CHAPTER 6-06
CREDIT UNIONS

6-06-01. Savings and credit association may be organized.

Any seven residents of this state may apply to the state credit union board for permission to organize a corporate cooperative association to be known as a credit union.

6-06-02. Manner of organization of credit unions.

A credit union must be organized in the following manner:

1. The applicants shall execute a certificate of organization, in triplicate, by the terms of which they agree to be bound, stating the name and the location of the proposed credit union, the names and addresses of the subscribers to the certificate and the number of shares subscribed by each, and the par value of the shares of the credit union, which may not exceed fifty dollars each. The commissioner shall prescribe the application form.
2. The applicants shall prepare and execute proposed bylaws, in triplicate, for the general governance of the credit union consistent with the provisions of this chapter.
3. The certificate and the proposed bylaws, both executed in triplicate, must be forwarded to the commissioner.
4. The applicants shall apply for, secure, and maintain national credit union administration insurance of accounts.
5. The board, within thirty days after the receipt of the certificate and bylaws, shall determine whether they comply and are consistent with this chapter.
6. The board shall instruct the secretary of state to issue a charter, which must be attached to the certificate of organization and returned, together with the bylaws, to the applicants upon payment of a filing fee of thirty dollars to the secretary of state.
7. Evidence of securing national credit union administration insurance must be furnished to the commissioner before the charter may be released to the applicant credit union.

After the provisions of this section have been complied with, the association becomes a body corporate and is known as a credit union.

6-06-03. Commissioner to furnish forms.

The commissioner, on written application of any seven residents of this state, shall furnish without charge to persons proposing to incorporate a credit union a form of certificate of organization and a set of suggested bylaws approved by the commissioner as consistent with this chapter.

6-06-04. Amendment of certificate or bylaws - Approval by state credit union board.

The certificate of organization or bylaws of a credit union may be amended by the board of directors or the membership of the credit union as specified in the bylaws. If the bylaws provide for amendments by the board of directors, such amendments require an affirmative vote of two-thirds of the authorized number of members of the board of directors of the credit union at any duly held meeting of the board, if the members of the board have been given prior written notice of said meeting and the notice contains a copy of the proposed amendment or amendments. If the bylaws provide for amendments by the membership of the credit union, such amendments require an affirmative vote of two-thirds of the members present and voting at a duly called regular or special meeting of the membership, providing the members have been given prior written notice of said meeting and the notice contains a copy or summary of the proposed amendment or amendments. No amendment of the bylaws or of the certificate of organization becomes effective, until approved in writing by the state credit union board. Amendments to the certificate of organization together with a filing fee of twenty dollars must be filed with the secretary of state within thirty days after the amendments have been approved by the state credit union board.

6-06-05. Use of credit union and corporate central credit union restricted - Forfeiture.

It is unlawful for any person, association, copartnership, or corporation, domestic or foreign, except corporations organized in accordance with the provisions of this chapter, to use the words "credit union", "corporate central credit union", or "central credit union" in their name or title, and any person, association, copartnership, or corporation violating this section shall forfeit to the state one hundred dollars for every day, or part thereof, during which such violation continues. The commissioner may recover such forfeited sums in a civil action and shall deposit any sums recovered or collected with the state treasurer. Only one "corporate central credit union" or "central credit union" may be organized under this chapter, and no other credit union may use the term "corporate central" or "central" as part of its name. The North Dakota credit union league, any chapter, affiliate, or subsidiary of this league, and any political action committee formed by credit unions organized under this chapter or federal law or a political action committee formed by the North Dakota credit union league are specifically exempt from this restriction.

6-06-06. Powers of credit unions.

A credit union has the following powers:

1. To receive the savings of its members either as payment on shares or as deposits, including the right to conduct Christmas clubs, vacation clubs, and other such thrift organizations within its membership.
2. To make loans to members.
3. To make loans to a cooperative society or other organization having membership in the credit union.
4. To deposit its moneys in financial institutions, trust companies, credit unions, corporate central credit unions, and the Bank of North Dakota authorized to receive deposits.
5. To invest in the following:
    a. In bonds of the United States without limitation in securities issued as direct obligations by the United States government or any agency thereof and in any trust established for investing directly or collectively in such securities.
    b. In bonds or evidences of debt of this state or in bonds of states of the United States.
    c. In bonds or certificates of indebtedness of any county, city, or school district in this state, issued pursuant to authority of law, but not to exceed thirty percent of the assets of any credit union may be invested in such bonds or certificates of indebtedness.
    d. In notes or bonds secured by mortgage or deed of trust upon unencumbered, improved real estate in this state, if such investment does not exceed sixty-five percent of the market value of the property mortgaged, and fire and tornado insurance policies are maintained and deposited as collateral to such mortgage, subject to such restriction and regulations as may be imposed by the state credit union board.
    e. In notes or bonds secured by a security interest or lien upon unencumbered personal property, if the investment does not exceed ninety percent of the market value of the property secured.
    f. In first lien, public utility, industrial, corporation, or association bonds, notes, or other evidences of debt issued by corporations located in the United States of America to the extent authorized by the state credit union board.
    g. Subject to rules of the state credit union board, in shares of investment companies registered under the Investment Companies Act of 1940 and which invest only in investments otherwise permissible under this section.
    h. In investments or insurance products otherwise prohibited by this section if the investments are directly related to a benefit plan for credit union employees.
6. To borrow money as limited in this chapter.
7. Subject to such regulations as the state credit union board may prescribe, insurance obtained under title 1 of the National Housing Act must be deemed adequate security.
8. To sue and be sued.

