

**IDAHO CREDIT UNION ACT**  
**CHAPTER 21, TITLE 26, IDAHO CODE**

**26-2101. SCOPE.** This chapter shall be known as the "Idaho Credit Union Act" and shall be applicable to all persons except federal credit unions, operating as credit unions in the state of Idaho and to such other persons as shall subject themselves to its provisions, and to such persons who shall by violating any of its provisions become subject to the penalties provided herein.

**26-2102. PURPOSE.** The purpose of this chapter is to allow groups of persons with a common bond as provided in this chapter to form private nonprofit cooperative corporations to be known as credit unions, to provide an opportunity for its members to use and control their own money in order to improve their economic and social condition, to promote thrift at a reasonable rate of return and provide a source of credit at fair and reasonable rates of interest to those persons included in the common bond.

**26-2103. SUPPLEMENTARY GENERAL PRINCIPLES OF LAW APPLICABLE.** Unless displaced by the particular provisions of this chapter, the Uniform Commercial Code, the Uniform Consumer Credit Code, the Idaho Securities Act, the corporation laws of this state and the principles of law and equity, including the law relative to capacity to contract, principal and agent, estoppel, fraud, misrepresentation, duress, coercion, mistake, bankruptcy, or other validating or invalidating cause supplement its provisions.

**26-2104. DEFINITION AND USE OF TERMS.** As used in this chapter unless the context otherwise requires:

(a) "Credit union" means a cooperative nonprofit corporation chartered under the provisions of this chapter.

(b) "Capital" means the shares of a credit union.

(c) "Director" means the director of the department of finance of the state of Idaho.

(d) "Federal supervisory agency" means the National Credit Union Administration.

(e) "Credit union services" means services such as draft and deposit sorting and posting, computation and posting of interest and other credits and charges, preparation and mailing of drafts, statements, notices, and similar items, or any other clerical, bookkeeping, accounting, statistical, or similar functions performed for a credit union.

(f) "Credit union service corporation" means a corporation organized to perform credit union services for two (2) or more credit unions, each of which owns part of the capital stock of such corporations, and which are subject to examination by either the department of finance of the state of Idaho or a federal supervisory agency.

(g) "Interstate credit union" means a credit union chartered under the provisions of this chapter or under the authority of the laws of another state and operating both in Idaho and in one (1) or more other states.

(h) "Invest" means any advance of funds to a credit union service corporation, whether by the purchase of stock, the making of a loan, or otherwise, except a payment for rent earned, goods sold and delivered, or services rendered prior to the making of such payment.

(i) "Surplus funds" means those funds which are not needed to meet a credit union's members' loan needs and credit union expenses.

(j) "Nonmembers' certificates of indebtedness" means all funds received from individuals

who are not members of the credit union must be called certificates of indebtedness and are to be shown on the books and records of the credit union as a separate and distinct category. The guaranteed rates of interest upon such certificates of indebtedness will be established by the board of directors.

**26-2105. ORGANIZATION.** Any seven (7) or more residents of the jurisdiction of the state of Idaho, of legal age, who have a common bond referred to in section 26-2110, Idaho Code, may organize a credit union and become charter members thereof by:

(a) Filing an application furnished by the director.  
(b) Executing in triplicate, articles of incorporation by the terms of which they agree to be bound, which articles shall state:

(1) The name, which shall include the words "credit union" and which must clearly indicate the common bond from which members will be taken and which is not the same name as that of any other existing credit union. A credit union may, however, do business in a name which includes only the initials of its name as it appears in its articles of incorporation and the words "credit union," and the city wherein the proposed credit union is to have its principal place of business;

(2) The term of existence of the credit union, which shall be perpetual;

(3) The par value of shares of the credit union, which shall be at least five dollars (\$5.00); and

(4) The names and addresses of the subscribers to the articles of incorporation, and the number of shares subscribed by each.

(c) Adopting bylaws for the general government of the credit union, consistent with the provisions of this chapter and executing the same in triplicate.

(d) Forwarding the required application fee, articles of incorporation and the bylaws to the director. If they conform to the statute, he shall endorse the articles of incorporation and return two (2) copies of the endorsed articles of incorporation and two (2) copies of the bylaws to the applicants of the credit union, one (1) copy of which is to be for the credit union's permanent files and the other copy to be filed with the county recorder's office in the county in which the principal place of business is located and with the department of finance. The original copy of the articles of incorporation and bylaws shall be retained by the department of finance. If the director approves or endorses the articles of incorporation, he will issue three (3) charters in original. The director shall have the authority to investigate the application for charter to determine whether the proposed credit union does meet the objectives of this chapter. The determination for the approval of the application for charter shall be under such rules and regulations as shall be adopted by the director. These rules and regulations shall give account to the number of potential members, their stability of employment or membership in the group comprising the common bond of membership and the economic characteristics of the proposed common bond. If, in the opinion of the director, the proposed credit union does not meet these objectives, the charter application shall be denied.

(e) The subscribers for a credit union charter shall not transact any business until formal approval of the charter has been received. In order to simplify the organization of credit unions, the director shall cause to be prepared a form of articles of incorporation and a form of bylaws, consistent with this chapter, which shall be used by credit union incorporators for their guidance.

(f) The articles of incorporation filed in the department of finance shall be available for inspection and a copy may be provided upon payment of an appropriate fee.

**26-2106. AMENDMENTS.** The articles of incorporation or the bylaws may be amended as provided in the bylaws. Any and all proposed amendments to the articles of incorporation or bylaws shall be submitted in writing to the director of finance for approval before they are submitted to a vote by the members. Amendments approved by the members shall become effective upon certification of member approval in writing to the director. A copy of the articles of incorporation or bylaws, as amended, shall be submitted to the director within sixty (60) days after the effective date of an amendment.

**26-2107. RESTRICTIONS.** Any person, corporation, copartnership or association, except a credit union organized under the provisions of this chapter, an interstate credit union with a permit issued under section 26-2152, Idaho Code, the federal credit union act, 48 Statute 1216 (1934), 73 Statute (1959), 12 U.S.C. 192, or the Idaho credit union league, a recognized chapter of the Idaho credit union league, using a name or title containing the words "credit union" or any derivation thereof or representing themselves in their advertising or otherwise conducting business as a credit union shall be fined not more than one thousand dollars (\$1,000) or imprisoned not more than one (1) year, or both, and may be permanently enjoined from using such words in its name.

**26-2108. CORPORATE POWERS.** A credit union shall have power to:

- (a) Make contracts.
- (b) Sue and be sued in the name of the credit union.
- (c) Adopt and use a common seal and alter same at pleasure.
- (d) Own, hold or use any real property or any interest therein as provided in section 26-2109, Idaho Code.
- (e) May require the payment of an entrance or membership fee, not to exceed one dollar (\$1.00), of any applicant admitted to membership.
- (f) Receive from its members' payments on shares and deposits, including the right to conduct Christmas share clubs, vacation clubs, and other such thrift organizations within the membership.
- (g) Lend its funds to its members as hereinafter provided.
- (h) Purchase insurance on the lives of its members in an amount equal to their respective share and loan balances.
- (i) Borrow from any financial institution or individuals in an aggregate amount not to exceed fifty per cent (50%) of its members' shares and deposits.
- (j) May invest any surplus funds in such investments as provided for in this chapter.
- (k) Make deposits in federally insured banks and savings and loan companies in Idaho, in state or federally chartered credit unions in Idaho and in the Idaho Corporate Credit Union.
- (l) Hold membership in other state or federally chartered credit unions in Idaho, in the Idaho Credit Union League, in the Idaho Corporate Credit Union and in other organizations composed of credit unions approved by the director.
- (m) Declare dividends on members' shares and fix the rates on interest paid on members' certificates of deposit, nonmembers' certificates of indebtedness, and other thrift accounts as provided for in this chapter.
- (n) Fine members for failure to meet punctually obligations to such credit union.
- (o) In the event of default, impress a lien upon the shares and deposits and accumulation of dividends and interest of any member to the extent of any loans made to him directly or

indirectly, or on which he is surety and for any dues or charges or fines payable by him; the credit union shall also have the right of setoff with respect to every such account.

(p) Relocate its head office or branches and the location of its books and records upon written notice to the director.

(q) Collect, receive and disburse monies in connection with sales of travelers' checks, money orders and for such other purposes as may provide convenience or benefit for its members.

(r) Exercise such incidental powers as are necessary to carry on the business for which it is incorporated not inconsistent with the provisions of this chapter.

(s) Form and operate a credit union service corporation as provided in section 26-2147, Idaho Code.

(t) Provide for its members, share and deposit accounts from which the member may withdraw funds by the use of a negotiable instrument.

(u) Participate in systems which allow the transfer of credit union funds or the shares or deposits of members by electronic means and hold membership in automated clearing house associations or corporations.

(v) Sell all or part of its assets to another credit union, to purchase all or part of the assets of another credit union and to assume the liabilities of the selling credit union and those of its members subject to the approval of the director.

**26-2109. LIMITATIONS OF CORPORATE POWERS.** A credit union shall have power to own, hold or use any property or any interest therein subject to the following limitations:

(a) Land and buildings: any office, branch office, customer-credit union communication terminal, drive-up teller, service center, parking lot, other facility or real estate where the credit union transacts or will transact business. The amount invested shall be limited to four and one-half per cent (4 2%) of its members' shares and deposits. This limitation may only be increased with the prior written approval of the director.

(b) Furniture, fixtures and equipment: all office furnishings including but not limited to tables, chairs, desks, file cabinets, curtains, drapes, rugs, office machines and computer hardware if the credit union does not own a central processing unit. The amount invested shall be limited to one and one-half per cent (1 2%) of its members' shares and deposits. This limitation may only be increased with the prior written approval of the director.

(c) In-house computer system: a central processing unit including all related hardware and software. The amount invested shall be limited to one and one-half per cent (1 2%) of its members' shares and deposits. This limitation may only be increased with the prior written approval of the director.

(d) The limitations enumerated in subsections (a), (b) and (c) of this section shall not extend to any real property which may be conveyed to the credit union in public satisfaction of debts previously contracted in the course of business, nor to such real estate as the credit union shall purchase at sale on judgments, decrees, mortgage or deed of trust foreclosures under securities held by the credit union, but a credit union shall not bid at such sale a larger amount than is necessary to satisfy its debts and costs. Any moneys expended in this manner shall be accounted for in a property foreclosure asset account and separated from real property used for credit union operations.

(e) The provisions of this subsection (e) shall apply only to credit unions which, as of the effective date of this section, have an amount invested in any of the categories of property enumerated in subsections (a), (b) and (c) of this section which exceed one or more of the

limitations expressed in those subsections. Any such credit union will not be in violation of this section by virtue of its having, as of the effective date of this section, an amount invested in one or more of the categories of property enumerated in subsections (a), (b) and (c) which exceed one or more of the limitations expressed in those subsections. Provided, however, that for each of the categories of property in which the amount invested by such credit union exceeds a limitation expressed in subsection (a), (b) or (c), as of the effective date of this section, such credit union may not thereafter acquire additional property of that category without the prior written approval of the director.

(f) For the purposes of this section, the amount which a credit union has invested in property of any of the enumerated categories shall be measured by the depreciated cost of that property as stated on the books of the credit union. No credit union may alter the depreciated cost of any such property stated on its books for the purpose of avoiding the requirements of this section.

**26-2110. MEMBERSHIP.** (a) The membership of a credit union shall be limited to and consist of the subscribers to the articles of incorporation and such other persons having the common bond set forth in the articles of incorporation as have been duly admitted members, have paid the entrance fee, if any, as provided in the bylaws, have subscribed and paid for one or more shares, and have complied with such other requirements as the articles of incorporation or bylaws may specify.

(b) Credit union organizations shall be limited to groups having a common bond of occupation or association, or to residents within a well-defined neighborhood, community, or rural district, employees of a common employer, or members of a bona fide fraternal, religious, cooperative, labor, rural, educational, or similar organization and members of the immediate family of such persons.

(c) Societies and associations composed entirely of individuals who are within the field of membership of the credit union may be admitted to membership in the same manner and under the same conditions as individuals.

(d) An individual who leaves the field of membership may be permitted to retain his membership in the credit union at the discretion of the board, and as provided in the bylaws.

