

1 HB165  
2 155904-8  
3 By Representative Wren  
4 RFD: Financial Services  
5 First Read: 14-JAN-14

1  
2 ENROLLED, An Act,

3 Relating to the Credit Union Administration and the  
4 regulation of credit unions; to amend Sections 5-17-3, 5-17-6,  
5 5-17-7, 5-17-8, 5-17-11, 5-17-15, 5-17-16, 5-17-19, 5-17-22,  
6 5-17-45, and 5-17-56, Code of Alabama 1975, and to repeal  
7 Sections 5-17-25 to 5-17-28, inclusive, 5-17-49, 5-17-53, and  
8 5-2A-100 to 5-2A-103, inclusive, Code of Alabama 1975, to  
9 further provide for the regulation of credit unions and for  
10 the operation of the Credit Union Administration.

11 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

12 Section 1. Sections 5-17-3, 5-17-6, 5-17-7, 5-17-8,  
13 5-17-11, 5-17-15, 5-17-16, 5-17-19, 5-17-22, 5-17-45, and  
14 5-17-56, Code of Alabama 1975, are amended to read as follows:

15 "§5-17-3.

16 "It shall be a misdemeanor for any person,  
17 association, copartnership, l or corporation, except  
18 corporations organized in accordance with the provisions of  
19 this chapter, credit unions incorporated under the laws of the  
20 United States, l and the ~~Alabama Credit Union League~~ trade  
21 associations of credit unions doing business in this state,  
22 and other organizations as approved by the administrator, to  
23 use the words "credit union" in their name ~~or,~~ l title, l or in  
24 advertising. A ~~corporation~~ credit union organized under the  
25 provisions of this chapter shall include in its corporate name

1 or title the words "credit union." Any violation of this  
2 prohibition shall subject the party chargeable therewith to a  
3 penalty of five hundred dollars (\$500) for each day, with a  
4 maximum amount of fifty thousand dollars (\$50,000), during  
5 which the violation is committed or repeated. The penalty may  
6 be recovered by the administrator by an action instituted for  
7 that purpose, and, in addition to the penalty, the violation  
8 may be enjoined and the injunction enforced as in other cases.  
9 If the directors, officers, or those persons performing  
10 similar functions as corporate directors or officers of any  
11 entity shall knowingly and willfully violate or knowingly and  
12 willfully permit any of the officers, agents, employees, or  
13 those persons performing similar functions of the entity to  
14 violate any of the provisions of this section, each director,  
15 officer, or other person engaging in the violation shall be  
16 liable in his or her personal and individual capacity for all  
17 damages which the entity or any other person shall have  
18 sustained in consequence of the violation. Provided, however,  
19 that a credit union organized in another state may conduct  
20 business as a credit union in this state with the prior  
21 approval of the Administrator of the Alabama Credit Union  
22 Administration provided all of the following criteria are met:

23 "(1) It is organized under laws similar to Alabama  
24 credit union laws<sup>7</sup>.

25 "(2) It is financially solvent<sup>7</sup>.

1           "(3) Alabama credit unions are allowed to do  
2 business in the other state under conditions similar to these  
3 provisions~~7.~~

4           "(4) It ~~has~~ maintains member account insurance  
5 comparable to that required for Alabama credit unions~~7.~~

6           "(5) It agrees to submit to the administrator an  
7 annual examination report from its supervising agency~~7.~~

8           "(6) The interest rate on loans made in Alabama does  
9 not exceed that allowed by Alabama law~~7.~~

10           "(7) It complies with the same consumer protection  
11 provisions that are applicable to Alabama credit unions ~~must~~  
12 ~~obey; and.~~

13           "(8) It designates and maintains an agent for the  
14 service of process in Alabama.

15           "§5-17-6.

16           ~~"A member may be expelled by a two-thirds vote of~~  
17 ~~the members present at a special meeting called to consider~~  
18 ~~the matter, but only after a hearing. (a) Any member may~~  
19 withdraw from the credit union at any time, but notice of  
20 withdrawal may be required. All amounts paid on shares or as  
21 deposits of an expelled or withdrawing member, with any  
22 dividends or interest accredited thereto to the date thereof  
23 shall, as funds become available and after deducting all  
24 amounts due from the member to the credit union, be paid to  
25 ~~him~~ the individual. The credit union may require 60 days'

1 notice of intention to withdraw shares and 30 days' notice of  
2 intention to withdraw deposits. ~~Withdrawing or expelled~~  
3 ~~members shall have no further rights in the credit union but~~  
4 ~~are not, by such expulsion or withdrawal, released from any~~  
5 ~~remaining liability to the credit union.~~ A credit union may  
6 reserve in its bylaws the right to pay out not more than one  
7 half of its monthly receipts to withdrawing members and  
8 depositors.

9 "(b) The board of directors may expel a member for  
10 cause by a majority vote of a quorum of directors, pursuant to  
11 a written policy adopted by the board. For the purposes of  
12 this section, cause includes a loss to the credit union, a  
13 violation of the membership agreement or any policy or  
14 procedure adopted by the board, or inappropriate behavior such  
15 as physical or verbal abuse of credit union members or staff.  
16 All members shall be given written notice of such policies.  
17 Any person expelled by the board shall have the right to file  
18 a written appeal to the board to reconsider the expulsion.

