

Chapter 723

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Credit Unions

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FORMATION

723.001 Definitions. As used in this chapter:

(1) "Capital" means shares, share certificates, any special class of shares, deposit accounts, reserves, excepting loan loss reserves referred to in ORS 723.631 (2), and undivided earnings, unless the context requires otherwise.

(2) "Department" means the Department of Consumer and Business Services.

(3) "Director" means the Director of the Department of Consumer and Business Services. [1985 c.762 §80; 1987 c.158 §151; 1987 c.373 §62; 1987 c.650 §1; 1993 c.744 §25]

723.002 Short title. This chapter shall be known and may be cited as the "Oregon Credit Union Act." [1975 c.652 §2; 1985 c.762 §78; 1985 c.801 §1; 1987 c.158 §152; 1987 c.373 §63; 1987 c.650 §2]

723.006 "Credit union" defined. A credit union is a cooperative, nonprofit association, incorporated under the laws of this state, for the purposes of encouraging thrift among its members, creating a source of credit at a fair and reasonable rate of interest and providing an opportunity for its members to use and control their own money in order to improve their economic and social condition. [1975 c.652 §3]

723.010 [Amended by 1955 c.550 §1; repealed by 1975 c.652 §88]

723.012 Organization procedure. (1) Any seven or more residents of this state (or other appropriate jurisdiction), of legal age, who have a common bond referred to in ORS 723.172 may organize a credit union and become charter members thereof by complying with this section.

(2) The incorporators shall execute in duplicate articles of incorporation and agree to the terms thereof. The articles shall state:

(a) The name, which shall include the words "credit union" and which shall not be the same as that of any other existing credit union in this state, and the location where the proposed credit union is to have its principal place of business.

(b) The term of its existence, which may be perpetual.

(c) The par value, if any, of the shares of the credit union shall be defined in the bylaws.

(d) The full name, residence and post-office address of each of the incorporators and the number of shares subscribed to by each, which shall not be less than one share.

(e) The number of its directors, which shall not be less than five, and the names of

the incorporators who shall be its directors until the first annual meeting of shareholders.

(f) The number of the members of the supervisory committee, which shall not be less than three, and the name, residence and post-office address of the persons who are to serve as members until the first meeting of directors.

(g) That the credit union may exercise such incidental powers as are necessary or requisite to enable it to carry on effectively the business for which it is incorporated, and those powers which are inherent in the credit union as a legal entity.

(3) The incorporators shall prepare and adopt bylaws for the general government of the credit union, consistent with this chapter, and execute the bylaws in duplicate.

(4) The incorporators shall forward the articles of incorporation and the bylaws to the director, together with a filing fee of \$150. The director shall issue a certificate of approval if the articles and the bylaws are in conformity with this chapter and the director is satisfied that the proposed field of operation is favorable to the success of the credit union and that the standing of the proposed organizers is such as to give assurance that its affairs will be properly administered. The director shall return a copy of the bylaws and the articles to the applicants or their representatives, which shall be preserved in the permanent files of the credit union. The application shall be acted upon within 60 days.

(5) The subscribers for a credit union charter shall not transact any business until formal approval of the articles and bylaws has been received. [1975 c.652 §4; 1985 c.762 §85; 1987 c.286 §1]

723.014 Denial of certificate of approval. The director may not issue a certificate of approval under ORS 723.012 if any person named in the articles of incorporation submitted for approval:

(1) Is insolvent, either in the sense that the person's liabilities exceed the person's assets or that the person cannot meet the person's obligations as they mature, or is in such financial condition that the person cannot continue in business with safety to the person's customers;

(2) Has engaged in dishonest, fraudulent or illegal practices or conduct in any business or profession;

(3) Has willfully or repeatedly violated or failed to comply with any provision of the Oregon Bank Act, the Savings Association Act, the Oregon Credit Union Act, the Oregon Consumer Finance Act or the

Pawnbrokers Act, or any administrative rule or order adopted pursuant to any such Act;

(4) Has been convicted of a crime, an essential element of which is fraud;

(5) Is not qualified to conduct a credit union business on the basis of such factors as training, experience and knowledge of the business;

(6) Is permanently or temporarily enjoined by a court of competent jurisdiction from engaging in or continuing any conduct or practice involving any aspect of the credit union business;

(7) Is the subject of an order of the director subjecting the person to a fine or other civil penalty, or removing the person from an office in any entity regulated by the director;

(8) Is the subject of an order entered within the past five years subjecting the person to a fine or other civil penalty or removing the person from an office in a state banking institution, a national bank, a state or federal credit union, a state or federal savings association or a consumer finance company, issued by the regulatory authority of another state, or of the Federal Government, with authority over such banking institutions, credit unions, consumer finance companies or savings associations. [1977 c.135 §42; 1985 c.762 §86; 1987 c.373 §63a; 1987 c.650 §3]

723.016 Form of articles and bylaws.

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 may be used by credit union incorporators for their guidance. The articles of incorporation and bylaws shall be available without charge to persons desiring to organize a credit union. [1975 c.652 §5; 1985 c.762 §87]

723.020 [Repealed by 1975 c.652 §88]

723.022 Amendments. (1) The articles of incorporation or the bylaws may be amended as provided in the bylaws. Amendments to the articles of incorporation or bylaws shall be submitted, together with a fee established by rule of the director, to the director, who shall approve or disapprove the amendments within 60 days.

(2) Amendments shall become effective upon approval in writing by the director. [1975 c.652 §6; 1991 c.635 §1]

723.026 Use of name exclusive. With the exception of a credit union organized under this chapter or of any other credit union act, or an association of credit unions or a recognized chapter thereof, any person using a name or title containing the words "credit union" or any derivation thereof or

representing themselves in their advertising or otherwise as conducting business as a credit union shall be fined not more than \$500 or imprisoned not more than one year, or both, and may be permanently enjoined from using such words in its name. [1975 c.652 §7; 1985 c.762 §88]

723.030 [Amended by 1973 c.414 §1; repealed by 1975 c.652 §88]

723.032 Office facilities. (1) Any credit union may make a written application to the director for authority to establish a branch. At the time an application is submitted, the credit union shall pay, for each branch requested, a fee of \$500 which shall not be refunded if the application is refused. The application shall state the reasons for the establishment of a branch and shall be signed and acknowledged by a majority of its board of directors. The director shall determine whether or not the establishment of a branch is advisable or justified and whether the public and members' convenience and advantage will be promoted, and shall, at the discretion of the director, approve or disapprove the establishment of the branch. If the director grants a certificate authorizing the establishment of a branch, the credit union may establish such a branch.

(2) A credit union may change its place of business within this state upon written notice to, and approval of the change by, the director.

(3) A credit union may share office space with one or more credit unions and contract with any person or corporation to provide facilities or personnel. [1975 c.652 §8; 1977 c.135 §44; 1991 c.635 §3]

723.036 Fiscal year. The fiscal year of each credit union shall end on the last day of December. [1975 c.652 §9]

723.040 [Amended by 1959 c.106 §1; 1971 c.681 §1; repealed by 1975 c.652 §88]

723.042 Out-of-state credit unions. A credit union organized and qualified as a credit union in another state may conduct business as a credit union in this state if all of the following conditions are met:

(1) The credit union must be organized under a credit union law substantially similar to this chapter.

