

SENATE BILL No. 464

May 9, 2001, Introduced by Senators JOHNSON, GARCIA, STEIL, SHUGARS, MILLER and SCOTT and referred to the Committee on Banking and Financial Institutions.

A bill to amend 1925 PA 285, entitled

"An act to provide for the organization, operation, and supervision of credit unions; to provide for the conversion of a state credit union into a federal credit union or a credit union organized and supervised under the laws of any other state or territory of the United States and for the conversion of a federal credit union or a credit union organized and supervised under the laws of any other state or territory of the United States into a state credit union; and to provide for the merger of credit unions organized and supervised under the laws of this state, credit unions organized and supervised under the laws of any other state or territory of the United States, and federal credit unions,"

by amending the title and sections 1a, 6, 6c, 25, and 26

(MCL 490.1a, 490.6, 490.6c, 490.25, and 490.26), the title as amended and section 6c as added by 1986 PA 278, section 1a as amended by 1995 PA 163, section 6 as amended by 1993 PA 246, and sections 25 and 26 as amended by 1992 PA 246, and by adding sections 25a, 25b, and 25c.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 TITLE

2 An act to provide for the organization, operation, and
3 supervision of credit unions; to provide for the conversion of a
4 state credit union into a federal credit union or a credit union
5 organized and supervised under the laws of any other state or
6 territory of the United States OR ANY OTHER FEDERALLY INSURED
7 DEPOSITORY INSTITUTION and for the conversion of a federal credit
8 union or a credit union organized and supervised under the laws
9 of any other state or territory of the United States OR ANY OTHER
10 FEDERALLY INSURED DEPOSITORY INSTITUTION into a state credit
11 union; and to provide for the merger of credit unions organized
12 and supervised under the laws of this state, credit unions orga-
13 nized and supervised under the laws of any other state or terri-
14 tory of the United States, and federal credit unions.

15 Sec. 1a. As used in this act:

16 ~~(a) "Commissioner" means the commissioner of the financial~~
17 ~~institutions bureau in the department of commerce.~~

18 ~~(b) "Credit union" means a cooperative, nonprofit associa=~~
19 ~~tion, incorporated under this act for the purposes of encouraging~~
20 ~~thrift among its members, creating a source of credit at rates of~~
21 ~~interest not greater than the rates of interest permitted by the~~
22 ~~credit reform act, and providing an opportunity for its members~~
23 ~~to use and control their own money on a democratic basis in order~~
24 ~~to improve their economic and social condition. In provisions of~~
25 ~~this act governing the relationship of a credit union to 1 or~~
26 ~~more other credit unions, the term "credit union" includes a~~

SB 464, As Passed Senate, May 24, 2001

~~1 credit union incorporated under this act, under the laws of
2 another state or territory of the United States, or under the
3 laws of the United States.~~

~~4 (c) "League" means a trade association of credit unions.~~

~~5 (d) "Home office" means a place of business where all the
6 business of a credit union may be transacted.~~

~~7 (e) "Service center" means a place of business other than
8 the home office of a credit union where business of the credit
9 union authorized by the board of directors may be transacted,
10 except the keeping of the principal books and records required
11 for examination purposes.~~

~~12 (f) "Debt management" means the planning and management of
13 the financial affairs of a debtor and the receiving of money or
14 evidences of money from the debtor for distribution to the
15 debtor's creditors and debt prorating organizations in payment or
16 partial payment of the debtor's obligations.~~

~~17 (g) "Corporate central credit union" means a credit union
18 whose field of membership consists primarily of other credit
19 unions including credit unions chartered by this state, by
20 another state or territory of the United States, or by the United
21 States.~~

~~22 (h) "Officer" means the chairperson of the board,
23 vice-chairperson of the board, secretary, treasurer, general man=
24 ager, any individual given the title of "president" or "vice
25 president", an assistant treasurer, an assistant secretary, or
26 any other person specifically designated as an officer by the
27 board of directors.~~

SB 464, As Passed Senate, May 24, 2001

4

1 ~~(i) "Official" means a member of the board of directors, an~~
2 ~~officer, a member of the credit committee, if any, or a member of~~
3 ~~the supervisory committee, if any.~~

4 (A) "BANK" MEANS A BANK THAT IS ORGANIZED UNDER THE LAWS OF
5 THIS STATE, ANY OTHER STATE, THE DISTRICT OF COLUMBIA, OR A TER-
6 RITORY OR PROTECTORATE OF THE UNITED STATES, OR A NATIONAL BANK-
7 ING ASSOCIATION CHARTERED BY THE FEDERAL GOVERNMENT UNDER THE
8 NATIONAL BANK ACT, CHAPTER 106, 13 STAT. 99, AND WHOSE DEPOSITS
9 ARE INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

10 (B) "COMMISSIONER" MEANS THE COMMISSIONER OF THE OFFICE OF
11 FINANCIAL AND INSURANCE SERVICES IN THE DEPARTMENT OF CONSUMER
12 AND INDUSTRY SERVICES.

13 (C) "CORPORATE CENTRAL CREDIT UNION" MEANS A CREDIT UNION
14 WHOSE FIELD OF MEMBERSHIP CONSISTS PRIMARILY OF OTHER CREDIT
15 UNIONS INCLUDING CREDIT UNIONS CHARTERED BY THIS STATE, BY
16 ANOTHER STATE OR TERRITORY OF THE UNITED STATES, OR BY THE UNITED
17 STATES.

18 (D) "CREDIT UNION" MEANS A COOPERATIVE, NONPROFIT ASSOCIA-
19 TION, INCORPORATED UNDER THIS ACT FOR THE PURPOSES OF ENCOURAGING
20 THRIFT AMONG ITS MEMBERS, CREATING A SOURCE OF CREDIT AT RATES OF
21 INTEREST NOT GREATER THAN THE RATES OF INTEREST PERMITTED BY THE
22 CREDIT REFORM ACT, 1995 PA 162, MCL 445.1851 TO 445.1864, AND
23 PROVIDING AN OPPORTUNITY FOR ITS MEMBERS TO USE AND CONTROL THEIR
24 OWN MONEY ON A DEMOCRATIC BASIS IN ORDER TO IMPROVE THEIR ECO-
25 NOMIC AND SOCIAL CONDITION. IN PROVISIONS OF THIS ACT GOVERNING
26 THE RELATIONSHIP OF A CREDIT UNION TO 1 OR MORE OTHER CREDIT
27 UNIONS, THE TERM "CREDIT UNION" INCLUDES A CREDIT UNION

SB 464, As Passed Senate, May 24, 2001

5

1 INCORPORATED UNDER THIS ACT, UNDER THE LAWS OF ANOTHER STATE OR
2 TERRITORY OF THE UNITED STATES, OR UNDER THE LAWS OF THE UNITED
3 STATES.

4 (E) "DEBT MANAGEMENT" MEANS THE PLANNING AND MANAGEMENT OF
5 THE FINANCIAL AFFAIRS OF A DEBTOR AND THE RECEIVING OF MONEY OR
6 EVIDENCES OF MONEY FROM THE DEBTOR FOR DISTRIBUTION TO THE
7 DEBTOR'S CREDITORS AND DEBT PRORATING ORGANIZATIONS IN PAYMENT OR
8 PARTIAL PAYMENT OF THE DEBTOR'S OBLIGATIONS.

9 (F) "ELIGIBILITY RECORD DATE" MEANS THE RECORD DATE, NOT
10 LESS THAN 1 YEAR BEFORE THE ADOPTION OF A PLAN OF CONVERSION BY A
11 CREDIT UNION'S BOARD OF DIRECTORS, SET FORTH IN THE PLAN OF CON-
12 VERSION FOR DETERMINING ELIGIBLE MEMBERS OF A CONVERTING CREDIT
13 UNION.

14 (G) "FEDERALLY INSURED DEPOSITORY INSTITUTION" MEANS A STATE
15 OR NATIONAL BANK, STATE OR FEDERAL SAVINGS AND LOAN ASSOCIATION,
16 STATE OR FEDERAL SAVINGS BANK, OR STATE OR FEDERAL CREDIT UNION
17 WHOSE DEPOSITS ARE INSURED BY AN AGENCY OF THE FEDERAL GOVERNMENT
18 AND WHICH IS ORGANIZED UNDER THE LAWS OF THIS STATE, ANOTHER
19 STATE, THE DISTRICT OF COLUMBIA, THE UNITED STATES, OR A TERRI-
20 TORY OR PROTECTORATE OF THE UNITED STATES.

