president shall notify the administrator of credit unions thereof in writing, setting forth the reasons for the proposed action. Within 10 days after the members act on the question of liquidation, the president shall notify the administrator in writing as to whether or not the members approved the proposed liquidation.

(d) As soon as the board of directors decides to submit the question of liquidation to the members, payment on shares, withdrawal of shares, making any transfer of shares to loans and interest, making investments of any kind, and granting loans shall be suspended pending action by members on the proposal to liquidate. On approval by the members of such proposal, all such business transactions shall be permanently discontinued. Necessary expenses of operation shall, however, continue to be paid on authorization of the board of directors or liquidating agent during the period of liquidation.

(e) For a credit union to enter voluntary liquidation, approval by a majority of the members in writing or by a two-thirds majority of the members present at a regular or special meeting of the members is required. Where authorization for liquidation is to be obtained at a meeting of the members, notice in writing shall be given to each member, by first class mail, at least 10 days prior to such meeting.

(f) A liquidating credit union shall continue in existence for the purpose of discharging its debts, collecting and distributing its assets, and doing all acts required in order to wind up its business and may sue and be sued for the purpose of enforcing such debts and obligations until its affairs are fully adjusted.

(g) The board of directors or the liquidating agent shall use the assets of the credit union to pay: first, expenses incidental to liquidating including any surety bond that may be required; second, any liability due nonmembers; third, deposits and special purpose thrift accounts as provided in this act. Assets then remaining shall be distributed to the members proportionately to the shares held by each member as of the date dissolution was voted.

(h) As soon as the board of directors or the liquidating agent determines that all assets from which there is a reasonable expectancy of realization have been liquidated and distributed as set forth in this section, the administrator of credit unions shall issue to such corporation, in duplicate, a certificate of dissolution which shall be filed by the corporation in the office of the register of deeds of the county in which the corporation has its place of business. The corporation shall then be dissolved and its certificate of incorporation revoked. All pertinent books and records of the liquidating credit union shall be retained by the liquidating agent

and/or filed with the credit union division and kept for a minimum period not to exceed five years. The liquidating agent's fee, if any, shall be set by the administrator of credit unions.

"§ 54-97. **Merger.** — Any credit union may, with the approval of the administrator of credit unions, merge with another credit union subject to the rules and regulations set forth by the administrator of credit unions.

"§ 54-98. **Conversion of Charter.** — (a) A credit union chartered under the laws of this State may be converted to a credit union chartered under the laws of any other state or under the laws of the United States, subject to regulations issued by the administrator of the credit union division.

(b) A credit union chartered under the laws of the United States or of any other state may convert to a credit union chartered under the laws of this State. To effect such a conversion, a credit union must comply with all the requirements of the jurisdiction under which it was originally chartered and the requirements of the administrator of credit unions and file proof of such compliance with said administrator.

"ARTICLE 14A.

"Taxation.

"§ 54-99. **Restriction of taxation.** — The corporation shall be deemed an institution for savings, and together with all accumulations therein shall not be taxable under any law which shall exempt building and loan associations or institutions for savings from taxation; nor shall any law passed taxing corporations in any form, or the shares thereof, or the accumulations therein, be deemed to include corporations doing business in pursuance of the provisions of this Article, unless they are specifically named in such law. The shares of credit unions, being hereby regarded as a system for saving, shall not be subject to any stock-transfer tax either when issued by the corporation or transferred from one member to another."

Sec. 2. G.S. 54-110(g), as the same appears in Volume 2B of the General Statutes, is amended by striking "Section 54-84" from line 1 thereof and substituting in lieu thereof "Section 54-77".

Sec. 3. G.S. 54-110(i), as the same appears in the 1974 Cumulative Supplement to Volume 2B of the General Statutes, is amended by striking "G.S. 54-86(6)" in line 1 thereof and substituting "G.S. 54-93.6".

Sec. 4. This act shall become effective July 1, 1975.

In the General Assembly read three times and ratified, this the 10th day of June, 1975.