(2) A credit union organized and doing business under the laws of this state must be permitted to do business in the other state under conditions substantially similar to those in this chapter.

(3) The director must approve an application filed by the credit union, which application shall include an agreement to comply with all rules prescribed by the director.

(4) The credit union must agree to submit an annual or other regular report of exam-

ination from the supervising agency of the state in which it is chartered.

(5) The credit union must agree to authorize the examination of its parent credit union by the director and to pay the fee determined under ORS 723.114. [1975 c.652 §10; 1981 c.412 §6; 1985 c.762 §89; 1987 c.373 §63b]

723.050 [Amended by 1955 c.550 §2; 1959 c.106 §2; repealed by 1975 c.652 §88]

723.060 [Amended by 1971 c.681 §2; repealed by 1975 c.652 §88]

723.070 [Repealed by 1975 c.652 §88]

723.080 [Repealed by 1975 c.652 §88]

723.090 [Repealed by 1975 c.652 §88]

723.100 [Amended by 1955 c.550 §3; repealed by 1975 c.652 §88]

REGULATORY AUTHORITY

723.102 Rulemaking authority. (1) In accordance with ORS 183.310 to 183.550, the director may adopt rules for the purpose of carrying out this chapter.

(2) The director shall adopt rules prescribing the minimum amount of surety bond or letter of credit coverage and casualty, liability and fire insurance required of credit unions in relation to their assets or to the money and other personal property involved, or to their exposure to risk. [1975 c.652 §11; 1985 c.762 §90; 1991 c.331 §123; 1991 c.635 §4]

723.104 [1977 c.135 §43; repealed by 1985 c.762 §196]

723.106 Reports. (1) Credit unions shall report to the director annually by a date established by the director on forms supplied by the director for that purpose. Additional reports may be required.

(2) A fine in an amount to be established by rule of the director, but not to exceed \$1,000 for each day a report is in arrears shall be levied against the offending credit union unless it is excused for cause by the director. [1975 c.652 §12; 1991 c.635 §2]

723.110 [Amended by 1971 c.681 §3; repealed by 1975 c.652 §88]

723.112 Examinations. (1) The director shall examine the condition and resources of each credit union to determine whether the credit union is complying with the laws of this state and such other matters as the director may prescribe. For the purpose of conducting an examination or any part thereof, the director may employ an independent consultant determined by the director as qualified to conduct examinations. Except as provided in subsection (3) of this section, examinations under this subsection must be conducted not less frequently than 24 months apart.

(2) For purposes of an examination under subsection (1) of this section:

(a) Each credit union and all of its officers and agents shall be required to give to representatives of the director full access to all books, papers, securities, records and other sources of information under their control.

(b) The director may subpoena witnesses, administer oaths, compel the giving of testimony and require the submission of documents.

(3) Instead of an examination under subsection (1) of this section, the director may accept an examination or report made by an agency of the United States Government under statutes of the United States.

(4) A report of an examination under subsection (1) of this section shall be forwarded to the executive officer of each credit union within 60 days after completion. The report shall contain comments relative to the management of the affairs of the credit union and also as to the general condition of its assets. Within 45 days after the receipt of the report, the directors and committeemen shall meet to consider matters contained in the report and shall report in writing to the director on the manner in which the credit union is complying or will comply with the director's recommendations. [1975 c.652 §13; 1977 c.135 §45; 1985 c.762 §91; 1987 c.373 §63c]

723.114 Annual fees paid by credit unions. (1) Each credit union shall pay to the director each year the fee determined by reference to the schedule adopted by the director under ORS 705.620. The fee shall be paid by the date set by the director in the rule establishing the schedule.

(2) In addition to any fee collected under subsection (1) of this section, whenever the director devotes any extra attention to the affairs of a credit union, either upon determination by the director or upon request of the credit union, the fee for the extra service shall be the actual cost thereof. [1985 c.762 §92; 1987 c.171 §6; 1987 c.373 §64]

723.116 Records. (1) A credit union shall maintain all books, records, accounting systems and procedures in accordance with such rules as the director from time to time prescribes. In prescribing such rules, the director shall consider the relative size of a credit union and its reasonable capability of compliance.

(2) A credit union shall be liable for destroying records prior to the expiration of the record retention time prescribed by the director. [1975 c.652 §14; 1991 c.635 §5]

723.120 [Amended by 1959 c.106 §3; 1971 c.681 §5; 1973 c.719 §1; repealed by 1975 c.652 §88]

723.122 Bond or letter of credit. (1) Each credit union shall obtain and maintain a fidelity bond or irrevocable letter of credit

issued by a commercial bank as defined in ORS 706.005, which includes coverage in accordance with any rules of the director, to protect the credit union against losses caused by occurrences covered therein such as fraud, dishonesty, forgery, embezzlement, misappropriation, misapplication of duty and all acts of its agents, directors, officers, committee members, employees or attorneys in an amount not less than 100 percent of its assets up to \$2 million. Such bond or letter of credit shall include a faithful performance clause to cover the chief financial officer. Such bond or letter of credit shall be approved by the director who may require such additional amounts as the director deems necessary for credit unions with assets in excess of \$2 million.

(2) All bond claims or claims upon a letter of credit shall be reported to the director. [1975 c.652 §15; 1987 c.286 §2; 1991 c.331 §124]

723.124 [1971 c.681 §4; repealed by 1975 c.652 §88]

723.126 Enforcement actions. The director may institute any action or other proceeding that the director considers necessary for enforcing any provision of this chapter or any rule, order or action adopted, issued or taken by the director under this chapter. [1987 c.215 §10]

723.128 [1971 c.681 §12; repealed by 1975 c.652 §88]

723.130 [Amended by 1955 c.550 §4; 1967 c.279 §1; 1971 c.681 §6; repealed by 1975 c.652 §88]

723.132 Order to remove officer, director or committee member. The director by order may direct a credit union to remove any officer, director or committee member of the credit union for any reason stated in ORS 723.014. [1987 c.650 §6]

723.135 [1973 c.148 §2; repealed by 1975 c.652 §88]

POWERS OF CREDIT UNIONS

723.152 General powers. In addition to the powers conferred by the general corporation law a credit union may, subject to the restrictions and limitations contained in this chapter and its bylaws:

- (1) Make contracts.
- (2) Sue and be sued.
- (3) Adopt and use a common seal and alter same.
- (4) Acquire, lease, hold and dispose of property, either in whole or in part, necessary or incidental to its operations.
- (5) At the discretion of the board of directors, require the payment of an entrance fee or annual membership fee, or both, of any person admitted to membership.
- (6) Receive savings from its members in the form of various classes of shares, deposits or deposit certificates, deposit accounts or special-purpose thrift accounts.

(7) Receive from its members or from another credit union deposits or deposit certificates, deposit accounts or various classes of shares payable on nonnegotiable request.

(8) Lend its funds to its members and credit unions as provided in this chapter.