21 (H) "HOME OFFICE" MEANS A PLACE OF BUSINESS WHERE ALL THE
22 BUSINESS OF A CREDIT UNION MAY BE TRANSACTED.

23 (I) "LEAGUE" MEANS A TRADE ASSOCIATION OF CREDIT UNIONS.

24 (J) "MUTUAL SAVINGS AND LOAN ASSOCIATION" MEANS A SAVINGS
25 AND LOAN ASSOCIATION FOR WHICH THE ARTICLES OF INCORPORATION DO
26 NOT AUTHORIZE THE ISSUANCE OF COMMON OR PREFERRED STOCK.

SB 464, As Passed Senate, May 24, 2001

6

1 (K) "MUTUAL SAVINGS BANK" MEANS A SAVINGS BANK FOR WHICH THE
2 ARTICLES OF INCORPORATION DO NOT AUTHORIZE THE ISSUANCE OF COMMON
3 OR PREFERRED STOCK.

4 (l) "OFFICER" MEANS THE CHAIRPERSON OF THE BOARD,
5 VICE-CHAIRPERSON OF THE BOARD, SECRETARY, TREASURER, GENERAL MAN-
6 AGER, ANY INDIVIDUAL GIVEN THE TITLE OF "PRESIDENT" OR "VICE
7 PRESIDENT", AN ASSISTANT TREASURER, AN ASSISTANT SECRETARY, OR
8 ANY OTHER PERSON SPECIFICALLY DESIGNATED AS AN OFFICER BY THE
9 BOARD OF DIRECTORS.

10 (M) "OFFICIAL" MEANS A MEMBER OF THE BOARD OF DIRECTORS, AN
11 OFFICER, A MEMBER OF THE CREDIT COMMITTEE, IF ANY, OR A MEMBER OF
12 THE SUPERVISORY COMMITTEE, IF ANY.

13 (N) "SAVINGS AND LOAN ASSOCIATION" MEANS A SAVINGS ASSOCIA-
14 TION ORGANIZED UNDER THE LAWS OF THIS STATE, A SAVINGS AND LOAN
15 ASSOCIATION, BUILDING AND LOAN ASSOCIATION, OR HOMESTEAD ASSOCIA-
16 TION THAT IS ORGANIZED UNDER THE LAWS OF ANY OTHER STATE, THE
17 DISTRICT OF COLUMBIA, OR A TERRITORY OR PROTECTORATE OF THE
18 UNITED STATES, OR A FEDERAL SAVINGS ASSOCIATION ORGANIZED UNDER
19 SECTION 5 OF THE HOME OWNERS' LOAN ACT, CHAPTER 64, 48 STAT. 132,
20 12 U.S.C. 1464, AND WHOSE DEPOSITS ARE INSURED BY THE FEDERAL
21 DEPOSIT INSURANCE CORPORATION.

22 (O) "SAVINGS BANK" MEANS A SAVINGS BANK ORGANIZED UNDER THE
23 LAWS OF THIS STATE, ANY OTHER STATE, THE DISTRICT OF COLUMBIA, A
24 TERRITORY OR PROTECTORATE OF THE UNITED STATES, OR OF THE UNITED
25 STATES, AND WHOSE DEPOSITS ARE INSURED BY THE FEDERAL DEPOSIT
26 INSURANCE CORPORATION.

SB 464, As Passed Senate, May 24, 2001

7

1 (P) "SERVICE CENTER" MEANS A PLACE OF BUSINESS OTHER THAN
2 THE HOME OFFICE OF A CREDIT UNION WHERE BUSINESS OF THE CREDIT
3 UNION AUTHORIZED BY THE BOARD OF DIRECTORS MAY BE TRANSACTED,
4 EXCEPT THE KEEPING OF THE PRINCIPAL BOOKS AND RECORDS REQUIRED
5 FOR EXAMINATION PURPOSES.

6 (Q) "STOCK SAVINGS AND LOAN ASSOCIATION" MEANS A SAVINGS AND
7 LOAN ASSOCIATION FOR WHICH THE ARTICLES OF INCORPORATION AUTHO-
8 RIZE THE ISSUANCE OF CAPITAL STOCK.

9 (R) "STOCK SAVINGS BANK" MEANS A SAVINGS BANK FOR WHICH THE
10 ARTICLES OF INCORPORATION AUTHORIZE THE ISSUANCE OF CAPITAL
11 STOCK.

12 Sec. 6. (1) Credit unions shall be under the supervision of
13 the commissioner. Each credit union shall report its financial
14 condition at least annually before January 31 for its previous
15 calendar year and more often if requested by the commissioner on
16 forms supplied by the commissioner. Additional reports may be
17 required. Credit unions shall be examined at least annually by
18 the commissioner except that the commissioner may accept the
19 audit of a certified public accountant in place of an
20 examination. Each credit union shall pay an operating fee and
21 other fees as provided in this section.

22 (2) The commissioner shall charge annually an operating fee
23 to each credit union. The operating fee shall be sufficient to
24 defray the estimated expenses to be incurred by the ~~financial~~
25 ~~institutions bureau~~ OFFICE OF FINANCIAL AND INSURANCE SERVICES
26 in performing all credit union examinations and the supervision
27 of credit unions. Each credit union shall be invoiced by the

SB 464, As Passed Senate, May 24, 2001

8

1 commissioner for the operating fee before July 1 of each year and
2 shall pay the operating fee indicated on the invoice before
3 July 16 of each year. The operating fee shall be computed on the
4 total assets of the credit union as of December 31 of the previ-
5 ous year as shown on the statement of condition of the credit
6 union filed with the ~~financial institutions bureau pursuant to~~
7 COMMISSIONER UNDER subsection (1). The operating fee shall be
8 the greater of \$250.00 or a fee computed by adding all of the
9 following:

10 (a) A base fee as determined by the commissioner of not less
11 than \$1.75 or more than \$3.50 per \$1,000.00 of assets up to
12 \$500,000.00.

13 (b) A fee of 40% of the base fee per \$1,000.00 of assets
14 greater than \$500,000.00 up to \$1,000,000.00.

15 (c) A fee of 30% of the base fee per \$1,000.00 of assets
16 greater than \$1,000,000.00 up to \$5,000,000.00.

17 (d) A fee of 20% of the base fee per \$1,000.00 of assets
18 greater than \$5,000,000.00 up to \$10,000,000.00.

19 (e) A fee of 10% of the base fee per \$1,000.00 for all
20 assets greater than \$10,000,000.00.

21 (3) The commissioner shall not require a credit union to pay
22 an operating fee more often than annually. A corporate central
23 credit union shall pay an operating fee in the same manner as
24 other credit unions but the fee shall not exceed \$50,000.00
25 annually. If the commissioner fails to transmit an examination
26 report to a credit union during the preceding calendar year, the
27 credit union shall receive an operating fee credit of not less

SB 464, As Passed Senate, May 24, 2001

1 than 30% or more than 70% against its next annual operating fee.
2 The credit percentage shall be determined annually by the commis-
3 sioner and applied equally to all credit unions receiving a
4 credit.

5 (4) All funds received by the commissioner from the federal
6 government for the purpose of reimbursing the ~~financial institu-~~
7 ~~tions bureau~~ OFFICE OF FINANCIAL AND INSURANCE SERVICES for the
8 costs of credit union examinations and supervision services shall
9 be paid into the state treasury to the credit of the ~~financial~~
10 ~~institutions bureau~~ OFFICE OF FINANCIAL AND INSURANCE SERVICES.
11 The funds received under this subsection shall be used only for
12 costs relating to the examination and supervision of state
13 chartered credit unions.

14 (5) For failure to file reports when due, unless excused for
15 cause by the commissioner, the credit union shall pay \$25.00 for
16 each day of its delinquency. If the report is not filed within
17 15 days, the commissioner may revoke the credit union's certifi-
18 cate of approval and take possession of the business and property
19 of the credit union and maintain possession until the commis-
20 sioner permits it to continue business or its affairs are finally
21 liquidated.