(e) An employer, including the state and its political subdivisions, may become a member of a credit union, of which its employee is a member, only for the purpose of placing shares or deposits in the credit union pursuant to an employee deferred compensation plan qualified under chapter 400 of the internal revenue code of 1954, as amended, or other retirement plans set out in section 26-2151, Idaho Code.

(f) Credit unions may become members of other Idaho credit unions for the purposes provided in section 26-2120, Idaho Code.

**26-2111. EXPULSION AND/OR WITHDRAWAL FROM FIELD OF MEMBERSHIP.** A member of a credit union may be expelled by the board but only after an opportunity has been given him to be heard for the purpose of such expulsion. A written notice of this hearing setting forth the time, place, and date for such meeting shall be forwarded to the member by the board together with the charges which serve as the basis for the expulsion. The member may be expelled for failure to meet the conditions of his membership, failure to carry out his obligations to the credit union, conviction of a felony, neglect or refusal to comply with the provisions of the laws under which this credit union operates and the bylaws of the credit union,

and habitual neglect to pay obligations. Upon completion of the hearing, and if the board has voted to expel the member, the member shall remain liable for any sums owed to the credit union for loans or other purposes. The credit union may require twenty (20) days' written notice to withdraw shares and/or deposits by the member, as funds become available.

**26-2112. FISCAL YEAR.** The fiscal year of all credit unions organized under this chapter shall end on the last day of December.

**26-2113. MEETINGS.** ~~The annual meeting and special meetings shall be held at the time and in the manner indicated in the bylaws. At all such meetings the member shall have but one (1) vote, irrespective of his shareholdings. No member may vote by proxy, but a society or association having membership in the credit union may be represented and vote by one (1) of its members or shareholders, providing such person has been duly authorized by the governing board of said society or association to represent it.~~**MEMBER VOTING.** (1) No member may have more than one (1) vote. A natural person may not hold more than one (1) membership in a credit union on behalf of himself or herself. An organization having membership in a credit union may cast one (1) vote through a natural person agent authorized in accordance with any requirements of the credit union.

(2) Members may vote, as prescribed in the credit union's bylaws, by mail ballot, absentee ballot, or other methods, which may include electronic methods. However, no member may vote by proxy.

(3) A member who is not at least eighteen (18) years of age is not eligible to vote as a member unless otherwise provided in the credit union's bylaws.

**26-2113A. ANNUAL MEMBERSHIP MEETINGS.** (1) A credit union's annual membership meeting shall be held in the community of its principal place of business within this state, at such time as the bylaws prescribe, and shall be conducted according to the rules of procedure approved by the board. The director may, upon written request of a credit union's board of directors, authorize a credit union's annual membership meeting to be held outside of the community of its principal place of business. Written requests from the credit union's board of directors shall not include holding the credit union's annual meeting outside the state of Idaho unless a majority of the credit union's membership resides in another state.

(2) Notice of the annual membership meetings of a credit union shall be given as provided in the bylaws of the credit union.

**26-2113B. SPECIAL MEMBERSHIP MEETINGS.** (1) A special membership meeting of a credit union may be called by:

(a) A majority vote of the board;

(b) A majority vote of the supervisory committee to suspend a director for cause; or

(c) A written petition signed or similarly authenticated by at least ten percent (10%) or two thousand (2,000) of the members of a credit union, whichever is less.

(2) Call of a special membership meeting of a credit union shall be in writing submitted to the secretary of the credit union by the board, the petitioners or the supervisory committee as applicable and, shall state specifically the purpose or purposes for which the meeting is called and the agenda item or items for consideration by the members at the meeting. If the special

membership meeting is called for the removal of one (1) or more directors or supervisory committee members, the call shall state the name of each individual whose removal is sought.

(3)(a) On receipt of a call for a special membership meeting, the secretary of the credit union shall determine whether the call satisfies the requirements of this section. If so, the secretary shall determine a reasonable date, time, and place at which the special membership meeting will be held and provide notice of the special membership meeting in accordance with the requirements of this subsection. The special membership meeting must be held at a reasonable location within the county in which the principal place of business of the credit union is located, unless provided otherwise in the bylaws. The special membership meeting must be held no later than sixty (60) days after the date on which the call is received by the secretary.

(b) The secretary shall give notice of the special membership meeting at least thirty (30) days before the date of the meeting, or within such other reasonable time period as may be provided in the bylaws. The notice must state the purpose or purposes for which the special membership meeting is called and the agenda items for the meeting. If the special membership meeting is called for the removal of one (1) or more directors or supervisory committee members, the notice must state the name of each individual whose removal is sought.

(4) Except as provided in this subsection, the chairperson of the board shall preside over special membership meetings. If the purpose of the special membership meeting includes the removal of the chairperson, the next highest-ranking board officer whose removal is not sought shall preside over the meeting. If the removal of all board officers is sought, the chairperson of the supervisory committee shall preside over the special membership meeting.

(5) At the special membership meeting, only those agenda items that are stated in the notice for the meeting may be considered.

(6) Special membership meetings shall be conducted according to the rules of procedure set forth in the bylaws. If the bylaws do not specify the rules of procedure that shall govern a special membership meeting, the special membership meeting shall be conducted according to the rules of procedure approved by the board.

~~**26-2114. OFFICIAL FAMILY.** The business affairs of the credit union shall be managed by a board of directors of not less than five (5) directors, all to be elected at the annual meeting of the members, by and from the membership. A credit committee of not less than three (3) members and a supervisory committee of at least three (3) members are to be appointed by the board of directors as provided in the bylaws.~~  
**26-2114. BOARD OF DIRECTORS -- ELECTION OF DIRECTORS -- TERMS -- VACANCIES -- MEETINGS -- RULES.** (1) The business and affairs of a credit union shall be managed by a board of no fewer than five (5) and no more than fifteen (15) directors.

(2) The directors must be elected by and from the membership in conjunction with the credit union's annual membership meeting. They shall hold their offices until their successors are elected or appointed.

(3) Directors shall be elected to terms of between one (1) and three (3) years, as provided in the bylaws. If the terms are longer than one (1) year, the directors must be divided into classes, and an equal number of directors, as nearly as possible, must be elected each year.

(4) Except as provided in subsection (5) of this section, any vacancy on the board must be filled by an interim director appointed by the board, unless the interim director would serve a term

of fewer than ninety (90) days. Interim directors appointed to fill vacancies created by expansion of the board will serve until the next annual meeting of members. Other interim directors will serve out the unexpired term of the former director, unless provided otherwise in the credit union's bylaws.

(5) In the case of a merger between two (2) credit unions pursuant to section 26-2132, Idaho Code, a board member of the merging credit union may continue to serve as a board member of the continuing credit union for a period not to exceed the equivalent of the duration of his or her unexpired term on the board of the merging credit union, provided that the approved plan of merger or other agreement approved by the director provides for such service on the continuing credit union's board, with a corresponding expansion in the size of the continuing credit union's board not to exceed the limits under subsection (1) of this section.

(6)(a) The board must have at least six (6) regular meetings each year with at least one (1) of these meetings held in each calendar quarter. The board meetings must be held in the community of the credit union's principal place of business within this state. The director may, upon written request of a credit union's board of directors, authorize a credit union's board meetings to be held at another location. Written requests from the credit union's board of directors shall not include holding the credit union's board meeting outside the state of Idaho unless a majority of the credit union's membership resides in another state.

(b) The director may require the board to meet more frequently than six (6) times per year if the director finds it necessary in order to address matters the director determines necessitate more frequent meetings including, without limitation, evidence of any of the following:

(i) The credit union's current composite capital, asset, management, earnings, liquidity, and sensitivity (CAMELS) rating issued by the director is a "3," "4" or "5";

(ii) The credit union's current management component CAMELS rating issued by the director is a "3," "4" or "5";

(iii) The credit union's net worth ratio is less than seven percent (7%);

(iv) The credit union is currently in a troubled condition;

(v) In the judgment of the director, the credit union has committed an unsafe or unsound practice that has not been corrected to the satisfaction of the director and that continues to be a concern to the director, or the credit union is about to commit an unsafe or unsound practice; or

(vi) The credit union has been notified in writing by the director of a significant supervisory or financial concern.

(c) If the director determines, as set forth in paragraph (b) of this subsection, that a board of directors must meet more frequently than as set forth in paragraph (a) of this subsection, the director will send written notice to the board chair, with a copy to the credit union's manager, setting forth the director's findings underlying the determination and the required frequency of the board of directors' meetings. This notice will remain in effect until rescinded in writing by the director.

**26-2114A. BOARD MEMBERS -- QUALIFICATIONS.** (1) A member of the board of directors must be a natural person and a member of the credit union. If a member of the board of directors ceases to be a member of the credit union, that person's service as a member of the board of directors shall terminate effective on termination of membership in the credit union.



(2)(a) If a member of the board of directors is absent from more than one-fourth (1/4) of the regular board meetings in any twelve (12) month period without being reasonably excused by the board, the member shall no longer serve on the board of directors.

(b) The board shall determine whether a member of the board is excluded from service pursuant to paragraph (a) of this subsection. After such determination has been made, the board secretary shall promptly notify the member of the board that such member shall no longer serve on the board. Failure to provide notice does not affect the termination of the member's service under paragraph (a) of this subsection.

(3) A member of the board of directors must meet any qualification requirements set forth in the credit union's bylaws. If the board determines that a member fails to meet such requirements, the member shall no longer serve on the board.

(4) The operating officers and employees of the credit union may not serve as members of the board of directors of the credit union.

#### **26-2114B. OFFICIALS -- FIDUCIARY DUTY -- RELIANCE ON INFORMATION.**

(1) Officials owe a fiduciary duty to the credit union and must discharge the duties of their respective positions:

(a) In good faith;

(b) With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and

(c) In a manner the official reasonably believes to be in the best interests of the credit union.

(2) In discharging the duties of an official, the official is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:

(a) One (1) or more officers or employees of the credit union whom the official reasonably believes to be reliable and competent in the matters presented;

(b) Legal counsel, public accountants or other persons as to matters the official reasonably believes are within the person's professional or expert competence; or

(c) A committee of the board of directors or supervisory committee of which the official is not a member if the official reasonably believes the committee merits confidence.

(3) An official is not acting in good faith if the official has knowledge concerning the matter in question that makes reliance otherwise permitted by subsection (2) of this section unwarranted.

(4) An official is not liable for any action taken as a director, or any failure to take any action, if the director performed the duties of the director's office in compliance with this section.

(5) As used in this section, "official" means a member of the board of directors, board officer, supervisory committee member or senior operating officer of the credit union.

~~**26-2115. OFFICERS.** (1) Within ten (10) days following the organizational meeting and each annual meeting, the directors shall elect from their own number a chairman of the board, one (1) or more vice chairmen, and a secretary. They shall also elect any other officers that are specified in the bylaws.~~

~~(2) The terms of the officers shall be one (1) year, or until their successors are chosen and have been duly qualified. The chairman and secretary shall execute a certificate of election, on a form approved by the department of finance, which shall set forth the names and addresses of the~~

~~officers, directors, and committee members elected or appointed. One (1) copy of the certificate of election shall be filed with the department of finance within ten (10) days after such election or appointment.~~

~~(3) The duties of the officers and committees shall be prescribed in the bylaws.~~

~~(4) The board of directors shall appoint a president to act as the chief executive officer of the credit union and be in active charge of its operations.~~

~~(5) Notwithstanding any other provision of this chapter, a credit union may use any titles it chooses for the officials holding the positions described in this section, as long as such titles are not misleading.~~

**26-2115. OFFICERS.** (1) Within ten (10) days following the organizational meeting and after each annual membership meeting, the board shall elect from among its members a chair of the board, one (1) or more than one (1) vice-chair and a secretary. The board shall also elect other board officers as provided for in the credit union's bylaws for transacting the business of the board of the credit union. The terms of the board officers shall be one (1) year or until their successors are qualified and elected, unless sooner removed as provided in this chapter. All board officers must be elected members of the board.

(2) The chair and secretary shall execute a certificate of election on a form approved by the department of finance, which certificate shall set forth the names and addresses of the officers, members of the board of directors and committee members elected or appointed. One (1) copy of the certificate of election shall be filed with the department of finance within ten (10) days after such election or appointment.

(3) The board may designate as many operating officers as it deems necessary for conducting the business of the credit union including, but not limited to, a president or chief executive officer who shall be in charge of the credit union's day-to-day operations.