9. A credit union may invest in a credit union office building, including the lot, piece, or parcel of land on which the same is located, and in furniture and fixtures, to the extent authorized by regulations issued by the state credit union board.
10. Every state credit union has the power to purchase, hold, and convey other real estate as herein provided, and not otherwise:
    a. Such as is mortgaged to it in good faith by way of security for loans, or for debts previously contracted.
    b. Such as is conveyed to it in good faith in satisfaction of debts previously contracted in the course of its dealings.
    c. Such as it purchases at sales under judgments, decrees, or mortgages held by the credit union, or purchases to secure debts due to it.

    Within sixty days of the transfer to other real estate owned, a current appraisal must be conducted by a state-licensed individual who is independent of the transaction for all real estate recorded at or above one hundred thousand dollars or through a market evaluation performed by a qualified individual who is independent of the transaction for all real estate recorded below one hundred thousand dollars. Except as otherwise provided by chapter 10-06.1, a state credit union may hold possession of any real estate acquired after July 1, 1991, under mortgage, or title and possession of any real estate purchased to satisfy indebtedness, for a period not to exceed five years. Except as otherwise provided by chapter 10-06.1, real estate acquired before July 1, 1991, may be held for a period not exceeding five years from July 1, 1991. The commissioner may extend the real estate holding period up to an additional five years upon formal request by a credit union if the credit union has made a good-faith attempt to dispose of the real estate within the five-year period, or disposal within the five-year period would be detrimental to the credit union. Within thirty days after receipt of an adverse decision, the credit union may appeal that decision to the state credit union board.
11. Subject to authorization by the state credit union board, acting by order or rule, a state credit union has the same powers as a federal credit union and may engage in any activity in which a credit union could engage if the credit union were federally chartered.
12. To exercise any incidental power necessary or requisite to enable the credit union to carry out effectively the business for which it is incorporated or as determined by the board by order or rule.

6-06-06.1. Issuance of certificates of deposit - Penalty.

Certificates of deposit, as defined in section 41-03-04, may only be issued in this state by credit unions authorized to issue certificates of deposit, and which are organized to do business in this state under this chapter or under the Federal Credit Union Act, and whose accounts are insured by the national credit union administration, except that the requirement for insurance of accounts for any "corporate central credit union" or "central credit union" may be waived under section 6-06-40, or as authorized under section 6-03-02.2. Any person violating this section is subject to a civil penalty not to exceed five thousand dollars.

6-06-07. Membership in credit union.

1. The membership of a credit union consists of the incorporators and such other persons as may be elected to membership. Each member shall subscribe to and pay the initial installment on at least one share in the credit union and pay the entrance fee as provided by the bylaws of the credit union. Organizations, incorporated or otherwise, composed principally of the same general group as the credit union membership may be members of the credit union.
2. Credit union membership is limited to groups having a common bond of occupation or association or to groups residing within a geographic area that does not extend beyond a seventy-five-mile [120.70-kilometer] radius of the home office of the credit union. Except as provided by this section, an office of a credit union that has a field of membership defined by geography may not be located more than seventy-five miles

[120.70 kilometers] from the credit union main office. The restrictions on location and field of membership under this section do not apply to a credit union office location or field of membership approved by the board before January 1, 2005. In the event of a merger between credit unions with different geographic fields of membership, the surviving credit union may expand the field of membership to include the geographic field of membership of the merged credit union. After December 31, 2004, a credit union may not establish and operate a new branch office that is outside the credit union's field of membership. A branch office may not expand the geographic field of membership of a credit union.

3. The board shall adopt a procedure through which all interested persons, including banking institutions and credit unions, are afforded reasonable opportunity to submit data, views, or arguments, orally or in writing; to obtain a hearing; and to intervene as a party to a proceeding concerning a proposed application for a credit union to expand the credit union's field of membership.

6-06-08. State credit union board to supervise credit unions - Reports - Examinations - Fees.