22 (6) If the commissioner determines that the credit union is
23 insolvent or is in an unsound or unsafe condition, the commis-
24 sioner may serve notice on the credit union of his or her inten-
25 tion to revoke the certificate of approval. If for a period of
26 15 days after the notice the violation or unsound or unsafe
27 condition continues, the commissioner may revoke the certificate

SB 464, As Passed Senate, May 24, 2001

10

1 and take possession of the business and property of the credit
2 union and maintain possession until the commissioner permits it
3 to continue business or its affairs are finally liquidated
4 ~~pursuant to~~ UNDER section 20(2).

5 (7) Amendments to the bylaws or certificate of organization
6 of a credit union properly adopted shall be filed with the com-
7 missioner with the payment of a fee of \$10.00 for each amendment,
8 but not in excess of \$30.00 for any 1 filing.

9 (8) Except as provided in subsection (4), all fees required
10 by this act shall be paid into the state treasury to the credit
11 of the ~~financial institutions bureau~~ OFFICE OF FINANCIAL AND
12 INSURANCE SERVICES and the money in this account shall be used
13 only for the operation of the ~~financial institutions bureau~~
14 OFFICE OF FINANCIAL AND INSURANCE SERVICES.

15 Sec. 6c. (1) If a credit union refuses to pay its shares,
16 deposits, or other obligations in accordance with the terms under
17 which the shares, deposits, or other obligations were incurred,
18 ~~or~~ becomes insolvent, ~~or~~ refuses to submit its books,
19 papers, and records for examination by the commissioner, ~~or~~ or
20 if the commissioner determines that the credit union is in an
21 unsafe or unsound condition, the commissioner may appoint a con-
22 servator as provided in subsection (2). If a credit union is
23 found to be insolvent, ~~nothing in this section shall~~ THIS SEC-
24 TION DOES NOT preclude the commissioner from pursuing measures
25 provided for under section 20(2). A credit union ~~shall be~~ IS
26 considered insolvent when the total of share capital and deposit
27 accounts is more than the value of the assets of the credit union

SB 464, As Passed Senate, May 24, 2001

11

1 as determined by an appraisal of assets made by the commissioner
2 or other person authorized or directed by the commissioner to
3 make such an appraisal.

4 (2) If any of the grounds set forth in subsection (1) autho-
5 rizing the appointment of a conservator exist or if the commis-
6 sioner considers it necessary in order to conserve the assets of
7 ~~any~~ A credit union for the benefit of shareholders, depositors,
8 and other creditors, the commissioner may appoint a conservator
9 for the credit union and require of the conservator ~~such~~ A bond
10 and security as the commissioner considers proper. The commis-
11 sioner may appoint as conservator 1 of the examiners of the
12 ~~bureau~~ OFFICE OF FINANCIAL AND INSURANCE SERVICES or some other
13 competent and disinterested person. The ~~bureau~~ OFFICE OF
14 FINANCIAL AND INSURANCE SERVICES shall be reimbursed out of the
15 assets of the conservatorship for all sums expended by it in con-
16 nection with the conservatorship as expenses or otherwise.
17 Amounts reimbursed shall be paid into the revolving fund provided
18 for in subsection (9). A conservator upon appointment under this
19 subsection shall become an employee of the ~~bureau~~ OFFICE OF
20 FINANCIAL AND INSURANCE SERVICES. All expenses of a conservator-
21 ship shall be paid out of the assets of the credit union, upon
22 the approval of the commissioner. The expenses shall be a first
23 charge upon the assets of the credit union and shall be fully
24 paid before any final distribution or payment of dividends is
25 made to creditors or shareholders.

26 (3) The conservator, under the direction of the
27 commissioner, shall take possession of the books, records, and

SB 464, As Passed Senate, May 24, 2001

12

1 assets of the credit union, and ~~shall~~ take such action as may
2 be necessary to conserve the assets of the credit union pending
3 further disposition of its business as provided by law. The con-
4 servator may execute the discharge of any real estate mortgage
5 held as part of the assets of the credit union.

6 (4) The commissioner may require the conservator to set
7 aside and make available for withdrawal by shareholders and
8 depositors, and for payment to other creditors, on a ratable
9 basis, ~~such~~ amounts as in the opinion of the commissioner may
10 be used safely for these purposes. The commissioner may permit
11 the conservator to receive shares and deposits. Shares and
12 deposits received while the credit union is in the hands of the
13 conservator shall not be subject to any limitation as to payment
14 or withdrawal. Except as provided in subsection (7), ~~such~~
15 shares and deposits and any new assets acquired on account of the
16 deposits shall be segregated and ~~shall be~~ held especially for
17 the new shares and deposits and ~~shall~~ not ~~be~~ used to liqui-
18 date any indebtedness of the credit union existing at the time
19 that a conservator was appointed or any subsequent indebtedness
20 incurred for the purpose of liquidating any indebtedness of the
21 credit union existing at the time the conservator was appointed.
22 Shares and deposits received while the credit union is in the
23 hands of the conservator shall be kept on hand in cash, invested
24 in direct obligations of the United States, or deposited in banks
25 or other credit unions as designated by the commissioner.

26 (5) With the prior approval of the commissioner, the
27 conservator of a credit union may borrow money as necessary or

SB 464, As Passed Senate, May 24, 2001

13

1 expedient in aiding the operation, reorganization, or liquidation
2 of the credit union, including the payment of liquidating divi-
3 dends, and may secure the borrowings by the pledge, hypotheca-
4 tion, or mortgage of the assets of the credit union.

5 (6) If the commissioner is satisfied that termination of the
6 conservatorship may be done safely and would be in the public
7 interest, the commissioner may terminate the conservatorship and
8 permit the credit union to resume the transaction of its business
9 subject to ~~such~~ THE terms, conditions, and limitations as
10 PRESCRIBED BY the commissioner. ~~may prescribe.~~

11 (7) Beginning 15 days after the date on which the affairs of
12 a credit union are returned to its board of directors by the con-
13 servator, either with or without being reorganized, the provi-
14 sions of subsection (4) with respect to the segregation of shares
15 and deposits received by the credit union while in the hands of
16 the conservator and with respect to prohibiting the use of those
17 shares and deposits to liquidate the indebtedness of the credit
18 union shall no longer apply. Before the conservator returns the
19 affairs of the credit union to its board of directors, the con-
20 servator shall publish in a newspaper of general circulation in
21 the county in which the principal place of business of the credit
22 union is located a notice, in a form approved by the commission-
23 er, stating the date on which the affairs of the credit union
24 will be returned to its board of directors and that the
25 ~~provisions of subsection (4) providing~~ REQUIREMENT for segrega-
26 tion of shares and deposits received by the credit union while in
27 the hands of the conservator and prohibiting the use of those

SB 464, As Passed Senate, May 24, 2001

14

1 shares and deposits to liquidate the indebtedness of the credit
2 union will not apply beginning 15 days after ~~that date~~ THE DATE
3 THAT THE AFFAIRS OF THE CREDIT UNION ARE RETURNED TO THE BOARD OF
4 DIRECTORS. On the date of the publication of the notice, the
5 conservator shall send to each person who deposited money in the
6 credit union after the appointment of the conservator a copy of
7 the notice by mail, postage prepaid, addressed to the last known
8 address of the person as shown by the records of the credit
9 union. The conservator shall give similar notice to each person
10 making a deposit in the credit union under subsection (4) after
11 the date of the newspaper publication and before the time that
12 the affairs of the credit union are returned to its directors.

13 (8) The commissioner may permit a credit union in conserva-
14 torship to reorganize its affairs and continue in business when
15 the commissioner is satisfied that the plan for reorganization is
16 fair and equitable as to all shareholders, depositors, and other
17 creditors and is in the public interest, and has approved the
18 plan subject to ~~such~~ THE terms, conditions, and limitations as
19 PRESCRIBED BY the commissioner. ~~may prescribe.~~

20 (9) All compensation and expenses required to be reimbursed
21 to the ~~bureau~~ OFFICE OF FINANCIAL AND INSURANCE SERVICES in
22 connection with a conservatorship and all expenses for state
23 supervision of conservatorships under this act shall be deposited
24 in the state treasury and shall be credited to ~~a financial~~
25 ~~institutions bureau~~ AN OFFICE OF FINANCIAL AND INSURANCE
26 SERVICES revolving fund. Money in the fund and any interest
27 earned ~~thereon~~ shall only be disbursed on proper vouchers

SB 464, As Passed Senate, May 24, 2001

15

1 approved by the commissioner to reimburse the ~~bureau~~ OFFICE OF
2 FINANCIAL AND INSURANCE SERVICES for expenses incurred by the
3 ~~bureau~~ OFFICE OF FINANCIAL AND INSURANCE SERVICES in connection
4 with conservators of credit unions.