(4) A credit union may use any titles it chooses for the officials holding the positions described in this section as long as such titles are not misleading.

~~**26-2116. BOARD OF DIRECTORS.** The board shall have the general management of the affairs, funds, and records of the credit union and shall meet as often as necessary, but not less than once each month. It shall be the special duty of the directors to:~~

~~(a) Act upon applications for membership; or, to appoint a membership committee or membership officers from among the members of the credit union other than the treasurer, and assistant treasurer, who may be authorized by the board to approve applications for membership under such conditions as the board may prescribe; except that such committee or membership officer so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.~~

~~(b) Purchase a blanket fidelity bond in a form prescribed or approved by the director, covering the officers, employees, members of official committees, attorneys at law and other agents, with protection against loss caused by dishonesty, burglary, robbery, larceny, theft, holdup, forgery or alteration of instruments, misplacement or mysterious disappearance and for faithful performance of duty. The department of finance shall prescribe in its rules and regulations the amount of minimum bond coverage required for all credit unions according to their asset categories. At any time that a credit union does not have a bond in force and effect the board of directors of the credit union shall automatically suspend all operations of the credit union until such time as a new bond becomes effective.~~

~~(c) Determine from time to time the rate(s) of interest consistent with the provisions of~~

~~this chapter which shall be charged on loans and determine the rate(s) of interest refunds, if any, to be paid to borrowing members, the qualifications for participation, and the manner of computation and payment. Such interest rebates are to be paid from the credit balance of the current earnings period.~~

~~(d) To declare dividends and fix the rates of interest on members' certificates of deposit, nonmembers' certificates of indebtedness and other thrift accounts as provided for in this chapter.~~

~~(e) Fill vacancies occurring between annual meetings on the board, credit committee, and supervisory committee until the election or appointment and qualification of their successors.~~

~~(f) Fix from time to time the maximum amount, both secured and unsecured, which may be loaned to any one (1) member, and determine the maximum individual shareholdings.~~

~~(g) Have charge of the investment of surplus funds of the credit union in such investments as provided in this chapter.~~

~~(h) Authorize the employment of such person or persons as may be necessary to carry on the business of the credit union and shall authorize the compensation of such employees.~~

~~(i) Authorize the conveyance of property.~~

~~(j) Borrow or lend money to carry on the functions of the credit union.~~

~~(k) Designate a depository or depositories for the funds of the credit union.~~

~~(l) Upon two-thirds (2/3) approval, the board may suspend any or all members of the credit or supervisory committees for failure to perform their duties subject to a hearing to be held within twenty (20) days.~~

~~(m) Establish and provide auditing assistance requested by the supervisory committee.~~

~~(n) Any officer, director, or committee member who fails to attend regular meetings for three (3) consecutive meetings without cause, or who otherwise fails to perform any of the duties required of him as an official, may be suspended from his official position, but only after such official has been given reasonable notice of a meeting for suspension and the opportunity to be heard on such charges.~~

~~(o) Perform or authorize any action consistent with this chapter not specifically reserved by the bylaws or this chapter for the members.~~

~~(p) The board may appoint from its own members an executive committee to exercise such authority as may be delegated to it by the board between meetings of the board.~~ **26-2116. BOARD OF DIRECTORS -- POWERS AND DUTIES.** (1) The business and affairs of a credit union shall be managed by the board of directors of the credit union. The duties of the board include, but are not limited to, the duties enumerated in this section. The duties listed in subsection (2) of this section may not be delegated by the credit union's board of directors. The duties listed in subsection (3) of this section may be delegated to a committee, officer or employee, with appropriate reporting to the board.

(2) The board shall:

(a) Retain the chief executive officer, or equivalent officer as specified in the bylaws, and set the chief executive officer's compensation;

(b) Set the minimum amount of funds in a share account, if any, required for membership;

(c) Establish policies governing the operation of the credit union;

(d) Establish the conditions under which a member may be expelled for cause;

(e) Approve an annual operating budget for the credit union;

(f) Designate those persons or positions authorized to execute or certify documents or records on behalf of the credit union;

(g) Review the supervisory committee's annual report; and

- (h) Authorize the conveyance of real property and buildings.
- (3) In addition, unless delegated, the board shall:
- (a) Determine the maximum amount of shares and deposits that a member may hold in the credit union;
- (b) Set the rate of interest on deposits, including nonmember deposits, and the rate of dividends on shares and authorize the payment of dividends on shares;
- (c) Approve the charge-off of credit union losses;
- (d) Determine the investment of surplus funds of the credit union in investments permitted by this chapter;
- (e) Fill vacancies on all committees; and
- (f) Authorize the credit union to borrow or lend money as needed to carry on the functions of the credit union.

**26-2117. PENALTIES FOR OFFICIAL MISCONDUCT.** Any officer, director, or committee member or loan officer of a credit union who knowingly permits a loan to be made or participates in a loan to a nonmember is guilty of a misdemeanor and shall be primarily liable to the credit union for the amount thus illegally loaned and the illegality of such a loan shall be no defense in any action of the credit union to recover on the loan.

Any officer, director, committee member, agent or employee who knowingly makes or subscribes to false entries or exhibits a false or fictitious paper, instrument, or security to a person authorized to examine the credit union books and records shall be guilty of a felony.

Any officer, director, committee member, agent or employee who receives payments on shares knowing the credit union is insolvent shall be guilty of a misdemeanor.

~~**26-2118. CREDIT COMMITTEE.** The credit committee shall have the general supervision of all loans to members. It shall be the duty of the credit committee to review all applications for loans, to ascertain whether or not such loan would be for a provident and productive purpose and would benefit the applicant, and to determine whether or not the security offered, in its judgment, is sufficient and the terms of the application proper. The credit committee shall meet as often as may be required, and at least once each month to review delinquent loans, and shall keep a record of all actions taken at each meeting and shall submit a written report to the members at the annual meetings and to the board monthly.~~

~~The credit committee, upon approval of the board, may appoint one (1) or more loan officers to act under the supervision of the credit committee and such loan officer, when so appointed, may make loans without necessity for a meeting of or approval by any members of the credit committee, as provided in the bylaws. No more than one (1) member of the credit committee may serve in the position of loan officer. No individual shall have authority to disburse funds of the credit union for any loan which has been approved by him in his capacity as loan officer except that the loan officer may disburse loans approved by him which are fully secured by shares or which do not exceed the credit union's unsecured loan limit set by the board of directors.~~

~~No member of the credit committee may serve as a member of the board of directors or supervisory committee while serving as a member of the credit committee.~~ **26-2118. CREDIT COMMITTEE -- APPOINTMENT -- DUTIES.** (1) The board may appoint a credit committee. The credit committee shall have the general supervision of all loans to members. It shall be the duty of the credit committee to review all applications for loans, to ascertain whether the loan would be for a provident or productive purpose, to determine whether the applicant qualifies for

the loan under the credit union's loan and underwriting policies, and to determine whether the security offered, in the credit committee's judgment, is sufficient, and whether the requested terms of the loan are in accordance with the credit union's loan and underwriting policies.

(2) The credit committee shall meet as often as necessary and at least once each month to review delinquent loans. The credit committee shall keep a record of all actions taken at each meeting and shall submit a written report to the members at the annual meetings and to the board monthly.

(3) The credit committee, upon approval by the board, may appoint one (1) or more loan officers to act under the supervision of the credit committee, and a loan officer, when appointed, may make loans without the necessity for a meeting or of approval by any members of the credit committee, as provided in the bylaws. No more than one (1) member of the credit committee may serve in the position of loan officer. No individual shall have authority to disburse funds of the credit union for any loan that has been approved by him in his capacity as loan officer, except that the loan officer may disburse loans approved by him that are fully secured by shares or that do not exceed the credit union's unsecured loan limit set by the board of directors.

(4) No member of the credit committee may serve as a member of the board of directors or supervisory committee while serving as a member of the credit committee.

**26-2119. LOANS TO MEMBERS.** (a) A credit union may loan to members for a provident or productive purpose and upon such security as the bylaws may provide, and the credit committee or loan officer shall approve. If permitted by law the borrowing members may be charged for the cost of filing fees on security instruments in connection with the transaction. Every application for a loan shall be made upon a form, which the credit committee prescribes and the board approves, which shall state the purpose for which the loan is desired and the security, if any, offered. Every loan shall be evidenced by a written instrument. No secured or unsecured loan shall be made to any member in excess of the limits set by written board policy. No loan shall be made unless it has been approved in writing by a loan officer or has received majority approval of the members of the credit committee present when the loan was considered, which members present shall constitute at least a majority of the credit committee.

(b) Loans may be made to, cosigned, endorsed, or guaranteed by members of the board, credit committee, and supervisory committee under the same general terms and conditions as to other members of the credit union. Any loan made to, cosigned, endorsed or guaranteed by members of the official family shall require the additional two-thirds (2/3) written agreement of all members of the board and credit committee where such loan or aggregate of such loans exceed the unsecured loan limit of the credit union plus the unencumbered share balance of the borrowing official.

(c) Loans may be granted to members of the credit union, secured by a first mortgage or deed of trust on improved real estate. Such loans shall not exceed eighty percent (80%) of the appraised value of the real estate made by an independent qualified appraiser and such loans shall provide additionally substantial equal monthly payments for the payment of insurance premiums and taxes assessed against the security, or in lieu thereof, the credit union may accept the assignment of a savings passbook. The total outstanding balance of loans secured by a mortgage or deed of trust on real estate shall not exceed fifteen percent (15%) of the members' shares and deposits in the credit union, and shall be amortized in monthly payments for a maturity of not more than twenty (20) years. Notwithstanding the above, a credit union may make residential real estate loans which are made to finance the acquisition of a one (1) to four (4) family dwelling for the

principal residence of a credit union member, which is secured by a first lien upon such dwelling, and which may have a maturity not exceeding thirty (30) years, if the credit union has previously obtained a commitment to sell the loan on the secondary market and does sell the loan no later than ninety (90) days from the date the funds are disbursed.

(d) A credit union may advance funds secured by a second mortgage or deed of trust on real estate. The total balance of the first and second mortgage or deed of trust combined shall not exceed eighty percent (80%) of the appraised value of the real property secured by the mortgage or deed of trust. Total second mortgage loans or deeds of trust on real estate shall not exceed ten percent (10%) of the members' shares and deposits in the credit union. At the time a loan secured by a second mortgage or deed of trust is granted the credit union must have an appraisal performed by an independent qualified appraiser.

(e) A credit union may loan to members under the provisions of titles I and II of the national housing act and such insurance on these loans shall be deemed adequate security. The terms of such loans shall be as defined by the credit committee or under the provisions of titles I and II of the national housing act.

(f) In addition to generally accepted types of security, the assignment of shares in a manner consistent with the laws of Idaho, shall be deemed security within the meaning of this chapter and the adequacy of all securities shall be within the determination of the credit committee or loan officer subject to the provisions of this chapter and the bylaws. A member may pay the whole or any part of his loan on any day in which the credit union office is open for business.

(g) The credit committee, or when authorized, the loan officer, may approve in advance upon application by a member, an extension of credit, and loans may be granted to such members within the limits of such extension of credit. Where an extension of credit has been approved, applications for loans need no further consideration as long as the aggregate obligation does not exceed the limits of such extension of credit. The credit committee shall, at least once a year, review all extensions of credit and any extension of credit shall expire if the member becomes more than sixty (60) days delinquent in his obligations to the credit union.

(h) The director may, in his discretion, require any credit union to obtain a certified appraisal on any real estate secured loan.

**26-2120. LOANS TO OTHER CREDIT UNIONS WHO ARE MEMBERS.** A credit union may make loans to other credit unions who are its members with a maximum maturity of one (1) year and in an amount that shall not in total exceed ten percent (10%) of the shares and certificates of deposit of the credit union.