(9) Borrow from any source in accordance with policy established by the board of directors.

(10) Discount and sell any eligible obligations, subject to rules adopted by the director.

(11) Sell all or substantially all of its assets or purchase all or substantially all of the assets of another credit union, subject to the approval of the director.

(12) Invest surplus funds as provided in this chapter.

(13) Make deposits in legally chartered banks, savings banks, savings and loan associations, trust companies and credit union organizations.

(14) Assess charges to members in accordance with the bylaws for failure to meet promptly their obligations to the credit union.

(15) Hold membership in other credit unions organized under this chapter or other Acts, and in other associations and organizations composed of credit unions.

(16) Declare dividends, pay interest on deposit and deposit certificate accounts and pay interest refunds to borrowers as provided in this chapter.

(17) Collect, receive and disburse moneys in connection with the sale of travelers' checks, money orders and other money-type instruments, and for such other purposes as may provide benefit or convenience to its members, and charge a reasonable fee for such services.

(18) Perform such tasks and missions as are requested by the Federal Government or this state, or any agency or political subdivision thereof, when approved by the board of directors and not inconsistent with this chapter.

(19) Receive deposits from the Federal Government or this state, or any agency or political subdivision thereof, when payable for the accounts of members.

(20) With the approval of the director, one or more credit unions (either federal or state) or with an association of credit unions in this state, may purchase accounting services, participate in a service center, or share quarters and carry on business operations either individually or jointly. To accomplish any of the above-stated acts a credit union may purchase stock of a corporation that

provides these activities, with such stock purchase limited to one percent of the credit union's capital.

(21) Make donations or contributions to any civic, charitable or community organization as authorized by the board of directors, subject to any rules adopted by the director.

(22) Act as a custodian of qualified pension funds of members if permitted by federal law.

(23) Purchase or make available insurance for its directors, officers, agents, employees and members.

(24) Allow its members who are individuals to use share accounts, deposit accounts or deposit certificate accounts as share draft accounts as provided in ORS 723.434. [1975 c.652 §16; 1981 c.290 §3; 1983 c.37 §36b; 1985 c.762 §93; 1985 c.801 §2; 1987 c.650 §4]

723.156 Adoption of rules comparable to federal law and regulations. Notwithstanding any other provision of law, the director may, in accordance with ORS 183.310, 183.315, 183.330, 183.335 and 183.341 to 183.410, make reasonable rules authorizing a credit union to exercise any of the powers conferred upon a federally chartered credit union doing business in this state which is subject to the regulations of the administrator of the National Credit Union Administration or the successor or successors of the administrator, if the director finds that the exercise of the power:

(1) Serves the public and members' convenience and advantage; and

(2) Equalizes and maintains the quality of competition between state chartered credit unions and federally chartered credit unions. [1975 c.652 §17; 1991 c.635 §6]

MEMBERSHIP

723.172 Membership defined. (1) The membership of a credit union shall be limited to and consist of the incorporators to the articles of incorporation and such other persons within the common bond set forth in the bylaws as have been duly admitted members, have paid the required entrance fee or membership fee, or both, have subscribed for one or more shares and have paid the initial installment thereon, and have complied with such other requirements as the articles of incorporation or bylaws specify.

(2) Credit union membership may include groups having a common employer, and members of the immediate family of such persons. [1975 c.652 §18]

723.176 Societies; partnerships; corporations. Societies, and partnerships composed of individuals who are eligible to membership, and corporations whose employ-

ees are eligible to membership, may be admitted to membership in the same manner and under the same conditions as individuals, but may not borrow in excess of \$100,000. [1975 c.652 §19; 1987 c.286 §3]

723.182 Other credit unions. Any credit union organized under the laws of this state may permit membership of any other credit union organized under the laws of this state, of any other state or of the United States. [1975 c.652 §20]

723.184 State deemed member with respect to deferred compensation deposits; restrictions on membership. Notwithstanding any other provision of this chapter, a credit union may receive deposits from the State of Oregon under the deferred compensation program established by ORS 243.400 to 243.495. With respect to such deposits, the State of Oregon shall be deemed to be a member of the credit union, except that the state shall not be entitled to vote, hold office or otherwise participate in the management or operation of the credit union. [1977 c.721 §17]

723.186 Members who leave field. Members who leave the field of membership may be permitted to retain their membership in the credit union as a matter of general policy of the board of directors. [1975 c.652 §21]

723.188 Foster parents as members. (1) Notwithstanding any other provision of this chapter, a credit union that provides in its articles of incorporation or bylaws for membership of employees of the State of Oregon shall also permit membership of any person serving as a foster parent in a foster home certified by the Children's Services Division of the Department of Human Resources under ORS 418.625 to 418.645.

(2) A foster parent eligible for membership in a credit union under subsection (1) of this section shall comply with all other membership requirements applicable to any other person eligible for membership in the credit union. [1989 c.550 §2]

723.192 Individual liability. The members of the credit union shall not be personally or individually liable for the payment of the debts of the credit union. [1975 c.652 §22; 1981 c.903 §10]

723.196 Meeting of members. (1) The annual meeting and any special meetings of the members of the credit union shall be held at the time, place, and in the manner indicated by the bylaws.

(2) At all such meetings a member shall have but one vote, irrespective of the member's shareholdings. No member may vote by proxy, but a member may vote by absentee ballot if the bylaws of the credit union so provide.

(3) A society, association, partnership or corporation, having membership in the credit union, may be represented and have its vote cast by one of its members or shareholders, provided such person has been fully authorized by the organization's governing body.

(4) The board of directors may establish a minimum age as a qualification of eligibility to vote at meetings of the members. [1975 c.652 §23]

723.202 Withdrawal and expulsion of members. A member desiring to withdraw from a credit union shall file a written notice of intention to withdraw. The board of directors may expel any member who has not carried out the member's engagements with the credit union, who has been convicted of a criminal offense, who fails to comply with the provisions of this chapter or of the articles or bylaws of the credit union, who habitually neglects to pay the member's debts or who becomes insolvent or bankrupt. However, no member shall be expelled until the member has been informed in writing of the charges against the member and shall have had reasonable opportunity to be heard. Members of a credit union who withdraw or are expelled shall not be relieved of any liability to the credit union. The amounts paid in on shares or deposited by such members, together with any dividends credited to their shares and any interest which has accrued on their deposits, shall be repaid to them in the order of their withdrawal or expulsion, as funds become available therefor, but the credit union may deduct from such payments any sums due it from such members. [1975 c.652 §24; 1985 c.762 §94]

723.210 [Repealed by 1975 c.652 §88]

723.220 [Repealed by 1959 c.106 §23]

723.230 [Amended by 1959 c.106 §7; 1967 c.279 §2; 1971 c.681 §7; repealed by 1975 c.652 §88]

723.240 [Amended by 1959 c.106 §8; 1967 c.279 §3; repealed by 1975 c.652 §88]

723.245 [1959 c.106 §6; repealed by 1975 c.652 §88]

723.250 [Amended by 1959 c.106 §9; 1967 c.279 §4; 1971 c.681 §8; 1973 c.147 §1; repealed by 1975 c.652 §88]

DIRECTION OF AFFAIRS

723.252 Election or appointment of officials. (1) The credit union shall be directed by a board consisting of an odd number of directors, at least five in number, to be elected at the annual members' meeting by and from the members. All members of the board shall hold office for such terms as the bylaws provide.