1. Credit unions and the permanent loan funds of credit unions, if any, are under the supervision of the commissioner. Credit unions shall report to the commissioner when called by the commissioner and at least four times each year. The commissioner shall prescribe the forms for the reports. At the discretion of the commissioner, a call may be complied with by submission of a copy of the call report electronic mail directly to the department of financial institutions or by other electronic means of transmission. The call reports are due within thirty days of the call, or according to the deadlines published on the form NCUA 5300, whichever comes first. The commissioner may call for special reports from any credit union whenever in the commissioner's judgment it is necessary to obtain complete knowledge of the condition of the credit union. Every credit union that fails to make and transmit any report required in pursuance of this section shall forfeit and pay to the state a penalty of up to five hundred dollars for each day of delinquency, not to exceed two thousand five hundred dollars. At the discretion of the commissioner, all or part of this penalty may be waived if the reports are submitted within three days after the due date required by this section.
2. Credit unions must be examined at least once each twenty-four months by the commissioner. In lieu of the examinations herein required, the commissioner may accept any examination made or obtained by the national credit union administration and may conduct a joint examination with the national credit union administration.
3. If it is determined through an examination or otherwise that the credit union is violating the provisions of this chapter, or is insolvent, the state credit union board may serve notice on the credit union of its intention to revoke the charter. If such violations continue for a period of fifteen days after such notice, the board may revoke the charter and take possession of the business and property of such credit union and shall maintain possession then until such time as it permits the reinstatement of the charter and the continuation of business by the credit union, or until its affairs finally are liquidated. The board may take similar action if any required report remains in arrears for more than fifteen days.
4. Every state credit union, including any "corporate central" or "corporate" credit union, placed under the jurisdiction and control of the state credit union board and the commissioner by the provisions of this title shall pay a yearly assessment. This assessment is to be determined by the state credit union board as necessary to fund that portion of the department's budget relating to the regulation of state-chartered credit unions. The assessment must be paid to the state treasurer within thirty days of each June thirtieth. Credit unions that have not been examined by the commissioner or the state credit union board for three years prior to any assessment date are not required to pay the assessment. The state treasurer shall report the payments of fees to the commissioner, and if any credit union is delinquent more than twenty days in making payment, the board may make an order suspending the functions of the

delinquent credit union until payment of the amount due. The commissioner may assess a penalty of five dollars for each day that the penalty is delinquent. The examination fee for any "corporate central" or "corporate" credit union shall be charged by the department at an hourly rate to be set by the commissioner, sufficient to cover all reasonable expenses of the department associated with the examination. All fees and penalties under this section must be paid to the state treasurer and deposited in the financial institutions regulatory fund.

5. If the commissioner determines more than one visit, inspection, or examination is necessary to promote the safety and soundness of a credit union during a twelve-month period, the credit union shall pay to the department a fee for the time used by the commissioner or other person designated by the commissioner in supervising, filing, and corresponding in connection with each additional visit, inspection, or examination and report of examination and for time used by each examiner or other person in making and otherwise preparing and typing the reports of examination provided for under this section. Fees for the visit, inspection, or examination must be charged by the department of financial institutions at an hourly rate to be set by the commissioner, sufficient to cover all reasonable expenses of the department associated with the visit, inspection, or examination provided for by this section. A credit union shall pay this fee within ten days of receiving a billing from the commissioner. Fees must be deposited in the financial institutions regulatory fund.

6-06-08.1. Additional assessments of credit unions.

Repealed by S.L. 1989, ch. 96, § 20.

6-06-08.2. Failing institution - Emergency powers - Hearing - Order - Appeal.

Whenever the state credit union board determines that a merger or acquisition of any of the credit unions under its supervision is necessary because the institution's equity is impaired, it is conducting its business in an unsafe, unsound, or unauthorized manner, or it is endangering the interests of shareholders, creditors, or the public, whether or not the institution is insolvent, the state credit union board may, without a hearing, declare an emergency and declare that the institution is a failing institution. Upon such declaration, the state credit union board may authorize the commissioner of financial institutions to immediately take possession of the institution. The board is authorized to do all things necessary to continue service to the affected community, including any merger or acquisition under this chapter or otherwise.

An institution which is the subject of such a board declaration may ask for a hearing before the state credit union board within five days after service of the state credit union board's declaration upon it. The application for a hearing must be granted and the hearing must be held not later than ten days after the application is filed. A complete record of the hearing must be established and maintained. On the basis of the hearing, the board shall enter a final order. The institution may appeal the order to the district court of the county in which the credit union is located within ten days after the order is served upon it. The appeal is governed by chapter 28-32 except that the board has ten days after service of the notice of appeal to certify the record, and the district court shall hear the appeal as expeditiously as possible.

6-06-08.3. Examination of credit union computer servicers.

The commissioner may conduct an examination or inspect the records and operation of any computer servicer providing data processing services for any credit union under the department of financial institutions' jurisdiction.

6-06-08.4. Prompt corrective action.

For purposes of this section, the net worth categories are defined as:

1. Well capitalized. A credit union with a net worth ratio of seven percent or greater which meets any applicable risk-based net worth requirement.

