

LEGISLATIVE BILL 948

Approved by the Governor April 12, 1996

Introduced by Pirsch, 10

AN ACT relating to credit unions; to amend sections 8-103.01, 8-1,134, 8-1,136, 8-1,137, 28-612, and 44-1601, Reissue Revised Statutes of Nebraska, sections 8-1401, 21-17,120.01, and 45-101.04, Revised Statutes Supplement, 1995, and section 9-203, Uniform Commercial Code; to adopt the Credit Union Act; to harmonize provisions; to provide operative dates; to provide severability; to repeal the original sections; to outright repeal sections 21-1760 to 21-1764, 21-1766 to 21-1770, 21-1772, 21-1773, 21-1775, 21-1776, 21-1777.01 to 21-1781, 21-1783 to 21-1789, 21-1791, 21-1793 to 21-1796, 21-1799 to 21-17,108, 21-17,110, 21-17,112 to 21-17,117.04, 21-17,120, and 21-17,120.02 to 21-17,125, Reissue Revised Statutes of Nebraska, sections 21-1771, 21-1774, 21-1777, 21-1782, 21-1790, 21-17,117.05, 21-17,118, and 21-17,126, Revised Statutes Supplement, 1994, and section 21-1773.01, Revised Statutes Supplement, 1995; and to declare an emergency.

Be it enacted by the people of the State of Nebraska,

Section 1. Sections 1 to 116 of this act shall be known and may be cited as the Credit Union Act.

Sec. 2. For purposes of the Credit Union Act, the definitions found in sections 3 to 22 of this act shall be used.

Sec. 3. Capital shall mean share accounts, membership shares, reserve accounts, and undivided earnings.

Sec. 4. Corporate central credit union shall mean a credit union the members of which consist primarily of other credit unions.

Sec. 5. Credit union shall mean a cooperative, nonprofit corporation organized under the Credit Union Act for purposes of educating and encouraging its members in the concept of thrift, creating a source of credit for provident and productive purposes, and carrying on such collateral activities as are set forth in the act.

Sec. 6. Department shall mean the Department of Banking and Finance.

Sec. 7. Director shall mean the Director of Banking and Finance.

Sec. 8. Employee shall mean a person who works full-time or part-time for and is compensated by a credit union.

Sec. 9. Fixed asset shall mean a structure, land, furniture, fixture, or equipment, including computer hardware and software and heating and cooling equipment, affixed to premises.

Sec. 10. Immediate family shall include any person related to a member by blood or marriage, including foster and adopted children.

Sec. 11. Individual shall mean a natural person.

Sec. 12. Insolvent shall mean a condition in which (1) the actual cash market value of the assets of a credit union is insufficient to pay its liabilities to its members, (2) a credit union is unable to meet the demands of its creditors in the usual and customary manner, (3) a credit union, after demand in writing by the director, fails to make good any deficiency in its reserves as required by law, or (4) a credit union, after written demand by the director, fails to make good an impairment of its capital or surplus.

Sec. 13. Line of credit shall mean a loan in which amounts are advanced to the borrower upon his or her request from time to time, pursuant to a preexisting contract and conditional or unconditional credit approval, and in which principal amounts repaid automatically replenish the funds available under the contract.

Sec. 14. Loan shall mean any extension of credit pursuant to a contract.

Sec. 15. Membership officer shall mean any member appointed by the board of directors of a credit union whose primary function is to act on applications for membership under the conditions the board and bylaws have prescribed.

Sec. 16. Membership shares shall mean a balance held by a credit union and established by a member in accordance with standards specified by the credit union. Each member may own only one membership share. Ownership of a membership share shall represent an interest in the capital of the credit union upon dissolution or conversion to another type of institution.

Sec. 17. Official shall mean a member of the board of directors of

a credit union, an officer of a credit union, a member of the credit committee of a credit union, if any, or a member of the supervisory committee of a credit union.

Sec. 18. Organization shall mean any corporation, association, limited liability company, partnership, society, firm, syndicate, trust, or other legal entity.

Sec. 19. Person shall mean an individual, partnership, limited liability company, corporation, association, cooperative organization, or any other legal entity treated as a person under the laws of this state.

Sec. 20. Reserves shall mean an allocation of retained income and shall include regular and special reserves, except for any allowance for loan or investment losses.

Sec. 21. Risk assets shall mean all assets except the following:

(1) Cash on hand;

(2) Deposits or shares in federally insured or state-insured banks, savings and loan associations, and credit unions that have a remaining maturity of five years or less;

(3) Assets that have a remaining maturity of five years or less and which are insured by, fully guaranteed as to principal and interest by, or due from the United States Government, its agencies, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association. Collateralized mortgage obligations that are comprised of government-guaranteed mortgage loans shall be included in this asset category;

(4) Loans to other credit unions that have a remaining maturity of five years or less;

(5) Student loans insured under Title IV, Part B, of the federal Higher Education Act of 1965, 20 U.S.C. 1071 et seq. or similar state insurance programs that have a remaining maturity of five years or less;

(6) Loans that have a remaining maturity of five years or less and are fully insured or guaranteed by the federal government, a state government, or any agency thereof;

(7) Share accounts or deposit accounts in a corporate central credit union that have a remaining maturity of five years or less or, if the maturity is greater than five years, an asset that is being carried on the credit union's records at the lower of cost or market value or is being marked to market value monthly;

(8) Common trust investments, including mutual funds, which deal exclusively in investments authorized by the Credit Union Act or the Federal Credit Union Act that are either carried on the credit union's records at the lower of cost or market value or are being marked to market value monthly;

(9) Prepaid expenses;

(10) Accrued interest on nonrisk investments;

(11) Loans fully secured by a pledge of share accounts in the lending credit union which are equal to and maintained to at least the amount of each loan outstanding;

(12) Loans which are purchased from liquidating credit unions and guaranteed by the National Credit Union Administration;

(13) National Credit Union Share Insurance Fund Guaranty Accounts established by the National Credit Union Administration pursuant to 12 U.S.C. 1783 of the Federal Credit Union Act;

(14) Investments in shares of the National Credit Union Administration Central Liquidity Facility, 12 U.S.C. 1795;

(15) Assets included in subdivisions (2) through (7) of this section with maturities greater than five years if each asset is being carried on the credit union's records at the lower of cost or market value or is being marked to market value monthly;

(16) Assets included in subdivisions (2) through (7) of this section with remaining maturities greater than five years if each asset meets the following criteria, irrespective of whether or not each asset is being carried on the credit union's records at the lower of cost or market value or is being marked to market value monthly:

(a) The interest rate of the asset is reset at least annually;

(b) The interest rate of the asset is less than the maximum allowable interest rate for the asset on the date of the required reserve transfer; and

(c) The interest rate of the asset varies directly, not inversely, with the index upon which it is based and is not reset as a multiple of the change in the related index;

(17) Fixed assets; and

(18) A deposit in the National Credit Union Share Insurance Fund, 12 U.S.C. 1783, representing a federally insured credit union's capitalization

account balance of one percent of insured shares.

Sec. 22. Share account shall mean a balance held by a credit union and established by a member in accordance with standards specified by the credit union, including balances designated as shares, share certificates, share draft accounts, or other names. Share account shall not include membership shares.

Sec. 23. Ownership of a share account shall confer membership and voting rights and shall represent an interest in the capital of the credit union upon dissolution or conversion to another type of institution.

Sec. 24. (1) Any nine or more individuals residing in the State of Nebraska who are nineteen years of age or older and who have a common bond pursuant to section 43 of this act may apply to the department on forms prescribed by the department for permission to organize a credit union and to become charter members and subscribers of the credit union.

(2) The subscribers shall execute in duplicate articles of association and shall agree to the terms of the articles of association. The terms shall state:

(a) The name, which shall include the words "credit union" and shall not be the same as the name of any other credit union in this state, whether or not organized under the Credit Union Act, and the location where the proposed credit union will have its principal place of business;

(b) The names and addresses of the subscribers to the articles of association and the number of shares subscribed by each;

(c) The par value of the shares of the credit union which shall be established by its board of directors. A credit union may have more than one class of shares;

(d) The common bond of members of the credit union; and

(e) That the existence of the credit union shall be perpetual.

(3) The subscribers shall prepare and adopt bylaws for the governance of the credit union. The bylaws shall be consistent with the Credit Union Act and shall be executed in duplicate.

(4) The subscribers shall select at least five qualified individuals to serve on the board of directors of the credit union, at least three qualified individuals to serve on the supervisory committee of the credit union, and at least three qualified individuals to serve on the credit committee of the credit union, if any. Such individuals shall execute a signed agreement to serve in these capacities until the first annual meeting or until the election of their successors, whichever is later.

(5) The articles of association and the bylaws, both executed in duplicate, shall be forwarded by the subscribers along with the required fee, if any, to the director, as an application for a certificate of approval.

(6) The director shall act upon the application within one hundred twenty calendar days after receipt of the articles of association and the bylaws to determine whether the articles of association conform with this section and whether or not the character of the applicants and the conditions existing are favorable for the success of the credit union.

(7) The director shall notify an applicant of his or her decision on the application. If the decision is favorable, the director shall issue a certificate of approval to the credit union. The certificate of approval shall be attached to the duplicate articles of association and returned, with the duplicate bylaws, to such subscribers.

(8) The subscribers shall file the certificate of approval with the articles of association attached in the office of the county clerk of the county in which the credit union is to locate its principal place of business. The county clerk shall accept and record the documents if they are accompanied by the proper fee and, after indexing, forward to the department proper documentation that the certificate of approval with the articles of association attached have been properly filed and recorded. When the documents are so recorded, the credit union shall be organized in accordance with the Credit Union Act and may begin transacting business.

(9) If the director's decision on the application is unfavorable, he or she shall notify the subscribers of the reasons for the decision. The subscribers may then request a public hearing if no such hearing was held at the time the application was submitted for consideration.

(10) The request for a public hearing shall be made in writing to the director not more than thirty calendar days after his or her decision. The director, within ten calendar days after receipt of a request for a hearing, shall set a date for the hearing at a time and place convenient to the director and the subscribers, but no longer than sixty calendar days after receipt of such request. The director may request a stenographic record of the hearing.

Sec. 25. Any credit union now existing which was organized under

Chapter 21, article 17, shall become organized under the Credit Union Act by filing with the department, within sixty days after the operative date of this section, a writing accepting all of the provisions of the act and declaring its intention to operate under those provisions.

Sec. 26. In order to simplify the organization of credit unions, the director shall cause to be prepared an approved form of articles of association and a suggested form of bylaws, consistent with the Credit Union Act, which may be used by credit union subscribers as a guide. Upon written application of any nine individuals residing in the state, the director shall supply such individuals, without charge, one approved form of the articles of association and one suggested form of bylaws.