5 (10) The commissioner may promulgate rules as the commis-
6 sioner considers necessary in order to carry out ~~the provisions~~
7 ~~of~~ this section.

8 Sec. 25. (1) With the approval of the commissioner and upon
9 the affirmative vote of 2/3 of the members who vote on the pro-
10 posal, a credit union organized under this act may convert,
11 subject to this section, into a credit union chartered under the
12 laws of the United States or any other state, ~~or~~ THE DISTRICT
13 OF COLUMBIA, territory, OR PROTECTORATE of the United States.

14 (2) The board of directors, by a majority vote of the entire
15 board, shall approve any ~~conversion plan prior to the plan being~~
16 ~~submitted to the commissioner for approval in accordance with~~
17 ~~this subsection. Before voting to approve~~ PLAN OF CONVERSION
18 UNDER SUBSECTION (1) BEFORE SUBMITTING THE PLAN TO THE COMMIS-
19 SIONER FOR PRELIMINARY REVIEW. AT LEAST 30 DAYS BEFORE VOTING ON
20 the plan, the board of directors shall give ~~30 days' prior~~
21 notice to the credit union's members that it is considering a
22 conversion. The notice shall be mailed to the credit union's
23 membership and ~~may~~ SHALL NOT be included ~~as part of any~~ WITH
24 ANY OTHER mailing sent to the credit union's membership. The
25 notice shall include ~~a~~ ALL OF THE FOLLOWING:

26 (A) A brief statement as to why the board is considering the
27 ~~matter and a~~ CONVERSION.

SB 464, As Passed Senate, May 24, 2001

16

1 (B) A brief statement of the major positive and negative
2 effects of the proposed conversion. ~~The notice shall also state~~
3 ~~that prior to the submission of the conversion plan to the mem-~~
4 ~~bers, the board is soliciting the comments of the membership in~~
5 ~~writing and that such comments may also be sent to the~~
6 ~~commissioner. Prior to approval of the contents of the conver-~~
7 ~~sion plan, the commissioner shall consider those comments submit-~~
8 ~~ted to the board or to the commissioner.~~

9 (C) A REQUEST FOR MEMBERS' WRITTEN COMMENTS ON THE PROPOSED
10 CONVERSION.

11 (3) The commissioner shall ~~approve~~ REVIEW THE CONTENTS OF
12 THE PLAN AND MEMBER COMMENTS ON THE CONVERSION PLAN AND GRANT
13 PRELIMINARY APPROVAL OF the contents of the conversion plan
14 before the credit union BOARD presents the conversion plan to the
15 members for a vote. The commissioner shall ~~approve~~ GRANT PRE-
16 LIMINARY APPROVAL OF the contents of the conversion plan only if
17 the commissioner is satisfied of ~~both~~ ALL of the following:

18 (a) The conversion plan discloses to the members information
19 concerning the advantages and disadvantages of the proposed con-
20 version and contains a statement indicating any material differ-
21 ences in powers.

22 (b) The conversion ~~would be made for sound economic reasons~~
23 ~~and~~ would not be made to circumvent a pending supervisory action
24 that is initiated by the commissioner OR OTHER REGULATORY AGENCY
25 because of a concern over the safety and soundness of the credit
26 union.

SB 464, As Passed Senate, May 24, 2001

17

1 (C) THE CONVERTED ORGANIZATION IS LIKELY TO BE ECONOMICALLY
2 VIABLE.

3 (4) ~~(2)~~ Upon PRELIMINARY approval of the contents of the
4 conversion plan by the commissioner, the credit union shall call
5 a special meeting of the members to provide information on the
6 conversion plan. At least 14 days ~~prior to~~ BEFORE the meeting,
7 THE CREDIT UNION SHALL MAIL TO EACH MEMBER a notice of the meet-
8 ing ~~, a copy of the conversion plan,~~ and a ballot with postage
9 paid return envelope. ~~shall be mailed to all members. After the~~
10 ~~special meeting is held, the members shall be given until a spec-~~
11 ~~ified date, which shall be at least 15 days after the meeting, to~~
12 ~~return their ballots. The votes cast by members shall be counted~~
13 ~~upon the expiration of the time given to the members to return~~
14 ~~their ballots. Certified copies of all proceedings held by the~~
15 ~~board of directors and members of the credit union shall be filed~~
16 ~~with the commissioner. In addition, the credit union shall fur-~~
17 ~~nish a certified copy of consent or approval of the national~~
18 ~~credit union administration or the regulatory authority of the~~
19 ~~applicable state or territory of the United States if the consent~~
20 ~~or approval is required by the laws of the United States or by~~
21 ~~the laws of the applicable state or territory of the United~~
22 ~~States. If a credit union converting into a credit union orga-~~
23 ~~nized under the laws of another state or territory of the United~~
24 ~~States intends to maintain an office in this state, it must~~
25 ~~comply with section 4h. If all of the conditions required by~~
26 ~~this section have been met, the commissioner shall approve the~~
27 ~~conversion and the conversion shall become effective. Two copies~~

SB 464, As Passed Senate, May 24, 2001

18

1 ~~of the proceedings shall be filed in the office of the~~
2 ~~commissioner.~~ THE NOTICE SHALL STATE THE DATE, AT LEAST 15 DAYS
3 FOLLOWING THE MEETING, BY WHICH THE BALLOT SHALL BE RETURNED AND
4 THE METHODS PERMITTED FOR CASTING VOTES, DESCRIBE BRIEFLY THE
5 REASONS FOR AND THE MAJOR POSITIVE AND NEGATIVE EFFECTS OF THE
6 CONVERSION, AND STATE HOW MEMBERS MAY OBTAIN COPIES OF THE CON-
7 VERSION PLAN.

8 ~~(3) If the conversion becomes effective, all the property~~
9 ~~of the credit union, including all its right, title, and interest~~
10 ~~in and to all property of whatever kind, whether real, personal,~~
11 ~~or mixed and things in action, and every right, privilege, inter-~~
12 ~~est, and asset of any conceivable value or benefit then existing,~~
13 ~~belonging, or pertaining to it, or that would inure to it, shall~~
14 ~~immediately by act of law and without any conveyance or transfer,~~
15 ~~and without any further act or deed, be vested in and remain the~~
16 ~~property of the converted credit union. The converted credit~~
17 ~~union shall have, hold, and enjoy the property in its own right~~
18 ~~as fully and to the same extent as the property was possessed,~~
19 ~~held, and enjoyed prior to the conversion. The converted credit~~
20 ~~union shall be considered to be a continuation of the same~~
21 ~~entity. All the rights, obligations, and relations of the credit~~
22 ~~union to or in respect to any person, estate, creditor, member,~~
23 ~~depositor, trust, trustee, or beneficiary of any trust or fidu-~~
24 ~~ciary function shall remain unimpaired. The credit union shall~~
25 ~~continue to hold all the rights, obligations, relations, and~~
26 ~~trusts, and the duties and liabilities connected with them, and~~
27 ~~shall execute and perform each and every trust and relation in~~

SB 464, As Passed Senate, May 24, 2001

19

~~1 the same manner as if the credit union had not converted. The
2 conversion shall not release the credit union from its obliga-
3 tions to pay and discharge all the liabilities created by law or
4 incurred by it before the conversion, or any tax imposed by the
5 laws of this state up to the day of the conversion in proportion
6 to the time which has elapsed since the last preceding tax pay-
7 ment, or any assessment, penalty, or forfeiture imposed or
8 incurred under the laws of this state up to the date of the
9 conversion.~~

10 (5) IN ADDITION TO ACCEPTING MEMBER VOTES AT THE SPECIAL
11 MEETING, A CREDIT UNION SHALL ACCEPT MEMBER VOTES ON THE CONVER-
12 SION EITHER BY MAIL OR BY AN ALTERNATIVE METHOD HAVING THE PRIOR
13 APPROVAL OF THE COMMISSIONER, OR BOTH. THE VOTES CAST BY MEMBERS
14 SHALL BE COUNTED UPON THE EXPIRATION OF THE TIME GIVEN TO THE
15 MEMBERS TO RETURN THEIR BALLOTS. COPIES OF MEMBER COMMENTS SUB-
16 MITTED TO THE CREDIT UNION UNDER SUBSECTION (2)(C) AND CERTIFIED
17 COPIES OF RECORDS OF ALL PROCEEDINGS HELD BY THE BOARD OF DIREC-
18 TORS AND MEMBERS OF THE CREDIT UNION SHALL BE FILED WITH THE
19 COMMISSIONER. IN ADDITION, THE CREDIT UNION SHALL FURNISH A CER-
20 TIFIED COPY OF CONSENT OR APPROVAL OF THE FEDERAL REGULATORY
21 AUTHORITY OR THE REGULATORY AUTHORITY OF THE APPLICABLE STATE,
22 TERRITORY, OR PROTECTORATE OF THE UNITED STATES IF THE CONSENT OR
23 APPROVAL IS REQUIRED BY THE LAWS OF THE APPLICABLE JURISDICTION.
24 IF A CREDIT UNION CONVERTING INTO A CREDIT UNION ORGANIZED UNDER
25 THE LAWS OF ANOTHER STATE, TERRITORY, OR PROTECTORATE OF THE
26 UNITED STATES INTENDS TO MAINTAIN AN OFFICE IN THIS STATE, IT
27 MUST COMPLY WITH SECTION 4H.