~~**26-2121. SUPERVISORY COMMITTEE.** (a) The supervisory committee shall make or cause to be made, at least annually, an examination of the affairs of the credit union, including an audit of its accounting records and reports; shall submit a written report of its annual examination and audit to the board and to the members at the next annual meeting of the credit union.~~

~~(b) The supervisory committee shall cause the passbook and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once each year. The term "accounts" shall include any passbook, loan account, statement of accounts, or other pertinent or related record.~~

~~(c) Additional audits, examinations or verifications of member accounts may be made as deemed necessary by the supervisory committee or as directed by the board of directors.~~

~~(d) If the annual examination is not conducted by the supervisory committee or is deemed~~

~~to be unsatisfactory to the director, the board of directors of the credit union may be required by the director to contract for an outside examination acceptable to the director.~~

~~(e) Notwithstanding any other provision of law to the contrary, the supervisory committee of a state or federally chartered credit union may contract with the Idaho credit union league, or any of its subsidiary organizations, for preparation of any reports the supervisory committee is required by law to submit to the board of directors, and the Idaho credit union league, or its subsidiaries, may perform such function on behalf of the supervisory committee and any report prepared thereby may be accepted by the board of directors or any governmental entity in lieu of any supervisory committee report required under this section.~~

~~(f) By unanimous vote, the supervisory committee, if it deems such action to be necessary to the proper conduct of the credit union, may suspend any officer, director or member of the committee and call the members together to act on such suspension. The members at said meeting may sustain such suspension and remove said officer permanently or may reinstate said officer.~~

~~(g) By majority vote the supervisory committee may call a special meeting of the members to consider any matter submitted to it by said meeting.~~ **26-2121. SUPERVISORY COMMITTEE -- MEMBERSHIP -- TERMS -- VACANCIES.**

(1) A supervisory committee of at least three (3) members must be appointed by the board as provided in the bylaws. Members of the supervisory committee shall serve a term of one (1) to three (3) years, unless sooner removed under this chapter or until their successors are qualified and elected or appointed. The members of the supervisory committee shall be divided into classes so that as equal a number as is possible is appointed each year.

(2) At least one (1) supervisory committee member may attend each regular meeting of the board. However, supervisory committee members may be excluded from executive sessions of board meetings.

(3)(a) If a supervisory committee member is absent from more than one-fourth (1/4) of the committee meetings in any twelve (12) month period without being reasonably excused by the committee, the member shall no longer serve as a member of the committee.

(b) The supervisory committee shall promptly notify the member that such member shall no longer serve as a committee member. Failure to provide notice does not affect the termination of the member's service under paragraph (a) of this subsection.

(4) A supervisory committee member must be a natural person and a member of the credit union. If a member of the supervisory committee ceases to be a member of the credit union, the member shall no longer serve as a committee member.

(5) Any vacancy on the committee must be filled by an interim member appointed by the board.

(6) No operating officer or employee of a credit union may serve on the credit union's supervisory committee. No more than one (1) director may be a member of the supervisory committee at the same time. No member of the supervisory committee may serve on the credit committee or investment committee of the credit union while serving on the supervisory committee. No board officer of a credit union may serve as the chairperson of the supervisory committee.

**26-2121A. SUPERVISORY COMMITTEE DUTIES.** (1) The supervisory committee of a credit union shall:

(a) Meet at least quarterly;

(b) Keep fully informed as to the financial condition of the credit union and the decisions

of the credit union's board;

(c) Perform or arrange for an annual audit of the credit union's financial statements and provide any related findings and recommendations to the board;

(d) Make or cause to be made a verification of member accounts as follows:

(i) At least annually by statistical sampling, with the sampling method to provide for:

1. Random selection;

2. A sample that is representative of the population from which it was selected;

3. An equal chance of selecting each dollar in the population;

4. Sufficient accounts in both number and scope on which to base conclusions concerning management's financial reporting objectives; and

5. Additional procedures to be performed if evidence provided by confirmation alone is not sufficient;

(ii) At least annually by nonstatistical sampling conducted by an independent person licensed as an accountant in the state of Idaho, using a sampling method as set forth in subparagraph (i) of this paragraph and nonstatistical sampling methods consistent with generally accepted auditing standards if such methods provide for:

1. Sufficient accounts in both number and scope on which to base conclusions concerning management's financial reporting objectives to provide assurance that the general ledger accounts are fairly stated in relation to the financial statements taken as a whole;

2. Additional procedures to be performed by the accountant if evidence provided by confirmations alone is not sufficient; and

3. Documentation of the sampling procedures used and of their consistency with generally accepted auditing standards, to be provided to the department upon request; or

(iii) At least each two (2) years by controlled verification of all member accounts;

(e) Review or arrange to have reviewed annually the effectiveness of the credit union's internal controls;

(f) Report its findings and recommendations to the board;

(g) Provide an annual written report to members at each annual membership meeting on the credit union's financial condition;

(h) Perform or arrange for additional audits as requested by the board or management or as deemed necessary by the supervisory committee and provide any related findings and recommendations to management or the board as deemed appropriate by the supervisory committee;

(i) Monitor the implementation of management responses to material adverse findings in audits and regulatory examinations;

(j) Implement a process for the supervisory committee to receive and respond to whistleblower complaints; and

(k) Perform any additional duties as specified by the board or in the credit union's bylaws.

(2) The supervisory committee may in its sole discretion retain, at the credit union's expense, independent counsel or other professional advisors or consultants as necessary to perform the duties under this section.



**26-2121B. SUSPENSION OF MEMBERS OF THE BOARD BY SUPERVISORY COMMITTEE -- FOR CAUSE.** (1) The supervisory committee may, for cause, suspend a member of the board, until a special membership meeting called for that purpose is held in accordance with the requirements of section 26-2113B, Idaho Code. The members participating in that meeting shall vote whether to remove the suspended person or persons.

(2) For purposes of this section, "cause" means demonstrated financial irresponsibility, a breach of fiduciary duty to the credit union, or activities which, in the judgment of the supervisory committee, create a material risk to the credit union.

**26-2121C. SUSPENSION OF MEMBERS OF THE BOARD OR SUPERVISORY COMMITTEE BY BOARD -- FOR CAUSE.** (1) The board may, for cause, suspend a member of the board or a member of the supervisory committee until a special membership meeting, called for that purpose, is held. The membership meeting must be held within ninety (90) days after the suspension. The members attending the meeting shall vote whether to remove a suspended party.

(2) For purposes of this section, "cause" means demonstrated financial irresponsibility, a breach of fiduciary duty to the credit union, or activities which, in the judgment of the board, create a material risk to the credit union.

**26-2121D. REMOVAL OF DIRECTOR OR SUPERVISORY COMMITTEE MEMBER.** (1) The members of a credit union may remove a director of the credit union at a special membership meeting held in accordance with section 26-2113B, Idaho Code, and called for that purpose. If the members remove a director, the members may at the same special membership meeting elect an interim director to complete the remainder of the former director's term of office or authorize the board to appoint an interim director as provided in section 26-2114, Idaho Code.

(2) If at any time, because of the removal of one (1) or more credit union directors under this chapter, the board of directors of a credit union has less than a quorum of directors, all powers and functions vested in or exercisable by the board vest in and are exercisable by the director or directors remaining until such a time as there is a quorum on the board of directors. If all of the directors of a credit union are removed under this chapter, the director of the department of finance shall appoint persons to serve temporarily as directors of the credit union until such a time as their respective successors take office.

(3) The members of a credit union may remove a supervisory committee member at a special membership meeting held in accordance with section 26-2113B, Idaho Code, and called for that purpose. If the members remove a supervisory committee member, the members may at the same special membership meeting elect an interim supervisory committee member to complete the remainder of the former supervisory committee member's term of office or authorize the supervisory committee to appoint an interim supervisory committee member as provided in section 26-2121, Idaho Code.

**26-2122. COMPENSATION -- CREDIT UNION MANAGER, EMPLOYMENT.** No officer, director, or committee member may be compensated, directly or indirectly, for his services as such; provided, however, an elected member of the board of directors may serve as a part-time treasurer and receive a salary for his services. This shall not be construed to prevent reimbursement of directors and committee members for actual expenses they may incur in carrying out the duties of their office. The board may authorize the employment of a credit union manager and other

employees as needed to conduct the business of the credit union. The board shall establish the compensation to be paid to the manager and any other employees of the credit union which shall be charged as an expense of the credit union. In the event the board of directors authorizes the employment of a manager of the credit union, the manager may not be a member of the board of directors. The credit union may provide group hospitalization and group health and accident insurance for the directors, officers and committee members which will not be considered compensation.

**26-2123. SHARES AND CERTIFICATES OF DEPOSIT.** A share may be in increments of five dollars (\$5.00) with a minimum of five dollars (\$5.00) and a maximum of twenty-five dollars (\$25.00) as the board of directors shall establish. The shares of a credit union shall all be common shares of one (1) class and have a par value as established by the board and bylaws. A member may purchase shares which will earn dividends as duly established by the board pursuant to section 26-2130, Idaho Code. Members may also purchase certificates of deposit which will be for a specified length of time and earn interest with a guaranteed rate to be established by the board of directors pursuant to section 26-2130, Idaho Code. No certificate shall be issued to denote ownership of a share of the credit union. Shares paid for may be transferred in such manner as the bylaws may prescribe.

In the event of default the credit union shall have and may exercise a lien on the shares and deposits of any member for any sum due the credit union from said member or for any loan made to, cosigned or endorsed by him. Christmas clubs, vacation clubs, travel clubs and other thrift organizations within the membership, which shall have the prior approval of the director of finance, may be established by the board of directors.

**26-2124. JOINT ACCOUNTS.** A member may designate any person or persons to hold shares, deposits, and thrift club accounts with him in joint tenancy with the right of survivorship; but no joint tenant, unless a member in his own right, shall be permitted to vote, obtain loans, or hold office. Payment of part or all of such accounts to any of the joint tenants shall, to the extent of such payment, discharge the liability to all.

No credit union organized under the laws of this state shall be required to recognize the claim of any third party of any of the above such accounts or withhold payment of any such accounts to the depositor or to his order, unless and until the credit union is served with citation or other appropriate process issuing out of a court of competent jurisdiction in connection with a suit instituted by such third party for the purpose of recovering or establishing an interest in such above accounts.

Such above accounts issued by any credit union organized under the laws of this state in the name of two (2) or more persons or to two (2) or more persons or the survivor of either, may be withdrawn on the signature of either party of whom such accounts were issued, or in whose name such accounts were made, and no recovery shall be had against such credit union for amounts so paid. When such accounts are issued in the name of two (2) or more persons or in the name of their survivor, the survivor of either party shall have power to act in all matters relating to such accounts whether the other person or persons named in such accounts be living or dead. The repurchase or withdrawal value of such accounts issued in joint names and dividends thereon, or other rights relating thereto, may be paid or delivered, in whole or in part, to any such person who shall make requests therefor, whether the other person or persons be living or dead. The payment or delivery to any such person, on a receipt or acquittance signed by any such person, to whom

any such payment or any such delivery of rights be made, shall be valid and sufficient release and discharge of any such credit union for the payment or delivery so made.

**26-2125. MINORS.** Shares, deposits or thrift club accounts may be issued in the name of a minor and such above accounts may be withdrawn by such minor and payments made on such withdrawals shall be valid.

**26-2126. TRUST ACCOUNTS.** Share [Shares] may be issued in the name of a member in trust for a beneficiary, including a minor, but no beneficiary, unless a member in his own right, may be permitted to vote, obtain loans, hold office or be required to pay an entrance fee. Payment of part or all of such shares to such member shall, to the extent of such payment, discharge the liability of the credit union to the member and the beneficiary, and the credit union shall be under no obligation to see the application of such payment. In the event of the death of the member, and if shares are so issued or held and the credit union has been given no other written evidence of the existence or terms of any trust, such shares and any dividends or interest thereon shall be paid to the beneficiary.

**26-2127. INVESTMENTS.** Funds not used for loans to members may be invested in:

(a) Obligations fully guaranteed as to principal and interest by the United States government;

(b) Time certificates of deposits issued by any state or federally chartered bank within the state of Idaho whose accounts are insured by the federal deposit insurance corporation. Such time certificates of deposit may be made in an amount not to exceed the greater of the federal deposit insurance corporation insurance limits or one percent (1%) of the issuing bank's total deposits;

(c) Time certificates of deposit or savings accounts in any state or federally chartered savings and loan association within the state of Idaho whose accounts are insured by the federal deposit insurance corporation in an amount not to exceed the greater of the federal deposit insurance corporation insurance limit or one percent (1%) of the savings and loan's withdrawable savings liability;

(d) Shares of stock in a credit union service corporation as provided in this chapter;

(e) Shares or deposits of a corporate credit union in an amount not to exceed ten percent (10%) of the corporate credit union's total outstanding shares, provided that the director may approve an investment in shares or deposits in excess of the ten percent (10%) limitation contained in this subsection; and

(f) Shares in the Idaho league services corporation.