Sec. 27. (1) The articles of association may be amended at any regular or special meeting at which a quorum of the members as provided in the bylaws is present if the notice of the meeting contained a copy of the proposed amendment. An amendment shall not become effective until it has been filed with and approved in writing by the department and the fee prescribed by section 8-602 has been paid. One copy of an amendment or amendments to the articles of association shall be filed in the office of the county clerk of the county where the credit union has its principal place of business, for which a fee of fifty cents shall be charged.

(2) Except as provided in subsection (3) of this section, the bylaws may be amended at any regular or special meeting of the board of directors by a majority of the total directors if the notice of the meeting contained a copy of the proposed amendment. An amendment shall not become effective until it has been filed with and approved in writing by the department and the fee prescribed by section 8-602 has been paid.

(3)(a) The board of directors may adopt by resolution standard bylaw amendments adopted and promulgated by the department from time to time. The standard amendments may include two or more alternatives that the board of directors may elect. The standard bylaw amendments may also include companion amendments which shall be adopted as a unit.

(b) The board of directors may adopt any standard bylaw amendment without prior approval of the department as long as the standard bylaw amendment is adopted without any change in wording and a Certificate of Resolution adopting such amendment is submitted to the department containing the adopted language within ten days after the adoption of such amendment. Certificate of Resolution forms shall be furnished by the department upon request. The fee prescribed by section 8-602 shall not be charged when standard bylaw amendments are adopted.

Sec. 28. (1) No person, corporation, limited liability company, partnership, or association other than a credit union organized under the Credit Union Act or the Federal Credit Union Act or the voluntary association of credit unions, shall use a name or title containing the phrase "credit union" or any derivation thereof, represent itself as a credit union, or conduct business as a credit union.

(2) Any violation of this section shall be a Class V misdemeanor.

(3) The director may petition a court of competent jurisdiction to enjoin any violation of this section.

Sec. 29. (1) A credit union may change its principal place of business within this state upon written notice to, and approval by, the director.

(2) A credit union may maintain automatic teller machines and point-of-sale terminals, at locations other than its principal office upon written notice to, and approval by, the director. The director shall grant such approval only if he or she finds that such automatic teller machines and point-of-sale terminals are reasonably necessary in order for the credit union to furnish service to its members.

Sec. 30. The fiscal year of each credit union organized under the Credit Union Act shall end on December 31.

Sec. 31. Any order or decision of the director may be appealed. The appeal shall be in accordance with the Administrative Procedure Act.

Sec. 32. The department shall have general supervision and control of credit unions as provided by the Credit Union Act, section 8-102, and any other applicable laws of this state.

Sec. 33. (1) The director may adopt and promulgate rules and regulations to carry out the Credit Union Act.

(2) The director may issue a cease and desist order when (a) the director has determined from competent and substantial evidence that a credit union is engaged in or has engaged in an unsafe or unsound practice or is violating or has violated a material provision of any law, rule, regulation, or any condition imposed in writing by the director or any written agreement made with the director or (b) the director has reasonable cause to believe a

credit union is about to engage in an unsafe or unsound practice or is violating or has violated a material provision of any law, rule, regulation, or any condition imposed in writing by the director or any written agreement made with the director or the director has reasonable cause to believe a credit union is about to violate a material provision of any law, rule, regulation, or any condition imposed in writing by the director or any written agreement made with the director.

(3) The director may restrict the making of loans by a credit union and the withdrawal from and the deposit to share accounts of a credit union when he or she finds circumstances that make such restriction necessary for the protection of the shareholders.

(4) The director may suspend from office and prohibit from further participation in any manner in the conduct of the affairs of a credit union any official who has committed any violation of a law, rule, regulation, or cease and desist order, who has engaged in or participated in any unsafe or unsound practice in connection with a credit union, or who has committed or engaged in any act, omission, or practice which constitutes a breach of that person's fiduciary duty as an official, when the director has determined that such action or actions have resulted or will result in substantial financial loss or other damage that will seriously prejudice the interest of the credit union members.

(5) The director shall hold a public hearing on any application brought before the department for formal consideration. He or she may also hold a public hearing on amendments to a credit union's articles of association or bylaws which are brought before the department.

(6) The director may subpoena witnesses, compel their attendance, require the production of evidence, administer oaths, and examine any person under oath in connection with any subject relating to a duty upon or a power vested in the director.

Sec. 34. (1) If it appears that any credit union is bankrupt or insolvent, that it has willfully violated the Credit Union Act, or that it is operating in an unsafe or unsound manner, the director may require such corrective measures in accordance with sections 8-1,134 to 8-1,139 as he or she may deem necessary or take possession of the property and business of such credit union and retain possession thereof until such time as he or she determines either to permit the credit union to resume business or to order its dissolution. In the event the director orders its dissolution, the credit union shall be liquidated in receivership proceedings in the same manner as nearly as may be possible, as provided by the laws governing the liquidation of state banks.

(2) Pursuant to section 35 of this act, the director may appoint the National Credit Union Administration Board as receiver or liquidator of the assets and liabilities of any credit union in the possession of the director. The appointment shall be subject to the approval of the district court of the judicial district in which the credit union has its principal place of business.

Sec. 35. (1) The National Credit Union Administration Board, as created by 12 U.S.C. 1752(a), shall be authorized to accept the appointment by the director as receiver or liquidator, without bond, of any credit union in the possession of the department and whose shares are to any extent insured by the National Credit Union Administration under section 201 et seq. of the Federal Credit Union Act, 12 U.S.C. 1781 et seq. Any credit union which fails to maintain such insurance may be voluntarily dissolved or liquidated by the board of directors of such credit union or may be taken in possession by the director and involuntarily liquidated as in the case of insolvency.

(2) Whenever the director takes possession of a credit union subject to the jurisdiction of the department, the director may tender to the National Credit Union Administration Board the appointment as receiver or liquidator of such credit union. If the board accepts such appointment, it shall have and possess all the powers and privileges provided by the laws of this state with respect to a receiver or liquidator of a credit union and its shareholders and other creditors and shall be subject to all the duties of such receiver or liquidator, except insofar as such powers, privileges, or duties are in conflict with the Federal Credit Union Act, 12 U.S.C. 1781 et seq.

(3) Whenever the National Credit Union Administration Board has been appointed as receiver or liquidator of a credit union pursuant to this section, it shall be subrogated to all the rights and interests against such credit union of all the shareholders or other creditors of the credit union to the full extent of such rights and interests in the credit union. The rights of shareholders or other creditors of the credit union shall be determined in accordance with the laws of this state.

(4) Upon acceptance by the National Credit Union Administration

Board of the appointment as receiver or liquidator of a credit union from the director and subject to the approval of the district court of the judicial district in which the credit union has its principal place of business, the possession of and title to all the assets, business, and property of every kind and nature of the credit union shall pass to and vest in the board without the execution of any instrument of conveyance, assignment, transfer, or endorsement.

(5) In addition to its powers and duties as receiver or liquidator, the National Credit Union Administration Board shall have the right and authority upon the order of any court of record of competent jurisdiction to enforce the individual liability of the members of the board of directors of any credit union.

Sec. 36. (1) The director shall examine or cause to be examined each credit union at least once a year. Each credit union and all of its officials and agents shall give the director or any of the examiners appointed by him or her free and full access to all books, papers, securities, and other sources of information relative to such credit union. For purposes of the examination, the director may subpoena witnesses, administer oaths, compel the giving of testimony, and require the submission of documents.

(2) The department shall forward a report of the examination to the chairperson of the board of directors within ninety calendar days after completion. The report shall contain comments relative to the management of the affairs of the credit union and the general condition of its assets. Within ninety calendar days after the receipt of such report, the members of the board of directors and the members of the supervisory and credit committees shall meet to consider the matters contained in the report.

(3) The director may require special examinations of and special financial reports from a credit union or a credit union service organization in which a credit union loans, invests, or delegates substantially all managerial duties and responsibilities when he or she determines that such examinations and reports are necessary to enable the director to determine the safety of a credit union's operations or its solvency. The cost to the department of such special examinations shall be borne by the credit union being examined.

(4) The director may accept, in lieu of any examination of a credit union authorized by the laws of this state, a report of an examination made of a credit union by the National Credit Union Administration or may examine any such credit union jointly with such federal agency. The director may make available to the National Credit Union Administration copies of reports of any examination or any information furnished to or obtained by the director in any examination.

Sec. 37. (1) A credit union shall maintain all books, records, accounting systems, and procedures in accordance with the rules and regulations as the director from time to time may prescribe.

(2) Credit unions shall preserve or keep their records or files, or photographic or microphotographic copies thereof, for a period of not less than six years after the first day of January of the year following the time of the making or filing of such records or files, except that ledger sheets showing unpaid balances in favor of members of such credit unions and corporate records that relate to the corporation or the corporate existence of the credit union shall not be destroyed.

(3) A credit union shall not be liable for destroying records after the expiration of the record retention period provided in this section except for records involved in an official investigation or examination about which the credit union has received notice.

(4) A reproduction of any credit union records shall be admissible as evidence of transactions with the credit union as provided in section 25-12,112.

Sec. 38. A credit union shall report to the department annually on or before the first day of February on forms supplied by the department for that purpose. The chairperson of the board of directors and the president of the credit union shall sign the report or reports certifying that such report or reports are correct according to their best knowledge and belief. The director may require additional reports as he or she deems appropriate and necessary. An additional fee of five dollars shall be levied for each day a credit union fails to provide a required report unless the delay is excused for cause.

Sec. 39. A credit union shall pay a fee for examination pursuant to section 8-602.

Sec. 40. (1) A credit union shall have all the powers specified in this section and all the powers specified by any other provision of the Credit Union Act.

(2) A credit union may make contracts.

(3) A credit union may sue and be sued.

(4) A credit union may adopt a seal and alter the same.

(5) A credit union may purchase, lease, or otherwise acquire and hold tangible personal property necessary or incidental to its operations. A credit union shall depreciate or appreciate such personal property in the manner and at the rates the director may prescribe by rule or order from time to time.

(6) A credit union may, in whole or part, sell, lease, assign, pledge, hypothecate, or otherwise dispose of its tangible personal property, including such property obtained as a result of defaults under obligations owing to it.

(7) A credit union may incur and pay necessary and incidental operating expenses.

(8) A credit union may receive, from a member, from another credit union, from an officer, or from an employee, payments representing equity on (a) share accounts which may be issued at varying dividend rates, (b) share account certificates which may be issued at varying dividend rates and maturities, and (c) share accounts, subject to such terms, rates, and conditions as may be established by the board of directors, within limitations prescribed by the department. A credit union shall provide for the transfer and withdrawal of funds from accounts by the means and through the payment system that the board of directors determines best serves the convenience and needs of members.

