

Sixtieth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2295

Introduced by

Senators Klein, Nelson

Representatives Boe, Delzer, Wrangham

1 A BILL for an Act to amend and reenact subsection 1 of section 6-01-01.1 and sections
2 6-03-02.2, 6-06-06.1, 6-06-35, and 6-09-36 of the North Dakota Century Code, relating to
3 conversion of a state credit union to a building and loan association and repealed building and
4 loan association law references; to repeal title 7 of the North Dakota Century Code, relating to
5 building and loan associations; to provide for a department of financial study and report to the
6 legislative council; to provide a penalty; and to provide an effective date.

7 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

8 **SECTION 1. AMENDMENT.** Subsection 1 of section 6-01-01.1 of the North Dakota
9 Century Code is amended and reenacted as follows:

10 1. There is hereby created a special fund designated as the financial institutions
11 regulatory fund. The amounts received under the following chapters, and any
12 other moneys received by the department of financial institutions, must be
13 deposited into this fund: chapters 6-01, 6-03, 6-05, 6-06, 6-10, ~~7-05~~, 13-03.1,
14 13-04.1, 13-05, 13-08, and 13-09.

15 **SECTION 2. AMENDMENT.** Section 6-03-02.2 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **6-03-02.2. Issuance of certificates of deposit - Penalty.** Certificates of deposit, as
18 defined in section 41-03-04, may only be issued in this state by financial institutions authorized
19 to issue certificates of deposit and chartered to do business in this state under this chapter or
20 as authorized under ~~sections~~ section 6-06-06.1 and ~~7-02-08.1~~. Any person violating this
21 section is subject to a civil penalty not to exceed five thousand dollars.

22 **SECTION 3. AMENDMENT.** Section 6-06-06.1 of the North Dakota Century Code is
23 amended and reenacted as follows:

1 **6-06-06.1. Issuance of certificates of deposit - Penalty.** Certificates of deposit, as
2 defined in section 41-03-04, may only be issued in this state by credit unions authorized to
3 issue certificates of deposit, and which are organized to do business in this state under this
4 chapter or under the Federal Credit Union Act, and whose accounts are insured by the national
5 credit union administration, except that the requirement for insurance of accounts for any
6 "corporate central credit union" or "central credit union" may be waived under section 6-06-40,
7 or as authorized under ~~sections~~ section 6-03-02.2 and ~~7-02-08.4~~. Any person violating this
8 section is subject to a civil penalty not to exceed five thousand dollars.

9 **SECTION 4. AMENDMENT.** Section 6-06-35 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **6-06-35. Conversion from state to federal credit union and from federal to state**
12 **credit union and from state credit union to building and loan association.**

- 13 1. A state credit union may be converted into a federal credit union under the laws of
14 the United States by complying with the following requirements:
 - 15 a. The proposition for such conversion must first be approved, and a date set for
16 a vote thereon by the members either at a meeting to be held on such date or
17 by written ballot to be filed on or before such date, by a majority of the
18 directors of the state credit union. Written notice of the proposition and of the
19 date set for the vote must then be delivered in person to each member or
20 mailed to each member at the address for such member appearing on the
21 records of the credit union, not more than thirty nor less than seven days prior
22 to such date. Approval of the proposition for conversion must be by the
23 affirmative vote of two-thirds of the members present at the meeting.
 - 24 b. A statement of the results of the vote, verified by the affidavits of the president
25 or vice president and the secretary, must be filed with the state credit union
26 board within ten days after the vote is taken.
 - 27 c. Promptly after the vote is taken and in no event later than ninety days
28 thereafter, if the proposition for conversion was approved by such vote, the
29 credit union shall take such action as may be necessary under the applicable
30 federal law to make it a federal credit union, and within ten days after receipt
31 of the federal credit union charter there must be filed with the state credit

union board a copy of the charter thus issued. Upon such filing, the credit union must cease to be a state credit union.

- d. Upon ceasing to be a state credit union, such credit union is no longer subject to any of the provisions of the North Dakota credit union law. The successor federal credit union is vested with all of the assets and shall continue to be responsible for all of the obligations of the state credit union to the same extent as though the conversion had not taken place.