2. Adequately capitalized. A credit union with a net worth ratio six percent or more but less than seven percent which meets any applicable risk-based net worth requirement as defined by the state credit union board by rule.
3. Undercapitalized. A credit union with a net worth ratio of four percent or more but less than six percent or fails to meet any risk-based net worth requirement.
4. Significantly undercapitalized. A credit union with a net worth ratio of two percent or more but less than four percent, fails to increase its net worth, or fails to submit or materially implement a net worth restoration plan.
5. Critically undercapitalized. A credit union with a net worth ratio less than two percent.

A credit union may be reclassified into the next subordinate net worth category by the commissioner or the state credit union board if it is determined that the credit union is in an unsafe or unsound condition or has not corrected unsafe or unsound practices of which it was, or should have been, aware. The board or commissioner may require a credit union that is adequately capitalized, undercapitalized, significantly undercapitalized, or critically undercapitalized to increase its net worth. Additionally, the board or commissioner may require a credit union that is undercapitalized, significantly undercapitalized, or critically undercapitalized to submit an acceptable net worth restoration plan to the commissioner. For a significantly undercapitalized credit union that has no reasonable prospect of becoming adequately capitalized or a critically undercapitalized credit union, the board may take possession of the credit union, appoint a conservator or liquidating agent for the credit union, or take such other action as the board determines would be appropriate to resolve the problems of the credit union.

A credit union that is the subject of such a board declaration may ask for a hearing before the board within five days after service upon it of the board's declaration. The application for a hearing must be granted and the hearing must be held not later than ten days after the application is filed. A complete record of the hearing must be established and maintained. On the basis of the hearing, the board shall enter a final order. The institution may appeal the order to the district court of Burleigh County, within ten days after the order is served upon it. The appeal is governed by chapter 28-32.

6-06-08.5. Corporate central credit union records.

A North Dakota federally chartered corporate credit union must allow access or produce any records requested by the commissioner which the commissioner determines necessary to conduct an examination of the state-chartered credit union. A federally chartered corporate credit union is entitled to be reimbursed for any search and processing time at the rate of ten dollars per hour per person and for copies made of any records at the rate of fifteen cents per page.

6-06-09. Fiscal year of credit unions.

The fiscal year of all credit unions ends December thirty-first.

6-06-10. General and special meetings - Notice - Quorum - Voting privileges.

General and special meetings may be held in the manner and for the purposes indicated in the bylaws of the credit union. Ten days before any regular or special meeting, written notice thereof must be mailed or sent by an electronic communication to each member and, in the case of a special meeting, the notice must state clearly the purpose of the meeting and what matters will be considered thereat. The members present at a general or special meeting constitute a quorum for the transaction of the business of the credit union. At all meetings, a member has but a single vote, whatever the member's shareholdings. There is no voting by proxy, but any firm, society, or corporation having a membership in the credit union may cast its vote by one person upon presentation by that person to the credit union of written authority from such firm, society, or corporation. The credit union may allow members to vote by mail ballot or electronic ballot for directors and committee members.

6-06-11. Annual meetings - Election of directors - Election or appointment of committees.

The organization meeting of the members of a credit union shall be the first annual meeting. At its annual meeting, its members shall elect a board of directors of not less than five members and a credit committee of not less than three members, unless the bylaws of the credit union provide that the credit union may not have a credit committee. A supervisory committee of not less than three members must be elected at the annual meeting, unless the bylaws of the credit union provide that the supervisory committee members be appointed by the board of directors of the credit union or the bylaws provide that the credit union may not have a supervisory committee. In the event the bylaws do not provide for a supervisory committee, then the duties and powers of a supervisory committee, as described in section 6-06-15, are the responsibility of the board of directors. The directors and committee members if any, shall hold office for such terms, respectively, as provided by the bylaws of the credit union and until their successors qualify. A record of the names and addresses of the officers and members of the board and committees must be filed with the commissioner within ten days after their election or appointment. Notice of any change in membership on the board or committees by appointment to fill an unexpired term or otherwise must be filed with the commissioner within ten days of such change.

If the bylaws of the credit union provide for a credit committee, then pursuant to the provisions of the bylaws, the board of directors may appoint or the members may elect a credit committee which consists of an odd number of members of the credit union, but which may not include more than one loan officer. The method used must be set forth in the bylaws.

If the credit committee is dispensed with in the bylaws, a credit manager, under the general supervision of the board of directors, may be empowered to approve or disapprove loans subject to the policies and conditions prescribed by the board of directors. The president or other qualified senior management official may serve as the credit manager. If a credit manager is provided in lieu of an elected credit committee, the credit manager may appoint one or more loan officers with the power to approve or disapprove loans, and may establish an internal credit committee comprised of designated credit union staff with the power to approve or disapprove loans, subject to such limitations or conditions as the credit manager and board of directors prescribes.

6-06-12. Directors - Duties and powers - Loan limitations.