19 "(c) A credit union may terminate the membership of  
20 any member who withdraws his or her shares to less than one  
21 par share.

22 "(d) Persons whose membership has been terminated,  
23 whether by withdrawal or expulsion, shall have no further  
24 rights in the credit union, but are not released from any  
25 obligation owed to the credit union.

1           "(e) A member who has been expelled may not be  
 2 readmitted to membership except upon approval by a majority  
 3 vote of the board after application and proof that the  
 4 applicant remains within the credit union's field of  
 5 membership, has adequately explained, addressed, or remedied  
 6 the conditions leading to expulsion, and will abide by the  
 7 terms and conditions of membership. Not more than one such  
 8 application for readmission may be made within any 12-month  
 9 calendar period.

10           "§5-17-7.

11           "~~(a) During 1986 and each year thereafter, all All~~  
 12 ~~state chartered credit unions shall pay an annual operating~~  
 13 ~~fee and, if deemed necessary by the administrator, an~~  
 14 ~~assessment, the exact amount of which shall be fixed from time~~  
 15 ~~to time by the Administrator of the Alabama Credit Union~~  
 16 ~~Administration. During 1985, credit unions shall continue to~~  
 17 ~~be charged and be liable to the Alabama Credit Union~~  
 18 ~~Administration for the examination fee presently fixed by the~~  
 19 ~~Supervisor of the Bureau of Credit Unions.~~

20           "(b) Except as hereinafter provided, the annual  
 21 operating fee set by the administrator shall not exceed the  
 22 fee calculated by use of the following scale or the  
 23 administrator may authorize payment of the schedule used by  
 24 federal credit unions if the administrator determines it to be  
 25 appropriate:

1           "(1) Credit unions having total assets of less than  
 2 \$500,000.00 shall pay a fee not in excess of \$.12 for each  
 3 \$100.00 of assets, subject to a minimum of \$200.00.

4           "~~(2) Credit unions with assets of \$500,000.00 or  
 5 more shall pay a fee of \$600.00 plus \$.05 per \$100.00 of  
 6 assets over \$500,000.00 but not in excess of \$1,000,000.00  
 7 plus three and one-half cents per \$100.00 of assets of  
 8 \$1,000,000.00 but not in excess of \$5,000,000.00 plus \$.02 per  
 9 \$100.00 of assets over \$5,000,000 but not in excess of  
 10 \$10,000,000 plus one and eight-tenths per \$100.00 on assets  
 11 over \$10,000,000.00 but not in excess of \$20,000,000.00 plus  
 12 one and six-tenths cents per \$100.00 on assets over  
 13 \$20,000,000.00 but not in excess of \$50,000,000.00, plus one  
 14 and two-tenths cents per \$100.00 on assets over \$50,000,000.00  
 15 but not in excess of \$100,000,000.00 plus \$.01 per \$100.00 on  
 16 all assets over \$100,000,000.00.~~

17           "(2) Credit unions with assets of \$500,000 but not  
 18 in excess of \$1,000,000 shall pay a fee of \$600 plus \$.05 per  
 19 \$100 of assets over \$500,000 but not in excess of \$1,000,000;  
 20 credit unions with assets of \$1,000,000 but not in excess of  
 21 \$5,000,000 shall pay a fee of \$850 plus \$.035 per \$100 of  
 22 assets of \$1,000,000 but not in excess of \$5,000,000; credit  
 23 unions with assets of \$5,000,000 but not in excess of  
 24 \$10,000,000 shall pay a fee of \$2,250 plus \$.02 per \$100 of  
 25 assets over \$5,000,000 but not in excess of \$10,000,000;

1 credit unions with assets of \$10,000,000 but not in excess of  
2 \$20,000,000 shall pay a fee of \$3,250 plus \$.018 per \$100 on  
3 assets over \$10,000,000 but not in excess of \$20,000,000;  
4 credit unions with assets of \$20,000,000 but not in excess of  
5 \$50,000,000 shall pay a fee of \$5,050 plus \$.016 per \$100 on  
6 assets over \$20,000,000 but not in excess of \$50,000,000;  
7 credit unions with assets of \$50,000,000 but not in excess of  
8 \$100,000,000 shall pay a fee of \$9,850 plus \$.013 per \$100 on  
9 assets over \$50,000,000 but not in excess of \$100,000,000;  
10 credit unions with assets of \$100,000,000 or more shall pay a  
11 fee of \$16,350 plus \$.011 per \$100 on all assets over  
12 \$100,000,000.

13 "(3) The annual operating fee for a corporate credit  
14 union shall be set by the administrator and shall not exceed  
15 the above scale.