**26-2128. LIQUIDITY REQUIREMENTS.** (a) Every credit union shall have on hand as a liquidity reserve an amount equal to four percent (4%) of its outstanding shares, certificates of deposit, and certificates of indebtedness. Share or deposit accounts from which a member may withdraw funds by the use of a negotiable instrument shall be subject to the liquidity reserve requirements of subsection (b) of this section and not to the liquidity reserve requirements of this subsection. Said liquidity reserves, except as hereinafter otherwise provided, shall be kept in cash on hand or on deposit subject to check or draft, with any bank or banks or corporate credit union located in the state of Idaho, which shall have been approved by the director as liquidity reserve depositories and shall be computed monthly as follows: on the basis of average daily bank deposits and average daily cash on hand.

(b) Every credit union which provides for its member's share or deposit accounts from which the member may withdraw funds by the use of negotiable instrument shall have on hand as a liquidity reserve in addition to the liquidity reserve required by subsection (a) of this section an amount equal to ten percent (10%) of its share and deposit accounts which are subject to withdrawal by the use of negotiable instrument. Said liquidity reserves shall be kept in cash on hand or on deposit subject to check or draft, with any bank or banks or corporate credit union located in the state of Idaho which shall have been approved by the director as liquidity reserve depositories and shall be computed monthly as follows: on the basis of average daily bank or corporate credit union deposits, and average daily cash on hand.

(c) Certificates of deposit issued by the Idaho Corporate Credit Union may be included in meeting the requirements of this section. To the extent a credit union is required to maintain reserves pursuant to the monetary control act of 1980 and the implementing regulations of the board of governors of the federal reserve system, as the same is presently enacted and as it may be amended in the future, the reserves required to be so maintained shall be considered as a part of, and not in addition to, the liquidity reserves required by this section.

**26-2129. RESERVE REQUIREMENTS.** (a) At the end of each accounting period the gross income shall be determined. From this amount there shall be set aside, as a regular reserve against losses on loans and against such other losses as may be specified in rules prescribed under this chapter, sums in accordance with the following:

(1) A credit union in operation for more than four (4) years and having assets of five hundred thousand dollars (\$500,000) or more shall set aside: (i) ten per cent (10%) of gross income until the regular reserve plus the allowance for loan loss account shall equal four per cent (4%) of the total of outstanding loans and risk assets, then (ii) five per cent (5%) of gross income until the regular reserve plus the allowance for loan loss account shall equal six per cent (6%) of the total of outstanding loans and risk assets.

(2) A credit union in operation less than four (4) years or having assets of less than five hundred thousand dollars (\$500,000) shall set aside: (i) ten per cent (10%) of gross income until the regular reserve plus the allowance for loan loss account shall equal seven and one-half per cent (7.5%) of the total of outstanding loans and risk assets, then (ii) five per cent (5%) of gross income until the regular reserve plus the allowance for loan loss account shall equal ten per cent (10%) of the total of outstanding loans and risk assets.

(3) Risk assets do not include loans fully secured by member savings and loans guaranteed by an agency of the state or federal government, to the extent of such guarantee.

(4) Whenever the regular reserve plus the allowance for loan loss account falls below the stated per cent of the total outstanding loans and risk assets, it shall be replenished by regular contributions in such amounts as may be needed to maintain the stated reserve goals.

(b) The director, in his discretion, may decrease the reserve requirements set forth in subsection (a) of this section when in his opinion such a decrease is necessary or desirable. The director may also require special reserves to protect the interests of members either by rule if it is to be generally applied, or by order for an individual credit union in a particular case.

**26-2130. DIVIDENDS.** After allocations to required reserves, the board of directors may at the end of any dividend period duly established, declare a dividend from undivided earnings as the bylaws may provide.

Dividends shall be paid on all fully paid shares outstanding at the close of the dividend period, but shares which become fully paid during the dividend period may be entitled to a proportional part of the dividend as determined by the board of directors.

Dividend credit for a month may be accrued on shares as provided by the board of directors. No dividends shall be paid on shares which are withdrawn during the dividend period.

No dividend shall be declared or paid at a time when the corporation is insolvent, or its net assets are less than its stated capital, or when the payment thereof would render the corporation insolvent or reduce its net assets below its stated capital.

**26-2131. SHARE REDUCTION.** Whenever the losses of any credit union, resulting from a depreciating in value of its loans or investments or otherwise, exceed its undivided earnings and reserve fund so that the estimated value of its assets is less than the total amount due the shareholders, the credit union may, by a majority vote of the entire membership, order a reduction in the shares of each of its shareholders to divide the loss proportionately among the members. If thereafter the credit union shall realize from such assets a greater amount than was fixed by the order of reduction, such excess shall be divided among the shareholders whose assets were reduced, but only to the extent of such reduction.

**26-2132. MERGER.** Any credit union may, with the approval of the director, merge with another credit union under the existing charter of such other credit union. The director shall not approve a merger if the effect of the merger would be to provide a broader common bond than allowable under section 26-2110, Idaho Code. The merger may be based upon any plan agreed to by the majority of the board of directors of each credit union joining in the merger, and approved by the affirmative vote of the majority of the members of each such credit union at meetings of the members called for such purpose. Any member not present at the meeting may, within the next twenty (20) days, vote by signing a statement on a form prescribed by the board of directors and such vote shall have as full force and effect as if cast at the meeting. If any such member does not vote within the twenty (20) day period, he shall be deemed to be in favor of the merger. After such agreement by the directors and approval by the members of each credit union, the president and secretary of each credit union shall execute a certificate of merger which shall set forth at least all of the following:

- (a) The time and place of the meeting of the board of directors at which the plan was agreed upon.
- (b) The vote in favor of adoption of the plan.
- (c) A copy of the resolution or other action by which the plan was agreed upon.
- (d) The time and place of the meeting of the members at which the plan agreed upon was approved.
- (e) The vote by which the plan was approved by the members.

Such certificates and a copy of the plan of the merger shall be forwarded to the director and if approved, a copy of the certificate shall be filed with the county clerk of the county in which each credit union participating in the merger has its principal place of business, and then filed with the director, whereupon the charter of the merged credit union as a legal entity separate from the surviving credit union shall terminate.

Upon any such merger so affected, all property, property rights, and interests of the merged credit union, shall vest in the surviving credit union without deed, endorsement or other instrument of transfer, and all debts, obligations and liabilities of the merged credit union shall be deemed to

have been assumed by the surviving credit union whose charter the merger has affected.

This section shall be construed, when possible, to permit a credit union chartered under the Federal Credit Union Act to merge with one chartered under this chapter, or to permit one chartered under this chapter to merge with one chartered under the Federal Credit Union Act.

**26-2133. REPORTS.** Credit unions organized under this chapter shall file a year-end post closing financial statement with the director annually on or before the first day of February on forms supplied by the department of finance. A penalty of ten dollars (\$10.00) per day may be collected from each credit union which fails to comply with this section. If such report is not filed with the director of finance within fifteen (15) days of the due date, the director shall give the credit union notice of his intention to suspend or revoke its charter and take possession of the business and property of such credit union, and order its dissolution in accordance with this chapter. Additional reports may be required by the director as he shall deem necessary. If any credit union fails to furnish the office of the director with any such requested special report within thirty (30) days of the date it is requested, he shall give the credit union notice of his intention to suspend or revoke its charter and take possession of the business and property of such credit union, and order its dissolution in accordance with this chapter.

**26-2134. APPLICATION FEES.** For the purpose of paying the costs incident to the ascertainment of whether articles of incorporation should be issued, the subscribers to any such articles of incorporation shall pay, at the time of filing their articles of incorporation with the director, a fee as fixed by the director, but not to exceed twenty-five dollars (\$25.00), for the purpose of paying costs incident to the investigation of the application. All such fees shall be deposited with the state treasurer for the credit in the finance administrative account in the state dedicated fund.

**26-2135. BOOKS AND RECORDS.** The books and records of a credit union shall be kept in accordance with generally accepted accounting principles and by procedures approved by the director. Every credit union shall keep correct and complete books of accounts, minutes of meetings of members and directors and shall make such books and records and accounts available for examination. The books of account and records shall not be removed from the principal place of business without the consent of the director.

If a credit union utilizes the data processing services of another company the providing of such services by the other corporation shall be subject to the approval of the director and the director shall have the power to require the servicing company to provide such information as the director requires in a form required by the director. Any company providing data processing services for credit unions must agree to provide the director with information for purposes of examination which the director may by rule or regulation require in a form required by the director.

**26-2136. EXAMINATIONS AND FEES.** The department of finance shall examine each credit union no less often than once in eighteen (18) months, and more frequently whenever the director shall deem it necessary. Each credit union and all of its officers and agents shall be required to give to representatives of said department full access to all books, papers, securities, records and other sources of information under their control; and for the purpose of such examination, said representatives shall have power to subpoena witnesses, administer oaths, compel the giving of testimony, and require the submission of documents.

A report of such examination shall be forwarded to the president of each credit union within thirty (30) days after the completion of the examination. Within thirty (30) days after the receipt of such report, a general meeting of the directors and committeemen shall be called to consider matters contained in the report. A reply to the director shall be forwarded by the board within fifteen (15) days.

On or before February 15 of each calendar year, the director shall fix and collect from each credit union an assessment fee based upon the total assets of the credit union as of December 31 of the previous calendar year, which fees shall not exceed the amounts set forth in the following schedule:

TOTAL ASSETS	FEE
\$50,000 or less	\$50.00 + \$1.00 per thousand dollars of assets
Over \$50,000 and not over \$100,000	\$100.00 + \$.99 per thousand dollars of assets in excess of \$50,000
Over \$100,000 and not over \$250,000	\$149.00 + \$.94 per thousand dollars of assets in excess of \$100,000
Over \$250,000 and not over \$1 million	\$291.00 + \$.89 per thousand dollars of assets in excess of \$250,000
Over \$1 million and not over \$2 million	\$958.00 + \$.80 per thousand dollars of assets in excess of \$1 million
Over \$2 million and not over \$5 million	\$1,758.00 + \$.61 per thousand dollars of assets in excess of \$2 million
Over \$5 million and not over \$8 million	\$3,588.00 + \$.48 per thousand dollars of assets in excess of \$5 million
Over \$8 million	\$5,028.00 + \$.35 per thousand dollars of assets in excess of \$8 million

The director may in his discretion at any time accept in lieu of any portion of his examinations the findings or result of an audit by a firm of independent certified public accountants or other qualified person or firm approved by the director. The cost of the audit shall be borne by the credit union.

All fees, fines, examination and miscellaneous charges collected by the director pursuant to the Idaho credit union act shall be deposited into the finance administrative account pursuant to section 67-2702, Idaho Code.

**26-2137. FALSE REPORTS.** Any person, firm, corporation, or association which maliciously and knowingly spreads false reports about the management or finances of any credit union shall be guilty of a misdemeanor.

**26-2138. TAXATION.** A credit union shall be deemed an institution for savings and, together with all the accumulations therein, shall not be subject to taxation except as to real estate owned. The shares of a credit union shall not be subject to a stock transfer tax when issued by the corporation or when transferred from one (1) member to another.

**26-2139. CONVERSION.** A state chartered credit union may be converted into a federal credit union by complying with the following requirements:

- (a) The proposition for such conversion shall first be approved and a date set for a vote

thereof by the members, either at a meeting to be held on such date or by a written ballot to be filed on or before such date, by a majority of the board of directors of the state chartered credit union. Written notice of the proposition and of the date set for the vote shall be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union not more than twenty (20) nor less than five (5) days prior to such date. Approval of the proposition for conversion shall require the majority of those votes cast in person or in writing.

(b) A statement of results of the vote verified by the affidavits of the president or vice president and the secretary shall be filed with the director within ten (10) days after the vote is taken.

(c) Promptly after the vote is taken and in no event later than ninety (90) days thereafter if the proposition for conversion is approved by such vote, the credit union shall take such action as may be necessary under the federal law to make it a federal credit union, and within ten (10) days after the receipt of the federal charter, notice shall be filed with the director that the charter has been issued.