(9) A credit union may lend its funds to its members as provided in the Credit Union Act.

(10) A credit union may borrow from any source in an amount not exceeding fifty percent of its capital and deposits.

(11) A credit union may provide debt counseling and other financial counseling services to its members.

(12) A credit union may, in whole or in part, discount, sell, assign, pledge, hypothecate, or otherwise dispose of its intangible personal property. The approval of the director shall be required before a credit union may discount, sell, assign, pledge, hypothecate, or otherwise dispose of twenty percent or more of its intangible personal property within one month unless the credit union is in liquidation.

(13) A credit union may purchase any of the assets of another credit union or assume any of the liabilities of another credit union with the approval of the director. A credit union may also purchase any of the assets of a credit union which is in liquidation or receivership.

(14) A credit union may make deposits in or loans to banks, savings banks, savings and loan associations, and trust companies, purchase shares in mutual savings and loan associations, and make deposits in or loans to or purchase shares of other credit unions, including corporate central credit unions, if such institutions are either insured by an agency of the federal government or are eligible under the laws of the United States to apply for such insurance and invest funds as otherwise provided in sections 100 to 102 of this act.

(15) A credit union may make deposits in, make loans to, or purchase shares of any federal reserve bank or central liquidity facility established under state or federal law.

(16) A credit union may hold membership in associations and organizations controlled by or fostering the interests of credit unions, including a central liquidity facility organized under state or federal law.

(17) A credit union may engage in activities and programs of the federal government, any state, or any agency or political subdivision thereof when approved by the board of directors and not inconsistent with the Credit Union Act.

(18) A credit union may receive funds either as shares or deposits from other credit unions.

(19) A credit union may lease tangible personal property to its members if the credit union acquires no interest in the property prior to its selection by the member.

(20) A credit union may, in whole or in part, purchase, sell, pledge, discount, or otherwise acquire and dispose of obligations of its members in accordance with the rules and regulations promulgated by the director. This subsection shall not apply to participation loans originated pursuant to section 94 of this act.

(21) A credit union may, at its own expense, purchase insurance for its members in connection with its members' shares, loans, and other accounts.

(22) A credit union may establish, operate, participate in, and hold membership in systems that allow the transfer of credit union funds and funds

of its members by electronic or other means, including, but not limited to, clearinghouse associations, data processing and other electronic networks, the federal reserve system, or any other government payment or liquidity program.

(23) A credit union may issue credit cards and debit cards to allow members to obtain access to their shares and extensions of credit if such issuance is not inconsistent with the rules of the department. The department may by rule or regulation allow the use of devices similar to credit cards and debit cards to allow members to access their shares and extensions of credit.

(24) A credit union may service the loans it sells, in whole or in part, to a third party.

(25) In addition to loan and investment powers otherwise authorized by the Credit Union Act, a credit union may organize, invest in, and make loans to corporations or other organizations (a) which engage in activities incidental to the conduct of a credit union or in activities which further or facilitate the purposes of a credit union or (b) which furnish services to credit unions. The director shall determine by rule, regulation, or order the activities and services which fall within the meaning of this subsection. A credit union shall notify the director of any such investment or loan if it would cause the aggregate of such investments and loans to exceed two percent of the credit union's capital and deposits. Such investments and loans may not, in the aggregate, exceed five percent of the capital and deposits of the credit union.

(26) A credit union may purchase, lease, construct, or otherwise acquire and hold land and buildings for the purpose of providing adequate facilities for the transaction of present and potential future business. A credit union may use such land and buildings for the principal office functions, service facilities, and any other activity in which it engages. A credit union may rent excess space as a source of income. A credit union shall depreciate or appreciate such buildings owned by it in the manner and at the rates the director may prescribe by rule, regulation, or order from time to time. A credit union's investment and contractual obligations, direct, indirect, or contingent, in land and buildings under this subsection shall not exceed seven percent of its capital and deposits without prior approval of the director. This subsection shall not affect the legality of investments in land and buildings made prior to the operative date of this section.

(27) A credit union may, in whole or in part, sell, lease, assign, mortgage, pledge, hypothecate, or otherwise dispose of its land and buildings, including land and buildings obtained as a result of defaults under obligations owing to it.

Sec. 41. (1) A credit union, by action of its board of directors, may, to the same extent as a bank organized under the laws of this state, operate a safety deposit box service for its members pursuant to sections 8-501 and 8-502.

(2) Before granting approval for a credit union to operate a safety deposit box service, the director shall consider the reserve position of the credit union, the performance qualifications of its management, the rules of the credit union for the operation of its safety deposit box service, security measures, bonding and insurance, and the general safe and sound condition of the credit union.

(3) A credit union shall not spend more than twenty-five thousand dollars or any amount equal to one percent of its capital and deposits, whichever is greater, on the capital expenditures of its safety deposit box service.

Sec. 42. A credit union may exercise all incidental powers that are suitable and necessary to enable it to carry out its purpose.

Sec. 43. (1) The membership of a credit union shall consist of the subscribers to the articles of association and such persons, societies, associations, partnerships, and corporations as have been duly elected, members who have subscribed for one or more shares, have paid for such share or shares in whole or in part, have paid the entrance fee provided in the bylaws, and have complied with such other requirements as the articles of association and bylaws may specify. For purposes of obtaining a loan and to vote at membership meetings, a member, to be in good standing, must own at least one fully paid share. Credit union organization shall be limited to groups of both large and small membership having a common bond of occupation or association, including religious, social, or educational groups, employees of a common employer, or members of a fraternal, religious, labor, farm, or educational organization and the members of the immediate families of such persons.

(2) A person having been duly admitted to membership, having complied with the Credit Union Act, the articles of association, and the bylaws, having paid the entrance fee, and having paid for at least one share,

shall retain full rights and privileges of membership for life unless that membership is terminated by withdrawal or expulsion in the manner provided by the act.

Sec. 44. A credit union may charge an entrance fee as determined by its board of directors. A credit union may also charge periodic membership fees as determined by its board of directors.

Sec. 45. Members who cease to be eligible or who leave the field of membership may be permitted to retain their membership in the credit union under reasonable standards established by the board of directors unless terminated by withdrawal or expulsion.

Sec. 46. The members of the credit union shall not be personally or individually liable for the payment of its debts solely by virtue of holding membership in the credit union.

Sec. 47. (1) Any member may be expelled by a two-thirds vote of the members present at any regular meeting or a special meeting called to consider the matter, but only after an opportunity has been given to the member to be heard.

(2) The board of directors may expel a member pursuant to a written policy adopted by it. All members shall be given written notice of the terms of any such policy. Any person expelled by the board shall have the right, within thirty calendar days, to request a hearing before it to reconsider the expulsion. The board of directors shall schedule the requested hearing within sixty calendar days after the request.

Sec. 48. (1) A member may voluntarily terminate his or her membership at any time in the way and manner provided in the bylaws.

(2) Termination of membership shall not serve to relieve a person from any liability to the credit union nor shall it be the basis for accelerating any obligation not in default. A terminated member shall be paid all sums in any of his or her share accounts without maturity dates within thirty calendar days. Sums in any share account with a maturity date shall not be paid prior to maturity unless the member specifically requests the funds. The credit union shall not be required to pay any funds from a share account to the extent that they secure loans and other obligations owing to the credit union.

Sec. 49. The annual meeting and any special meeting of the members of the credit union shall be held in accordance with the bylaws. A special meeting of the members of the credit union may be called by the members or by the board of directors as provided in the bylaws. A credit union shall give notice of the time and place of any meeting of its members. In the case of a special meeting, the notice of such special meeting shall state the purpose of the meeting and the notice shall be given at least ten calendar days prior to the date of such special meeting.

Sec. 50. (1) In any election or other membership vote, a member shall have only one vote, irrespective of the member's shareholdings. No member may vote by proxy, but a member other than an individual may vote through an agent designated for that purpose. Members may also vote by absentee ballot, mail, or other method if the bylaws of the credit union so provide.

(2) The board of directors may establish a minimum age of not greater than eighteen years as a qualification of eligibility to vote at meetings of members of the credit union, to hold office, or both.

(3) An organization having membership in the credit union may be represented and have its vote cast by one of its members or shareholders if such person has been so authorized by the organization's governing body.

(4) In elections when more than one office of the same type is being filled, the member shall have as many votes as there are offices being filled, but the member shall not cast more than one of these votes for any one candidate.

Sec. 51. The supervisory committee, by a majority vote, may call a special meeting of the members of the credit union as provided in section 49 of this act to consider any violation of the Credit Union Act, any violation of the credit union's articles of association or bylaws, or any practice of the credit union deemed by the board of directors or supervisory committee to be unsafe or unauthorized.

Sec. 52. Credit unions organized and existing under the Credit Union Act may organize and have membership in a central credit union to which federal credit unions organized and operating in this state may belong and in which officials of both such credit unions may have membership. Organizations which are organized for the purpose of furthering credit union activities and their employees may have membership in such credit union. Small employee groups of fifty or more employees having a common bond of occupation whose probability of a successful operation would be limited because of the lack of

adequate membership may join as a group in the central credit union and become members of that credit union with all the rights existing under the act.

Sec. 53. At the first annual meeting of a central credit union, the members shall elect a board of directors of not less than nine members and a credit committee of not less than three members. No member of the board shall be a member of the credit committee and no credit union small employee group or affiliated organization shall be represented by more than one member on the board of directors, one member on the credit committee, and one member on the supervisory committee.

Sec. 54. At the first meeting of each fiscal year, the board of directors of a central credit union shall elect from its number a president, vice president, secretary, and treasurer. The offices of secretary and treasurer may be held by one person if the bylaws so provide. Officers shall hold office for one year or until their successors are chosen and duly qualified. At the first meeting of each fiscal year, the board of directors shall elect a supervisory committee of not less than five members, none of whom shall be a member of the board of directors or the credit committee.

Sec. 55. With the approval of the department, a central credit union established under section 52 of this act may purchase the assets, assume the liabilities, and accept the membership of a credit union or cooperative credit association. Such purchase shall be approved by at least a two-thirds majority of the board of directors or the duly appointed trustees of the credit union or association to be sold.

Sec. 56. All member credit unions may borrow and invest up to an amount specified by the board of directors of the central credit union in accordance with the limitation of section 91 of this act. The central credit union may purchase all or any part of a loan originated by a member credit union to one of its individual members, who does not need to be a member of the central credit union.

Sec. 57. The credit union shall be under the direction of a board of directors, a supervisory committee, and when provided by the bylaws, a credit committee.