(2) The board of directors shall appoint a supervisory committee of not less than three members at the organizational meeting and within 30 days following each annual meeting of the members for such terms as the bylaws provide.

(3) The board of directors shall appoint a credit committee consisting of an odd number, not less than three in number, for such terms as the bylaws provide, or said credit committee may be elected at the annual members' meeting by and from the members, or in lieu of a credit committee, a credit manager may be appointed.

(4) The board of directors may appoint alternate directors, credit committee or supervisory committee members to serve in place of absent officials. [1975 c.652 §25]

723.256 Record of board and committee members. Within such time as the director may establish, a record of the names and addresses of the members of the board, committees and all officers of the credit union shall be filed with the director on forms provided by the director. [1975 c.652 §26; 1991 c.635 §7]

723.260 [Amended by 1959 c.106 §10; repealed by 1975 c.652 §88]

723.262 Vacancies. The board of directors shall fill any vacancies occurring in the board until successors elected at the next annual meeting have qualified. The board shall also fill vacancies in the credit and supervisory committees or in the office of credit manager. [1975 c.652 §27]

723.266 Compensation of officials. No officer, director, or committee member, other than the treasurer, a credit manager, a general manager, or a loan officer may be compensated for service as such, but providing reasonable life, health, accident and similar insurance protection for a director or committee member, or indemnification and related insurance, shall not be considered compensation. Directors and committee members, while on official business of the credit union, may be reimbursed for necessary expenses incidental to the performance of such business. [1975 c.652 §28; 1991 c.635 §8]

723.270 [Repealed by 1975 c.652 §88]

723.272 Conflicts of interest. No director, committee member, officer, agent or employee of the credit union shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting pecuniary interest or the pecuniary interest of any corporation, partnership or association (other than the credit union) in which the director, committee member, officer, agent or employee is directly or indirectly interested. [1975 c.652 §29]

723.275 [1959 c.106 §5; repealed by 1975 c.652 §88]

723.276 Executive officers. (1) At their organizational meeting and within 30 days following each annual meeting of the members, the directors shall elect an executive officer, who may be designated as chairman

of the board or president; a vice chairman of the board or one or more vice presidents; a treasurer; and a secretary. The treasurer and the secretary may be the same individual. The persons so elected shall be the executive officers of the corporation.

(2) The terms of the officers shall be one year, or until their successors are chosen and have duly qualified.

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

(4) The board of directors may employ an officer in charge of operations whose title shall be president, general manager, or such other title as may be designated in the bylaws of the credit union; or, in lieu thereof, the board of directors may designate the treasurer or an assistant treasurer to be in active charge of the affairs of the credit union.

(5) The board of directors may appoint a security officer. [1975 c.652 §30; 1987 c.286 §4; 1991 c.635 §9]

723.280 [Amended by 1955 c.550 §5; 1959 c.106 §11; 1971 c.681 §9; repealed by 1975 c.652 §88]

723.282 Authority of directors. The board of directors shall have the general direction of the business affairs, funds and records of the credit union. [1975 c.652 §31]

723.286 Executive committee. From the persons elected to the board, the board may appoint an executive committee of not less than three directors who may be authorized to act for the board in all respects, subject to such conditions and limitations as are prescribed by the board. [1975 c.652 §32]

723.290 [Amended by 1959 c.106 §12; repealed by 1975 c.652 §88]

723.292 Meetings of directors. The board of directors and the executive committee shall meet as often as necessary, but one body must meet at least monthly and the other at least quarterly. [1975 c.652 §33]

723.296 Duties of directors. It shall be the duty of the directors to:

(1) Act upon applications for membership or appoint one or more membership officers to approve applications for membership under such conditions as the board prescribes. A record of a membership officer's approval or denial of membership shall be available to the board of directors for inspection. A person denied membership by a membership officer may appeal the denial to the board.

(2) Purchase a blanket fidelity bond, in accordance with ORS 723.122.

(3) Determine from time to time the interest rate or rates that shall be charged on loans and to authorize interest refunds, if any, to members from income earned and received in proportion to the interest paid by

them on such classes of loans and under such conditions as the board prescribes.

(4) Fix from time to time the maximum amount that may be loaned to any one member.

(5) Establish different types or classes of shares.

(6) Declare dividends on shares and share certificates in the manner and form as provided in the bylaws and determine the interest rate or rates that will be paid on deposits and deposit certificates.

(7) Limit the number of shares and the amount of deposits that may be owned by a member. Limitations adopted under this subsection must apply alike to all members.

(8) Have charge of the investment of surplus funds, except that the board of directors may designate an investment committee or any qualified individual to have charge of making investments under controls established by the board of directors.

(9) Authorize the employment of such persons necessary to carry on the business of the credit union, including the credit manager, loan officers and auditing assistants requested by the supervisory committee; and fix the compensation, if any, of the treasurer, credit manager, general manager and loan officer, and provide for compensation for other employees within guidelines predetermined by the board of directors.

(10) Authorize the conveyance of property.

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

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

(13) Suspend any or all members of the credit or supervisory committee for failure to perform their duties.

(14) Appoint any special committees deemed necessary.

(15) Perform such other duties as the members from time to time direct, and perform or authorize any action not inconsistent with this chapter and not specifically reserved by the bylaws for the members. [1975 c.652 §34; 1981 c.412 §7; 1985 c.762 §95; 1985 c.801 §3; 1987 c.286 §5]

723.302 Duties of credit committee. The credit committee shall have the general supervision of all loans to members. [1975 c.652 §35]

723.306 Meetings of credit committee. The credit committee shall meet as often as the business of the credit union requires and not less frequently than once a month to consider applications for loans. No loan shall be made unless it is approved by a majority

of the committee who are present at the meeting at which the application is considered. [1975 c.652 §36]

723.312 Loan officers. (1) The credit committee may appoint one or more loan officers and delegate the power to approve or disapprove loans, subject to such limitations or conditions as the credit committee prescribes.

(2) Loan applications not approved by a loan officer may be reviewed by the credit committee. [1975 c.652 §37; 1987 c.286 §6]

723.316 Credit manager. The credit committee may be dispensed with, and a credit manager empowered to approve or disapprove loans under conditions prescribed by the board of directors. In the event the credit committee is dispensed with, the procedures prescribed in ORS 723.302 to 723.312 do not apply, and no loans shall be made unless approved by the credit manager, except the credit manager may appoint one or more loan officers with the power to approve loans, subject to such limitations or conditions as the credit manager prescribes. [1975 c.652 §38]

723.322 Duties of supervisory committee; verification of member accounts. (1) The supervisory committee shall make or cause to be made a comprehensive annual audit of the books and affairs of the credit union and shall submit a report of the audit to the board of directors and the director and a summary of that report to the members at the next annual meeting of the credit union. It shall make or cause to be made such supplementary audits or examinations as it deems necessary or as are required by the director or by the board of directors, and submit reports of these supplementary audits to the board of directors.