2. a. A federal credit union, organized under the laws of the United States may be converted into a state credit union by:

- (1) Complying with all federal requirements requisite to enabling it to convert to a state credit union or to cease being a federal credit union;
- (2) Filing with the state credit union board proof of such compliance, satisfactory to the commissioner;
- (3) Filing with the commissioner an organization certificate and bylaws, both in triplicate, as required by section 6-06-02; and
- (4) Granting discretionary authority to the commissioner to conduct an examination prior to the conversion date.

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

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

- 1 3. After July 31, 2009, a state credit union may convert to a building and loan
2 association by complying with the following requirements:
- 3 a. The proposal for a conversion first must be approved and a date set for a vote
4 on the proposal by the members either at a meeting to be held on such date
5 or by written ballot to be filed on or before such date by a majority of the
6 directors of the credit union. Approval of the proposal for the conversion must
7 be by the affirmative vote of two-thirds of the members voting.
- 8 b. A state credit union that proposes to convert to a building and loan
9 association shall submit notice to each of the credit union's members who are
10 eligible to vote on the matter of the credit union's intent to convert:
- 11 (1) Ninety days before the date of the member vote on the conversion;
12 (2) Sixty days before the date of the member vote on the conversion; and
13 (3) Thirty days before the date of the member vote on the conversion.
- 14 c. A state credit union that proposes to convert to a building and loan
15 association shall submit a notice to the state credit union board of the credit
16 union's intent to convert at least ninety days before the date of the completion
17 of the conversion.
- 18 d. Upon completion of a conversion, the state credit union is no longer subject to
19 any of the provisions of chapter 6-06.
- 20 e. A director or senior management official of a state credit union may not
21 receive any economic benefit in connection with a conversion of the state
22 credit union other than reasonable director fees and reasonable
23 compensation and other benefits paid to directors or senior management
24 officials of the converted institution in the ordinary course of business. As
25 used in this subdivision, the term senior management official means a chief
26 executive officer, an assistant chief executive officer, a chief financial officer,
27 and any other senior executive officer as may be defined by the state credit
28 union board.
- 29 f. Before January 1, 2009, the state credit union board shall adopt rules
30 applicable to state credit union conversion to a building and loan association

1 which are consistent with the conversion rules of the national credit union
2 administration.

3 g. The commissioner shall review the methodology by which the conversion
4 member vote was taken and procedures applicable to the member vote. The
5 commissioner shall report the commissioner's findings to the state credit
6 union board. If the commissioner or the state credit union board disapproves
7 of the methods by which the conversion member vote was taken or
8 procedures applicable to the member vote, the member vote must be retaken
9 as directed by the commissioner or the state credit union board.

10 **SECTION 5. AMENDMENT.** Section 6-09-36 of the North Dakota Century Code is
11 amended and reenacted as follows:

12 **6-09-36. Bank of North Dakota - Custodian of securities.** Notwithstanding any other
13 provision of law to the contrary, the Bank of North Dakota shall replace the state treasurer as
14 the custodian of all securities that are required to be deposited with the state except that the
15 state treasurer is the custodian of all securities resulting from the investment of funds by the
16 state treasurer, or except as otherwise required by this section and sections 6-05-04, 6-05-05,
17 6-05-27, ~~7-07-03, 7-07-04, 7-07-12~~, 39-16-10, 39-16.1-15, subsection 1 of section 39-16.1-17,
18 and subsection 1 of section 39-16.1-19.

19 **SECTION 6. REPEAL.** Title 7 of the North Dakota Century Code is repealed.

20 **SECTION 7. DEPARTMENT OF FINANCIAL INSTITUTIONS STUDY OF BUILDING**
21 **AND LOAN ASSOCIATIONS - REPORT TO LEGISLATIVE COUNCIL.** During the 2007-08
22 interim, the commissioner of financial institutions shall study the state's building and loan
23 association law and how this law relates to conversions of state credit unions to building and
24 loan associations. Before July 1, 2008, the commissioner shall report to the legislative council
25 on the outcome of the study and present any proposed legislation the department of financial
26 institutions determines is necessary to replace North Dakota Century Code title 7.

27 **SECTION 8. EFFECTIVE DATE.** Sections 1, 2, 3, 5, and 6 of this Act become effective
28 on August 1, 2009.