SB 464, As Passed Senate, May 24, 2001

20

1 (6) IF ALL OF THE CONDITIONS REQUIRED BY THIS SECTION HAVE
2 BEEN MET, AND THE COMMISSIONER DETERMINES THAT NOTICES TO MEMBERS
3 WERE ACCURATE, TIMELY, AND NOT MISLEADING, AND THAT CONDUCT OF
4 THE VOTE ON THE CONVERSION PLAN WAS FAIR AND LAWFUL, THE COMMIS-
5 SIONER SHALL APPROVE THE CONVERSION AND THE CONVERSION SHALL
6 BECOME EFFECTIVE.

7 SEC. 25A. (1) WITH THE APPROVAL OF THE COMMISSIONER AND
8 UPON THE AFFIRMATIVE VOTE OF 2/3 OF THE MEMBERS WHO VOTE ON THE
9 PROPOSAL, A CREDIT UNION ORGANIZED UNDER THIS ACT MAY CONVERT,
10 SUBJECT TO THIS SECTION AND, IF A HOLDING COMPANY IS TO BE FORMED
11 IN CONNECTION WITH THE CONVERSION, THE REGULATIONS OF THE FEDERAL
12 RESERVE BOARD OF GOVERNORS OR OF THE OFFICE OF THRIFT SUPERVISION
13 APPLICABLE TO HOLDING COMPANIES, INTO A MUTUAL SAVINGS BANK OR
14 MUTUAL SAVINGS ASSOCIATION.

15 (2) THE BOARD OF DIRECTORS, BY A MAJORITY VOTE OF THE ENTIRE
16 BOARD, SHALL APPROVE ANY PLAN OF CONVERSION UNDER SUBSECTION (1)
17 BEFORE SUBMITTING THE PLAN TO THE COMMISSIONER FOR PRELIMINARY
18 REVIEW. AT LEAST 30 DAYS BEFORE VOTING ON THE PLAN, THE BOARD OF
19 DIRECTORS SHALL GIVE NOTICE TO THE CREDIT UNION'S MEMBERS THAT IT
20 IS CONSIDERING A CONVERSION. THE NOTICE SHALL BE MAILED TO THE
21 CREDIT UNION'S MEMBERSHIP AND SHALL NOT BE INCLUDED WITH OTHER
22 MAILINGS SENT TO THE CREDIT UNION'S MEMBERSHIP. THE NOTICE SHALL
23 INCLUDE ALL OF THE FOLLOWING:

24 (A) A BRIEF STATEMENT AS TO WHY THE BOARD IS CONSIDERING
25 CONVERSION.

26 (B) A BRIEF STATEMENT OF THE MAJOR POSITIVE AND NEGATIVE
27 EFFECTS OF THE PROPOSED CONVERSION.

SB 464, As Passed Senate, May 24, 2001

21

1 (C) A REQUEST FOR MEMBERS' WRITTEN COMMENTS ON THE PROPOSED
2 CONVERSION.

3 (3) THE COMMISSIONER SHALL REVIEW THE CONTENTS OF AND MEMBER
4 COMMENTS ON THE CONVERSION PLAN AND GRANT PRELIMINARY APPROVAL
5 BEFORE THE CREDIT UNION BOARD PRESENTS THE CONVERSION PLAN TO THE
6 MEMBERS FOR A VOTE. THE COMMISSIONER SHALL GRANT PRELIMINARY
7 APPROVAL OF THE CONTENTS OF THE CONVERSION PLAN ONLY IF THE COM-
8 MISSIONER IS SATISFIED OF ALL OF THE FOLLOWING:

9 (A) THE CONVERSION PLAN DISCLOSES TO THE MEMBERS INFORMATION
10 CONCERNING THE ADVANTAGES AND DISADVANTAGES OF THE PROPOSED CON-
11 VERSION AND CONTAINS A STATEMENT INDICATING ANY MATERIAL DIFFER-
12 ENCES IN POWERS.

13 (B) THE CONVERSION WOULD NOT BE MADE TO CIRCUMVENT A PENDING
14 SUPERVISORY ACTION THAT IS INITIATED BY THE COMMISSIONER OR OTHER
15 REGULATORY AGENCY BECAUSE OF A CONCERN OVER THE SAFETY AND SOUND-
16 NESS OF THE CREDIT UNION.

17 (C) THE CONVERSION PLAN DOES NOT PROVIDE ANY OFFICIAL OF THE
18 CREDIT UNION WITH ANY REMUNERATION OR OTHER ECONOMIC BENEFIT IN
19 CONNECTION WITH THE CONVERSION OF THE CREDIT UNION.

20 (D) THE CONVERTED ORGANIZATION IS LIKELY TO BE ECONOMICALLY
21 VIABLE.

22 (4) UPON PRELIMINARY APPROVAL OF THE CONTENTS OF THE CONVER-
23 SION PLAN BY THE COMMISSIONER, THE CREDIT UNION SHALL DO BOTH OF
24 THE FOLLOWING:

25 (A) CALL A SPECIAL MEETING OF THE MEMBERS TO PROVIDE INFOR-
26 MATION ON THE CONVERSION PLAN.

SB 464, As Passed Senate, May 24, 2001

22

1 (B) MAIL TO EACH MEMBER NOTICE OF THE PROPOSED CONVERSION 90
2 DAYS, 60 DAYS, AND 30 DAYS BEFORE THE DATE ESTABLISHED FOR THE
3 MEMBER VOTE ON THE PROPOSED CONVERSION. EACH NOTICE SHALL
4 INCLUDE ALL OF THE FOLLOWING:

5 (i) A STATEMENT OF THE POSITIVE AND NEGATIVE EFFECTS OF THE
6 PROPOSED CONVERSION.

7 (ii) A STATEMENT WHETHER THE DIRECTORS OF THE CONVERTED
8 ORGANIZATION WILL RECEIVE COMPENSATION AND THAT INTERESTED PER-
9 SONS MAY OBTAIN MORE DETAILED INFORMATION FROM THE CREDIT UNION
10 AT ITS OFFICES OR BY OTHER METHODS HAVING THE PRIOR APPROVAL OF
11 THE COMMISSIONER.

12 (iii) A STATEMENT THAT THE PROPOSED PLAN OF CONVERSION MAY
13 BE SUBSTANTIVELY AMENDED BY THE BOARD OF DIRECTORS AS A RESULT OF
14 COMMENTS FROM REGULATORY AUTHORITIES OR OTHERWISE BEFORE THE
15 MEETING, AND THAT THE PROPOSED PLAN MAY BE TERMINATED BY THE
16 BOARD OF DIRECTORS.

17 (iv) DIRECTIONS FOR OBTAINING COPIES OF THE CONVERSION
18 PLAN.

19 (v) THE DATE OF THE MEMBER VOTE ON THE CONVERSION PLAN.

20 (vi) OTHER INFORMATION AS REQUIRED BY THE COMMISSIONER.

21 (5) THE 30-DAY NOTICE REQUIRED UNDER SUBSECTION (4)(B) SHALL
22 INCLUDE THE DATE, TIME, AND PLACE OF THE SPECIAL MEMBER MEETING,
23 A BALLOT AND POSTAGE-PAID RETURN ENVELOPE, THE DATE, AT LEAST 15
24 DAYS FOLLOWING THE SPECIAL MEETING, BY WHICH THE BALLOT HAS TO BE
25 RETURNED, AND THE METHODS PERMITTED FOR CASTING VOTES.