(d) Upon ceasing to be a state chartered credit union, such credit union shall no longer be subject to any of the provisions of this chapter.

A federally chartered credit union organized under the Federal Credit Union Act may be converted to a state chartered credit union by the following procedure: complying with all state requirements requisite to enabling it to meet proof of solvency and organization as required by this chapter.

When the director has been satisfied that all requirements of this chapter have been complied with, he shall approve the organizational certificate as a state chartered credit union as required by this chapter.

**26-2140. CEASE AND DESIST ORDER.** Whenever it appears to the director that it is in the public interest, he may order a certificate holder under this chapter to cease and desist from acts, practices and omissions which constitute a violation of this chapter, or would, in the opinion of the director, constitute an unsafe or unsound practice.

**26-2140A. CONSERVATORSHIP.** (a) The director may, in his discretion and without notice, appoint himself or an agent as conservator and immediately take possession and control of the business and assets of any credit union in any case in which:

- (1) The director determines that such action is necessary to conserve the assets of any credit union or to protect the interests of the members of such credit union;
- (2) The credit union, by a resolution of its board of directors, consents to such an action by the director;
- (3) There is a violation of a cease and desist order, or any law, rule, regulation or any written agreement entered into with the director; or
- (4) There is concealment of books, papers, records, or assets of the credit union or refusal to submit books, papers, records, or affairs of the credit union for inspection to any examiner or to any lawful agent of the director.

(b) Not later than thirty (30) calendar days after the date on which the director takes possession and control of the business and assets of a credit union, such credit union may apply to the district court for the judicial district in which the credit union is located for an order requiring the director to show cause why he should not be enjoined from continuing such possession and



control. Except as provided in this subsection, no court may take any action, except at the request of the director, to restrain or affect the exercise of powers or functions of the director as conservator.

(c) The director may maintain possession and control of the business and assets of such credit union and may operate such credit union until such time as:

(1) The director shall permit such credit union to continue business subject to such terms and conditions as may be imposed by the director;

(2) Such credit union is liquidated in accordance with the provisions of section 26-2141, Idaho Code; or

(3) Otherwise ordered by the district court of the judicial district in which the credit union is located.

(d) The director may appoint such agents as he considers necessary in order to carry out his duties as conservator.

(e) All expenses of the credit union during the period of the conservatorship shall be paid by the credit union.

(f) The conservator shall have all the powers of the members, the directors, the officers and the committees of the credit union and shall be authorized to operate the credit union in its own name or to conserve its assets in the manner and to the extent authorized by the director.

(g) The authority granted in this section is in addition to all other authority granted to the director under this chapter.

**26-2140B. REMOVAL OF DIRECTORS, OFFICERS, OR EMPLOYEES.** Any director, officer or employee of any credit union found by the director to be negligent, dishonest, reckless or incompetent in the performance of his official duties, shall be removed from office by the board of directors of such credit union on the written order of the director. If the directors neglect or refuse to remove such director, officer or employee, in the event any losses accrue to such credit union thereafter by reason of the negligence, dishonesty, recklessness or incompetency of such director, officer or employee, the written order of the director shall be deemed to be conclusive evidence of the negligence of the directors failing to act upon the same in any action brought against them, or any of them, for recovery of such losses. The director, officer or employee affected by order of the director may petition the district court in the judicial district in which the credit union is located to set aside the order of the director. Upon the filing of such petition the court shall have the jurisdiction to affirm, set aside, or modify the order of the director. If the directors fail or neglect to remove such director, officer or employee, and the director of the department of finance has reasonable cause to believe that the continued participation in the affairs of the credit union by the director, officer or employee will place the credit union in an unsafe or unsound condition, the director of the department of finance may apply to the district court for a temporary restraining order and injunction preventing the participation of the director, officer or employee in the affairs of the credit union. The findings of the director as to the facts, if supported by substantial evidence, shall be conclusive that the credit union director, officer or employee who is the subject of an order for removal by the director of the department of finance is or has been negligent, dishonest, reckless or incompetent in the performance of his duties.

**26-2141. SUSPENSION.** If it shall appear that any credit union is bankrupt or insolvent, or that it has willfully violated any of the provisions of this chapter, its bylaws, rules and regulations of the director, or is operating in an unsafe or unsound manner, the director may issue

an order temporarily suspending the credit union's operations. The board shall be given notice by registered or certified mail of such suspension, which notice shall include a list of the reasons for such suspension, and a list of the specific violations of this chapter.

Upon receipt of such suspension notice, the credit union shall immediately cease all operations, except for receipt of loan payments. The directors of the credit union shall then file with the director a reply to the suspension notice, within twenty (20) days, request a hearing to present a plan of corrective actions proposed if they desire to continue operations, or to request that the credit union be declared insolvent and a liquidating agent appointed. If the credit union fails to answer the suspension notice or request a hearing with the director, said director may then revoke the credit union's charter, appoint a liquidating agent and liquidate the credit union in accordance with this chapter.

**26-2142. VOLUNTARY AND/OR INVOLUNTARY LIQUIDATION.** (a) A credit union may elect to dissolve voluntarily and wind up its affairs in the following manner: The board shall adopt a resolution recommending that the credit union be dissolved voluntarily and directing that the question of dissolution be submitted to a regular or special meeting of the members. After the adoption of the resolution to voluntarily dissolve, no receipts shall be accepted nor withdrawals permitted from its share or deposit accounts, nor shall any loans be made nor any dividends declared nor paid pending final determination by its membership on the voluntary dissolution. At a meeting especially called to consider the matter, a majority of the entire membership may vote to dissolve the credit union, provided a copy was mailed to the members of the credit union at least ten (10) days prior thereto. Any member not present at such meeting may, within the next twenty (20) days vote in favor of or may oppose dissolution by signing a statement in form approved by the department of finance and such vote shall have the force and effect as if cast at such meeting. The credit union shall thereupon immediately cease to do business except for the purposes of liquidation, and the president and secretary shall within five (5) days following such meeting notify the department of finance of intention to liquidate and shall include a list of the names of the directors and officers of the credit union together with their addresses.

(b) If the department of finance, after issuing notice of suspension and providing opportunity for a hearing, rejects the credit union's plan to continue operations, the department of finance may issue a notice of involuntary liquidation and appoint a liquidating agent. The credit union may request a stay of execution of such action by appealing to the appropriate court of the jurisdiction in which the credit union is located. Involuntary liquidation may not be ordered prior to following the suspension procedures outlined in this chapter.

(c) The credit union shall continue in existence for the purpose of discharging its debts, collecting and distributing its assets, and doing all acts required in order to wind up its business, and may sue and be sued for the purpose of enforcing such debts and obligations until its affairs are fully adjusted. The board, or in the case of involuntary dissolution, the liquidating agent, shall apply and distribute the assets of the credit union or the proceeds from any disposition of the assets of the credit union in the following sequence:

- (1) secured creditors up to the value of their collateral;
- (2) costs and expenses of liquidation, including a surety bond that shall be required;
- (3) wages due the employees of the credit union;
- (4) costs and expenses incurred by creditors in successfully opposing the release of the credit union from certain debts as allowed by the department of finance;
- (5) taxes owed to the United States or any other governmental unit;
- (6) debts owed to the United States;

- (7) general creditors, secured creditors to the extent their claims exceed the value of their collateral and owners of deposit accounts to the extent such accounts are uninsured; and
- (8) members, to the extent of uninsured share accounts and the organization that insured the accounts of the credit union.

As soon as the board or the liquidating agent determines that all assets from which there is a reasonable expectancy of realization have been liquidated and distributed as set forth in this section, the director shall execute a certificate of dissolution. The credit union shall be subject to examination by and reporting to the department of finance to determine that all procedures have been observed as required by this chapter, and shall pay such examination fees as are determined by the department of finance in accordance with its schedules.

(d) If the credit union shall not be completely liquidated and its assets discharged within three (3) years after the special meeting of the members, the director may take possession of the books, records and assets and proceed to complete liquidation. If the director determines after one (1) year from the commencement of liquidation proceedings that the liquidation is not proceeding in a reasonable and expeditious manner under all of the circumstances, he may take possession of the books, records, and assets and appoint a liquidating agent who shall give a bond to complete the liquidation.

(e) Liquidation through the stabilization fund may be utilized after meeting the requirements of this section. The procedure of liquidation shall be as outlined in the practice and procedure policies as adopted by the Idaho credit union league stabilization fund and approved by the director of finance.

**26-2143. BRANCH OFFICES.** A credit union may under such regulations as the director may adopt establish branch offices at locations other than its main office if the maintenance of such branch offices shall be reasonably necessary to furnish services to its membership. The credit union must justify that ninety per cent (90%) of the cost of the branch and its operation will be derived from existing and potential membership in the proposed area. No additional branch offices shall be established to serve persons who are not entitled to membership as defined in the common bond provision of the existing field of membership.

Prior written approval of the director shall be necessary for the establishment of branch offices. He shall have the authority to issue notice and hold a hearing to determine if the establishment of the branch office is necessary and in the best interests of the credit union.

The applicant credit union will pay to the department of finance an investigation fee to cover the actual cost of investigation not to exceed five hundred dollars (\$500). These funds will be deposited into the finance administrative account pursuant to section 67-2702, Idaho Code.

**26-2144. ADMINISTRATION, RULES AND REGULATIONS.** The administration of the provisions of this chapter shall be under the general supervision and control of the director. The director may from time to time make, amend and rescind such rules, regulations and forms necessary to carry out the provisions of this chapter. No rule, regulation or form may be made unless the director finds that the action is necessary or appropriate for the public interest or for the protection of the credit union's welfare consistent with the purposes of this chapter.

**26-2145. AUTHORITY TO EXERCISE FEDERAL POWERS.** (a) Notwithstanding any other provision of law, but subject to the limitations provided for in this section, a credit union may engage in any activity in which it could engage, exercise any power it could exercise, or make

any loan or investment which it could make if it were operating as a federal credit union, or a credit union chartered by another state.

(b) Before engaging in any activity or exercising any power afforded under this section, a credit union shall first notify the director of its intent to do so. This notice shall be sent to the director by U.S. mail, postage prepaid, certified or registered, with return receipt requested. Should the director take no action on the request within twenty (20) days of delivery to the director, the right to engage in the action or power so requested shall be deemed granted.

(c) Should the director deny the request, the affected credit union shall have the right to request a hearing before the director, which hearing shall be held within thirty (30) days of the date of the denial.

(d) The director shall have the discretion to deny any request which is inconsistent with the purposes of this chapter.

(e) No such approval shall operate to deny the director of any of his authority under this chapter and such permitted activity shall be subject to regulation by the director.

**26-2146. INVESTMENT IN SERVICE CORPORATION.** No limitation or prohibition otherwise imposed by any provision of the laws of the state of Idaho exclusively relating to credit unions shall prevent or prohibit any two (2) credit unions from investing not more than ten percent (10%) of the paid-in shares and deposits of members of each of them in a credit union service corporation.

**26-2147. CREDIT UNIONS JOINTLY HOLDING STOCK -- EFFECT OF WITHDRAWAL BY ONE CREDIT UNION.** If stock in a credit union service corporation has been held by two (2) credit unions, and one (1) of such credit unions ceases to utilize the services of the corporation and ceases to hold stock in it, and leaves the other as the sole stockholding credit union, the corporation may nevertheless continue to function as such and the other credit union may continue to hold stock in it.

**26-2148. DUTY OF CREDIT UNION SERVICE CORPORATION NOT TO DISCRIMINATE -- BURDEN OF PROOF.** Whenever a credit union, referred to in this section as any "applying credit union" subject to examination by either the department of finance of the state of Idaho, or a federal supervisory agency, applies for a type of credit union services for itself from a credit union service corporation which supplies the same type of credit union services to another credit union, and the applying credit union is competitive with any credit union, referred to in this section as a "stockholding credit union" which holds stock in such corporation, the corporation must offer to supply such services by either:

(a) Issuing stock to the applying credit union and furnishing credit union services to it on the same basis as to the other credit unions holding stock in the corporation, or

(b) Furnishing credit union services to the applying credit union at rates no higher than necessary to fairly reflect the cost of such services, including the reasonable cost of the capital provided to the corporation by its stockholders, at the corporation's option, unless comparable services at competitive overall cost are available to the applying credit union from another source, or unless the furnishing of the services sought by the applying credit union would be beyond the practical capacity of the corporation. In any action or proceeding to enforce the duty imposed by this section, or for damages for the breach thereof, the burden shall be upon the credit union service corporation to show such availability.