(2) The supervisory committee shall cause the accounts of the members to be verified with the records of the credit union from time to time in accordance with subsection (3) of this section. This verification shall be done not less frequently than every two years.

(3) Verification of members' accounts shall be made using either of the following methods:

(a) A controlled verification of 100 percent of members' share and loan accounts; or

(b) A controlled random statistical sampling method in accordance with rules that the director may prescribe.

(4) Records of accounts verified shall be maintained and retained until the next verification of members' accounts is completed. [1975 c.652 §39; 1991 c.635 §10]

723.326 Suspension and removal of officials. (1) The supervisory committee by a unanimous vote may suspend any member of the credit committee and shall report such action to the board of directors for appropriate action.

(2) The supervisory committee by a unanimous vote may suspend any officer or member of the board of directors until the next members' meeting, which shall be held not less than seven nor more than 21 days after the suspension. At such meeting the suspension shall be acted upon by the members.

(3) Any member of the supervisory committee may be removed by the board of directors for failure to perform duties prescribed in this chapter, the articles of incorporation or bylaws. [1975 c.652 §40; 1985 c.762 §96]

723.332 Special meetings. The supervisory committee by a majority vote may call a special meeting of the members to consider any violation of this chapter, the articles of incorporation or bylaws, or any practice of the credit union deemed by the supervisory committee to be unsafe or unauthorized. [1975 c.652 §41; 1985 c.762 §97]

723.338 Duty to notify law enforcement officers of violations of Oregon Credit Union Act; investigations; costs. (1) If a director, officer or committee member of a credit union has reason to believe that a person has violated any provision of the Oregon Credit Union Act for which criminal prosecution is provided, such official shall give the information relative to the violation to the appropriate federal, state or local law enforcement officer having jurisdiction of the violation, and to the Director of the Department of Consumer and Business Services.

(2) If the matter is referred to the Attorney General or to a district attorney, such official promptly shall investigate the violation and institute such action against the person as the information and investigation requires or justifies. The cost of the investigation and action shall be paid by the county or state in the manner in which other criminal actions are paid. [1979 c.88 §33]

723.350 [Amended by 1959 c.106 §13; repealed by 1975 c.652 §88]

723.360 [Amended by 1959 c.106 §14; repealed by 1975 c.652 §88]

723.370 [Amended by 1959 c.106 §15; repealed by 1975 c.652 §88]

723.380 [Amended by 1959 c.106 §16; repealed by 1975 c.652 §88]

723.390 [Amended by 1959 c.106 §17; 1971 c.681 §10; 1973 c.719 §2; repealed by 1975 c.652 §88]

723.400 [Amended by 1955 c.550 §6; 1959 c.106 §18; 1967 c.279 §5; repealed by 1975 c.652 §88]

SAVINGS ACCOUNTS

723.402 Shares. (1) Shares may be subscribed to, paid for and transferred in such manner as the bylaws prescribe.

(2) A certificate need not be issued to denote ownership of a share in a credit union. [1975 c.652 §42; 1985 c.801 §4; 1987 c.158 §153; 1987 c.650 §7]

723.406 Dividends. (1) At such intervals and for such periods as the board of directors may authorize, and after provision for the required reserves, the board of directors may declare dividends to be paid on shares or share certificates. Dividends may be paid at various rates, or not paid at all, with due regard to the conditions that pertain to each class of share.

(2) Shares which become fully paid up during such dividend period and are outstanding at the close of the period shall be entitled to a proportional share of such dividend.

(3) Dividend credit for a month may be accrued on shares which are or become fully paid up during the first 10 days of that month.

(4) Subject to the approval of the board of directors, accounts closed between dividend periods may be credited with dividends at the rate of the last dividend, computed from the last dividend period to the date when closed. [1975 c.652 §43; 1985 c.206 §1; 1985 c.801 §5]

723.410 [Amended by 1959 c.106 §19; 1967 c.279 §6; repealed by 1975 c.652 §88]

723.412 Deposit and deposit certificate accounts; interest; priority. (1) A credit union may receive savings in deposit and deposit certificate accounts from its members and other credit unions, subject to such conditions as the board of directors establishes.

(2) Deposit and deposit certificate accounts differ from shares and share certificates in that a predeclared rate of return, as determined from time to time at such rates and upon such classes of deposit and deposit certificate accounts as are established by the board of directors, shall be established on deposit accounts.

(3) Interest may be paid on deposits and deposit certificates at various rates with due regard to the conditions that pertain to each type of account such as minimum balance, notice and time requirements.

(4) In the event of liquidation of a credit union, shares and share certificates shall be subordinate to the claims of depositors and other creditors. [1975 c.652 §44; 1985 c.801 §8]

723.416 Thrift accounts. Christmas clubs, vacation clubs, and other thrift ac-

counts may be operated under conditions established by the board of directors. [1975 c.652 §45]

723.420 [Repealed by 1959 c.106 §23]

723.422 Minors' accounts. Shares may be issued to and deposits received from a minor who may withdraw the shares and deposits, including the dividends and interest thereon. Deposits and share payments made by a minor and withdrawals thereof by the minor shall be valid in all respects. For such purposes a minor is deemed of full age. [1975 c.652 §46]

723.426 Joint accounts. A member may designate any person or persons to hold shares, deposits and thrift club accounts with the member in joint tenancy, with or without the right of survivorship, but no joint tenant, unless a member in the member's own right, shall be permitted to vote, obtain loans, or hold office or be required to pay an entrance or membership fee. [1975 c.652 §47; 1977 c.555 §16; 1991 c.635 §11]

723.430 [Repealed by 1975 c.652 §88]

723.432 Trust accounts. Shares may be issued and deposits may be held in the name of a member in trust for a beneficiary, including a minor, but no beneficiary, unless a member in the beneficiary's own right, shall be permitted to vote, obtain loans, hold office or be required to pay an entrance or membership fee. [1975 c.652 §48; 1977 c.555 §17]

723.434 Share draft accounts. (1) A credit union may allow a member holding a regular share or deposit account to use that account as a share draft account as provided in this section, subject to conditions established by the board of directors.

(2) A credit union shall obtain insurance on shares and deposits in share draft accounts as provided in ORS 723.582.

(3) As used in this section:

(a) "Share draft" means a negotiable or nonnegotiable draft used to withdraw shares or deposits from a share draft account.

(b) "Share draft account" means any regular share account or deposit account from which the credit union allows shares or deposits to be withdrawn by means of a share draft or other order.

(4) The terms "share draft" and "share draft account" may encompass accounts whether the underlying account is a share account or a deposit account, without changing the type of account. [1981 c.290 §2; 1983 c.37 §36c]

723.436 [1975 c.652 §49; renumbered 723.454]

723.440 [Repealed by 1975 c.652 §88]

723.441 [1985 c.804 §6; repealed by 1987 c.491 §9]

723.442 [1975 c.652 §50; 1981 c.257 §1; renumbered 723.457]

723.444 Time period for drawing on item deposited in credit union; disclosure.

(1) A credit union or federal credit union shall allow a member who deposits an item in the member's account to draw against the item within the time period applicable to that item under the schedule adopted by the Director of the Department of Consumer and Business Services under ORS 705.600.