16 "(c) ~~On one occasion~~ Annually, the administrator may  
17 fix an annual operating fee which is not more than 10 percent  
18 greater than the above fee scale if the Credit Union Board  
19 approves such fee, if said fee is not in effect for more than  
20 one year, and if the administrator establishes that such fee  
21 is necessary in order that the Alabama Credit Union  
22 Administration not be operated at a deficit and that the  
23 Alabama Credit Union Administration operated at a deficit  
24 during the preceding year assessment to ensure that the  
25 Alabama Credit Union Administration does not continue to



1 operate in a deficit for any given year. The assessment shall  
2 be approved by the Credit Union Board of the Alabama Credit  
3 Union Administration. Any credit union failing to pay the  
4 assessment within 30 days of the notice of assessment may be  
5 charged a fine not to exceed fifty dollars (\$50) for each day  
6 that the assessment remains unpaid.

7 "(d) The annual operating fee shall be paid on or  
8 before the last day of January of each year, based upon the  
9 assets of the credit union as of the end of the previous year.  
10 Any credit union failing to pay said operating fee may be  
11 charged a ~~penalty assessment~~ fine not to exceed ~~\$50.00~~ fifty  
12 dollars (\$50) for each day that said fee remains unpaid.

13 "(e) Whenever application is made to the  
14 Administrator of the Alabama Credit Union Administration for  
15 permission to organize a credit union, the applicant shall at  
16 the time of filing the certificate of organization with the  
17 Administrator of the Alabama Credit Union Administration pay a  
18 fee not to exceed ~~\$100.00~~ one thousand dollars (\$1,000) for  
19 the purpose of paying the costs incidental to the  
20 determination by the Administrator of the Alabama Credit Union  
21 Administration whether such certificate of organization shall  
22 be approved. The Administrator of the Alabama Credit Union  
23 Administration shall from time to time fix the exact charge to  
24 be made, but in no event shall the charge exceed ~~\$100.00~~ one  
25 hundred dollars (\$100). The provisions of this subsection

1 shall not apply to any existing credit union seeking charter  
2 conversion.

3 "(f) All fees collected under this section shall be  
4 paid into the special fund set up by the State Treasurer. This  
5 special fund shall be used to pay the salaries of the  
6 officials and employees and the expenses of the Alabama Credit  
7 Union Administration including the purchase of equipment,  
8 vehicles and supplies necessary for the examination and  
9 supervision of credit unions and may be spent by the  
10 Administrator of the Alabama Credit Union Administration for  
11 the uses and purposes specified herein. No taxes, fees,  
12 assessments, penalties or other revenues collected by the  
13 Alabama Credit Union Administration shall be used for any  
14 purpose other than the expenses of operating the Alabama  
15 Credit Union Administration.

16 "(g) All the jurisdiction, authority, powers and  
17 duties now conferred upon and imposed by law upon the  
18 Superintendent of Banks and the Supervisor of the Credit Union  
19 Bureau in relation to the management, control, regulation and  
20 general supervision of credit unions are hereby transferred  
21 to, conferred upon and imposed upon the Alabama Credit Union  
22 Administration and administrator.

23 "(h) All assets primarily used by the Bureau of  
24 Credit Unions, including books, records, documents, furniture,  
25 equipment and supplies are hereby transferred to the Alabama

1 Credit Union Administration. All funds in the special fund  
2 previously maintained by the State Treasurer for the Bureau of  
3 Credit Unions are hereby transferred to the Alabama Credit  
4 Union Administration. All taxes, fees, assessments, penalties  
5 or other revenues owed to or collected by the Bureau of Credit  
6 Unions are hereby transferred to the Alabama Credit Union  
7 Administration. Any employee presently employed by the  
8 Superintendent of Banks who is presently primarily involved  
9 with the Bureau of Credit Unions shall be employed by the  
10 Alabama Credit Union Administration.

11 "§5-17-8.

12 "(a) Credit unions shall report to the Administrator  
13 of the Alabama Credit Union Administration at least annually  
14 on or before January 31 on blanks supplied by the  
15 administrator for that purpose. Additional reports may be  
16 required. Credit unions shall be examined at least annually by  
17 employees of the administrator or by other persons designated  
18 by the administrator. For failure to file reports when due,  
19 unless excused for cause by the administrator, the credit  
20 union shall pay to the State Treasurer ~~of the State~~ five  
21 dollars (\$5) for each day of its delinquency.

22 "(b) If the administrator determines that the credit  
23 union is violating this chapter, or is insolvent, the  
24 administrator may suspend operations of the credit union by  
25 issuing an order requiring that the credit union cease

1 operations pending a hearing on the revocation of the  
2 certificate of approval, or the administrator may set a date  
3 for a hearing on the revocation of the certificate of approval  
4 without suspending operations of the credit union. If the  
5 administrator suspends operations of the credit union, a  
6 hearing on the revocation of the certificate of authority  
7 shall be held if requested within 90 days from the date of the  
8 order requiring suspension of operations. If demanded by the  
9 credit union, the hearing on revocation of the certificate of  
10 authority, whether or not the administrator has suspended  
11 operations of the credit union pending the hearing, shall be  
12 conducted on the record by the administrator who shall also  
13 make findings of fact and a written determination concerning  
14 revocation of the certificate of authority. The determination  
15 may contain an order requiring that credit union to  
16 immediately suspend operations or continue in effect a  
17 previous order requiring the suspension of operations. If the  
18 determination is that the credit union is violating this  
19 chapter, or is insolvent, and that the certificate of  
20 authority be revoked, and if, for a period of 15 days after  
21 the hearing, any violation continues, the administrator may  
22 revoke the certificate and take possession of the business and  
23 property of the credit union and maintain possession until the  
24 administrator shall permit it to continue business or its  
25 affairs are finally liquidated.