**26-2149. PROHIBITED ACTIVITIES.** No credit union service corporation may engage in any revenue producing activity other than the performance of credit union services for credit unions and, to an extent not exceeding one half (2) of its total activity, the performance of similar services for persons or organizations other than credit unions.

**26-2150. CUSTOMER-CREDIT UNION COMMUNICATION TERMINAL.** A credit union may make available for use by its customers one (1) or more electronic devices or machines through which the customer may communicate to the credit union a request to withdraw money either from his account or from a previously authorized line of credit, or an instruction to receive or transfer funds for the customer's benefit. The device may receive or dispense cash in accordance with such a request or instruction, subject to verification on line or off line by the credit union. Any transactions initiated through such a device shall be subject to verification by the credit union either by direct wire transmission or otherwise. Such facilities may be unmanned or manned.

A person may perform as would a device so long as the person does not perform any functions not specifically authorized by this section.

These devices shall be designated as a customer-credit union communication terminal (CCUCT). A CCUCT at locations other than the main office or a branch office of the credit union does not constitute a branch. A credit union shall provide insurance protection under its bonding program for transactions involving such devices.

(a) The establishment and use of CCUCT is subject to the following limitations:

(1) Written notice must be given to the director's office no less than thirty (30) days before any CCUCT is put into operation. Any credit union presently utilizing a CCUCT shall comply with the notice requirements within thirty (30) days. Such notice shall describe with regard to the communication system:

1. the location;
2. a general description of the area where located and the manner of installation;
3. the manner of operation;
4. the kinds of functions which will be performed;
5. whether the CCUCT will be shared, and, if so, under what terms and with what other institutions and their location;
6. the manufacturer and, if owned, the purchase price or, if leased, a copy of the lease;
7. the distance from the nearest credit union office and from the nearest similar CCUCT of the reporting credit union; and
8. the distance from the nearest office and nearest CCUCT of another credit union, which will share the facility, and the name of such other credit union or credit unions.

(2) The functions of the CCUCT shall be limited to:

1. the receiving of deposits;
2. the cashing of checks or drafts;
3. the dispensing of cash;
4. payment of loan proceeds on a prearranged line of credit;
5. the communication of other such information directly related to the customer's account; and
6. receiving loan payments.

(3) Arrangements may be made at the CCUCT for the placing or installation of a receptacle in which a customer may place packaged communication intended for the credit

union.

(4) The CCUCT shall be a communication service available only to customers of the credit union or other financial institutions which the board of directors of the credit union may approve.

(5) The CCUCT shall not be advertised as a full service branch or as performing anything other than activities set out in subsection (a)(2) of this section.

(b) To the extent consistent with the anti trust laws, credit unions are required to share unmanned CUCCTs at a reasonable fee with one (1) or more other financial institutions if requested by the other financial institution.

(c) The director may issue a cease and desist order upon a finding that a credit union utilizing a CCUCT is doing so in a manner not specifically authorized by this section.

(d) This section shall be deemed to apply to federal credit unions operating customer-credit union communication terminals and for the purpose of this section a financial institution shall mean any state or federally chartered commercial bank, savings and loan association or credit union authorized by the department of finance or a comparable federal agency to do business in the state of Idaho.

**26-2151. CREDIT UNION AS TRUSTEE.** A credit union may act as trustee, and may receive reasonable compensation for so acting, of any trust created or organized in the United States and forming part of a stock bonus, pension, or profit-sharing plan which qualifies or qualified for specific tax treatment under section 401(d), section 403(b), or section 408(a) of the Internal Revenue Code of 1954, as amended, if the funds of such trust are invested only in savings accounts or deposits in such credit union or in obligations or securities issued by such credit union. All funds held in such fiduciary capacity by any such association may be commingled for appropriate purposes of investment, but individual records shall be kept by the fiduciary for each participant and shall show in proper detail all transactions engaged in under the authority of this section.

**26-2152. INTERSTATE CREDIT UNIONS APPROVAL PERMIT FEES SUPERVISION.** (1) Provided that the membership limits as defined in section 26-2110, Idaho Code, are maintained:

(a) A credit union chartered under this chapter may operate in another state unless prohibited by the law of the other state. Idaho is the home state for any credit union chartered under this chapter.

(b) A credit union chartered under the laws of another state may operate in Idaho with the approval of the director on the terms and conditions provided in subsection (2) of this section. Idaho is the host state for any credit union chartered under the laws of any other state. The state which charters the credit union is the home state of the credit union.

(2) The director may issue a permit to a credit union chartered in another state to operate in this state in a manner consistent with the Idaho credit union act, provided that the credit union applies for such permit on a form approved by the director and has approval from the regulator of credit unions in its home state to operate in Idaho. A credit union for which Idaho is a host state shall acknowledge that Idaho laws relating to consumer protection apply to transactions with residents in Idaho. The credit union for which Idaho is a host state shall maintain its books and records in Idaho or in such other place as the director may agree in writing. The director may, pursuant to chapter 52, title 67, Idaho Code, suspend or revoke the permit of any credit union for

which Idaho is the host state for any violation of the Idaho credit union act.

(3) The director shall assess fees as provided in section 26-2136, Idaho Code, to be paid by a credit union for which Idaho is the host state on the basis of the assets of the credit union which are derived from its operations in Idaho. The director, in his discretion, may adjust such fees according to the level of participation of the department in the supervision of the credit union.

(4) The director may enter into agreements with private share insurers and credit union regulators both with the federal government and in other states, to coordinate and facilitate regulation and supervision of interstate credit unions as permitted by section 26-2610, Idaho Code.

**26-2153. SHARE AND DEPOSIT INSURANCE.** (1) Not later than January 1, 1986, a state chartered credit union shall apply for and obtain insurance on shares and deposits as provided by the national credit union administration under title II of the federal credit union act (12 U.S.C. section 1781 et seq.), or alternatively, a form of comparable insurance approved by the director. This requirement does not apply to a credit union with debt and equity capital consisting primarily of funds from other credit unions.

(2) A credit union which has been denied a commitment for such insurance shall within thirty (30) days after the denial, commence steps to either liquidate, or merge with an insured credit union, or apply in writing to the director for additional time to obtain an insurance commitment.

The director shall grant one or more extensions of time to obtain the insurance upon satisfactory evidence that the credit union has made or is making a substantial effort to achieve the conditions precedent to issuance of the insurance.

(3) No credit union shall be granted a charter by the director unless such credit union has obtained insurance of its member share and deposit accounts.

(4) (a) Notwithstanding the above, a credit union whose members, after being fully informed on the subject, vote, by a simple majority of those members present at a meeting called for such purpose, to not obtain share insurance, shall not be required to obtain such insurance as condition precedent to doing business in this state.

(b) In those credit unions in which the membership has voted to reject the need for share insurance, the rejection shall be placed before the membership for reconsideration at least biannually thereafter.

(c) Should the membership of a credit union, in which the need for share insurance has been rejected, determine, as provided above, that the need for share insurance does exist, the credit union shall, within thirty (30) days following the date of the meeting held for the purpose of voting on the subject, make application for and obtain insurance as provided above.

(d) Those credit unions whose members have voted to remain uninsured shall disclose to their members, on a regular and periodic basis, that their shares and deposits in that credit union are not protected by share insurance and the procedures required by this section.

(5) The director may make available reports of condition and examination findings to the national credit union administration or to any qualified insuring organization and may accept any report of examination made on behalf of such agency or organizations. The director may appoint an official of the national credit union administration or of any qualified insuring organization as a liquidating agent of an insured credit union.

**26-2154. CREDIT UNIONS ELIGIBLE AS DEPOSITORIES.** Notwithstanding any other provision of this chapter, any state credit union or federal credit union located within this

state may become a state depository by making application for that purpose to the state treasurer and may accept such funds as nonmember deposits.

**26-2155. DESIGNATION OF DEPOSITORY -- REPORTING OF RESERVES AND UNDIVIDED EARNINGS.** (1) The state treasurer shall designate credit unions qualified under this chapter as a state depository or depositories. Such designation shall be determined by competitive bidding or by other means generally accepted as standard business practice. In no case shall the deposit or deposits of state funds in the account of any public entity in any credit union exceed at any one time, the total of the reserves and undivided earnings of such credit union or the total sum covered by share and deposit insurance provided by either the national credit union share insurance fund or by a deposit guarantee corporation authorized to issue share and deposit insurance contracts in this state, whichever sum shall be less. In the event that any credit union has been designated as a depository under this chapter, such designation shall continue in force until revoked by the treasurer.

(2) Every credit union designated as a state depository and holding any deposit of the funds of the state of Idaho under the provisions of this section shall, on or before beginning to hold such deposits, file with the state treasurer the affidavit of one (1) of its officers showing the amount of the reserves and undivided earnings of such credit union. Such affidavits shall be effective for the purposes of this section, to and including January 31 next following the date of their filing but no longer, and, on or before that date, if such credit union is to continue as a designated state depository under this section, a like affidavit shall be filed in like manner for the succeeding year. No such credit union shall receive deposits from nor act as depository for the funds of the state of Idaho unless and until an affidavit as is herein required and which still continues in effect is on file with the state treasurer in accordance with this section.

(3) The state treasurer is authorized in his or her discretion and from time to time to negotiate for the payment to designated state depositories of reasonable compensation for services rendered in acting as such depositories. The method and/or rate of such compensation and the terms and conditions thereof shall be fixed by the state treasurer after such negotiation, which may include the calling of bids for specific services. All bids received, whether by a formal bidding process or by negotiation, and the compensation fixed by the treasurer, which shall be in the form of a written agreement, shall be a matter of public record.

**26-2156. BOND COVERAGE.** (1) Each credit union must be adequately insured against risk. The board of directors of each credit union must at least annually review its bond and other insurance coverage to ensure that it is adequate in relation to the potential risks facing the credit union and the minimum requirements set by the board.

(2) Each credit union must purchase a blanket fidelity bond that:

(a) Covers the officers, employees, directors, members of official committees, attorneys and other agents;

(b) Covers against loss caused by fraud, dishonesty, burglary, robbery, larceny, theft, forgery or alterations of instruments, misplacement or mysterious disappearance, and for faithful performance of duty; and

(c) Has the following required minimum dollar amount of coverage:

<u>Assets</u>	<u>Minimum Bond</u>
<u>\$0 to \$4,000,000</u>	<u>Lesser of total assets or \$250,000</u>
<u>\$4,000,001 to \$50,000,000</u>	<u>\$100,000 plus \$50,000 for each million or</u>



<u>\$50,000,001 to \$500,000,000</u>	<u>fraction thereof over \$1,000,000</u> <u>\$2,550,000 plus \$10,000 for each million or</u> <u>fraction thereof over \$50,000,000, to a maximum</u> <u>of \$5,000,000</u>
<u>Over \$500,000,000</u>	<u>1% of assets rounded to the nearest hundred</u> <u>million, to a maximum of \$9,000,000</u>

(3) The maximum amount of allowable deductible is computed based on the credit union's asset size and capital level, as follows:

<u>Assets</u>	<u>Maximum Deductible</u>
<u>\$0 to \$100,000</u>	<u>No deductible allowed</u>
<u>\$100,001 to \$250,000</u>	<u>\$1,000</u>
<u>\$250,001 to \$1,000,000</u>	<u>\$2,000</u>
<u>Over \$1,000,000</u>	<u>\$2,000 plus .001 of total assets, to a maximum of</u> <u>\$200,000; for credit unions that received</u> <u>a composite capital, asset, management,</u> <u>earnings, liquidity, and sensitivity (CAMELS)</u> <u>rating of "1" or "2" for the last two (2) full</u> <u>examinations and maintained a net worth</u> <u>classification of "well-capitalized" under</u> <u>national credit union administration (NCUA)</u> <u>regulations part 702 for six (6) immediately</u> <u>preceding quarters or, if subject to a risk-based</u> <u>net worth (RBNW) requirement under NCUA</u> <u>regulations part 702, has remained "well-</u> <u>capitalized" for the six (6) immediately</u> <u>preceding quarters after applying the applicable</u> <u>RBNW requirements, the maximum deductible</u> <u>is \$1,000,000</u>

(4) The director may require an additional amount of bond coverage for a credit union, taking into account the size of the credit union, the credit union's field of membership, risk level of the credit union, and any other factors the director finds relevant to the determination of appropriate bond coverage for a credit union.