(2) Except as provided in subsection (3) of this section, in any agreement between a credit union or federal credit union and its customer, the credit union or federal credit union may not specify a period of time for purposes of drawing on an item that is longer than any applicable period specified in the schedule adopted by the director under ORS 705.600.

(3) This section does not prohibit a credit union or federal credit union and its customer from agreeing to a longer period than that specified in the schedule adopted by the director for drawing against items because of special circumstances, if the agreement is not contained in a preprinted form and is entered into by the credit union or federal credit union only in special circumstances.

(4) The provisions of this section do not alter or impair any right or obligation under ORS chapter 74.

(5) Credit unions and federal credit unions shall disclose in writing the schedule adopted by the director under ORS 705.600 and in effect on the date of the disclosure. For persons who became members prior to the date on which the director adopts the schedule and who remain members thereafter, the disclosure shall be made within 30 days after the director adopts the schedule. For persons who become members after the date on which the director adopts the schedule, the disclosure shall be made prior to the opening of the member's account.

(6) Every credit union and federal credit union shall post or provide in a conspicuous location in its principal place of business and at each branch a notice stating the schedule adopted by the director under ORS 705.600.

(7) As used in this section, "item" has the meaning given that term under ORS 705.600. [1987 c.491 §8]

723.446 [1975 c.652 §51; renumbered 723.460]

723.447 Certified share drafts. (1) A credit union may certify a share draft issued by the credit union by setting forth on the draft "Certified." A credit union may certify a share draft under this section only if the amount of the share draft actually stands to the credit of the drawer in a share draft account on the books of the credit union. A credit union that certifies a share draft may

immediately charge the amount of the share draft to the drawer's share draft account.

(2) A credit union that certifies a share draft under this section waives with respect to any holder of the certified draft any defense on the draft based on insufficient funds, closed accounts or any other defense that a bank waives when it issues a certified check.

(3) This section authorizes credit unions to issue drafts that are equivalent in legal effect to certified checks issued by banks. The director may adopt rules in order to carry into effect the purpose of this section. [1985 c.206 §5; 1987 c.286 §7]

723.450 Payment on shares and deposits; restriction on class of shares. Shares, share certificates, deposits and deposit certificates may be withdrawn for payment to the account holder or to third parties in accordance with the manner and procedures established by the board of directors. The board of directors may restrict one class of shares so that a share in the class may not be redeemed, withdrawn or transferred except upon termination of membership in the credit union. [1985 c.801 §7]

723.452 [1981 c.298 §1; renumbered 723.463]

723.454 Liens. The credit union shall have a lien on all funds of a member on deposit with the credit union in any individual or joint account of the member, for any sum past due the credit union from said member or for any loan indorsed by the member. [Formerly 723.436; 1991 c.635 §12]

723.457 Dormant accounts. (1) If a credit union is unable to contact a member, any of the persons named on a joint account, beneficiary or other person via first class mail at the last address shown on the records of the credit union, and if such inability continues for a period of more than one year, all shares, dividends, deposit accounts, interest and other sums due or standing in the name of such member, beneficiary or other person may, by action of the board of directors, be credited to the accounts payable of the credit union, and thereafter no dividends or interest will accrue thereto, providing the balance of said account is below \$500.

(2) ORS 98.302 to 98.436, the Uniform Disposition of Unclaimed Property Act, provides for escheat to the State of Oregon of dormant accounts. Such items shall be carried until the period provided by said law has expired, after which items shall be turned over to the State of Oregon. [Formerly 723.442; 1991 c.635 §13]

723.460 Reduction in shares. (1) Whenever the losses of any credit union, resulting from a depreciation in value of its loans or investments or otherwise, exceed its undi-

vided 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.

(2) If the credit union thereafter realizes from such assets a greater amount than was fixed by the order of reduction, such excess shall be divided proportionately among the shareholders whose assets were reduced, but only to the extent of such reduction. [Formerly 723.446]

723.463 Disposition of shares and accounts on death of holder. (1) On the death of a share holder or deposit or thrift account holder, if the amount paid into a credit union on all shares and accounts of the deceased is \$15,000 or less, the credit union, upon receipt of an affidavit from the person claiming the shares or accounts, may pay the withdrawal value of the shares or accounts of the deceased holder together with dividends credited to the shares and any interest accrued on the deposits:

(a) To the surviving spouse;

(b) If there is no surviving spouse, to the surviving children 18 years of age or older;

(c) If the share or account holder left no surviving spouse or surviving children 18 years of age or older, to the holder's surviving parents; or

(d) If there is no surviving spouse, surviving child 18 years of age or older or surviving parent, to the holder's surviving brothers and sisters 18 years of age or older.

(2) If the deceased share or account holder received public assistance pursuant to ORS chapter 411, 412, 413 or 414, the Adult and Family Services Division may claim the withdrawal value by filing an affidavit in the form prescribed by subsection (3) of this section and the Adult and Family Services Division shall be preferred to all other claimants except a surviving spouse.

(3) The affidavit of the person or the Adult and Family Services Division claiming all shares and accounts shall:

(a) State where and when the share or account holder died;

(b) State that the total withdrawal value of all shares and accounts of the deceased holder in all credit unions in Oregon does not exceed \$15,000;

(c) Show the relationship of the affiant or affiants to the deceased holder; and

(d) Embody a promise to pay the expenses of last sickness, funeral expenses and just debts of the deceased out of all shares or ac-

counts to the full extent of the shares or accounts if necessary and to distribute any balance to those persons entitled thereto by law.

(4) A credit union is under no obligation to determine the relationship of the affiant to the deceased. Payment made in good faith to the person or the Adult and Family Services Division making the affidavit is a full acquittance and release of the credit union for the amount so paid.

(5) A probate proceeding is not necessary to establish the right of the surviving spouse, surviving children, surviving parent or surviving brothers and sisters to obtain payment on all shares or deposit accounts as provided by this section. However, if a personal representative is appointed in an estate of a deceased holder whose shares or accounts have been withdrawn under this section, the person or the Adult and Family Services Division withdrawing the shares of accounts shall account for it to the personal representative. [Formerly 723.452; 1987 c.658 §4]

LOANS

723.502 Purposes; terms. A credit union may loan to members for such purpose and upon such security and terms as the credit committee, credit manager or loan officer approves. [1975 c.652 §52; 1981 c.412 §8]

723.506 Application. Every application for a loan shall be made in the form prescribed by the credit committee, credit manager or loan officer. The application shall state the security, if any offered. Each loan shall be evidenced by a written document. [1975 c.652 §53; 1991 c.635 §14]

723.510 [Amended by 1959 c.106 §20; 1971 c.681 §11; repealed by 1975 c.652 §88]

723.512 Loan limit. (1) No loan shall be made to any member in an aggregate amount in excess of \$15,000, or 15 percent of the credit union's reserves, excepting loan loss reserves referred to in ORS 723.631 (2) and undivided earnings, whichever is greater.