1           "(c) The administrator may, with the approval of a  
2 majority of the Credit Union Board of the Alabama Credit Union  
3 Administration, issue a cease and desist order upon finding  
4 that the credit union or any officer, director, committee  
5 member, or employee has done any one of the following:

6           "(1) Committed any violation of a law, rule, or  
7 regulation.

8           "(2) Engaged or participated in any unsafe or  
9 unsound practice in connection with the credit union business.

10          "(3) Engaged in any act, omission, or practice which  
11 constitutes a breach of fiduciary duty to the credit union.

12          "(4) Committed any fraudulent or questionable  
13 practice in the conduct of the credit union's business which  
14 endangers the credit union's reputation or threatens  
15 insolvency.

16          "(5) Violated any condition imposed in writing by  
17 the administrator or any written agreement made with the  
18 administrator.

19          "(6) Concealed, destroyed, removed, falsified, or  
20 perjured any book, record, paper, report, statement, or  
21 account related to the business and affairs of the credit  
22 union.

23          "Any cease and desist order shall be effective not  
24 earlier than 10 days after it is delivered to the credit  
25 union. The credit union shall have 10 days from the receipt of

1 any cease and desist order to appeal to the Credit Union Board  
2 of the Alabama Credit Union Administration by serving the  
3 administrator with a written notice of appeal within the  
4 10-day period. Upon receipt of a notice of appeal from the  
5 credit union, the effect of the cease and desist order will be  
6 suspended pending a decision upon appeal; provided that a  
7 majority of the Credit Union Board of the Alabama Credit Union  
8 Administration may order that a cease and desist order be in  
9 force and effect pending the decision on appeal. A hearing of  
10 any appeal shall be held before the Credit Union Board of the  
11 Alabama Credit Union Administration within ~~30~~ 60 days of the  
12 notice of appeal and the decision of the Credit Union Board  
13 shall be rendered within ~~15~~ 30 days after the hearing.

14 "(d) The Administrator of the Alabama Credit Union  
15 Administration may suspend from office and prohibit further  
16 participation in any manner in the conduct of the affairs of a  
17 credit union of any director, officer, committee member, or  
18 employee who has done any one of the following:

19 "(1) Committed any violation of a law, rule or  
20 regulation.

21 "(2) Engaged or participated in any unsafe or  
22 unsound practice in connection with the credit union business.

23 "(3) Engaged in any act, omission or practice which  
24 constitutes a breach of fiduciary duty to the credit union.

1           "(4) Committed any fraudulent or questionable  
 2 practice in the conduct of the credit union's business which  
 3 endangers the credit union's reputation or threatens  
 4 insolvency.

5           "(5) Violated any condition imposed in writing by  
 6 the administrator or any written agreement made with the  
 7 administrator.

8           "(6) Concealed, destroyed, removed, falsified, or  
 9 perjured any book, record, paper, report, statement, or  
 10 account related to the business and affairs of the credit  
 11 union.

12           "(7) Unless the administrator directs otherwise, the  
 13 prohibition against participation in the conduct of the  
 14 affairs of a credit union shall remain effective until it is  
 15 rescinded by a vote of the Credit Union Board of the Alabama  
 16 Credit Union Administration.

17           "(e) The Administrator of the Alabama Credit Union  
 18 Administration, ~~with the concurrence of a two-thirds majority~~  
 19 ~~of voting members of the Credit Union Board of the Alabama~~  
 20 ~~Credit Union Administration may~~ with the approval of a  
 21 majority of the Credit Union Board of the Alabama Credit Union  
 22 Administration, ex parte without notice, may appoint the  
 23 Alabama Credit Union Administration as conservator and  
 24 immediately take possession and control of the business and

1 assets of any state-chartered credit union in any case in  
 2 which any one of the following occurs:

3 "(1) The Alabama Credit Union Administration  
 4 determines that the action is necessary to conserve the assets  
 5 of any state-chartered credit union or the interests of the  
 6 members of the credit union.

7 "(2) A credit union, by resolution of its board of  
 8 directors, consents to the action by the Alabama Credit Union  
 9 Administration.

10 "(3) There is a willful violation of a  
 11 cease-and-desist order which has become final.

12 "(4) There is concealment of books, papers, records,  
 13 or assets of the credit union or refusal to submit books,  
 14 papers, records, or affairs of the credit union for inspection  
 15 to any examiner or to any lawful agent of the Alabama Credit  
 16 Union Administration.

