

Sixtieth  
Legislative Assembly  
of North Dakota

## ENGROSSED 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3 conversion of a state credit union to a building and loan association and repealed building and  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

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

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

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

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

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

23 b. When the commissioner has been satisfied that all of such requirements and  
24 all other requirements of the North Dakota law have been complied with, the  
25 commissioner shall notify the applicants and the state credit union board of  
26 that fact, and the board shall instruct the secretary of state to issue a charter  
27 in accordance with section 6-06-02. Upon issuance of the charter, the federal  
28 credit union shall become a state credit union and ceases to be a federal  
29 credit union. The state credit union is vested with all of the assets and shall  
30 continue to be responsible for all of the obligations of the federal credit union  
31 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 mutual savings banks law and how these laws relate to conversions of  
24 state credit unions to building and loan associations or mutual savings banks. Before July 1,  
25 2008, the commissioner shall report to the legislative council on the outcome of the study and  
26 present any proposed legislation the department of financial institutions determines is  
27 necessary to replace North Dakota Century Code title 7.

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