(2) The restrictions in subsection (1) of this section do not apply to any loan fully guaranteed by shares or deposits. [1975 c.652 §54; 1977 c.628 §3; 1979 c.88 §34; 1987 c.650 §8]

723.516 Installments. A member may receive a loan in installments, or in one sum, and may pay the whole or any part of the member's loan on any day on which the office of the credit union is open for business. [1975 c.652 §55]

723.520 [Repealed by 1959 c.106 §23]

723.522 Line of credit. The credit committee, credit manager, or loan officer may approve in advance upon their own motion or upon application by a member, a line of credit, and advances may be granted to such

member within the limit of such extension of credit. Where a line of credit has been approved, no additional loan applications are required as long as the aggregate obligation does not exceed the limit of such extension of credit. [1975 c.652 §56; 1987 c.286 §8]

723.526 Other loan programs. (1) Loans to credit union members may be shared with other credit unions, corporations or financial organizations.

(2) A credit union may participate in guaranteed loan programs of the Federal Government or State of Oregon.

(3) A credit union may purchase the conditional sales contracts, notes and similar instruments of its members. [1975 c.652 §57]

723.530 [Amended by 1959 c.106 §21; 1971 c.367 §1; repealed by 1975 c.652 §88]

723.532 Loans to officials; waiver. (1) A credit union may make loans to its directors, employees, loan officers, credit manager and to members of its supervisory and credit committees, provided that:

(a) The loan complies with all lawful requirements under this chapter with respect to loans to other borrowers and is not on terms more favorable than those extended to other borrowers; and

(b) The combined aggregate amount of such loans may not exceed 10 percent of capital.

(2) No director, officer, employee or committee member shall be permitted to borrow indirectly or become surety for any loan or advance made by the corporation except for the spouse or children of the director, officer, employee or committee member.

(3) The director may waive the requirements of this section by rule or order upon request of a credit union. [1975 c.652 §58; 1985 c.206 §2; 1985 c.762 §98; 1987 c.286 §9]

723.536 Loans to nonmembers; personal liability. Any officer, director or member of a committee of a credit union who knowingly permits a loan to be made or participates in a loan to a nonmember of the credit union shall be primarily liable to the credit union for the amount thus illegally loaned. The illegality of such loan shall be no defense in any action by the credit union to recover the amount loaned. [1975 c.652 §59]

723.540 [Repealed by 1975 c.652 §88]

723.550 [Amended by 1959 c.106 §22; repealed by 1975 c.652 §88]

723.560 [Repealed by 1975 c.652 §88]

INSURANCE AND GROUP PURCHASING

723.572 Insurance for members. (1) A credit union may purchase or make available life savings, loan protection and other forms

of insurance for its members in amounts related to their respective ages, shares, deposits or loan balances or to any combination of them.

(2) A credit union may enter into cooperative marketing arrangements to facilitate its members' voluntary purchases of disability insurance, accident and health insurance and legal expense insurance. [1975 c.652 §60]

723.576 Liability insurance for director, officer, employee or agent. A credit union may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the credit union, or who is or was serving at the request of the credit union as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the credit union would have the power to indemnify such person against such liability. [1975 c.652 §61]

723.582 Share and deposit insurance. (1) Each credit union shall secure insurance on shares and deposits from the National Credit Union Administration under the Federal Credit Union Act or its successor, or from any other insuring organization that provides such insurance and is approved by the director. Any one share of a member, as designated in the bylaws of the credit union, may be excluded from the requirement for insurance.

(2) The director may make available condition and examination reports to the appropriate insuring organization and may accept any report of examination made by such organization. The director may appoint the appropriate insuring organization as liquidating agent of an insured credit union. [1975 c.652 §62; 1977 c.549 §1; 1985 c.801 §9; 1987 c.286 §10]

723.586 Group purchasing. A credit union may enter into cooperative marketing arrangements to facilitate its members' voluntary purchases of such goods and services as are in the interest of improving economic and social conditions of the members. Said investment shall not exceed one percent of the credit union's capital. Notwithstanding any other provision of law, the taxable income from such activities which are conducted by the credit union shall be subject to tax pursuant to ORS 317.920. [1975 c.652 §63; 1983 c.162 §56]

INVESTMENTS

723.602 Investment of funds. Funds not used in loans to members may be invested:

(1) In securities, obligations or other in-

struments of or issued by or fully guaranteed as to principal and interest by the United States or any agency thereof or in any trust or trusts established directly or collectively in the same.

(2) In obligations of any state of the United States, the agencies or instrumentalities of the Federal Government, the District of Columbia, the Commonwealth of Puerto Rico and the several territories organized by Congress, or any political subdivision thereof.

(3) In certificates of deposit or passbook type accounts issued by a state or national bank, mutual savings bank or savings and loan association.

(4) In loans to or in shares or deposits of other credit unions.

(5) In the capital shares, obligations or preferred stock issues of any agency or association organized as a stock company, or membership in a mutual association or membership corporation, provided the stockholdings or membership, as the case may be, of such agency or association are primarily confined or restricted to credit unions, or organizations of credit unions, and provided the purposes for which such agency or association is organized are designed primarily to service or otherwise assist credit union operations, not to exceed one percent of assets.

(6) In shares of a credit union cooperative society organized under the laws of this state or of the laws of the United States in the total amount not exceeding one percent of the shares, deposits, and surplus of the credit union.

(7) In loans to any credit union association or corporation, national or state, of which the credit union is a member, except that such investments shall be limited to two percent of the assets of the credit union.

(8) In such other investments as approved by the director by rule or order. [1975 c.652 §64; 1987 c.286 §11]

RESERVE ALLOCATIONS

723.631 Regular reserve; reserve for loan losses. (1) At the end of each accounting period, the gross earnings of the credit union shall be determined. From this amount the credit union shall set aside as a regular reserve for contingencies five percent of gross income until the regular reserve equals two percent of the total outstanding loans.

(2) In addition to the regular reserve required in subsection (1) of this section, a credit union shall establish a reserve for loan losses. The credit union shall allocate suffi-

cient funds each month to the reserve for loan losses in an amount at least equal to the credit union's best estimate of the losses the credit union expects to sustain in the liquidation of currently outstanding loans. [1981 c.192 §38 (enacted in lieu of 723.632)]

723.632 [1975 c.652 §65; 1979 c.88 §35; repealed by 1981 c.192 §37 (723.631 enacted in lieu of 723.632)]

723.636 Use of regular reserve. The regular reserve established under ORS 723.631 (1), shall belong to the credit union and shall be used to meet losses except those resulting from an excess of expenses over income and shall not be distributed except on liquidation of the credit union, or in accordance with a plan approved by the director. [1975 c.652 §66; 1981 c.192 §39]

723.642 [1975 c.652 §67; 1977 c.628 §4; repealed by 1981 c.192 §46]

723.646 Special reserves; purpose. (1) In addition to the regular reserve established under ORS 723.631, special reserves to protect the interest of members shall be established, as provided in this section:

(a) When required by regulation; or

(b) When found by the board of directors of the credit union or by the director (or if the members' accounts are insured by the National Credit Union Administration, the Administrator of the National Credit Union Administration), in any special case, to be necessary for that purpose.