17 "(f) Not later than 10 days after the date on which  
 18 the Alabama Credit Union Administration takes possession and  
 19 control of the business and assets of a credit union pursuant  
 20 to subsection (e), officials of the credit union who were  
 21 terminated by the conservator may apply to the circuit court  
 22 for the judicial circuit in which the principal office of the  
 23 credit union is located for an order requiring the  
 24 administration to show cause why it should not be enjoined  
 25 from continuing possession and control. Except as provided in



1 this subsection, no court may take any action, except at the  
2 request of the Credit Union Board by regulation or order, to  
3 restrain or affect the exercise of powers or functions of the  
4 board as conservator.

5 "(g) The administrator shall report to the Credit  
6 Union Board of the Alabama Credit Union Administration at  
7 least ~~quarterly~~ semi-annually on the condition of the credit  
8 unions in which the administration serves as conservator.

9 Reports shall contain the following:

10 "(1) The most recent income statement and balance  
11 sheet of the credit union.

12 "(2) Actions taken since the last report by the  
13 administrator in its role as conservator of the credit union.

14 "(3) A detailed report of all expenditures,  
15 reimbursements, and other financial considerations paid out of  
16 the assets of the credit union to the Alabama Credit Union  
17 Administration or its designated agents during  
18 conservatorship.

19 "(4) A business plan outlining necessary actions and  
20 timetables under which the credit union would remain under  
21 conservatorship.

22 "(h) The Alabama Credit Union Administration may  
23 maintain possession and control of the business and assets of  
24 the credit union and may operate the credit union until the  
25 time as the following occurs:

1           "(1) The administrator shall permit the credit union  
2 to continue business subject to the terms and conditions as  
3 may be imposed by the Alabama Credit Union Administration.

4           "(2) The credit union is liquidated in accordance  
5 with the provisions of Section 5-17-21.

6           "(3) The Credit Union Board of the Alabama Credit  
7 Union Administration votes by a ~~two-thirds~~ majority of voting  
8 members that the Alabama Credit Union Administration shall  
9 relinquish possession and control of the credit union. Such  
10 vote shall be held on at least a ~~quarterly~~ semi-annual basis  
11 while the credit union is held in conservatorship by the  
12 Alabama Credit Union Administration.

13           "(i) The Alabama Credit Union Administration may  
14 appoint agents as it considers necessary in order to assist  
15 the administration in carrying out its duties as a conservator  
16 under this section.

17           "(j) All expenses incurred by the administration in  
18 exercising its authority under this section with respect to  
19 any credit union shall be paid out of the assets of the credit  
20 union.

21           "(k) The conservator shall have all powers of the  
22 members, the directors, the officers, and the committees of  
23 the credit union and shall be authorized to operate the credit  
24 union in its own name or to conserve its assets in the manner  
25 and extent authorized by the administration.

1           "(l) After taking possession of the property and  
2 business of a credit union through conservatorship, the  
3 conservator may terminate or adopt any executory contract to  
4 which the credit union may be a party. The termination of any  
5 contracts shall be made within six months after obtaining  
6 knowledge of the existence of the contract or lease. Any  
7 provision in the contract or lease which provides for damages  
8 or cancellation fees upon termination shall not be binding on  
9 the conservator or credit union. The directors, the  
10 conservator, and the credit union are not liable for damages.

11           ~~"The credit union or any person affected by an order~~  
12 ~~may appeal by written appeal delivered to the administrator~~  
13 ~~within 10 days after the issuance of an order. In the event of~~  
14 ~~an appeal, a hearing shall be held before the Credit Union~~  
15 ~~Board of the Alabama Credit Union Administration within 30~~  
16 ~~days of the filing of an appeal and the decision shall be~~  
17 ~~rendered by the Credit Union Board within 15 days after the~~  
18 ~~hearing. Unless the administrator directs otherwise, the~~  
19 ~~prohibition against participation in the conduct of the~~  
20 ~~affairs of a credit union will remain effective until the time~~  
21 ~~it is rescinded by a vote of the Credit Union Board of the~~  
22 ~~Alabama Credit Union Administration to rescind the prohibition~~  
23 ~~against participation in the affairs of a credit union.~~

24           "(m) The administrator may appoint a temporary board  
25 of directors to any credit union subject to conservatorship.

1           "§5-17-11.

2           "(a) At the first meeting and at subsequent times  
3 prescribed in the bylaws, the directors shall elect a  
4 president. The president must be either a member of the board  
5 of directors or an employee of the credit union who is not a  
6 member of the board of directors. If the credit union elects a  
7 president who is not a member of the board of directors, the  
8 board of directors shall elect from their own number a  
9 chairman and one or more vice-chairmen of the board of  
10 directors. The board of directors shall have the power, in  
11 accordance with the bylaws, to remove any officer who is not a  
12 member of the board of directors. At the first meeting and at  
13 subsequent annual meetings prescribed in the bylaws, the  
14 directors shall elect from their own number, a secretary and  
15 treasurer, who may be the same individual. To nominate a  
16 candidate by petition, the petition should conform to the  
17 requirements as specified in the bylaws. The bylaws will state  
18 the number of members required to sign a petition which can be  
19 as few as 3 members or more as stated in the bylaws. The  
20 maximum number cannot exceed the lesser of one percent of the  
21 membership or 500 members. Candidates shall be given a minimum  
22 of 35 days from the postmark date to present a petition.