1. The directors shall have general management of the credit union, and it is their duty particularly:
   a. To act on applications for membership, unless a membership officer is appointed.
   b. To determine interest rates on loans and deposits or designate a representative to determine these rates.
   c. To fix, subject to the approval of the commissioner, the amount of surety bond which must be required of all officers and employees handling money.
   d. To declare dividends.
   e. To transmit to the members recommendations for changes in the bylaws.
   f. To fill vacancies on the board of directors and on the credit committee who shall serve until their successors are chosen and qualified.
   g. To determine the maximum individual shareholdings and the maximum aggregate liability to the credit union of any one borrower but such maximum aggregate liability allowed by the board may not exceed the amounts listed in the following schedule:

Total Assets	Loan Limit
0 to 70,000	10% with a limit of 5,000
70,001 to 100,000	6,000 limit
100,001 to 200,000	8,000 limit
200,001 to 300,000	10,000 limit
300,001 to 400,000	12,000 limit
400,001 to 500,000	14,000 limit
over 500,000	3% of assets

For purposes of this subsection, the aggregate liability of one borrower to a credit union includes the total direct, indirect, and contingent liabilities of the borrower, and the liabilities of separate borrowers for which the repayment of separate loans or extensions of credit is substantially from the same source. The aggregate liability of any one borrower to the credit union does not include any loan or portion of a loan guaranteed by the government, to the extent of the guarantee, nor any loan secured by shares in the credit union, to the extent of the security.

In all cases a credit union is allowed to loan up to and including two hundred dollars to any individual regardless of the amount of total assets in said credit union. Provided, that the foregoing provisions do not apply to the North Dakota central credit union.

h. To supervise and control investments other than loans to members.

i. To establish a schedule of fines for delinquency in the payment of principal or interest, which the board shall impose at its discretion.

2. The board may appoint membership officers authorized to approve applications for membership under such conditions as the board may prescribe; except that such membership officers so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.
3. No immediate family member of the president, general manager, or chief executive officer of the credit union may serve on the board of directors of the credit union.
4. A majority of the board of directors of a credit union may not be immediate family members of each other.

6-06-13. Officers - Elections - Duties.

At their organizational meeting and within thirty days following each annual meeting of the members, the directors shall elect from their own number an executive officer, who may be designated as chairman of the board or president, a vice chairman of the board or one or more vice presidents, a treasurer, and a secretary. The treasurer and the secretary may be the same individual. The persons so elected are the executive officers of the corporation. The terms of the officers must be one year, or until their successors are chosen and have duly qualified. The duties of the officers must be prescribed in the bylaws. The board of directors may employ an officer in charge of operations whose title must be president, chief executive officer, general manager, or any combination thereof, or, in lieu thereof, the board of directors may designate the treasurer or an assistant treasurer to act as general manager and be in active charge of the affairs of the credit union.

6-06-13.1. Credit union volunteers - Immunity.

A person who serves as a volunteer, including a director, credit committee member, or supervisory committee member, of a federal or state-chartered credit union is immune from civil liability for any act or omission resulting in damage or injury if at the time of the act or omission all of the following are met:

1. The volunteer was acting in good faith and in the scope of that person's official duties as a volunteer of the credit union.
2. The act or omission did not constitute willful misconduct or gross negligence on the part of the volunteer.
3. The volunteer did not receive or expect to receive reimbursement for or payment of expenses in excess of five thousand dollars per year for expenses actually incurred as a result of providing services as a volunteer of the credit union and did not receive or expect to receive compensation or anything in lieu of compensation as payment for services provided as a volunteer of the credit union.

This section does not grant immunity to any person causing damage as the result of the negligent operation of a motor vehicle.

6-06-14. Loans - How made - Security - Meetings and duties of credit committee - Preferential loans.

The credit committee has general supervision over all loans to members, unless the credit union does not have a credit committee, in which case the general supervision of loans is the responsibility of the credit manager appointed by the board of directors. If the credit union has a credit committee, it shall meet as often as may be necessary to perform its duties and at least once each month, except the foregoing provisions regarding monthly meetings do not apply to any "corporate central" or "corporate" credit union. Notice must be given to each member of the committee before any meeting is held. All applications for a loan must be made on a form approved by the committee or credit manager and must set forth the purpose for which the loan is desired, the security, if any, which is offered, and such other data as the committee or credit manager may require. The maximum aggregate loans that may be made to a member or a group of members relying on a single income source without adequate security is subject to limits approved in loan policy by the board of directors of the credit union. Security under this section includes an assignment of shares or deposits and such other security as the committee or credit manager in its discretion may deem adequate. No loan may be made unless it is approved by a majority of the entire committee or by the credit manager, except that the credit committee or credit manager may appoint and delegate to one or more loan officers the power to approve loans up to the limit established by the board of directors, or in excess of the limit if the excess is fully secured by unpledged shares. An individual may not disburse funds of the credit union for any loan that has been approved by that individual in that individual's capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer, unless the credit committee is made up of credit union employees appointed by the credit manager. Every loan by a credit union to, or guaranteed by, its directors, officers, managers, and committee members shall be current as outlined on the terms of the loan agreement and must be made on substantially the same terms, including interest rates, fee structure, and collateral, as those prevailing at the time for comparable transactions with other persons and shall be in strict conformity with the credit union's policies, rules, and regulations.

