ENGROSSED SENATE
BILL NO. 1341

By: Monson of the Senate

and

Nance of the House

An Act relating to banks and banking; amending 6 O.S. 1991, Section 2006, as last amended by Section 2, Chapter 141, O.S.L. 1999 (6 O.S. Supp. 1999, Section 2006), which relates to credit unions; modifying percentage of credit union assets which may consist of certain property; providing that interest income not considered valuable consideration for certain services; providing for codification; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 6 O.S. 1991, Section 2006, as last amended by Section 2, Chapter 141, O.S.L. 1999 (6 O.S. Supp. 1999, Section 2006), is amended to read as follows:

Section 2006. A credit union shall have succession in its corporate name during its existence and shall have power:

1. To make contracts;

2. To sue and be sued;

3. To adopt and use a common seal and alter the same at pleasure;

4. To purchase, lease, own, hold, and dispose of any real estate, buildings, fixtures, equipment, furniture and furnishings necessary, incidental and convenient to the operation of the credit union, the aggregate book value of which shall not exceed ~~five percent (5%)~~ seven percent (7%) of the total assets of the credit union, unless otherwise specifically approved by the State Credit Union Board. A credit union may lease to any tenants as the credit union deems appropriate any portion of the facilities or premises of the credit union which are not utilized in the conduct of the business of the credit union;

5. To make loans to its members for provident or productive purposes, the maturities of which shall not exceed fifteen (15) years, except as otherwise provided herein and except as otherwise approved by the State Credit Union Board, and extend lines of credit to its members, to other credit unions and to credit union organizations and to participate with other credit unions, credit union organizations or financial organizations in making loans to credit union members, other credit unions and credit union organizations in accordance with the following:

a. loans to credit union members shall be made in conformity with criteria established by the board of directors of the lending credit union; provided that:

(1) a real estate loan secured by a first mortgage lien may have a maturity not exceeding thirty (30) years or any longer term which may be authorized by the State Credit Union Board,

(2) a loan to finance a manufactured home, which shall be secured by a first lien on such manufactured home, or a second mortgage loan secured by a dwelling, shall have a maturity not exceeding fifteen (15) years or any longer term which may be allowed by the State Credit Union Board,

(3) a loan secured by the insurance or guarantee of, or with advance commitment to purchase the loan by, a state or federal governmental agency may be made for the maturity and under the terms and conditions specified in the state or federal law under which such insurance, guarantee or commitment is provided,

(4) a loan or aggregate of loans to a director or to a member of the supervisory committee or the

credit committee of the lending credit union which exceeds Twenty-five Thousand Dollars ($25,000.00) plus the amount of any pledged shares shall be approved by the board of directors of the lending credit union, and

(5) loans to credit union members for which any director of the lending credit union or any member of the supervisory committee or credit committee of the lending credit union acts as a guarantor or endorser shall be approved by the board of directors of the lending credit union when such loan, either standing alone or when added to any outstanding loan or loans of the guarantor or endorser, exceeds Twenty-five Thousand Dollars ($25,000.00) plus the amount of any pledged shares,

b. loans to credit union members and other eligible borrowers shall be made in accordance with and shall be paid or amortized in accordance with any rules or regulations as may be prescribed and adopted from time to time by the State Credit Union Board, after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions and such other factors as the State Credit Union Board may deem relevant,

c. unless approval by the board of directors of the lending credit union is otherwise expressly required herein, loans to credit union members and other eligible borrowers shall be approved by the credit committee or by a loan officer of the lending credit

union in accordance with criteria established by the board of directors,

d. no loan or line of credit may be made to or established for a credit union member if the amount of such loan or line of credit, when aggregated with all other outstanding loans and lines of credit made to or established for such credit union member, will cause the credit union member to be indebted to the lending credit union in an amount exceeding six percent (6%) of the paid-in and unimpaired capital and surplus of the lending credit union or six percent (6%) of the total assets of the lending credit union, whichever is greater,

e. a self-replenishing line of credit may be established by a credit union for any eligible borrower to a stated maximum amount on terms and conditions which may differ from the terms and conditions established for other eligible borrowers,

f. loans to other credit unions shall be approved by the board of directors of the lending credit union and shall not exceed twenty-five percent (25%) of the paid-in and unimpaired capital and surplus of the lending credit union,

g. loans to credit union organizations shall be approved by the board of directors of the lending credit union and shall not exceed one percent (1%) of the paid-in and unimpaired capital and surplus of the lending credit union, except as otherwise approved by the State Credit Union Board. A "credit union organization" means any organization which is established primarily to serve the needs of credit unions and whose business relates to the daily

operations of the credit unions served by such credit union organization,

h. participation loans with other credit unions, credit union organizations or other financial organizations shall be in accordance with written policies adopted by the board of directors of the lending credit union and shall be approved by the board of directors of the lending credit union. However, a credit union which originates a loan for which participation arrangements are made in accordance with this subsection shall retain an interest of at least ten percent (10%) of the face amount of such loan,

i. a credit union may participate in any guaranteed loan program of the federal government or of this state under the terms and conditions specified in the laws under which such program is provided,

j. a credit union may finance for any person, whether or not such person is a member of the credit union, the purchase from the credit union of any real or personal property owned and held by the credit union, including any property obtained by the credit union as a result of defaults in obligations owed to the credit union, and

k. a credit union may make loans to its officers and directors and to members of its supervisory and credit committees. However, such loans shall not be made on terms more favorable than those extended to other members of the credit union. A credit union may permit officers, directors and members of its supervisory and credit committees to act as co-makers, guarantors or endorsers of loans to other credit union members;