23           "(b) The duties of the officers shall be as  
24 determined in the bylaws. It shall be the duty of the

1 directors to have general management of the affairs of the  
2 credit union, particularly:

3 "(1) To act on application for membership.

4 "(2) To determine interest rates on loans and on  
5 deposits; provided, that such loans shall be at reasonable  
6 rates of interest ~~which shall not exceed one percent per month~~  
7 ~~on unpaid balances.~~

8 "(3) To fix the amount of the surety bond which  
9 shall be required of all officers and employees handling  
10 money.

11 "(4) To declare dividends, and to transmit to the  
12 members recommended amendments to the bylaws.

13 "(5) To fill vacancies in the board and in the  
14 credit committee until successors are chosen and qualify.

15 "(6) To determine the maximum individual share  
16 holdings and the maximum individual loan which can be made  
17 with and without security.

18 "(7) To have charge of investments other than loans  
19 to members.

20 "(8) To establish the par value of the share.

21 "(9) In the absence of a credit committee, and upon  
22 the written request of a member, review a loan application  
23 denied by a loan officer.

24 "(c) No member of the board or either committee  
25 shall, as such, be compensated. Notwithstanding the foregoing,

1 for their services to the credit union, providing reasonable  
2 life, accident, and similar insurance protection shall not be  
3 considered compensation. Directors, officers, and committee  
4 members may be reimbursed for necessary expenses incidental to  
5 the performance of the official business of the credit union.

6 "(d) Liability and indemnification of officers,  
7 directors, trustees, and members of the governing body of a  
8 credit union shall be the same as provided for a qualified  
9 entity in Title 10A, the Alabama Business and Nonprofit Entity  
10 Code.

11 "§5-17-15.

12 "(a) A minor, in his or her own name, may make a  
13 general or special deposit in any credit union. The deposit  
14 shall be paid only to the minor, or upon his or her order, and  
15 not to the parents or guardians of the minor, and the payment  
16 shall be valid as against the minor child and his or her  
17 parents or guardian.

18 "~~(a)~~ (b) Shares may be issued and withdrawn and  
19 deposits received and paid out in the name of a minor or in  
20 trust in such manner as the bylaws may provide. The name of  
21 the beneficiary must be disclosed to the credit union. If no  
22 other notice of the existence and terms of such trust has been  
23 given in writing to the corporation, such shares or deposits  
24 may, upon the death of the trustee, be transferred to or  
25 withdrawn by the person who was named by the trustee as the

1 beneficiary or by his legal representative, and such transfer  
2 or withdrawal shall release the corporation from liability to  
3 any other claimant upon such shares or deposit.

4 "~~(b)~~ (c) Any deposit heretofore or hereafter made in  
5 any credit union in the names of two or more persons payable  
6 to any such persons, upon the death of either of said persons,  
7 may be paid by the credit union to the survivors jointly,  
8 irrespective of whether or not:

9 "(1) The form of the deposit or deposit contract  
10 contains any provision for survivorship;

11 "(2) The funds deposited were the property of only  
12 one said person;

13 "(3) There was at the time of making such deposits  
14 any intention on the part of the person making such deposit to  
15 vest the other with a present interest therein;

16 "(4) Only one of said persons during their joint  
17 lives had the right to withdraw such deposits;

18 "(5) There was any delivery of any passbook,  
19 certificate of deposit or other writing by the person making  
20 such deposit to the other of such persons; or

21 "(6) Any other circumstances.

22 "The credit union in which such deposit is made may  
23 pay such deposit, or any part thereof or interest thereon, to  
24 either of said persons, or if one is dead, to the surviving of

1 them, and such payment shall fully release and discharge the  
 2 credit union from all liability for any payment so made.

3 ~~"(c)~~ (d) The provisions of this section shall apply  
 4 to share accounts, deposit accounts and certificates of  
 5 deposits and shall also apply to any deposit made in the names  
 6 of more than two persons where there is an expressed written  
 7 provision for survivorship in the deposit contract.

8 ~~"(d)~~ (e) Nothing contained in this section shall be  
 9 construed to prohibit the person making such deposit from  
 10 withdrawing or collecting the same during his lifetime; nor  
 11 shall anything contained in this section prohibit any person  
 12 or persons making a deposit in the names of more than one  
 13 person from providing for disposition of such deposit and  
 14 interest thereon in a manner different from that provided  
 15 above in this section, provided such different manner of  
 16 disposition is expressly provided for in writing in the  
 17 deposit contract.

18 "§5-17-16.