Sec. 58. (1) The board of directors of any credit union shall consist of an odd number of directors, at least five in number, to be elected by and from the members. Elections shall be held at the annual meeting or in such other manner as provided by the bylaws. All members of the board of directors shall hold office for such terms as provided by the bylaws, except that the terms of the board members shall be staggered so that an approximately equal number of terms expire each year.

(2) The supervisory committee shall have at least three members. The members shall be appointed by the board of directors or elected by the credit union members in such numbers and for terms as provided in the bylaws. No member of the supervisory committee shall be a director, officer, loan officer, credit committee member, or employee of the credit union while serving on the supervisory committee.

(3) If the bylaws provide for a credit committee, the committee shall have at least three members. The members shall be appointed by the board of directors or elected by the credit union members in such number and for such terms as provided in the bylaws. The credit committee shall have and perform the duties as provided in the bylaws. If the bylaws do not provide for a credit committee, the board of directors shall have and perform the duties of the credit committee or delegate the duties as it so chooses.

Sec. 59. The credit union shall file within thirty calendar days after the credit union's annual meeting, a record of the names and addresses of (1) the members of its board of directors, (2) the members of its supervisory and credit committees, and (3) its officers, as required by the department. Such filing shall be made on forms approved and provided by the department.

Sec. 60. The board of directors shall fill any vacancies occurring on the board. An individual appointed to fill a vacancy on the board shall serve the remainder of the unexpired term, except that he or she shall cease to serve immediately if he or she replaced a director who was suspended or removed by the board or the supervisory committee and the credit union membership reversed such suspension or removal. Vacancies in the credit or supervisory committees shall be filled as provided in the bylaws.

Sec. 61. No official of a credit union, other than an employee, shall be compensated directly or indirectly for services to the credit union. However, providing life, health, accident, and similar insurance protection in reasonable amounts for a director or committee member shall not be considered compensation. Officials, while on credit union business, may be reimbursed for their necessary expenses incidental to the performance of credit union business.

Sec. 62. No official, agent, or employee of a credit union shall in any manner, directly or indirectly, participate in the deliberation upon the determination of any question affecting that person's pecuniary interest or the pecuniary interest of any corporation, partnership, or association, other than the credit union, in which that person is directly or indirectly interested.

Sec. 63. A credit union may indemnify any or all of its officials and employees or former officials or employees against expenses actually and necessarily incurred by them in connection with the defense or settlement of any action, suit, or proceeding in which they, or any of them, are made a party or parties thereto by reason of being or having been an official or employee of the credit union. A credit union may not indemnify any or all of its officials and employees or former officials or employees against expenses actually and necessarily incurred by them in relation to matters as to which any such official or employee shall be adjudged in such action, suit, or proceeding to be liable for willful misconduct in the performance of duty and to such matters as are settled by agreement predicated on the existence of such liability.

Sec. 64. (1) The members of the board of directors shall elect from their own number a chairperson, one or more vice-chairpersons, a treasurer, and a secretary, at the organizational meeting held as provided in the bylaws. The board shall fill vacancies in the positions described in this subsection as they occur. The treasurer and the secretary may be the same individual. The board shall also elect any other officers that are specified in the bylaws.

(2) The terms of the chairperson, vice-chairperson, treasurer, and secretary shall be for one year or until their successors are chosen and have been duly qualified. If the chairperson, a vice-chairperson, the treasurer, or the secretary is suspended, is removed, or has resigned as a board member, his or her position shall be deemed vacant.

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

(4) The board of directors shall appoint a president to act as the chief executive officer of the credit union and to be in active charge of the credit union's operations.

(5) Notwithstanding any other provision of the Credit Union Act, a credit union may use any titles it so chooses for the officials holding the positions described in this section, as long as such titles are not misleading.

Sec. 65. The board of directors shall direct the business affairs, funds, and records of the credit union.

Sec. 66. The board of directors may appoint from its own number an executive committee, consisting of not less than three directors, which may be authorized to act for the board in all respects, subject to any conditions or limitations prescribed by the board.

Sec. 67. (1) The board of directors shall have regular meetings as often as necessary but not less frequently than once a month unless otherwise approved by the director. If a quorum of the board is present at the scheduled place for the regular board meeting, the board members not present may participate by means of a conference telephone or similar communications equipment in which all individuals participating in the meeting can hear each other. Special meetings of the board may be called as provided in the bylaws and may be held by means of a conference telephone or similar communications equipment in which all persons participating in the meeting can hear each other. If the director deems it expedient, he or she may call a meeting of the board of directors of any credit union, for any purpose, by giving notice to the directors of the time, place, and purpose thereof at least three business days prior to the meeting, either by personal service or by registered or certified mail sent to their last-known addresses as shown on the credit union books.

(2) A full and complete record of the proceedings and business of all meetings of the board of directors shall be recorded in the minutes of the meeting.

Sec. 68. In addition to the duties found elsewhere in the Credit Union Act, the board of directors shall:

(1) Act upon applications for membership or appoint one or more membership officers to act on applications for membership under such conditions as prescribed by the board. A person denied membership by a membership officer may appeal the denial in writing to the board;

(2) Purchase adequate bond coverage to protect the credit union against losses specified in the rules and regulations of the department;

(3) Report to the department all bond claims within thirty calendar days after filing and all frauds and embezzlements involving officials or

employees within thirty calendar days after discovery;

(4) Determine from time to time the interest rate or rates, consistent with the Credit Union Act, to be charged on loans, or under such conditions as prescribed by the board, delegate the authority to make such determinations and to authorize any interest refunds on such classes of loans and under such conditions as the board prescribes;

(5) Establish the policies of the credit union with respect to (a) shares, share drafts, and share certificates and (b) the granting of loans and the extending of lines of credit, including, subject to the limitations contained in section 91 of this act, the maximum amount which may be loaned to any one member;

(6) Declare dividends on shares or delegate the authority to declare dividends under such conditions as prescribed by the board;

(7) Have charge of investment of funds, except that the board may appoint an investment committee of not less than three directors or an investment officer who is either a member of the board of directors or an employee of the credit union to make investments under conditions and policies established by the board and to make monthly reports to the board;

(8) Establish written policies for investments, including deposits and loans other than those to individuals, which address, at a minimum, investment objectives, investment responsibility, portfolio composition, diversification, and the financial condition of the investment obligor;

(9) Authorize the employment of such persons necessary to carry on the business of the credit union and fix the compensation, if any, of the chief executive officer;

(10) Approve an annual operating budget for the credit union which includes provisions for the compensation of employees;

(11) Designate a depository or depositories for the funds of the credit union;

(12) Suspend or remove any or all members of the credit committee, if any, for failure to perform their duties;

(13) Appoint any special committee deemed necessary;

(14) Adopt and enforce the overall policies for the operation of the credit union; and

(15) Perform such other duties as directed by the members of the credit union from time to time and perform or authorize any action not inconsistent with the Credit Union Act and not specifically reserved by the bylaws for the members of the credit union.

Sec. 69. (1) The credit committee shall have the general supervision of all loans to members and may approve or disapprove those loans subject to written policies established by the board of directors.

(2) A credit manager having the same authority as a credit committee may be appointed in lieu of a credit committee as prescribed in the bylaws. The president may serve as the credit manager.

(3) The board of directors may appoint one or more loan officers and necessary assistants.

(4) The loan officers shall act under the direction of the president or the president's designee.

(5) The loan officer or credit manager may approve or disapprove loans, lines of credit, or advances from lines of credit and approve withdrawals of obligated members only as prescribed in writing by the board of directors.

(6) All loans approved by the loan officer shall be reviewed by the credit committee during one of its regular meetings.

(7) If the board of directors appoints a credit manager in lieu of a credit committee, all such loans approved by loan officers shall be reviewed by the credit manager.

(8) Other duties and responsibilities of the credit committee or credit manager may be prescribed in the bylaws.

Sec. 70. The chief executive officer or the credit committee may apply to the department on forms supplied by the department for the licensing of one or more loan officers in order to delegate to such loan officers the power to approve loans and disburse loan funds up to the limits and according to policies established by the credit committee, if any, and in the absence of a credit committee, the board of directors. Such application shall include information deemed necessary by the department and shall be signed by the entire credit committee, if any, and in the absence of a credit committee, the entire board of directors, as well as the new loan officer seeking a license. No person shall act in the capacity of loan officer until obtaining the appropriate license from the department.

Sec. 71. (1) Unless the credit union has been audited by a certified public accountant, the supervisory committee shall make or cause to

be made a comprehensive annual audit of the books and affairs of the credit union. It shall submit a report of each annual audit to the board of directors and a summary of that report to the members at the next annual meeting of the credit union.

(2) The supervisory committee shall make or cause to be made such supplementary audits, examinations, and verifications of members' accounts as it deems necessary or as are required by the director or the board of directors and shall submit reports of these supplementary audits to the board of directors.

(3) Nothing in this section shall prohibit the department for cause from requiring a credit union to obtain a qualified opinion audit conducted by a certified public accountant and paid for by the credit union.

Sec. 72. (1) The supervisory committee may, by a unanimous vote of the entire committee, suspend any member of the credit committee and shall report such action to the board of directors for appropriate action. The board shall meet not less than seven nor more than twenty-one calendar days after such suspension. The suspended person shall have the right to appear and be heard at such meeting of the board.

(2) The supervisory committee may, by a unanimous vote of the entire committee, suspend any officer or member of the board of directors. Upon the request of the suspended director made fifteen calendar days after the suspension and supported by ten percent of the membership, the credit union shall call a special members' meeting which shall be held not less than seven nor more than twenty-one calendar days after such request. At such meeting the members shall decide whether to sustain or reverse the action of the supervisory committee.

(3) The board of directors may suspend or remove any member of the supervisory committee for cause by a two-thirds vote of the total board membership for failure to perform his or her duties in accordance with the Credit Union Act, the articles of association, or the bylaws.

(4) The board of directors may, by majority vote, suspend or remove any officer from his or her duties.

(5) The members of the credit union may remove any official of the credit union from office but only at a special meeting of the members called for that purpose.

Sec. 73. No credit union organized under the Credit Union Act shall establish share accounts for any person other than a subscriber before the credit union has received a certificate of federal share insurance issued by the National Credit Union Administration under section 201 et seq. of the Federal Credit Union Act, 12 U.S.C. 1781 et seq.

Sec. 74. (1) Share accounts and membership shares, if any, may be subscribed to, paid for, and transferred in such manner as the bylaws may prescribe. A credit union may have more than one class of share accounts subject to such terms, rates, and conditions as the board of directors establishes or as provided for in the underlying contract. All classes of share accounts shall be treated equally in the event of liquidation of the credit union.