6-06-15. Duties and powers of supervisory committee.

The supervisory committee, by a majority vote, may call a special meeting of the members of the credit union to consider any matter which it wishes to submit to the membership. The supervisory committee shall:

1. Fill vacancies in the committee's own membership.
2. Make an examination of the affairs of the credit union, including an audit of the credit union's books, at least annually, and the committee may submit such report to the members of the credit union at a meeting called for that purpose by the committee whenever the committee deems such action necessary.
3. Make an annual audit and report and submit the audit and report at the annual meeting of the credit union.
4. Suspend any officer, director, or member of any committee when by unanimous, not including the person who is being considered for suspension, vote of the committee, such action is determined to be necessary to the proper conduct of the credit union, but upon taking such action, the committee shall call the members of the credit union together immediately to act on the suspension, and the members at the meeting may sustain the suspension and remove the officer permanently or may reinstate the officer, director, or committee member.
5. The commissioner may reject a supervisory committee examination or audit if the examination or audit is determined to be unsatisfactory.

If the bylaws do not provide for the election or appointment of a supervisory committee, the duties and powers described above are the responsibility of and delegated to the board of directors.

6-06-16. Entrance fee - Capital - Lien on shares - Assessment on shares.

A credit union may charge such entrance fee as may be provided by its bylaws. Its capital consists of the entrance fees paid in and the payments made to it by the several members on

shares therein. The credit union has a lien on the shares and deposits of a member for any sum due to the credit union from that member or for the amount due on any loan endorsed by that member. A credit union that is a member of the North Dakota credit union league may, by resolution adopted with a quorum present at a regular or special meeting of the board of directors of the credit union, annually assess against the share accounts of all members of the credit union an amount equal to the whole or proportionate part of the annual membership fee payable to the North Dakota credit union league.

6-06-17. Shares may be issued to minor or in trust.

Shares may be issued and deposits received in the name of a minor, or in trust, in such manner as the bylaws may provide. The name of the beneficiary must be disclosed to the credit union.

6-06-18. Interest rates.

Repealed by S.L. 1997, ch. 78, § 16.

6-06-19. Authority to borrow - Limitation - Exception.

A credit union may borrow money from any source, but the total borrowings may not exceed twenty-five percent of the credit union's assets unless the commissioner authorizes a larger amount. The board or commissioner may suspend or restrict the borrowing powers of a credit union. The limitation on borrowing does not apply to a corporate central credit union which is limited to borrowing up to five times the corporate central credit union's capital, surplus, and reserve fund. For purposes of this section, capital, surplus, and reserve fund for a corporate central credit union includes statutory or regulatory reserves, reserves established for contingencies or any other purposes, undivided earnings, all sums on deposit by other credit unions which are membership capital share deposits as defined by the bylaws of the corporate central credit union, or any other funds being held by the corporate central credit union for the purpose of maintaining a capital base. A credit union must provide within one week written notification to the commissioner of the amount, terms, and source of all borrowings under this section. Written notification is not required if the borrowings are provided by the corporate central credit union and that information is available to the commissioner through electronic inquiry.

6-06-20. Borrowings of directors and committee members limited - Repayment of loans.

A director or member of any committee may not borrow from the credit union in which the director or member holds office more than one hundred thousand dollars plus pledged shares and deposits less any loan balance therein, unless the application is approved by three-fourths of the other members of the board of directors. The director or member may guarantee or endorse paper for other borrowers. A borrower may repay the borrower's loan in whole or in part on any day that the office of the credit union is open for business.

6-06-21. Reserve fund.

Every credit union, including corporate central credit unions, shall maintain an allowance for loan and lease loss account in accordance with generally accepted accounting principles and rules of the national credit union administration. If it is found through an examination that the allowance for loan and lease loss account is not sufficient in disclosing the exposure to loan losses, then the credit union will increase the allowance for loan and lease loss account within thirty days as directed by the commissioner.

6-06-21.1. Amount and manner of establishing special reserves for delinquent loans and investments.

Repealed by S.L. 2005, ch. 86, § 16.

6-06-21.2. Agricultural loan amortization and deferral.
Expired under S.L. 1989, ch. 99, § 3.

6-06-22. Permanent loan fund - Amount - How obtained - Ownership.
Repealed by S.L. 1965, ch. 90, § 11.

6-06-23. Use of permanent loan fund - To whom loaned and regulating making of loans.
Repealed by S.L. 1965, ch. 90, § 11.

6-06-24. Renewal of loan from permanent loan fund - Foreclosure.
Repealed by S.L. 1965, ch. 90, § 11.