19 "Whenever a person shall die leaving a share or  
 20 deposit account in a credit union not exceeding ~~\$5,000.00~~ ten  
 21 thousand dollars (\$10,000), the credit union having the share  
 22 or deposit account may discharge itself from liability  
 23 thereafter by paying the funds in the share or deposit account  
 24 to the widow or surviving husband of the deceased or, if there  
 25 is no widow or surviving husband, to the persons having the



1 actual custody or control of the minor child or children of  
2 the deceased; provided, that such person, if not the legal  
3 guardian, shall execute to the probate judge of the county a  
4 bond in the penal sum of double the amount of such deposit for  
5 the faithful accounting of the money so received, which shall  
6 be approved by said probate judge, or, if there is no minor  
7 child or children, to the person or persons who under the laws  
8 of Alabama are the heirs and inherit the personal property of  
9 the deceased. No such payment is to be made before the lapse  
10 of 60 days from the date of the death of the deceased, and no  
11 such payment must be made by the credit union under this  
12 section if letters testamentary or of administration have been  
13 issued to a personal representative or a proceeding is pending  
14 to probate a will of the deceased, or if a petition of letters  
15 of administration on the estate of the deceased is pending in  
16 the court in this state which would have jurisdiction of the  
17 administration of the estate. The amount or amounts of the  
18 share or deposit account, together with the other personal  
19 property of the deceased, shall not exceed the amount of  
20 exemption allowed by law, and the credit union shall be fully  
21 protected and discharged from further liability by paying such  
22 funds to the person or persons set forth above if the credit  
23 union obtains an affidavit of some reputable citizen as to  
24 such facts.

25 "§5-17-19.

1           "(a) Every credit union shall set aside such regular  
2 reserves as are required to be set aside by the credit union  
3 in order to maintain insurance of member accounts under the  
4 provisions of Title II of the Federal Credit Union Act.

5 Additionally, any credit union may be required by the  
6 Administrator of the Alabama Credit Union Administration to  
7 maintain any special reserves which the administrator finds  
8 are necessary under the particular circumstances to protect  
9 the interests of the members.

10           "(b) Any credit union hereafter organized under this  
11 chapter shall be prohibited by the Administrator of the  
12 Alabama Credit Union Administration from beginning the active  
13 conduct of business until such time as such credit union has  
14 obtained insurance of member accounts either under the  
15 provisions of Title II of the Federal Credit Union Act or has  
16 obtained approval for private insurance under a private  
17 insurance program or carrier.

18           "(c) Any credit union which has had insurance of its  
19 accounts under Title II of the Federal Credit Union Act or a  
20 private insurance program or carrier withdrawn or cancelled  
21 must apply for such insurance within 30 days of such  
22 cancellation or withdrawal. If such credit union has not  
23 obtained such insurance within 90 days after such cancellation  
24 or withdrawal, the credit union shall either dissolve or merge  
25 with another credit union which is insured under Title II of

1 the Federal Credit Union Act or a privately insured credit  
2 union insured under a private insurance program or carrier.

3 "(d) The Administrator of the Alabama Credit Union  
4 Administration shall be vested with authority to extend the  
5 period of time within which a credit union must obtain  
6 insurance of its accounts under Title II of the Federal Credit  
7 Union Act, to permit other acceptable insurance coverage of  
8 its accounts to be utilized by a credit union and to designate  
9 into what credit union a credit union not having such  
10 insurance coverage shall be merged.

11 "(e) The Administrator of the Alabama Credit Union  
12 Administration shall make reports of condition and examination  
13 reports available to the ~~Administrator of the~~ National Credit  
14 Union Administration and, in his discretion, the Administrator  
15 of the Alabama Credit Union Administration may accept any  
16 report or examination made on behalf of the ~~Administrator of~~  
17 ~~the~~ National Credit Union Administration in lieu of an  
18 examination by the Administrator of the Alabama Credit Union  
19 Administration.

20 "§5-17-22.

21 "Any credit union may, with the approval of the  
22 Administrator of the Alabama Credit Union Administration,  
23 merge with another credit union, under the existing  
24 certificate of organization of the other credit union,  
25 pursuant to any plan agreed upon by the majority of each board

1 of directors of each credit union joining in the merger. In  
2 addition to approval by the administrator and each board of  
3 directors, the membership of the merging credit union must  
4 also approve the merger plan in the following manner:

5 "(1) At a meeting called for that purpose (notice of  
6 which purpose must be contained in the call) two thirds of  
7 those in attendance may vote to approve the merger plan.  
8 Notice of the meeting must have been mailed to the last known  
9 address of each member of the credit union at least 15 days  
10 prior to the date of the meeting.

11 "(2) After agreement by the directors and approval  
12 by the members of the merging credit union, the president and  
13 secretary of the credit union shall execute a certificate of  
14 merger which shall set forth all of the following:

15 "a. The time and place of the meeting of the board  
16 of directors at which the plan was agreed upon;

17 "b. The vote in favor of the adoption of the plan;

18 "c. A copy of the resolution or other action by  
19 which the plan was agreed upon;

20 "d. The time and place of the meeting of the members  
21 at which the plan agreed upon was approved; and

22 "e. The vote by which the plan was approved by the  
23 members.

24 "(3) Such certificate and a copy of the plan of  
25 merger agreed upon shall be forwarded to the administrator,

1 certified by him and returned to both credit unions within 30  
2 days.

3 "(4) Upon return of the certificate from the  
4 administrator, all property, property rights and members'  
5 interest of the deed, endorsement or other instrument of  
6 transfer and all debts, obligations and liabilities of the  
7 merged credit union shall be deemed to have been assumed by  
8 the surviving credit union under whose charter the merger was  
9 effected. The rights and privileges of the members of the  
10 merged credit union shall remain intact.