(2) A credit union may require its members to subscribe to and make payments on membership shares.

(3) The par value of share accounts and membership shares shall be as prescribed in the bylaws.

(4) Membership shares may not be pledged as security on any loan.

Sec. 75. Christmas clubs, vacation clubs, and other special purpose share accounts may be established and offered to members under the conditions and restrictions established by the board of directors if provided for in and consistent with the bylaws.

Sec. 76. (1) The board of directors may periodically authorize and declare dividends to be paid on share accounts and membership shares, if any, from the credit union's undivided earnings after provisions have been made for the required reserves. Share accounts within the same class and of different classes may be paid dividends at differing rates depending on the amounts in the account or the contractual terms applicable to the account.

(2) Dividends shall not be declared or paid at a time when the credit union is insolvent or when payment thereof would render the credit union insolvent.

Sec. 77. A credit union shall accrue, as an expense on a monthly basis, all dividends on any type of share account whether or not the rates involved have been specified or contracted for in advance. This section shall not be interpreted to permit a credit union to pay a dividend, except as provided in section 76 of this act. Reasonable estimates may be used for the expense accrual required by this section except at the end of a dividend period.

Sec. 78. A credit union may, by action of the board of directors, establish a maximum amount that a member may have in any given type of share account. Any such action shall not affect any contract entered into by the credit union prior to the time of such action.

Sec. 79. (1) Shares may be withdrawn for payment to the account holder or to third parties in the manner and in accordance with procedures established by the board of directors subject to any rules and regulations prescribed by the department.

(2) Share accounts shall be subject to any withdrawal notice requirement specified in the contract creating the account. In addition, a credit union may impose a thirty-day withdrawal notice on all accounts when it has not specifically waived this right if it notifies the department of such imposition and the reasons therefor.

(3) A membership share may not be redeemed or withdrawn except upon termination of membership in the credit union.

Sec. 80. (1) A credit union may collect reasonable fees and charges with respect to member accounts. The fees may be for:

(a) Additional copies of periodic statements;

(b) Various types of transactions on a per-transaction basis;

(c) A check or draft returned to the credit union by another financial institution because it was drawn against a closed account or an account with insufficient funds or for any other reason;

(d) Stop-payment orders;

(e) Any form of members' initiated withdrawal requests which the credit union rejects for any justifiable reason; and

(f) Any other service or activity relating to member share accounts.

(2) No credit union shall impose or increase any fee after the operative date of this section until thirty calendar days after notification has been provided or made available to credit union members.

Sec. 81. A share account may be issued to and deposits received from a member less than nineteen years of age who may withdraw funds from such account, including the dividends thereon. Payments on a share account by such individual and withdrawals on a share account by such individual shall be valid in all respects.

Sec. 82. (1) A credit union member may designate any person or persons to own a share account with the member in joint tenancy with right of survivorship, as a tenant in common, or under any other form of joint ownership permitted by law, but no co-owner, unless a member in his or her own right, shall be permitted to vote, obtain loans, or hold office. In the event of the death of the person who owns the share account, the share account funds and any dividends thereon shall be paid to the co-owner and shall not be maintained in a share account unless the co-owner is a member in his or her own right.

(2) Payment of part or all of such accounts to any of the co-owners shall, to the extent of such payment, discharge the credit union's liability to all such co-owners unless the account agreement contains a prohibition or limitation on such payment.

Sec. 83. (1) Share accounts may be owned by a member in trust for a beneficiary.

(2) A beneficiary may be a minor, but no beneficiary, unless a member in his or her own right, shall be permitted to vote, obtain loans, or hold office or be required to pay a membership fee.

(3) Payment of part or all of such trust account to the party in whose name the account is held shall, to the extent of such payment, discharge the liability of the credit union to that party and to the beneficiary, and the credit union shall be under no obligation to see to the application of such payment.

(4) In the event of the death of the party who owns the trust account, the account funds and any dividends thereon shall be paid to the beneficiary if the credit union has not been given any other written notice of the existence or terms of any other trust and has not received a court order as to the disposition of the account.

Sec. 84. A credit union shall have a lien on the share accounts from which a member may withdraw funds for his or her own use for (1) any loan or other obligation on which the member is an obligor or guarantor and (2) any other liability at the time owing to the credit union, unless the lien has been contractually waived, would cause the loss of a tax benefit for the member, or is prohibited by law. Such a lien shall not apply to an account in which the member may act solely on behalf of another person, nor shall it apply to an account in which the consent of a person not obligated on the loan or other obligation is required for a withdrawal. A credit union may exercise the lien up to the full amount of the account by offsetting funds in the

account against any sums past due under such an obligation or, in the case of an obligation which has been accelerated, against the entire amount of the obligation.

Sec. 85. If there has been no activity in a share account for one year, except for the posting of dividends, a credit union may impose a reasonable maintenance fee as provided in the bylaws.

Sec. 86. Whenever the losses of a credit union, resulting from a depreciation in value of its loans or investments or otherwise, exceed its undivided earnings and reserves so that the estimated value of its assets is less than the total amount of share accounts and membership shares and the board of directors determines that the credit union may be subject to involuntary liquidation, the board may propose a reduction in shares. The credit union may, by a majority vote of those voting on the proposition, with the approval of the department, order a reduction in the membership shares and share accounts of each of its shareholders to divide the loss in proportion to the shareholdings held by shareholders in their respective share accounts with such terms as the department may prescribe.

Sec. 87. Subject to the restrictions contained in the Credit Union Act, a credit union may make loans to its members for provident or productive purposes upon such terms and conditions and upon such security, real or personal, or on an unsecured basis as prescribed in its bylaws or written lending policy.

Sec. 88. The interest rates on loans shall be determined by the board of directors, except that the rate shall not exceed eighteen percent per annum on the unpaid balance of the loan. The board may also authorize any refund of interest on such classes of loans under such conditions as it prescribes.

Sec. 89. (1) In addition to interest charged on loans, a credit union may charge members all reasonable expenses in connection with the making, closing, disbursing, extending, collecting, or renewing of loans.

(2) A credit union may assess charges to members, in accordance with its bylaws, for failure to meet their obligations to the credit union in a timely manner.

Sec. 90. Except as provided in section 93 of this act, every application for a loan shall be made in writing upon a form prescribed by the credit union. All loan obligations shall be evidenced by a written document.

Sec. 91. The aggregate of loans to any one member shall be limited to ten percent of a credit union's share accounts, undivided earnings, and reserves. This limit shall not apply to loans which are fully secured by assignment of share accounts in the credit union.

Sec. 92. A member may receive a loan in installments or in one sum and may prepay the whole or any part of the loan without penalty on any day on which the credit union is open for business. On a first or second mortgage a credit union may require that any partial prepayment (1) be made on the date monthly installments are due and (2) be in the amount of that part of one or more monthly installments that would be applicable to principal.

Sec. 93. (1) Upon application by a member, the credit union may approve a self-replenishing line of credit, either on an unsecured basis or secured by real or personal property, and loan advances may be granted to the member within the limit of such line of credit. When a line of credit has been approved, no additional credit application shall be required as long as the aggregate indebtedness of the line of credit with the credit union does not exceed the approved limit. The credit union may, at its option, require reappliation for a line of credit either periodically or as circumstances warrant.

(2) A line of credit shall be subject to a periodic review by the credit union in accordance with the written policies of the board of directors.

Sec. 94. A credit union may participate in loans to credit union members jointly with other credit unions, credit union organizations, or other organizations pursuant to written policies established by the board of directors. A credit union which originates such a loan shall retain an interest of at least ten percent of the face amount of the loan.

Sec. 95. (1) A credit union may participate in any guaranteed loan program of the federal or state government under the terms and conditions specified in the law under which such a program is provided.

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

Sec. 96. (1) A credit union may, if permitted by its bylaws, make loans to its officials, employees, and loan officers if the loan complies with all lawful requirements under the Credit Union Act with respect to other members and is not on terms more favorable than those extended to other

members.

(2) If permitted in its bylaws, a credit union may permit its officials, employees, and loan officers to act as comakers, guarantors, or endorsers of loans to members of their immediate families, but not otherwise.

(3) No loan applicant may pass on his or her own loan. In the case of a loan to the chief executive officer, the loan must be approved by the board of directors, an executive committee, or the credit committee, if the credit union has a credit committee, as specified in the bylaws.

(4) The board of directors shall establish a policy on loans to officials and employees of a credit union if such loans are permitted in the bylaws.

Sec. 97. A credit union may purchase and maintain insurance on behalf of any person who is or was an official, employee, or agent of the credit union or who is or was serving at the request of the credit union as an official, 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.

Sec. 98. A credit union may collect, receive, and disburse money in connection with the providing of negotiable checks, money orders, traveler's checks, and other money-type instruments, for the providing of services through automatic teller machines, and for such other purposes as may provide benefit or convenience to its members. A credit union may charge fees for such services.

Sec. 99. (1) All credit unions chartered under the laws of Nebraska shall be qualified to act as a trustee or custodian with the provisions of the federal Self-Employed Individuals Tax Retirement Act of 1962 or under the terms and provisions of section 408(a) of the Internal Revenue Code if the provisions of such retirement plan require the funds of such trust or custodianship to be invested exclusively in shares or accounts in the credit union or other credit unions.

(2) If any such retirement plan, in the judgment of the credit union, constitutes a qualified plan under the federal Self-Employed Individuals Tax Retirement Act of 1962, or under the terms and provisions of section 408(a) of the Internal Revenue Code, and the regulations promulgated thereunder at the time the trust was established and accepted by the credit union is subsequently determined not to be such a qualified plan, or subsequently ceases to be such a qualified plan, in whole or in part, the credit union may continue to act as trustee of any deposits which have been made under such plan and to dispose of such deposits in accordance with the directions of the member and beneficiaries thereof.

(3) No credit union, in respect to savings made under this section, shall be required to segregate such savings from other assets of the credit union, but the credit union shall keep appropriate records showing in detail all transactions engaged in pursuant to this section.

Sec. 100. The board of directors shall have charge of the investment of funds, except that the board may designate an investment committee or investment officer to make investments on its behalf under written investment policies established by the board.

Sec. 101. The board of directors shall designate a depository or depositories for the funds of the credit union.