6-06-25. Rate of interest - Use of interest - Permanent loan fund loans.
Repealed by S.L. 1965, ch. 90, § 11.

6-06-26. Dividends.
A credit union's board of directors may declare and pay a dividend on shares from current or accumulated net earnings, or both, but only after providing for required reserves, accrued and unpaid expenses, and established loan and lease losses. A credit union may pay a dividend on partial or full shares and may pay the dividend at differing levels and at differing intervals based on the type of share accounts owned by a member, the liquidation priority of share accounts, and the balances of a member's share accounts. A credit union may determine the rate and amount of a dividend before the end of the dividend period involved. A credit union, upon action of its board of directors, may authorize an interest refund to members of record at the close of business the last day of any dividend period in proportion to the interest paid during that dividend period. A credit union shall not pay a dividend if payment would result in the insolvency of the credit union.

6-06-27. Notice of intention to withdraw shares and deposits.
A credit union may require sixty days' notice of intention to withdraw shares and thirty days' notice of intention to withdraw deposits. Withdrawing members have no further rights in the credit union, but are not released from any remaining liability to it by such withdrawal. All amounts paid on shares or as deposits by a withdrawing member, and any dividends or interest credited to that member to the date of withdrawal, after all sums due from the member to the credit union have been deducted, must be repaid to the member as funds become available.

6-06-28. May change place of business.
A credit union may change its place of business on written permission of the commissioner.

6-06-29. Taxation of credit unions.
Any credit union organized under this chapter or under the Federal Credit Union Act is exempt from all taxation now or hereafter imposed by the state or any municipality within the state or any local taxing authority and no law which taxes corporations in any form, or the shares thereof, or the accumulations thereon, shall apply to any such credit union, except that any real property and any tangible personal property owned by any credit union organized under this chapter or under the Federal Credit Union Act is subject to taxation to the same extent as other similar property is taxed and purchases by credit unions are subject to sales or use tax. The shares of credit unions are not subject to any stock transfer tax, either when issued or when transferred from one member to another. The participation by the credit union in any unemployment insurance funds, or social security fund, or old-age fund may not be deemed a waiver of the tax immunities hereby granted.

6-06-30. Voluntary liquidation authorized - Qualification of liquidating committee.
Repealed by S.L. 1967, ch. 90, § 13.

6-06-31. Notice of dissolution to state examiner - Filing examiner's certificates - When dissolution complete.

Repealed by S.L. 1967, ch. 90, § 13.

6-06-32. Duty of committee when liquidation completed - State examiner custodian of books and papers.

Repealed by S.L. 1967, ch. 90, § 13.

6-06-33. Liquidation by the commissioner.

If the commissioner finds that a credit union is insolvent when the commissioner receives notice of its intention to dissolve, or if a credit union in the process of voluntary dissolution is not liquidated completely and its assets distributed within three years after the special meeting at which the dissolution was voted, the commissioner shall take possession of the books, records, and assets of the union and proceed to complete the liquidation in the manner provided in this title for the liquidation of closed banks.

6-06-34. Unclaimed dividends of credit unions.

The commissioner shall transfer all unpaid dividends to the commissioner of university and school lands. The commissioner of university and school lands is authorized to issue a voucher for the payment of such dividends to the persons respectively entitled thereto, in accordance with the escheat and abandoned property laws of the state.

6-06-35. Conversion from state to federal credit union and from federal to state credit union and from state credit union to building and loan association.

1. A state credit union may be converted into a federal credit union under the laws of the United States by complying with the following requirements:
   a. The proposition for such conversion must first be approved, and a date set for a vote thereon by the members either at a meeting to be held on such date or by written ballot to be filed on or before such date, by a majority of the directors of the state credit union. Written notice of the proposition and of the date set for the vote must then be delivered in person to each member or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion must be by the affirmative vote of two-thirds of the members present at the meeting.
   b. A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, must be filed with the state credit union board within ten days after the vote is taken.
   c. Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable federal law to make it a federal credit union, and within ten days after receipt of the federal credit union charter there must be filed with the state credit union board a copy of the charter thus issued. Upon such filing, the credit union must cease to be a state credit union.
   d. Upon ceasing to be a state credit union, such credit union is no longer subject to any of the provisions of the North Dakota credit union law. The successor federal credit union is vested with all of the assets and shall continue to be responsible for all of the obligations of the state credit union to the same extent as though the conversion had not taken place.
2. a. A federal credit union, organized under the laws of the United States may be converted into a state credit union by:
      (1) Complying with all federal requirements requisite to enabling it to convert to a state credit union or to cease being a federal credit union;

(2) Filing with the state credit union board proof of such compliance, satisfactory to the commissioner;
(3) Filing with the commissioner an organization certificate and bylaws, both in triplicate, as required by section 6-06-02; and
(4) Granting discretionary authority to the commissioner to conduct an examination prior to the conversion date.

