

IC 28-1-30

Chapter 30. Charter Conversion of a Credit Union to a Mutual Savings Bank

IC 28-1-30-1

"Credit union" defined

Sec. 1. As used in this chapter, "credit union" has the meaning set forth in IC 28-7-1-0.5.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-2

"Mutual bank" defined

Sec. 2. As used in this chapter, "mutual bank" means a mutual savings bank governed by IC 28-6.1.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-3

"Mutual bank conversion" defined

Sec. 3. As used in this chapter, "mutual bank conversion" means the conversion of a credit union to a mutual bank.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-4

"Voting parties" defined

Sec. 4. As used in this chapter, "voting parties" means a credit union's members.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-5

Conversion procedures

Sec. 5. (a) A credit union may convert to a mutual bank with the approval of the department and, if required by law, the appropriate federal agency.

(b) The department shall prescribe procedures for mutual bank conversions. The procedures must require the following:

(1) The credit union must prepare and submit to the department a plan of mutual bank conversion that:

(A) provides the terms and conditions of the mutual bank conversion as required by the department;

(B) complies with any federal requirements for conversion; and

(C) provides for a two (2) year period after conversion that a director or employee of the credit union may not acquire stock in the resulting institution or a successor institution on terms other than those readily available to all members of the former credit union.

(2) The credit union must submit evidence with the conversion plan that is satisfactory to the department proving that:

(A) the credit union has applied for deposit insurance from the Federal Deposit Insurance Corporation or its successor

in interest; and

(B) upon conversion, the deposits in the resulting mutual bank will be insured by the Federal Deposit Insurance Corporation.

(3) The plan of mutual bank conversion is conditioned upon the approval of at least a majority of the total number of votes cast at a regular or special meeting of the membership.

(4) Notice of the meeting must be delivered in person to each member or mailed to each member not more than thirty (30) days but not less than fourteen (14) days before the date of the meeting.

(c) The notice of the meeting of the membership required under subsection (b)(4) must include the following:

(1) The date, time, and location of the meeting.

(2) A description of the matters to be voted upon at the meeting.

(3) A ballot that contains:

(A) two (2) voting options:

(i) a vote to approve the conversion; and

(ii) a vote to disapprove the conversion; and

(B) a notice that the member has the right to vote either by mail ballot or at the meeting.

(4) A disclosure that:

(A) the board of directors of the credit union has proposed that the credit union convert to a mutual savings bank charter;

(B) the conversion could shift voting rights from each member having one (1) vote to a certain number of shares qualifying for one (1) vote;

(C) subsequent to the conversion, management may solicit proxies and vote them as a block;

(D) a mutual savings bank can convert to a stock savings bank;

(E) upon conversion, the credit union will lose its federal tax exempt status;

(F) members may vote by mail ballot or in person at the meeting; and

(G) the complete application and proposal for the conversion are available for inspection at the credit union's offices during normal business hours.

(d) The board of directors of the converting credit union shall certify the results of the membership vote to the department within ten (10) days after the vote is taken.

(e) Upon the approval of a plan of mutual bank conversion by the board of directors of the credit union, the plan of mutual bank conversion and a certified copy of the resolution of the board of directors approving the plan of mutual bank conversion must be submitted to the department and, if required, the appropriate federal agency for approval.

(f) The credit union shall provide the department with additional relevant information concerning the plan of mutual bank conversion

as requested by the department.
As added by P.L.62-1999, SEC.2.

IC 28-1-30-6

Approval of conversion

Sec. 6. (a) The department may approve or disapprove the plan of mutual bank conversion filed under section 5 of this chapter.

(b) The department may not approve a plan of mutual bank conversion unless the department finds, after appropriate investigation or examination, but without the requirement of a public hearing, that:

- (1) the resulting mutual bank will operate in a safe, sound, and prudent manner;
- (2) the proposed mutual bank conversion will not result in a mutual bank that has inadequate capital, unsatisfactory management, or poor earnings prospects;
- (3) the management or other principals of the credit union are qualified by character and financial responsibility to control and operate in a legal and proper manner the mutual bank proposed to be formed as a result of the mutual bank conversion; and
- (4) the interests of the:
 - (A) members and creditors of the credit union;
 - (B) depositors and creditors of the mutual bank; and
 - (C) public generally;

will not be jeopardized by the proposed mutual bank conversion.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-7

Resulting mutual bank

Sec. 7. Upon the conversion of a credit union, the resulting mutual bank:

- (1) possesses all of the rights, privileges, immunities, and powers of a mutual bank;
- (2) unless otherwise provided in this chapter, is subject to all of the duties, restrictions, obligations, and liabilities of a mutual bank;
- (3) succeeds by operation of law to all rights and property of the converting credit union; and
- (4) is subject to all debts, obligations, and liabilities of the converting credit union as if the mutual bank had incurred the debts and liabilities.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-8

Transitional period

Sec. 8. (a) During a transitional period not to exceed ten (10) years from the effective date of the conversion, the department may authorize the resulting mutual bank to do the following:

- (1) Wind up any activities legally engaged in by the credit

union at the time of mutual bank conversion but not permitted to mutual banks.

(2) Retain any assets legally held by the credit union at the time of the mutual bank conversion that may not be held by a mutual bank.

(3) Attain and maintain sixty percent (60%) of its assets in investments that qualify under 26 U.S.C. 7701(a)(19).

(b) The terms and conditions of any transitional period under this section are at the discretion of the department.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-9

Retention of branch banks

Sec. 9. A mutual bank created by charter conversion may retain all branches lawfully established.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-10

Articles of mutual bank conversion

Sec. 10. (a) The converting credit union shall file articles of mutual bank conversion, approved in writing by the director, with the secretary of state.

(b) The effective date of the mutual bank conversion is the date and time that the approved articles of mutual bank conversion are filed with the secretary of state, unless a later effective date is specified in the articles of mutual bank conversion.

(c) The converting credit union shall record a copy of the articles of mutual bank conversion with the county recorder of the county where the principal office of the mutual bank is located.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-11

Applicability of statutes and rules

Sec. 11. Upon filing the articles of mutual bank conversion, the converted mutual bank, unless otherwise provided in this chapter, immediately is subject to all statutes and rules applicable to mutual banks.

As added by P.L.62-1999, SEC.2.

IC 28-1-30-12

Rules and policies

Sec. 12. The department may adopt rules under IC 4-22-2 or policies to implement this chapter.

As added by P.L.62-1999, SEC.2.