Sec. 102. (1) Funds not used in loans to members may be invested:

(a) In securities, obligations, or other instruments of or issued by or fully guaranteed as to principal and interest by the United States of America or any agency or instrumentality thereof or in any trust or trusts established for investing directly or collectively in the same;

(b) In securities, obligations, or other instruments of any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the several territories organized by Congress or any political subdivision thereof;

(c) In deposits, obligations, or other accounts of financial institutions organized under state or federal law;

(d) In loans to or in share accounts of other credit unions or corporate central credit unions;

(e) In obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or any corporation designated in 31 U.S.C. 846 as a wholly owned government corporation; or in obligations, participation certificates, or other instruments of or insured by or fully guaranteed as to principal and interest by the Federal National Mortgage Association or the Government National Mortgage Association; or in mortgages, obligations, or

other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 305 or section 306 of the Federal Home Loan Mortgage Corporation Act, 12 U.S.C. 1454 et seq.; or in obligations or other instruments or securities of the Student Loan Marketing Association; or in obligations, participation, securities, or other instruments of or issued by or fully guaranteed as to principal and interest by any other agency of the United States. A state credit union may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act, 12 U.S.C. 1721(g):

(f) In participation certificates evidencing a beneficial interest in obligations or in a right to receive interest and principal collections therefrom, which obligations have been subjected by one or more government agencies to a trust or trusts for which any executive department, agency, or instrumentality of the United States or administrator thereof has been named to act as trustee;

(g) In share accounts or deposit accounts of any corporate central credit union in which such investments are specifically authorized by the board of directors of the credit union making the investment;

(h) In the shares, stock, or other obligations of any other organization, not to exceed ten percent of the credit union's capital and deposits and not to exceed five percent of the credit union's capital and deposits in any one corporation's stock, bonds, or other obligations, unless otherwise approved by the director. Such authority shall not include the power to acquire control, directly or indirectly, of another financial institution, nor invest in shares, stocks, or obligations of any insurance company or trade association except as otherwise expressly provided for or approved by the director;

(i) In the capital stock of the National Credit Union Central Liquidity Facility;

(j) In obligations of or issued by any state or political subdivision thereof, including any agency, corporation, or instrumentality of a state or political subdivision, except that no credit union may invest more than ten percent of its capital and deposits in the obligations of any one issuer, exclusive of general obligations of the issuer; and

(k) In participation loans with other credit unions, credit union organizations, or other organizations.

(2) In addition to investments expressly permitted by the Credit Union Act, a credit union may make any other type of investment approved by the department by rule or regulation.

Sec. 103. Immediately before the payment of each dividend, the gross earnings of the credit union shall be determined. From this amount there shall be set aside as a regular reserve account for contingencies an amount as determined by the following schedule:

(1) A credit union in operation for five years or more and having assets of five hundred thousand dollars or more shall set aside ten percent of its gross income until the regular reserve account equals four percent of the total of the outstanding loans and risk assets and then five percent of its gross income until the regular reserve account equals six percent of the total of outstanding loans and risk assets;

(2) A credit union in operation for less than five years or having assets of less than five hundred thousand dollars shall set aside ten percent of its gross income until the regular reserve account equals seven and one-half percent of the total of the outstanding loans and risk assets, then five percent of its gross income until the regular reserve account equals ten percent of the total of outstanding loans and risk assets; and

(3) A credit union shall replenish the regular reserve account by regular contributions in such amounts as may be needed to maintain the stated reserve goals whenever the regular reserve account falls below the stated percent of the total of loans, outstanding loans, and risk assets.

Sec. 104. (1) A credit union shall establish an allowance-for-loan-losses account based upon reasonably foreseeable loan losses.

(2) For purposes of calculating required transfers of income to the regular reserve account pursuant to sections 103 to 107 of this act, any balance in the allowance-for-loan-losses account may be included with the balance in the regular reserve account.

Sec. 105. The regular reserve account shall belong to the credit union and shall be used to meet losses on risk assets and to meet such other classes of losses as are approved by the director. The regular reserve account shall not be distributed except on liquidation of the credit union or in accordance with a plan approved by the director.

Sec. 106. (1) In addition to the regular reserve account, a special

reserve account to protect the interest of the members shall be established when required by rule or regulation or when found by the board of directors of the credit union or by the director, in any special case, to be necessary for that purpose.

(2) Any one-time or periodic membership fees established by the board of directors shall be added, after payment of organization expenses, to a special reserve account.

Sec. 107. The director may waive, in whole or in part, and on a general or case-by-case basis, the reserving requirements of sections 103 to 107 of this act when, in his or her opinion, such a waiver is necessary or desirable to protect the public interest and fulfill the purpose of the Credit Union Act.

Sec. 108. (1) A credit union may elect to dissolve voluntarily and liquidate its affairs in the manner prescribed in this section.

(2) If the board of directors decides to begin dissolution procedures, the board shall adopt a resolution recommending that the credit union be dissolved voluntarily and directing that the question of liquidation be submitted to the credit union members.

(3) Within ten days after the board of directors decides to submit the question of liquidation to the members, the president shall notify the department and the National Credit Union Administration in writing of such decision and setting forth the reasons for the proposed liquidation. Within ten days after the members act on the question of liquidation, the president shall notify the department and the National Credit Union Administration in writing as to the action of the members on the proposal.

(4) As soon as the board of directors decides to submit the question of liquidation to the members, payments on, withdrawal of, and making any transfer of share accounts to loans and interest, making investments of any kind, and granting of loans may be restricted or suspended pending action by the members on the proposal to dissolve. Upon approval by the members of the question of liquidation, all business transactions shall be permanently discontinued. Necessary expenses of operation shall continue to be paid upon the authorization of the board or the liquidating agent during the period of liquidation.

(5) 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 shall be required. When 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 ten days prior to such meeting.

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

(7) The board of directors or the liquidating agent shall distribute the assets of the credit union or the proceeds of any disposition of the assets pursuant to section 34 of this act.

(8) 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 pursuant to section 34 of this act, the board or the liquidating agent shall execute a certificate of dissolution on a form prescribed by the department and shall file the same, together with all pertinent books and records of the liquidating credit union, with the department and the credit union shall be dissolved.

Sec. 109. (1) Any credit union organized under the Credit Union Act may, with the approval of the department, merge or consolidate with one or more other credit unions organized under the act or under the laws of the United States, if the credit unions merging or consolidating possess coinciding common bonds of association.

(2) When two or more credit unions merge or consolidate, one shall be designated as the continuing credit union or a totally new credit union shall be organized. If the latter procedure is followed, the new credit union shall be organized under the Credit Union Act or under the laws of the United States. All participating credit unions other than the continuing or new credit union shall be designated as merging credit unions.

(3) Any merger or consolidation of credit unions shall be done according to a plan of merger or consolidation. After approval by the boards of directors of all participating credit unions, the plan shall be submitted to the department for preliminary approval. If the plan includes the organization of a new credit union, all documents required pursuant to section 24 of this act shall be submitted as a part of the plan. In addition, each

participating credit union shall submit the following information:

(a) The time and place of the meeting of the boards of directors at which the plan of merger or consolidation was agreed upon;

(b) The vote of the directors in favor of the adoption of the plan; and

(c) A copy of a resolution or other action by which the plan was agreed upon.

The department shall grant preliminary approval if the plan has been approved properly by the boards of directors and if the documentation required to organize a new credit union, if any, complies with section 24 of this act.

(4) After the department grants preliminary approval, each merging credit union shall, unless waived by the department, conduct a membership vote on its participation in the plan. The vote shall be conducted either at a special meeting called for that purpose or by mail ballot. If a majority of the members voting approve the plan, the credit union shall submit a record of that fact to the department indicating the vote by which the members approved the plan and either the time and place of the membership meeting or the mailing date and closing date of the mail ballot.

(5) The department may waive any voting requirements described in the Credit Union Act for any credit union upon the determination that it is in the best interests of the membership or that the credit union is insolvent or in imminent danger of becoming insolvent.

(6) The director shall grant final approval of the plan of merger or consolidation after determining that the requirements of subsections (1) to (4) of this section have been met in the case of each merging credit union. If the plan of merger or consolidation includes the organization of a new credit union, the department must approve the organization of the new credit union under section 24 of this act as part of the approval of the plan of merger or consolidation. The department shall notify all participating credit unions of the plan.

(7) Upon final approval of the plan by the department, all property, property rights, and members' interests in each merging credit union shall vest in the continuing or new credit union as applicable without deed, obligations, and other instruments of transfer, and all debts, obligations, and liabilities of each merging credit union shall be deemed to have been assumed by the continuing or new credit union. The rights and privileges of the members of each participating credit union shall remain intact. If a person is a member of more than one of the participating credit unions, the person shall be entitled to only a single set of membership rights in the continuing or new credit union.

(8) Notwithstanding any other provision of law, the department may authorize a merger or consolidation of a credit union which is insolvent or which is in danger of insolvency with any other credit union or may authorize a credit union to purchase any of the assets of or assume any of the liabilities of any other credit union which is insolvent or which is in danger of insolvency, if the department is satisfied that:

(a) An emergency requiring expeditious action exists with respect to such credit union;

(b) Other alternatives for such credit union are not reasonably available;

(c) The credit unions merging or consolidating possess coinciding common bonds of association; and

(d) The public interest would best be served by the approval of such merger, consolidation, purchase, or assumption.

(9) Notwithstanding any other provision of law, the director may authorize an institution, the deposits or accounts of which are insured by the Federal Deposit Insurance Corporation or any derivative thereof, to purchase any assets of or assume any liabilities of a credit union which is insolvent or in danger of insolvency, except that prior to exercising this authority the director shall attempt to effect a merger or consolidation with, or purchase or assumption by, another credit union as provided in subsection (8) of this section.

(10) For purposes of the authority contained in subsection (9) of this section, insured share accounts of each credit union may, upon consummation of the purchase or assumption, be converted to insured deposits or other comparable accounts in the acquiring institution, and the department and the National Credit Union Share Insurance Fund shall be absolved of any liability to the credit union's members with respect to those accounts.

Sec. 110. (1) A credit union incorporated under the laws of this state may be converted into a federal credit union organized under the laws of the United States as prescribed in section 111 of this act.

(2) A federal credit union organized under the laws of the United

States may be converted into a credit union organized under the laws of this state as prescribed in section 112 of this act.

Sec. 111. (1) Any credit union organized under the Credit Union Act may, with the approval of the department and with the approval of a majority of the credit union members attending an annual or special meeting of the credit union, be converted into a federal credit union. The conversion shall not release the state-organized credit union from its obligations to pay or discharge all liabilities created by law or incurred by it before the conversion, from any tax imposed by the laws of this state up to the day of the conversion in proportion to the time which has elapsed since the last preceding payment on such obligations or liabilities, or from any assessment, penalty, or forfeiture imposed or incurred under the laws of this state up to the date of the conversion. Conversion shall be made pursuant to a conversion plan approved by the department and shall not be made (a) to defeat or defraud any of the creditors of the credit union or (b) to avoid the requirements of any law of this state designed to protect consumers. The conversion plan shall address required notices and disclosures of information concerning advantages and disadvantages to the credit union and its members of the proposed conversion. Certified copies of all proceedings had by the board of directors and by the members of the credit union shall be filed by the board of directors with the department, and in addition, the credit union shall furnish to the department a certified copy of consent or approval of the National Credit Union Administration if such consent is required by the laws of the United States. Two copies of the proceedings shall be filed with the department. The department shall certify and forward by registered mail one copy of the proceedings to the county clerk of the county in which the credit union is located.