The commissioner shall set fees for such examination at an hourly rate sufficient to cover all reasonable expenses of the department of financial institutions associated with the examination. Fees must be collected by the commissioner, transferred to the state treasurer, and deposited in the financial institutions regulatory fund.

b. When the commissioner has been satisfied that all of such requirements and all other requirements of the North Dakota law have been complied with, the commissioner shall notify the applicants and the state credit union board of that fact, and the board shall instruct the secretary of state to issue a charter in accordance with section 6-06-02. Upon issuance of the charter, the federal credit union shall become a state credit union and ceases to be a federal credit union. The state credit union is vested with all of the assets and shall continue to be responsible for all of the obligations of the federal credit union to the same extent as though the conversion had not taken place.

3. After July 31, 2009, a state credit union may convert to a building and loan association by complying with the following requirements:
   a. The proposal for a conversion first must be approved and a date set for a vote on the proposal by the members either at a meeting to be held on such date or by written ballot to be filed on or before such date by a majority of the directors of the credit union. Approval of the proposal for the conversion must be by the affirmative vote of two-thirds of the members voting.
   b. A state credit union that proposes to convert to a building and loan association shall submit notice to each of the credit union's members who are eligible to vote on the matter of the credit union's intent to convert:
      (1) Ninety days before the date of the member vote on the conversion;
      (2) Sixty days before the date of the member vote on the conversion; and
      (3) Thirty days before the date of the member vote on the conversion.
   c. A state credit union that proposes to convert to a building and loan association shall submit a notice to the state credit union board of the credit union's intent to convert at least ninety days before the date of the completion of the conversion.
   d. Upon completion of a conversion, the state credit union is no longer subject to any of the provisions of this chapter.
   e. A director or senior management official of a state credit union may not receive any economic benefit in connection with a conversion of the state credit union other than reasonable director fees and reasonable compensation and other benefits paid to directors or senior management officials of the converted institution in the ordinary course of business. As used in this subdivision, the term senior management official means a chief executive officer, an assistant chief executive officer, a chief financial officer, and any other senior executive officer as may be defined by the state credit union board.
   f. Before January 1, 2009, the state credit union board shall adopt rules applicable to state credit union conversion to a building and loan association which are consistent with the conversion rules of the national credit union administration.
   g. The commissioner shall review the methodology by which the conversion member vote was taken and procedures applicable to the member vote. The commissioner shall report the commissioner's findings to the state credit union board. If the commissioner or the state credit union board disapproves of the methods by which the conversion member vote was taken or procedures applicable to the member vote, the member vote must be retaken as directed by the commissioner or the state credit union board.

6-06-36. Merger.

Any credit union chartered under this chapter or under Act of Congress may merge under rules and regulations established by the state credit union board. A federal credit union proposing to merge into a state-chartered credit union shall grant the commissioner discretionary authority to conduct an examination. The commissioner shall set fees for such examination at an hourly rate sufficient to cover all reasonable expenses of the department of financial institutions associated with the examination. Fees must be collected by the commissioner, transferred to the state treasurer, and deposited in the financial institutions regulatory fund. The secretary of state shall charge a fee of fifty dollars for all services in connection with a merger authorized by the state credit union board, including filing of a certificate of organization or bylaws, and issuing or canceling charters.

Upon approval by the state credit union board of a merger application under this section, the former main office and facilities of the credit union merged will become branches of the continuing credit union and the continuing credit union is not required to file an application for any branches acquired in the merger transaction.

6-06-37. Rules and regulations.

The state credit union board shall prescribe rules and regulations regarding the merger, consolidation, and dissolution of corporations organized under this chapter and Acts of Congress.

6-06-38. Destruction of records.

No credit union may be required to preserve and retain its records of accounts or files, except share and deposit files, for a longer period than six years next after the first day of January of the year following the final date of the termination of such accounts or files. No credit union may be required to preserve and retain its share and deposit account records and files for a longer period than two years next after the first day of January of the year following the date of the death of the shareholder or depositholder. All credit unions shall, however, keep sufficient records to satisfy the reporting requirements of the escheat and abandoned property laws of the state.

6-06-39. Share scaledown.

Repealed by S.L. 2005, ch. 86, § 16.

6-06-40. Share insurance exception.

A central credit union with corporate shareholdings equal to or in excess of seventy-five percent of its total assets may by vote of its board of directors elect exemption of insurance of share and deposit accounts under provisions of title II of the Federal Credit Union Act.

6-06-41. Depository credit union - Endorsements.

A depository credit union that has taken a check or draft for collection may supply any endorsement of the member which is necessary to title unless the item contains the words "payee's endorsement required" or words to that effect. In the absence of such a requirement, a statement placed on the item by the depository credit union to the effect that the item was deposited by a member or credited to that member's account is effective as the member's endorsement. An intermediary credit union, or payor credit union, which is not a depository credit union, is neither given notice nor otherwise affected by a restrictive endorsement of any person except the credit union's immediate transferor.