26 (6) IF THE PLAN OF CONVERSION IS SUBSTANTIVELY AMENDED BY
27 THE BOARD OF DIRECTORS, AT LEAST 30 DAYS BEFORE THE VOTE OF THE

1 MEMBERS ON THE PROPOSAL THE CREDIT UNION SHALL PROVIDE MEMBERS
2 WITH NOTICE CONTAINING THE INFORMATION REQUIRED BY SUBPARAGRAPHS
3 (i) TO (vi) OF SUBSECTION (4)(B) THAT ACCURATELY DESCRIBES THE
4 AMENDED PLAN OF CONVERSION.

5 (7) IN ADDITION TO ACCEPTING MEMBER VOTES AT THE SPECIAL
6 MEETING, A CREDIT UNION SHALL ACCEPT MEMBERS' VOTES ON THE CON-
7 VERSION PROPOSAL EITHER BY MAIL OR BY AN ALTERNATIVE METHOD
8 HAVING THE PRIOR APPROVAL OF THE COMMISSIONER, OR BOTH. THE
9 VOTES CAST BY MEMBERS SHALL BE COUNTED UPON THE EXPIRATION OF THE
10 TIME GIVEN TO THE MEMBERS TO RETURN THEIR BALLOTS. THE CREDIT
11 UNION SHALL FILE WITH THE COMMISSIONER ALL OF THE FOLLOWING:

12 (A) CERTIFIED COPIES OF RECORDS OF ALL PROCEEDINGS HELD BY
13 THE BOARD OF DIRECTORS AND MEMBERS OF THE CREDIT UNION.

14 (B) COPIES OF MEMBER COMMENTS SUBMITTED TO THE CREDIT UNION
15 UNDER SUBSECTION (2)(C).

16 (C) A CERTIFIED COPY OF CONSENT OR APPROVAL OF THE FEDERAL
17 REGULATORY AUTHORITY OR THE REGULATORY AUTHORITY OF THE APPLICA-
18 BLE STATE, TERRITORY, OR PROTECTORATE OF THE UNITED STATES IF THE
19 CONSENT OR APPROVAL IS REQUIRED BY THE LAWS OF THE APPLICABLE
20 JURISDICTION.

21 (D) EVIDENCE THAT THE CONVERTED ORGANIZATION IS ELIGIBLE FOR
22 FEDERAL INSURANCE OF DEPOSITS.

23 (8) IF ALL OF THE CONDITIONS REQUIRED BY THIS SECTION HAVE
24 BEEN MET AND THE COMMISSIONER DETERMINES THAT NOTICES TO MEMBERS
25 WERE ACCURATE, TIMELY, AND NOT MISLEADING, AND THAT CONDUCT OF
26 THE VOTE ON THE CONVERSION PLAN WAS FAIR AND LAWFUL, THE

SB 464, As Passed Senate, May 24, 2001

24

1 COMMISSIONER SHALL APPROVE THE CONVERSION AND THE CONVERSION
2 SHALL BECOME EFFECTIVE.

3 SEC. 25B. (1) WITH THE APPROVAL OF THE COMMISSIONER AND
4 UPON THE AFFIRMATIVE VOTE OF 2/3 OF THE MEMBERS ELIGIBLE TO VOTE
5 ON THE PROPOSAL, A CREDIT UNION ORGANIZED UNDER THIS ACT MAY CON-
6 VERT, SUBJECT TO THIS SECTION, THE REGULATIONS OF THE FEDERAL
7 DEPOSIT INSURANCE CORPORATION REGARDING MUTUAL-TO-STOCK CONVER-
8 SIONS, AND, IF A HOLDING COMPANY IS TO BE FORMED IN CONNECTION
9 WITH THE CONVERSION, THE REGULATIONS OF THE FEDERAL RESERVE BOARD
10 OF GOVERNORS OR OF THE OFFICE OF THRIFT SUPERVISION APPLICABLE TO
11 HOLDING COMPANIES, INTO A BANK, STOCK SAVINGS BANK, OR STOCK SAV-
12 INGS AND LOAN ASSOCIATION.

13 (2) THE BOARD OF DIRECTORS, BY A MAJORITY VOTE OF THE ENTIRE
14 BOARD, SHALL APPROVE ANY PLAN OF CONVERSION UNDER SUBSECTION (1)
15 BEFORE SUBMITTING THE PLAN TO THE COMMISSIONER FOR PRELIMINARY
16 REVIEW. AT LEAST 30 DAYS BEFORE VOTING ON THE PLAN, THE BOARD OF
17 DIRECTORS SHALL GIVE NOTICE TO THE CREDIT UNION'S MEMBERS THAT IT
18 IS CONSIDERING A CONVERSION. THE NOTICE SHALL BE MAILED TO THE
19 CREDIT UNION'S MEMBERSHIP SEPARATE FROM ANY OTHER MAILING SENT TO
20 THE CREDIT UNION'S MEMBERSHIP. THE NOTICE SHALL INCLUDE ALL OF
21 THE FOLLOWING:

22 (A) A BRIEF STATEMENT AS TO WHY THE BOARD IS CONSIDERING
23 CONVERSION.

24 (B) A BRIEF STATEMENT OF THE MAJOR POSITIVE AND NEGATIVE
25 EFFECTS OF THE PROPOSED CONVERSION.

SB 464, As Passed Senate, May 24, 2001

25

1 (C) A FULL AND ACCURATE DESCRIPTION OF THE DIFFERENCES
2 BETWEEN A CREDIT UNION AND, AS APPROPRIATE, A BANK, SAVINGS BANK,
3 OR SAVINGS AND LOAN ASSOCIATION.

4 (D) A REQUEST FOR MEMBER WRITTEN COMMENTS ON THE PROPOSED
5 CONVERSION.

6 (3) THE CONVERSION PLAN SUBMITTED TO THE COMMISSIONER SHALL
7 INCLUDE ALL OF THE FOLLOWING:

8 (A) THE MEMBER ELIGIBILITY RECORD DATE AND THE SUBSCRIPTION
9 OFFERING PRIORITY ESTABLISHED IN CONNECTION WITH ANY PROPOSED
10 STOCK OFFERING.

11 (B) A BUSINESS PLAN, INCLUDING A DETAILED DISCUSSION OF HOW
12 THE CAPITAL ACQUIRED IN THE CONVERSION WILL BE USED, EXPECTED
13 EARNINGS FOR AT LEAST A 3-YEAR PERIOD FOLLOWING THE CONVERSION,
14 AND A JUSTIFICATION FOR ANY PROPOSED STOCK REPURCHASES.

15 (C) A FULL APPRAISAL REPORT, PREPARED BY AN INDEPENDENT
16 APPRAISER, OF THE VALUE OF THE CREDIT UNION AND THE PRICING OF
17 THE STOCK TO BE SOLD IN THE CONVERSION TRANSACTION.

18 (D) A LEGAL OPINION THAT ANY PROPOSED STOCK OFFERING COM-
19 PLIES WITH STATE AND FEDERAL LAW.

20 (E) COPIES OF NOTICES TO BE PROVIDED TO MEMBERS UNDER
21 SUBSECTION (5)(B).

22 (4) THE COMMISSIONER SHALL REVIEW THE CONTENTS OF AND MEMBER
23 COMMENTS ON THE CONVERSION PLAN AND GRANT PRELIMINARY APPROVAL
24 BEFORE THE CREDIT UNION BOARD PRESENTS THE CONVERSION PLAN TO THE
25 MEMBERS FOR A VOTE. THE COMMISSIONER SHALL GRANT PRELIMINARY
26 APPROVAL OF THE CONTENTS OF THE CONVERSION PLAN ONLY IF THE
27 COMMISSIONER IS SATISFIED OF ALL OF THE FOLLOWING:

SB 464, As Passed Senate, May 24, 2001

26

1 (A) THE CONVERSION PLAN DISCLOSES TO THE MEMBERS INFORMATION
2 CONCERNING THE ADVANTAGES AND DISADVANTAGES OF THE PROPOSED CON-
3 VERSION, PROVIDES A FULL AND ACCURATE DESCRIPTION OF THE DIFFER-
4 ENCES BETWEEN A CREDIT UNION AND A BANK, AND CONTAINS A STATEMENT
5 INDICATING ANY MATERIAL DIFFERENCES IN POWERS.