(5) The board of directors should purchase additional or enhanced coverage when circumstances warrant.

(6) If a credit union fails to maintain a blanket fidelity bond in the amount prescribed by the director, the director may order the credit union to cease its operations until such time when the credit union obtains the required bond.

(7) When a credit union receives notice that its fidelity bond coverage will be suspended or terminated, the credit union shall notify the director in writing no fewer than thirty (30) days prior to the effective date of the suspension or termination.

**26-~~2156~~-2157 -- 26-2167. [REPEALED.]**

**26-2168 -- 26-2169. [RESERVED.]**

**26-2170. DEFINITION, PURPOSE AND RESTRICTIONS, IDAHO CORPORATE**

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**CREDIT UNION.** (a) The Idaho corporate credit union is a cooperative nonprofit corporate entity which can assist credit unions in meeting their investment and borrowing needs, assist credit unions in the sound management of their liquid assets and serve as a financial intermediary for credit unions.

(b) Any person, corporation, copartnership or association, except a corporate credit union organized under the provisions of this chapter, or the Federal credit union act, using a name or title containing the words "corporate credit union" or any derivation thereof or representing themselves as a corporate credit union shall be fined not more than one thousand dollars (\$1,000), or imprisoned not more than one (1) year or both and may be permanently enjoined from using such words in its name.

**26-2171. ORGANIZATION -- IDAHO CORPORATE CREDIT UNION.** Any seven (7) or more credit unions within the state of Idaho, with at least one (1) credit union from each of the seven (7) chapters of the Idaho credit union league, may, through designated delegates appointed by their board of directors, organize the Idaho corporate credit union and become members thereof by:

(a) Filing an application furnished by the director;  
(b) Executing in duplicate, articles of incorporation by the terms of which they agree to be bound, which articles shall state:

(1) The name, which shall include the words "Idaho Corporate Credit Union" and the city in which the proposed credit union is to have its principal place of business;

(2) The term of existence of the credit union, which shall be perpetual;

(3) The par value of shares of the Idaho corporate credit union, which shall be one hundred dollars (\$100);

(4) The names and addresses of the respective credit unions who are subscribers to the articles of incorporation and the number of shares subscribed by each; and

(c) Adopting bylaws for the general government of the credit union, consistent with provisions of this act and executing the same in duplicate.

(d) Forwarding the required charter fee, application, articles of incorporation and the bylaws to the director. If they conform to the statute, as determined by the director, he shall issue a certificate of approval to the articles and return a copy of the bylaws and the articles to the applicants or their representative, which shall be preserved in the permanent files of the credit union.

(e) The subscribers for the Idaho corporate credit union shall not transact any business until formal approval of the charter has been received. The director shall cause to be prepared a form of articles of incorporation and a form of bylaws consistent with this act which shall be used by the Idaho corporate credit union incorporators for their guidance.

**26-2172. AMENDMENTS -- IDAHO CORPORATE CREDIT UNION.** The articles of incorporation or the bylaws may be amended as provided in the bylaws and in accordance with section 26-2106, Idaho Code.

**26-2173. CORPORATE POWERS -- IDAHO CORPORATE CREDIT UNION.** The Idaho corporate credit union shall have the general rights and powers of any other credit union organized under the Idaho Credit Union Act and shall have the following additional powers:

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(a) As authorized by its board of directors or executive committee, to deposit in federally insured state and national banks and deposit with or invest in shares of or loans to United States central credit union to an extent which shall not exceed its shares, and certificates of deposit.

(b) Receive investments from members in the form of shares or corporate deposits. Time deposits of surplus funds shall be evidenced by certificates of deposit having a maturity of not less than ninety (90) days. Surplus funds are those funds which are not needed to meet the member's loan needs or expenses.

(c) To pay and return on shares, share certificates and deposits at such rates as are determined by the board of directors, giving due consideration to the amount and time period of the savings or investment commitment.

(d) To borrow from any source except individuals provided that the total amount shall not exceed fifty percent (50%) of its members' shares, daily interest deposits and certificates of deposit. Provided that with prior written approval of the director of finance, the corporate credit union may exceed the fifty percent (50%) limitation.

(e) To make loans and to participate with the United States central credit union in making loans to members of the corporate credit union upon the terms and conditions determined by the board of directors.

(f) To make deposits in any member credit union in this state and the United States central credit union.

(g) To purchase the fixed assets of a member credit union if the board of directors of the corporate credit union determines it in the best interest of the member credit union.

(h) To develop and enter into agreement for the purpose of participation in any governmental agency liquidity or interlending system among credit unions and for the purpose of aiding credit unions in establishing concentrated lines of credit with other financial institutions, and to act as a depositor and transmitter of funds for the purpose of carrying out this power.

(i) To accept deposits from the United States central credit union in the form of certificates of deposit.

### **26-2174. MEMBERSHIP IN THE IDAHO CORPORATE CREDIT UNION.**

Membership in the Idaho corporate credit union shall be limited to and consist of the credit union subscribers to the articles of incorporation, credit unions organized under the Idaho credit union act or the federal credit union act, and organizations or associations of credit unions who have paid the membership fee, if any, as provided in the bylaws, have subscribed to and paid for one (1) or more shares as provided in the bylaws and have complied with such other requirements as the articles of incorporation or the bylaws may specify.

### **26-2175. EXPULSION AND/OR WITHDRAWAL FROM THE FIELD OF MEMBERSHIP OF THE IDAHO CORPORATE CREDIT UNION.**

A member of the Idaho corporate credit union may be expelled by the board of directors, but only after an opportunity has been given to the member to be heard for the purpose of such expulsion. A written notice of this hearing, setting forth the time, place, and date for such meeting shall be forwarded to the member by the board, together with the charges which serve as the basis for the expulsion. The member may be expelled for failure to meet the conditions of its membership, failure to carry out its obligation to the credit union, or refusal to comply with the provisions of the law or bylaws under which the corporate credit union operates or habitual neglect to pay obligations. Upon completion

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of the hearing, and if the board of directors has voted to expel the member, the member shall remain liable for any sums owed to the Idaho corporate credit union for loans and/or other purposes. The Idaho corporate credit union may require twenty (20) days' written notice to withdraw shares and/or deposits by the member, as funds become available.

**26-2176. MEETINGS AND ELECTIONS OF THE IDAHO CORPORATE CREDIT UNION.** Meetings and elections shall be held as indicated in the bylaws. Each member shall have one (1) vote irrespective of shareholdings. No member may vote by proxy, but may vote through a duly authorized delegate appointed by the members of the board of directors or executive committee of each corporate member.

**26-2177. OFFICIAL FAMILY -- IDAHO CORPORATE CREDIT UNION.** The business affairs of the corporate credit union shall be managed by a board of directors of at least seven (7) directors. One (1) director shall be elected from the designated delegates of each of the seven (7) credit union chapters of the state, as defined by the Idaho credit union league structure. The board of directors may serve as the supervisory committee or may employ an auditor acceptable to the director and may delegate certain loan functions and preapproved lending limits to the manager of the corporate credit union.

**26-2178. OFFICERS -- IDAHO CORPORATE CREDIT UNION.** Within sixty (60) days following the organizational meeting and at each annual meeting, the directors shall elect from their own number a chairman, one (1) or more vice-chairmen, a treasurer and a secretary, of whom the last two (2) may be the same individual. An assistant treasurer may be appointed by the board of directors. The chairman and secretary shall execute a certificate of election which shall set forth the names and addresses of the officers, directors and members elected or appointed. The certificate of election shall be executed on a form approved by the department of finance and one (1) copy of each shall be filed with the department of finance within ten (10) days after such election or appointment. The terms of the officers shall be for such terms respectively as the bylaws provide, and until their successors are chosen and have been duly qualified.

**26-2179. BOARD OF DIRECTORS -- IDAHO CORPORATE CREDIT UNION.** The board of directors of the corporate credit union shall have the same general powers and duties as boards of directors of credit unions organized under the Idaho credit union act and in the corporate credit union bylaws.

**26-2180. LOANS TO MEMBER CREDIT UNIONS -- IDAHO CORPORATE CREDIT UNION.** The Idaho corporate credit union may loan to members upon such security and for purposes only as provided in its bylaws. Loans shall be evidenced by a written instrument and within limits set by board policy. No loan shall be made unless approved in writing by a majority of the board of directors or manager as delegated by the board of directors.

The board may establish lines of credit to member credit unions based on the financial statements of the member credit union. Where a line of credit has been approved, application for loans need no further consideration as long as the aggregate obligation does not exceed the limits of such line of credit. The board of directors shall at least once a year review all lines of credit and any lines of credit shall expire if the member becomes more than sixty (60) days delinquent in its

obligations to the Idaho corporate credit union.

**26-2181. COMPENSATION -- CORPORATE OFFICERS.** The officers of the corporate credit union shall have the same rights regarding compensation as officers of other credit unions organized under the Idaho credit union act. Nothing in this section is to be interpreted to preclude the corporate credit union officers from receiving an honorarium as established annually by the board of directors for each meeting plus their actual expenses.

**26-2182. SHARES AND DEPOSITS.** (a) A share is defined as a term applied to each one hundred dollars (\$100) standing to the share account of a member. The shares of a credit union shall all be common shares of one (1) class and shall have a par value of one hundred dollars (\$100) per share. No certificate shall be issued to denote ownership of a share in the credit union.

(b) In the event of default, the Idaho corporate credit union shall have and may exercise a lien on the shares of any member for any sum due the credit union from said member.

**26-2183. RESERVE ALLOCATIONS -- IDAHO CORPORATE CREDIT UNION.** No reserve shall be required for the corporate credit union except a special reserve may be required by the director of finance when an annual examination reflects need for such reserves for potential losses from investments. Loans one (1) month to six (6) months delinquent shall be required to have a reserve equal to ten percent (10%) of the unpaid balance of such loans. Loans over six (6) months delinquent shall be required to have a reserve equal to one hundred percent (100%) of the unpaid balance of such loans. The director may allow distribution of the special reserve if the losses do not materialize.

**26-2184. DIVIDENDS -- IDAHO CORPORATE CREDIT UNION.** (a) After allocations to the reserve account if required by the director, the board of directors may at the end of any dividend period duly established, declare a dividend from undivided earnings as the bylaws may provide.

(b) Dividends shall be paid on all fully paid shares outstanding at the close of the dividend periods.

(c) And provided further that the Idaho corporate credit union may pay interest on daily deposit balances of its members which are in excess of the capital share base requirement for membership.

(d) No dividend shall be declared or paid at a time when the corporation is insolvent.

**26-2185. APPLICABLE PROVISIONS OF THE IDAHO CREDIT UNION ACT.** The following provisions of the Idaho credit union act shall apply to the Idaho corporate credit union:

- (a) Share reduction, section 26-2131, Idaho Code.
- (b) Reports, section 26-2133, Idaho Code.
- (c) Books and records, section 26-2135, Idaho Code.
- (d) Examinations, section 26-2136, Idaho Code.
- (e) False reports, section 26-2137, Idaho Code.
- (f) Cease and desist orders, suspension, and liquidation, section 26-2140, Idaho Code.
- (g) Administration, rules and regulations, section 26-2144, Idaho Code.

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- (h) Fiscal year, section 26-2112, Idaho Code.
- (i) Penalties for official misconduct, section 26-2117, Idaho Code.

**26-2186. TAXATION -- IDAHO CORPORATE CREDIT UNION.** The Idaho corporate credit union shall be deemed an institution for savings and, together with all the accumulations therein, shall not be subject to taxation except to real estate owned. The shares of a credit union shall not be subject to a stock transfer tax when issued by the corporation or when transferred from one (1) member to another.

**26-2187. CONSTRUCTION AGAINST REPEAL.** This chapter being a general chapter intended as unified coverage of its subject matter, no part of it shall be deemed to be impliedly repealed by subsequent legislation if such construction can reasonably be avoided.

**26-2188. SEVERABILITY.** If any provision of this chapter or the application thereof to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this chapter which can be given effect without the invalid provisions or application, and to this end the provisions of this chapter are severable.