6. To receive from its members, and other credit unions, state and federal, doing business in this state, payments on shares and deposits, and to require such notice for withdrawal of shares and deposits as the bylaws may provide;

7. To amend its bylaws in the manner provided by the bylaws, but all amendments to the bylaws must be submitted to and approved by the State Credit Union Board before they become operative;

8. To invest its funds in accordance with the following:

a. investments shall be made in conformity with criteria established by the board of directors of the credit union and in accordance with any rules or regulations as may be prescribed and adopted from time to time by the State Credit Union Board, and

b. the following investments shall be authorized for credit unions:

(1) loans to credit union members and other loans authorized for credit unions under the laws of this state,

(2) obligations of the United States of America and obligations fully guaranteed as to principal and interest by any instrumentality or agency of the United States of America,

(3) general obligations and revenue obligations of any state or any political subdivision thereof; provided the aggregate of such investments shall not exceed ten percent (10%) of the paid-in and unimpaired capital and surplus of the credit union; and provided that such investments shall be limited to obligations rated among the three highest rating categories established by one or more national rating services for governmental obligations,

(4) obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board or any corporation designated by federal law as a wholly owned government corporation, or obligations, participations or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or the Government National Mortgage Association, or in mortgages, obligations or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to the Federal Home Loan Mortgage Corporation Act, or in other obligations or other instruments or securities of the Student Loan Marketing Association, or obligations, participations, securities or other instruments of or issued by or fully guaranteed as to principal and interest by any other agency of the United States of America,

(5) shares of, deposits with or loans to other federally insured credit unions in a total amount, in either case, not exceeding twenty-five percent (25%) of the paid-in and unimpaired capital and surplus of the investing credit union,

(6) shares of, or accounts or deposits with any state or federal banks, mutual savings banks and savings and loan associations, the accounts of which are insured by an agency of the federal government,

(7) shares of, deposits with or loans to any Federal Reserve Bank or any central liquidity facility established under state or federal law,

(8) shares of, deposits with or loans to any central credit union or corporate credit union organized under state or federal law,

(9) shares of, deposits with or loans to any organization, corporation or association providing services associated with the general purposes of the investing credit union or engaging in activities incidental to the operations of any credit union; provided that such investments in the aggregate may not exceed one percent (1%) of the unimpaired capital and surplus of the investing credit union,

(10) any obligations or securities authorized for investment by federal credit unions under the laws of the United States of America. However, such investments shall be in compliance with any restrictions or limitations pertaining thereto under the laws of the United States of America or under the regulations of the National Credit Union Administration,

(11) money market funds rated among the three highest rating categories established by one or more national rating services for corporate or governmental securities,

(12) shares of mutual funds if the investments and investment transactions of the fund are authorized for credit unions under the laws of this state, or

(13) such other investments or types of investments as may be authorized from time to time by the State Credit Union Board; provided that the State Credit Union Board shall not be permitted under this specific grant of authority to authorize a credit union to purchase or own real estate solely for investment purposes;

9. To make deposits in national banks and in state banks, trust companies, savings and loan associations, and credit unions organized under the laws of this state, any other state, or the United States, operating in accordance with the laws of the State of Oklahoma, or of the laws of the United States and approved by State Credit Union Board as depositories;

10. To borrow, from any source, in an aggregate amount not exceeding fifty percent (50%) of its shares, deposits and undivided earnings; such borrowed money may be borrowed either by means of bills payable or through rediscounts of its negotiable instruments, and credit unions may pledge their assets as collateral securities therefor;

11. To fine members, in accordance with the bylaws, for failure to meet their obligations promptly to their credit union;

12. To impress and enforce a lien upon the shares, deposits, dividends, and interest of any member to the extent of any loan made to him or endorsed by him and any interest or fines payable by him;

13. To charge an entrance fee as provided in the bylaws;

14. To hire clerical help; and

15. To exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

SECTION 2. NEW LAW A new section of law to be codified in the Oklahoma Statutes as Section 3003 of Title 6, unless there is created a duplication in numbering, reads as follows:

Interest income shall not be considered valuable consideration for negotiation services.

SECTION 3. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

Passed the Senate the 7th day of March, 2000.

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President of the Senate

Passed the House of Representatives the ____ day of _____, 2000.

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Speaker of the House of Representatives