6 (B) THE CONVERSION WOULD NOT BE MADE TO CIRCUMVENT A PENDING
7 SUPERVISORY ACTION THAT IS INITIATED BY THE COMMISSIONER OR OTHER
8 REGULATORY AGENCY BECAUSE OF A CONCERN OVER THE SAFETY AND SOUND-
9 NESS OF THE CREDIT UNION.

10 (C) THE CONVERSION PLAN DOES NOT PROVIDE ANY OFFICIAL OF THE
11 CREDIT UNION WITH ANY REMUNERATION OR OTHER ECONOMIC BENEFIT IN
12 CONNECTION WITH THE CONVERSION OF THE CREDIT UNION.

13 (D) THE CONVERSION PLAN DOES NOT PERMIT THE CONVERTING
14 CREDIT UNION TO LOAN FUNDS OR OTHERWISE EXTEND CREDIT TO ANY
15 PERSON TO PURCHASE THE CAPITAL STOCK OF THE ASSOCIATION.

16 (E) THE CONVERTED ORGANIZATION IS LIKELY TO BE ECONOMICALLY
17 VIABLE.

18 (5) UPON PRELIMINARY APPROVAL OF THE CONTENTS OF THE CONVER-
19 SION PLAN BY THE COMMISSIONER, THE CREDIT UNION SHALL DO BOTH OF
20 THE FOLLOWING:

21 (A) CALL A SPECIAL MEETING OF THE MEMBERS TO PROVIDE INFOR-
22 MATION ON THE CONVERSION PLAN.

23 (B) MAIL TO EACH MEMBER NOTICE OF THE PROPOSED CONVERSION 90
24 DAYS, 60 DAYS, AND 30 DAYS BEFORE THE DATE ESTABLISHED FOR THE
25 MEMBER VOTE ON THE PROPOSED CONVERSION. EACH NOTICE SHALL
26 INCLUDE ALL OF THE FOLLOWING:

SB 464, As Passed Senate, May 24, 2001

27

1 (i) A STATEMENT OF THE POSITIVE AND NEGATIVE EFFECTS OF THE
2 PROPOSED CONVERSION.

3 (ii) A STATEMENT AS TO WHETHER THE CONVERSION PLAN INCLUDES
4 A DISTRIBUTION OF A PORTION OF THE CREDIT UNION'S NET WORTH TO
5 MEMBERS. IF THE PLAN PROVIDES FOR A DISTRIBUTION, THE NOTICE
6 SHALL DESCRIBE THE AMOUNT TO BE DISTRIBUTED, THE FORM OF THE DIS-
7 TRIBUTION, AND REQUIREMENTS FOR MEMBER ELIGIBILITY TO RECEIVE A
8 DISTRIBUTION.

9 (iii) A STATEMENT AS TO WHETHER THE DIRECTORS OF THE CON-
10 VERTED ORGANIZATION WILL RECEIVE COMPENSATION AND THAT INTERESTED
11 PERSONS MAY OBTAIN MORE DETAILED INFORMATION FROM THE CREDIT
12 UNION AT ITS OFFICES OR BY OTHER METHODS HAVING THE PRIOR
13 APPROVAL OF THE COMMISSIONER.

14 (iv) THE PAR VALUE AND APPROXIMATE NUMBER OF SHARES OF CAPI-
15 TAL STOCK TO BE ISSUED AND SOLD UNDER THE PROPOSED PLAN OF
16 CONVERSION.

17 (v) A STATEMENT THAT SAVINGS AND SHARE ACCOUNT HOLDERS WILL
18 CONTINUE TO HOLD ACCOUNTS IN THE CONVERTED ORGANIZATION IDENTICAL
19 AS TO DOLLAR AMOUNT AND GENERAL TERMS, AND THAT THEIR ACCOUNTS
20 WILL CONTINUE TO BE INSURED.

21 (vi) A STATEMENT THAT BORROWERS' LOANS WILL BE UNAFFECTED BY
22 CONVERSION, AND THAT THE AMOUNT, RATE, MATURITY, SECURITY, AND
23 OTHER CONDITIONS WILL REMAIN CONTRACTUALLY FIXED AS THEY EXISTED
24 BEFORE CONVERSION.

25 (vii) A STATEMENT THAT THE PROPOSED PLAN OF CONVERSION MAY
26 BE SUBSTANTIVELY AMENDED BY THE BOARD OF DIRECTORS AS A RESULT OF
27 COMMENTS FROM REGULATORY AUTHORITIES OR OTHERWISE BEFORE THE

SB 464, As Passed Senate, May 24, 2001

28

1 MEETING, AND THAT THE PROPOSED PLAN MAY ALSO BE TERMINATED BY THE
2 BOARD OF DIRECTORS.

3 (viii) THE DIRECTIONS FOR OBTAINING COPIES OF THE CONVERSION
4 PLAN.

5 (ix) THE DATE OF THE MEMBER VOTE ON THE CONVERSION PLAN.

6 (x) ANY OTHER INFORMATION AS REQUIRED BY THE COMMISSIONER.

7 (6) THE 30-DAY NOTICE REQUIRED UNDER SUBSECTION (5)(B) SHALL
8 INCLUDE THE DATE, TIME, AND PLACE OF THE SPECIAL MEMBER MEETING,
9 A BALLOT AND POSTAGE-PAID RETURN ENVELOPE, THE DATE, NOT SOONER
10 THAN 15 DAYS FOLLOWING THE SPECIAL MEETING, BY WHICH THE BALLOT
11 HAS TO BE RETURNED, AND THE METHODS PERMITTED FOR CASTING VOTES.

12 (7) IF THE PLAN OF CONVERSION IS SUBSTANTIVELY AMENDED BY
13 THE BOARD OF DIRECTORS, AT LEAST 30 DAYS BEFORE THE VOTE OF THE
14 MEMBERS ON THE PROPOSAL, THE CREDIT UNION SHALL PROVIDE MEMBERS
15 WITH NOTICE CONTAINING THE INFORMATION REQUIRED BY SUBPARAGRAPHS
16 (i) TO (ix) OF SUBSECTION (5)(B) THAT ACCURATELY DESCRIBES THE
17 AMENDED PLAN OF CONVERSION.

18 (8) IN ADDITION TO ACCEPTING MEMBER VOTES AT THE SPECIAL
19 MEETING, A CREDIT UNION SHALL ACCEPT MEMBERS' VOTES ON THE CON-
20 VERSION PROPOSAL EITHER BY MAIL OR BY AN ALTERNATIVE METHOD
21 HAVING THE PRIOR APPROVAL OF THE COMMISSIONER, OR BOTH. THE
22 VOTES CAST BY MEMBERS SHALL BE COUNTED UPON THE EXPIRATION OF THE
23 TIME GIVEN TO THE MEMBERS TO RETURN THEIR BALLOTS. THE CREDIT
24 UNION SHALL FILE WITH THE COMMISSIONER ALL OF THE FOLLOWING:

25 (A) CERTIFIED COPIES OF RECORDS OF ALL PROCEEDINGS HELD BY
26 THE BOARD OF DIRECTORS AND MEMBERS OF THE CREDIT UNION.

SB 464, As Passed Senate, May 24, 2001

29

1 (B) COPIES OF MEMBER COMMENTS SUBMITTED TO THE CREDIT UNION
2 UNDER SUBSECTION (2)(D).

3 (C) A CERTIFIED COPY OF CONSENT OR APPROVAL OF THE FEDERAL
4 REGULATORY AUTHORITY OR THE REGULATORY AUTHORITY OF THE APPLICA-
5 BLE STATE, TERRITORY, OR PROTECTORATE OF THE UNITED STATES IF THE
6 CONSENT OR APPROVAL IS REQUIRED BY THE LAWS OF THE APPLICABLE
7 JURISDICTION.

8 (D) EVIDENCE THAT THE CONVERTED ORGANIZATION IS ELIGIBLE FOR
9 FEDERAL INSURANCE OF DEPOSITS.

10 (8) IF ALL THE CONDITIONS REQUIRED BY THIS SECTION HAVE BEEN
11 MET, AND THE COMMISSIONER DETERMINES THAT NOTICES TO MEMBERS WERE
12 ACCURATE, TIMELY, AND NOT MISLEADING, AND THAT CONDUCT OF THE
13 VOTE ON THE CONVERSION PLAN WAS FAIR AND LAWFUL, THE COMMISSIONER
14 SHALL APPROVE THE CONVERSION AND THE CONVERSION SHALL BECOME
15 EFFECTIVE.