(2) When conversion becomes effective, all property of the credit union, including all rights, title, and interest in and to all kinds of property, whether real, personal, or mixed, and things in action, and every right, privilege, interest, and asset of any conceivable value or benefit then existing, belonging, or pertaining to it, or which would inure to it, shall immediately by act of law and without any conveyance or transfer, and without any further act or deed, be vested in and remain the property of the converted credit union, which shall have, hold, and enjoy the property in its own right as fully and to the same extent as the property was possessed, held, and enjoyed prior to the conversion. The converted credit union shall be deemed to be a continuation of the same entity. All the rights, obligations, and relations of the credit union to or in respect to any person, estate, creditor, member, trust, trustee, or beneficiary of any trust or fiduciary function shall remain unimpaired. The credit union shall continue to hold all the rights, obligations, relations, and trusts, and the duties and liabilities connected therewith, and shall execute and perform every trust and relation in the same manner as if the credit union had not converted.

Sec. 112. (1) A federal credit union organized under the Federal Credit Union Act, 12 U.S.C. 1753 et seq., and meeting all the requirements to become a state credit union organized under the Credit Union Act may, with the approval of the department and in compliance with the applicable law under which it was organized, be converted into a state credit union organized under the Credit Union Act. The required articles of association may be executed by a majority of the board of directors of the converting credit union and presented to the department for appropriate examination and approval. A majority of the directors, after executing the articles of association in duplicate, may execute all other papers, including the adoption of bylaws for the general government of the credit union consistent with the Credit Union Act, and do whatever may be required to complete its conversion.

(2) The board of directors of the converting credit union may continue to be directors of the credit union. If the director approves the articles of association as presented by the board of directors, the director shall notify the board of directors of his or her decision and shall immediately issue a certificate of approval attached to the duplicate articles of association and return it to the credit union. The certificate shall indicate that the laws of this state have been complied with and that the credit union and all its members, officials, and employees shall have the same rights, powers, and privileges and shall be subject to the same duties, liabilities, and obligations in all respects, as shall be applicable to credit unions originally organized under the Credit Union Act.

(3) The approval of the department shall be based on an examination of the credit union and the proceedings had by its board of directors and members with respect to conversion. A conversion shall not be made to defeat or defraud any of the creditors of the credit union. The expenses of an examination, which shall be computed in accordance with section 8-602, shall

be paid by the credit union.

(4) When the conversion becomes effective, all property of the converted credit union, including all its right, title, and interest in and to all property of whatsoever kind, whether real, personal, or mixed, and things in action, and every right, privilege, interest, and asset of any conceivable value or benefit then existing, belonging, or pertaining to it, or which would inure to it, shall immediately by act of law and without any conveyance or transfer, and without any further act or deed, be vested in and remain the property of the converted credit union, which shall have, hold, and enjoy the property in its own right as fully and to the same extent as the property was previously possessed, held, and enjoyed by it. The converted credit union shall be deemed to be a continuation of the same entity. All the rights, obligations, and relations of the credit union to or in respect to any person, estate, creditor, member, trustee, or beneficiary of any trust or fiduciary function shall remain unimpaired. The credit union shall continue to hold all the rights, obligations, relations, and trusts, and the duties and liabilities connected therewith, and shall execute and perform every trust and relation in the same manner as if it had after the conversion assumed the trust or relation and obligation and liabilities connected with the trust or relation.

Sec. 113. The property of a credit union shall be subject to taxation in the same manner as provided by law in the case of corporations or individuals. Nothing in this section shall prevent holdings in any credit union organized under the Credit Union Act from being included in the valuation of the personal property of the owners or holders of such holdings in assessing taxes imposed by the authority of the state or any political subdivision thereof in which the credit union is located. The duty of collecting or enforcing the payment of such tax shall not be imposed upon any credit union.

Sec. 114. There is hereby created the Credit Union Act Fund. All funds available from the National Credit Union Share Insurance Fund shall be collected by the department and remitted to the State Treasurer for credit to the Credit Union Act Fund. The fund shall be administered by the department and used only for offsetting costs associated with the examination and supervision of federally insured, state-organized credit unions. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act.

Sec. 115. Section 21-17,120.01, Revised Statutes Supplement, 1995, is amended to read:

21-17,120-01. Notwithstanding (1) Before October 1, 1996, notwithstanding any of the other provisions of Chapter 21, article 17, or any other Nebraska statute, any credit union incorporated under the laws of the State of Nebraska and organized under the provisions of such article shall have all the rights, powers, privileges, benefits, and immunities which may be exercised as of March 1, 1995 the operative date of this section, by a federal credit union doing business in Nebraska on the condition that such rights, powers, privileges, benefits, and immunities shall not relieve such credit union from payment of state taxes assessed under any applicable laws of this state.

(2) On or after October 1, 1996, notwithstanding any of the other provisions of the Credit Union Act or any other Nebraska statute, any credit union incorporated under the laws of the State of Nebraska and organized under the provisions of the act shall have all the rights, powers, privileges, benefits, and immunities which may be exercised as of the operative date of this section, by a federal credit union doing business in Nebraska on the condition that such rights, powers, privileges, benefits, and immunities shall not relieve such credit union from payment of state taxes assessed under any applicable laws of this state.

Sec. 116. Credit unions formed, merged, or consolidated pursuant to and in compliance with the laws of the State of Nebraska as they existed prior to the operative date of this section shall not be required to meet formation, merger, or consolidation requirements but shall meet all other requirements set forth in the Credit Union Act.

Sec. 117. Section 8-103.01, Reissue Revised Statutes of Nebraska, is amended to read:

8-103.01. If within six months, or in the case of a cooperative credit association, one year, of March 13, 1984, any financial institution which is required to obtain federal insurance coverage of its deposits, shares, savings, or certificates of indebtedness as specified in section 8-385, 8-407.03, 8-702, or 21-1320.01, or 21-17,120-02 or section 73 of this act has an application for such coverage pending, the date for coverage required by the appropriate section shall be extended until the federal

insurance agency or corporation has rendered a final decision on the application.

Sec. 118. Section 8-1,134, Reissue Revised Statutes of Nebraska, is amended to read:

8-1,134. (1) Whenever the Director of Banking and Finance has reason to believe that a violation of any provision of Chapter 8 or Chapter 21, article 17, of the Credit Union Act or any rule, regulation, or order of the Department of Banking and Finance has occurred, he or she may cause a written complaint to be served upon the alleged violator. The complaint shall specify the statutory provision or rule, regulation, or order alleged to have been violated and the facts alleged to constitute a violation thereof, and shall order that necessary corrective action be taken within a reasonable time to be prescribed in such order. Any such order shall become final as to any person named in the order unless such person requests, in writing, a hearing before the director no later than ten days after the date such order is served. In lieu of such order, the director may require that the alleged violator appear before the director at a time and place specified in the notice and answer the charge complained of. The notice shall be delivered to the alleged violator or violators in accordance with subsection (4) of this section not less than ten days before the time set for the hearing.

(2) The director shall provide an opportunity for a fair hearing to the alleged violator at the time and place specified in the notice or any modification of the notice. On the basis of the evidence produced at the hearing, the director or hearing officer shall make findings of fact and conclusions of law and enter such order as in his or her opinion will best further the purposes of Chapter 8 or Chapter 21, article 17, the Credit Union Act and the rules, regulations, and orders of the Department of Banking and Finance department. Written notice of such order shall be given to the alleged violator and to any other person who appeared at the hearing and made written request for notice of the order. If the hearing is held before any person other than the director, such person shall transmit a record of the hearing together with findings of fact and conclusions of law to the director. The director, prior to entering his or her order on the basis of such record, shall provide opportunity to the parties to submit for his or her consideration exceptions to the findings or conclusions and supporting reasons for such exceptions. The order of the director shall become final and binding on all parties unless appealed to the district court of Lancaster County as provided in section 8-1,135.

(3) Whenever the director finds that an emergency exists requiring immediate action to protect the safety and soundness of the institutions under the supervision and control of the Department of Banking and Finance department, the director may, without notice or hearing, issue an order reciting the existence of an emergency and requiring that such action be taken as the director deems necessary to meet the emergency. Notwithstanding the provisions of subsection (2) of this section, the order shall be effective immediately. Any person to whom such order is directed shall comply immediately, but on application to the director shall be afforded a hearing as soon as possible and not later than ten days after such application by the affected person. On the basis of the hearing, the director shall continue the order in effect, revoke it, or modify it. This subsection shall not apply to a determination of necessary acquisition made by the Department of Banking and Finance department pursuant to sections 8-1506 to 8-1510.

(4) Except as otherwise expressly provided, any notice, order, or other instrument issued by or under authority of the director shall be served on any person affected thereby either personally or by certified mail, return receipt requested. Proof of service shall be filed in the office of the director.

Every certificate or affidavit of service made and filed as provided in this subsection shall be prima facie evidence of the facts stated in the certificate or affidavit, and a certified copy shall have the same force and effect as the original.

(5) The hearing provided for in this section may be conducted by the director, or by any member of the department acting in his or her behalf, or the director may designate hearing officers who shall have the power and authority to conduct such hearings in the name of the director at any time and place. A verbatim record of the proceedings of such hearings shall be taken and filed with the director, together with findings of fact and conclusions of law made by the director or hearing officer. The director may subpoena witnesses, and any witness who is subpoenaed shall receive the same fees as in civil actions in the district court and mileage as provided in section 81-1176 for state employees. In case of contumacy or refusal to obey a notice of hearing or subpoena issued under this section, the district court of Lancaster

County shall have jurisdiction, upon application of the director, to issue an order requiring such person to appear and testify or produce evidence as the case may require. Failure to obey such order of the court may be punished by such court as contempt.

If requested to do so by any party concerned with such hearing, the full stenographic notes, or tapes of an electronic transcribing device, of the testimony presented at such hearing shall be taken and filed. The stenographer shall, upon the payment of the stenographer's fee allowed by the court, furnish a certified transcript of all or any part of the stenographer's notes to any party to the action requiring and requesting such notes.