11 "(5) A copy of the certificate approved by the  
12 Administrator of the Alabama Credit Union Administration shall  
13 be filed with the judge of probate of the county in which each  
14 credit union's certificate of organization is recorded.

15 "(6) This section applies to credit unions organized  
16 under the laws of the State of Alabama. Federally chartered  
17 credit unions may be merged into Alabama organized credit  
18 unions, under the same conditions as Alabama credit unions;  
19 provided, that the merger plan is approved by the  
20 ~~Administrator of the National Credit Union Administration~~ or  
21 private insurance program or carrier.

22 "(7) Credit unions organized under the laws of the  
23 State of Alabama may be merged into federally chartered credit  
24 unions under the same conditions as provided in this section;  
25 provided, that the merger plan is approved by the

1 ~~Administrator of the~~ National Credit Union Administration or  
2 private insurance program or carrier.

3 "(8) A federal credit union may be converted to a  
4 credit union chartered under the laws of Alabama and a state  
5 credit union may be converted to a federal credit union by  
6 adhering to the requirements for the conversion of a federal  
7 credit union to a state credit union as specified by the  
8 Federal Credit Union Act, presently 12 U.S.C. §1771(a) (1).

9 "§5-17-45.

10 "(a) The Legislature finds as fact and determines  
11 that the credit unions having their principal place of  
12 business in Alabama must keep pace with technological and  
13 other improvements constantly being made throughout the United  
14 States so as to enable Alabama credit unions to render better  
15 and more efficient services to their members. It is necessary  
16 and desirable that the administrator be given additional  
17 authority in these fields.

18 "(b) The administrator is hereby authorized to  
19 expand powers of Alabama credit unions in order to:

20 "(1) Accommodate or take advantage of changing  
21 technologies; and,

22 "(2) Assure the ability of Alabama credit unions to  
23 be responsive in their business to the needs and conveniences  
24 demanded by credit union members through on-premises as well  
25 as off-premises operations; provided, that nothing in this

1 section shall enable the administrator to authorize credit  
2 unions to engage in activities which are not properly incident  
3 to the business of credit unions nor to enable the  
4 administrator to authorize credit unions to engage in the  
5 business of offering financial services which are now  
6 prohibited to them.

7 "No credit union having its principal place of  
8 business outside of Alabama may engage in credit union  
9 business in Alabama under the provisions of this section;  
10 provided that the administrator is authorized to enter into  
11 agreements with the appropriate regulatory authorities of  
12 other states ~~or of the United States, under the terms of which~~  
13 ~~credit unions of such foreign state or subject to federal~~  
14 ~~regulatory jurisdiction,~~ provided credit unions having their  
15 principal place of business in Alabama are given and may  
16 exercise reciprocal rights.

17 "(c) The administrator is authorized to issue  
18 regulations under subsection (b) in the same manner as other  
19 regulations of the Alabama Credit Union Administration are  
20 adopted. Any Alabama credit union covered by the provisions of  
21 subsection (b) desiring to exercise any such expanded power  
22 must secure in advance written permission of the  
23 administrator. The administrator may prescribe the form or  
24 forms for such applications for permits and may impose  
25 reasonable conditions in granting such permits.

1           " ~~(d) To the extent permitted by federal law, the~~  
2  ~~provisions hereof may be utilized by federally chartered~~  
3  ~~credit unions. The administrator may enter into supervisory~~  
4  ~~agreements, some of which may be confidential in nature, with~~  
5  ~~the Federal Reserve, the FinCen Bureau of the U.S. Treasury~~  
6  ~~Department (FINCEN), the National Credit Union Administration,~~  
7  ~~private insurance carriers, and other state or federal~~  
8  ~~successor agencies and furnish to them for their use such~~  
9  ~~reports of examination and other information in taking~~  
10  ~~enforcement and other supervisory actions.~~

11           "§5-17-56.

12           "~~The administrator shall give to each member of said~~  
13  ~~Credit Union Board and all state credit unions at least five~~  
14  ~~days' notice of the time and place of any meeting of said~~  
15  ~~board called, and a meeting may be had on less than five days'~~  
16  ~~notice if consented to by all members of said board comply~~  
17  ~~with the provisions of the Alabama Open Meetings Law, Chapter~~  
18  ~~25A of Title 36. The board shall meet not less than once every~~  
19  ~~calendar year. Any meeting of said board may be held at any~~  
20  ~~place in the state where it is called to meet by the~~  
21  ~~administrator."~~

22           Section 2. Sections 5-17-25 to 5-17-28, inclusive,  
23 5-17-49, 5-17-53, and 5-2A-100 to 5-2A-103, inclusive, Code of  
24 Alabama 1975, are repealed.



1                   Section 3. This act shall become effective on the  
2 first day of the first month following its passage and  
3 approval by the Governor, or its otherwise becoming law.

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Speaker of the House of Representatives

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President and Presiding Officer of the Senate

House of Representatives

I hereby certify that the within Act originated in  
and was passed by the House 05-MAR-14, as amended.

Jeff Woodard  
Clerk

Senate

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20-MAR-14

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Passed