16 SEC. 25C. (1) EXCEPT AS PROVIDED IN SUBSECTION (2), IF A
17 CONVERSION BECOMES EFFECTIVE UNDER SECTION 25, 25A, OR 25B, ALL
18 THE PROPERTY OF THE CREDIT UNION, INCLUDING ALL ITS RIGHT, TITLE,
19 AND INTEREST IN AND TO ALL PROPERTY OF WHATEVER KIND, WHETHER
20 REAL, PERSONAL, OR MIXED AND THINGS IN ACTION, AND EVERY RIGHT,
21 PRIVILEGE, INTEREST, AND ASSET OF ANY CONCEIVABLE VALUE OR BENE-
22 FIT THEN EXISTING, BELONGING, OR PERTAINING TO IT, OR THAT WOULD
23 INURE TO IT, SHALL IMMEDIATELY BY ACT OF LAW AND WITHOUT ANY CON-
24 VEYANCE OR TRANSFER, AND WITHOUT ANY FURTHER ACT OR DEED, BE
25 VESTED IN AND REMAIN THE PROPERTY OF THE CONVERTED ORGANIZATION.
26 THE CONVERTED ORGANIZATION SHALL HAVE, HOLD, AND ENJOY THE
27 PROPERTY IN ITS OWN RIGHT AS FULLY AND TO THE SAME EXTENT AS THE

SB 464, As Passed Senate, May 24, 2001

Senate Bill No. 464 as amended May 23, 2001

30

1 PROPERTY WAS POSSESSED, HELD, AND ENJOYED BEFORE THE CONVERSION.
2 THE CONVERTED ORGANIZATION SHALL BE CONSIDERED TO BE A CONTINUA-
3 TION OF THE SAME ENTITY. ALL THE RIGHTS, OBLIGATIONS, AND RELA-
4 TIONS OF THE CREDIT UNION TO OR IN RESPECT TO ANY PERSON, ESTATE,
5 CREDITOR, MEMBER, DEPOSITOR, TRUST, TRUSTEE, COLLECTIVE BARGAINING
6 AGREEMENT, OR BENEFICIARY OF ANY TRUST OR FIDUCIARY FUNCTION SHALL REMAIN UNIMPAIRED. THE
7 CONVERTED ORGANIZATION SHALL CONTINUE TO HOLD ALL THE RIGHTS,
8 OBLIGATIONS, RELATIONS, AND TRUSTS, AND THE DUTIES AND LIABILI-
9 TIES CONNECTED WITH THEM, AND SHALL EXECUTE AND PERFORM EACH AND
10 EVERY TRUST AND RELATION IN THE SAME MANNER AS IF THE CREDIT
11 UNION HAD NOT CONVERTED. THE CONVERSION SHALL NOT RELEASE THE
12 CONVERTED ORGANIZATION FROM ITS OBLIGATIONS TO PAY AND DISCHARGE
13 ALL THE LIABILITIES CREATED BY LAW OR INCURRED BY IT BEFORE THE
14 CONVERSION, OR ANY TAX IMPOSED BY THE LAWS OF THIS STATE UP TO
15 THE DAY OF THE CONVERSION IN PROPORTION TO THE TIME WHICH HAS
16 ELAPSED SINCE THE LAST PRECEDING TAX PAYMENT, OR ANY ASSESSMENT,
17 PENALTY, OR FORFEITURE IMPOSED OR INCURRED UNDER THE LAWS OF THIS
18 STATE UP TO THE DATE OF THE CONVERSION.

19 (2) THE COMMISSIONER MAY FOR GOOD CAUSE REQUIRE A CONVERTING
20 CREDIT UNION WITHIN 1 YEAR FOLLOWING CONVERSION TO DIVEST ITSELF
21 OF AN ASSET THAT DOES NOT CONFORM TO THE LEGAL REQUIREMENTS RELA-
22 TIVE TO ASSETS ACQUIRED AND HELD BY THE CONVERTED ORGANIZATION.

23 (3) IF THE CONVERTING CREDIT UNION WAS APPOINTED IN A FIDU-
24 CIARY CAPACITY BY A COURT OR GOVERNMENTAL TRIBUNAL, AGENCY, OR
25 OFFICER, THE CONVERTED ORGANIZATION SHALL FILE AN AFFIDAVIT WITH
26 THE APPOINTING AUTHORITY SETTING FORTH THE FACT OF CONVERSION,
27 THE NAME AND ADDRESS OF THE CONVERTED ORGANIZATION, AND THE

SB 464, As Passed Senate, May 24, 2001

31

1 AMOUNT OF ITS CAPITAL AND SURPLUS. THE CONVERTED ORGANIZATION
2 ACTING AS A FIDUCIARY BY APPOINTMENT OF A COURT IS SUBJECT TO
3 REMOVAL BY A COURT OF COMPETENT JURISDICTION.

4 Sec. 26. (1) With the approval of the commissioner and com-
5 pliance with the applicable law under which it is chartered, a
6 credit union chartered under the laws of the United States or any
7 other state, ~~or territory~~ THE DISTRICT OF COLUMBIA, TERRITORY,
8 OR PROTECTORATE of the United States and meeting all the require-
9 ments to become a credit union under this act may convert to a
10 credit union organized under this act. The required certificate
11 of organization shall be executed in triplicate by a majority of
12 the board of directors of the converting credit union and
13 presented to the commissioner for appropriate examination and
14 approval. After executing the certificate of organization, a
15 majority of the directors ~~may~~ SHALL execute all other papers,
16 including the adoption of bylaws for the general government of
17 the credit union consistent with ~~the provisions of~~ this act,
18 and to do whatever ~~may be~~ IS required to complete its
19 conversion. The directors of the converting credit union may
20 continue to be directors of the credit union.

21 (2) If the commissioner approves the certificate of organi-
22 zation as presented by the board of directors, the commissioner
23 shall notify the applicants of the commissioner's decision and
24 shall immediately issue a certificate of approval attached to the
25 duplicate certificate of organization and return it to the credit
26 union. The certificate shall indicate that the laws of this
27 state have been complied with and the credit union and all its

1 members, officers, and employees shall have the same rights,
2 powers, and privileges and be subject to the same duties, liabil-
3 ities, and obligations in all respects as shall be applicable to
4 credit unions originally organized under this act.

5 (3) ~~-(2)-~~ The approval of a conversion under this section by
6 the commissioner shall be based on an examination of the credit
7 union and the proceedings had by its directors and members with
8 respect to THE conversion. ~~and a~~ A conversion shall not defeat
9 or defraud any of the creditors of the credit union. The
10 expenses of the examination shall be paid by the credit union in
11 an amount established and published by the commissioner. The
12 amount paid for the examination is not refundable. Upon approval
13 of the conversion, the credit union shall pay an operating fee,
14 determined ~~pursuant to~~ UNDER section 6, on a prorated basis for
15 the operating fee period in which the conversion becomes
16 effective. The date that the conversion becomes effective shall
17 be the basis for the proration.

18 (4) ~~-(3)-~~ If the conversion becomes effective, all the prop-
19 erty of the converted credit union, including its right, title,
20 and interest in and to all property of whatever kind, whether
21 real, personal, or mixed, and things in action, and every right,
22 privilege, interest, and asset of any conceivable value or bene-
23 fit then existing, belonging, or pertaining to it, or that would
24 inure to it, shall immediately by act of law and without any con-
25 veyance or transfer and without any further acts or deeds, be
26 vested in and remain the property of the converted credit union.
27 The converted credit union shall have, hold, and enjoy the

1 property in its own right as fully and to the same extent as the
2 property was previously possessed, held, and enjoyed by it. The
3 converted credit union shall be considered to be a continuation
4 of the same entity. All the rights, obligations, and relations
5 of the credit union to or in respect to any person, estate, cred-
6 itor, depositor, member, trustee, or beneficiary of any trust, or
7 fiduciary function, shall remain unimpaired. The credit union
8 shall continue to hold all rights, obligations, relations, and
9 trusts and the duties and liabilities connected with them, and
10 shall execute and perform each and every trust and relation in
11 the same manner as if it had after the conversion assumed the
12 trust or relation and obligations and liabilities connected with
13 the trust or relation.