Sec. 119. Section 8-1,136, Reissue Revised Statutes of Nebraska, is amended to read:

8-1,136. Whenever it appears to the Director of Banking and Finance that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of Chapter 8 or ~~Chapter 21, article 17 the Credit Union Act~~, he or she may bring an action in the name of the director and the Department of Banking and Finance in any court of competent jurisdiction to enjoin any such acts or practices and to enforce compliance with the provisions of Chapter 8 or ~~Chapter 21, article 17 the Credit Union Act~~. Upon a proper showing, a permanent or temporary injunction, restraining order, or writ of mandamus shall be granted and a receiver or conservator may be appointed for the defendant's assets. The director shall not be required to post a bond.

Sec. 120. Section 8-1,137, Reissue Revised Statutes of Nebraska, is amended to read:

8-1,137. The Director of Banking and Finance may refer such evidence as may be available concerning violations of the Nebraska Criminal Code or of any rule, regulation, or order under Chapter 8 or ~~Chapter 21, article 17, under the Credit Union Act~~ to the Attorney General or the proper county attorney. It shall be the duty of each county attorney or the Attorney General to whom the director reports a violation to cause appropriate proceedings to be instituted without delay.

Sec. 121. Section 8-1401, Revised Statutes Supplement, 1995, is amended to read:

8-1401. No person or corporation or association organized under Chapter 8, article 1, 2, 3, or 4, the ~~Credit Union Act~~ Credit Union Act, the Nebraska Depository Institution Guaranty Corporation Act, the Nebraska Nonprofit Corporation Act, the Business Corporation Act, the Nebraska Professional Corporation Act, or the Nebraska Industrial Development Corporation Act, or otherwise authorized to conduct business in Nebraska or organized under the laws of the United States, shall be required to disclose any information, financial or otherwise, that it deems confidential concerning its affairs or the affairs of any person or corporation with which it is doing business to any person, party, agency, or organization, unless there shall first be presented to such person, corporation, or association a court order of a court of competent jurisdiction setting forth the exact nature and limits of such required disclosure and a showing that all persons or organizations to be affected by such order have had reasonable notice and an opportunity to be heard upon the merits of such order. The requesting party shall pay the costs of providing such information pursuant to section 8-1402. This section shall not apply to any duly constituted supervisory regulatory agency of such person, corporation, or association, to disclosures governed by rules for discovery adopted and promulgated pursuant to section 25-1273.01, or to such cases for which specific disclosures are specifically required by other sections of the statutes heretofore or hereafter enacted, except that the Department of Banking and Finance shall be subject to the payment of cost provision of this section when making inquiries that are beyond those normally made in conducting examinations and inquiries for the purpose of determining the safety and soundness of a financial institution, but shall not be subject to the disclosure and reasonable notice provisions of this section when making reasonable inquiries of any person, corporation, or association for the purpose of enforcing any of the laws over which the department has jurisdiction.

Sec. 122. Section 28-612, Reissue Revised Statutes of Nebraska, is amended to read:

28-612. (1) A person commits a Class IV felony if he or she:

- (a) Willfully and knowingly subscribes to, makes, or causes to be made any false statement or entry in the books of an organization; or
- (b) Knowingly subscribes to or exhibits false papers with the intent to deceive any person or persons authorized to examine into the affairs of any such organization; or
- (c) Makes, states, or publishes any false statement of the amount of

the assets or liabilities of any such organization; or

(d) Fails to make true and correct entry in the books and records of such organization of its business and transactions in the manner and form prescribed by the Department of Banking and Finance; or

(e) Mutilates, alters, destroys, secretes, or removes any of the books or records of such organization, without the consent of the Director of Banking and Finance.

(2) As used in this section, organization means:

(a) Any trust company transacting a business under sections 8-201 to 8-226; or

(b) Any association organized for the purpose set forth in section 8-302; or

(c) Any bank as defined in section 8-101; or

(d) Any cooperative credit association set forth in sections 21-1308 to 21-1331, transacting business in this state; or

(e) Any industrial loan and investment company as defined in section 8-401; or

(f) Any credit union transacting business in this state under sections 21-1760 to 21-17,120 the Credit Union Act.

Sec. 123. Section 44-1601, Reissue Revised Statutes of Nebraska, is amended to read:

44-1601. No policy of group life insurance shall be delivered in this state unless it is issued under one of the provisions of sections 21-17,116, 44-1602 to 44-1606.01, and 44-1615 and section 73 of this act or under a policy or contract issued to any other substantially similar group which, in the discretion of the Director of Insurance, may be subject to the issuance of a group life insurance policy or contract.

Sec. 124. Section 45-101.04, Revised Statutes Supplement, 1995, is amended to read:

45-101.04. The limitation on the rate of interest provided in section 45-101.03 shall not apply to:

(1) Other rates of interest authorized for loans made by any licensee or permittee operating under a license or permit duly issued by the Department of Banking and Finance pursuant to the Credit Union Act Credit Union Act, subsection (4) of section 8-319, or sections 8-401 to 8-417, 8-815 to 8-829, or 45-114 to 45-158;

(2) Loans made to any corporation, partnership, limited liability company, or trust;

(3) The guarantor or surety of any loan to a corporation, partnership, limited liability company, or trust;

(4) Loans made when the aggregate principal amount of the indebtedness is twenty-five thousand dollars or more of the borrower to any one financial institution, licensee, or permittee;

(5) Loans insured, guaranteed, sponsored, or participated in, either in whole or part, by any agency, department, or program of the United States or state government;

(6) Loans or advances of money, repayable on demand, which are made solely upon securities, as defined in subdivision (13) of section 8-1101, pledged as collateral for such repayment and in which such loans or advances are used by the borrower only for the purchase of securities as so defined. It shall be lawful to contract for and receive any rate of interest on such transaction as the parties thereto may expressly agree;

(7) Interest charges made on open credit accounts by a person who sells goods or services on credit when the interest charges do not exceed one and one-third percent per month for any charges which remain unpaid for more than thirty days following rendition of the statement of account;

(8) A minimum charge of ten dollars per loan which may be charged by the lender in lieu of all interest charges;

(9) Loans described in subsection (4) of section 8-319 made by a state or federal savings and loan association at a rate not to exceed nineteen percent per annum;

(10) Loans made primarily for business or agricultural purposes or secured by real estate when such loans are made (a) by a licensee, registrant, or permittee operating under a license, registration, or permit duly issued by the Department of Banking and Finance except for licensees operating under sections 45-114 to 45-158, (b) by any bank or savings and loan association chartered by the United States, or (c) by any insurance company organized under the laws of this state and subject to regulation by the Department of Insurance;

(11) Loans secured solely by real estate when such loans are (a) made by licensees operating under sections 45-114 to 45-158 and (b) made to finance or refinance the purchase of the property or construction on or

improvements to the property, provided the Department of Banking and Finance has the authority to examine such loans for compliance with sections 45-101.02 and 45-101.03. A licensee making a loan pursuant to this subdivision may obtain an interest in any fixtures attached to such real estate and any insurance proceeds payable in connection with such real estate or the loan;

(12) Loans secured by a reverse mortgage pursuant to section 45-1,116;

(13) Interest charges made on any goods or services sold under an installment contract pursuant to the Nebraska Installment Sales Act. Subject to section 45-338, it shall be lawful to contract for and receive any rate of interest on such contract as the parties may expressly agree to in writing; or

(14) Fees which may be charged by a licensee for services pursuant to the Delayed Deposit Services Licensing Act.

Sec. 125. Section 9-203, Uniform Commercial Code, is amended to read:

U9-203. Attachment and enforceability of security interest; proceeds, formal requisites.

(1) Subject to the provisions of section 4-210 on the security interest of a collecting bank, sections 9-115 and 9-116 on security interests in investment property, and section 9-113 on a security interest arising under the Article on Sales or the Article on Leases, a security interest is not enforceable against the debtor or third parties with respect to the collateral and does not attach unless:

(a) the collateral is in the possession of the secured party pursuant to agreement, the collateral is investment property and the secured party has control pursuant to agreement, or the debtor has signed a security agreement which contains a description of the collateral and in addition, when the security interest covers crops growing or to be grown or timber to be cut, a description of the land concerned;

(b) value has been given; and

(c) the debtor has rights in the collateral.

(2) A security interest attaches when it becomes enforceable against the debtor with respect to the collateral. Attachment occurs as soon as all of the events specified in subsection (1) have taken place unless explicit agreement postpones the time of attaching.

(3) Unless otherwise agreed a security agreement gives the secured party the rights to proceeds provided by section 9-306.

(4) A transaction, although subject to this article, is also subject to the ~~Credit Union Act~~ Credit Union Act, the Nebraska Installment Sales Act, and sections 8-401 to 8-417.01, 8-815 to 8-829, and 45-114 to 45-158, Reissue Revised Statutes of Nebraska, and amendments thereto, and in the case of conflict between the provisions of this article and any such statute, the provisions of such statute control. Failure to comply with any applicable statute has only the effect which is specified therein.

(5) For the purposes of this section the debtor has no rights:

(a) in crops until they are planted or otherwise become growing crops, or in the young of livestock until they are conceived; or

(b) in fish until caught, in oil, gas, or minerals until they are extracted, or in timber until it is cut.

Sec. 126. Sections 1 to 114, 116 to 125, 129, and 130 of this act become operative on October 1, 1996. The other sections of this act become operative on their effective date.

Sec. 127. If any section in this act or any part of any section is declared invalid or unconstitutional, the declaration shall not affect the validity or constitutionality of the remaining portions.

Sec. 128. Original section 21-17,120.01, Revised Statutes Supplement, 1995, is repealed.

Sec. 129. Original sections 8-103.01, 8-1,134, 8-1,136, 8-1,137, 28-612, and 44-1601, Reissue Revised Statutes of Nebraska, sections 8-1401 and 45-101.04, Revised Statutes Supplement, 1995, and section 9-203, Uniform Commercial Code, are repealed.

Sec. 130. The following sections are outright repealed: Sections 21-1760 to 21-1764, 21-1766 to 21-1770, 21-1772, 21-1773, 21-1775, 21-1776, 21-1777.01 to 21-1781, 21-1783 to 21-1789, 21-1791, 21-1793 to 21-1796, 21-1799 to 21-17,108, 21-17,110, 21-17,112 to 21-17,117.04, 21-17,120, and 21-17,120.02 to 21-17,125, Reissue Revised Statutes of Nebraska, sections 21-1771, 21-1774, 21-1777, 21-1782, 21-1790, 21-17,117.05, 21-17,118, and 21-17,126, Revised Statutes Supplement, 1994, and section 21-1773.01, Revised Statutes Supplement, 1995.

Sec. 131. Since an emergency exists, this act takes effect when passed and approved according to law.