(2) A credit union required to have a special reserve shall place in the reserve, before payment of each dividend, at least five percent of the expected net earnings of the credit union after the dividend payment or two percent of the gross earnings of the credit union before the dividend payment, whichever is greater, until the special reserve equals five percent of all share, savings and deposit accounts of the credit union. Thereafter, the credit union shall make regular contributions to the special reserve in order to maintain the special reserve at five percent of all share, savings and deposit accounts of the credit union.

(3) The special reserve shall be maintained in one or more of the following forms:

(a) Cash;

(b) Deposits with a Federal Reserve Bank;

(c) Deposits with maturities of one year or less in corporate central credit unions;

(d) Deposits in federally insured banks or savings and loan associations with remaining maturities of one year or less;

(e) Common trust investments or similar investments in funds of securities authorized for credit unions;

(f) Shares in the National Credit Union Administration's Central Liquidity Facility; or

(g) Obligations of the United States or an agency thereof which mature in one year or less, if the obligations are fully guaranteed as to principal.

(4) Special reserves belong to the credit union and shall be used to provide liquidity for the credit union. A credit union may not pay regular or special dividends from the special reserve. [1975 c.652 §68; 1981 c.192 §40]

CHANGE IN CORPORATE STATUS

723.672 Suspension. (1) If it appears that any credit union is bankrupt or insolvent, or that it has willfully violated any provision of this chapter, or is operating in an unsafe or unsound manner, the director shall issue an order temporarily suspending the credit union's operations for not less than 30 nor more than 60 days. The board of directors shall be given notice by registered mail or by certified mail with return receipt of such suspension, and a list of the specific violations of this chapter.

(2) Upon receipt of the suspension notice, the credit union shall cease all operations, except those authorized by the director. The board of directors shall then file with the director a reply to the suspension notice, and may request a hearing to present a plan of corrective actions proposed if it desires to continue operations. The board may request that the credit union be declared insolvent and a liquidating agent be appointed.

(3) Upon receipt from the suspended credit union of evidence that the conditions causing the order of suspension have been corrected, the director may revoke the suspension notice and permit the credit union to resume normal operations.

(4) If the director, after issuing notice of suspension and providing an opportunity for a hearing, rejects the credit union's plan to continue operations, the director may then revoke the credit union's charter, appoint a liquidating agent and liquidate the credit union. The credit union may request the appropriate court to stay execution of such action. Involuntary liquidation may not be ordered prior to the conclusion of suspension procedures outlined in this section.

(5) If, within the suspension period, the credit union fails to answer the suspension notice or request a hearing, the director may then revoke the credit union's charter, appoint a liquidating agent and liquidate the credit union. [1975 c.652 §69; 1985 c.762 §99; 1991 c.249 §68]

723.676 Liquidation. (1) A credit union may elect to dissolve voluntarily and liquidate its affairs in the manner prescribed in this section.

(2) The board of directors shall adopt a resolution recommending the credit union be dissolved voluntarily and directing that the question of liquidation be submitted to the members.

(3) Within 10 days after the board of directors decides to submit the question of liquidation to the members, the president shall notify the director thereof in writing setting forth the reasons for the proposed action. Within 10 days after the members act on the question of liquidation, the president shall notify the director in writing as to whether or not the members approved the proposed liquidation.

(4) As soon as the board of directors decides to submit the question of liquidation to the members, payment on shares, withdrawal of shares, making any transfer of shares to loans and interest, making investments of any kind and granting loans shall be suspended pending action by members on the proposal to liquidate. On approval by the members of such proposal, all such business transactions shall be permanently discontinued. Necessary expenses of operation shall, however, continue to be paid on authorization of the board of directors or liquidating agent during the period of liquidation.

(5) For a credit union to enter voluntary liquidation, approval by a majority of the members in writing or by a two-thirds majority of the members present at a regular or special meeting of the members is required. Where authorization for liquidation is to be obtained at a meeting of the members, notice in writing shall be given to each member by first class mail to the member's last-known address at least 10 days prior to such meeting.

(6) A liquidating 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.

(7) The board of directors or the liquidating agent shall use the assets of the credit union to pay: First, expenses incidental to liquidating including any surety bond that may be required; and, second, any liability due nonmembers. Assets then remaining shall be distributed to the members proportionately to the shares and deposits held by each member as of the date dissolution was voted.

(8) As soon as the board of directors 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, they shall execute a certificate of dissolution on a form prescribed by the director and file the same, together with all pertinent books and records of the liquidating credit union, with the director, whereupon such credit union shall be dissolved. [1975 c.652 §70]

723.682 Merger. (1) Any credit union chartered and domiciled in this state may, with the approval of the director, merge with another credit union under the existing charter of the other credit union, if domiciled in this state, pursuant to any plan agreed upon by the majority of each board of directors of each credit union joining in the merger, and approved by the affirmative vote of a majority of the members of the merging credit union present at a meeting of its members duly called for such purpose.

(2) After agreement by the directors and approval by the members of the merging credit union, the president and secretary of the credit union shall execute a certificate of merger, which shall set forth 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 the 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.

(3) Such certificate and a copy of the plan of merger agreed upon shall be forwarded to the director, certified by the director, and returned to both credit unions within 30 days.

(4) Upon return of the certificate from the director, all property, property rights, and members' interest of the merged credit union shall vest in the surviving credit union without deed, indorsement 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 under whose charter the merger was affected. The rights and privileges of the members of the merged credit union shall remain intact.

(5) This section shall be construed, whenever possible, to permit a credit union chartered under the laws of any other state

or of the United States to merge with one chartered under the laws of this state, or to permit one chartered under the laws of this state to merge with one chartered under the laws of any other state or of the United States, provided such credit unions are domiciled in this state. [1975 c.652 §71]

723.686 Conversion of charter. (1) A credit union chartered under the laws of this state may be converted to a credit union chartered under the laws of the United States, subject to the approval of the National Credit Union Administration.

(2) A credit union chartered under the laws of the United States may convert to a credit union chartered under the laws of this state subject to approval of the director. [1975 c.652 §72; 1987 c.286 §12]

CENTRAL CREDIT UNIONS

723.702 Organization, name. Any central credit union may be organized and operated under this chapter and shall be subject to all provisions of this chapter not inconsistent with ORS 723.702 to 723.730. Such a credit union shall use the term "central" in its official name. [1975 c.652 §73; 1985 c.762 §100]

723.706 Membership. Membership in a central credit union is limited to:

(1) Credit unions organized and operating under this chapter or under any other credit union act.

(2) Officers, directors, committee members and employees of such credit unions; officials and employees of any association of credit unions; and employees of federal or state governmental agencies responsible for the supervision of credit unions in this state.

(3) Organizations and associations of those persons or organizations enumerated in subsection (1) or (2) of this section.

(4) Employees of an employer with insufficient numbers to form or conduct the affairs of a separate credit union.

(5) Persons in the field of membership of liquidated credit unions or of credit unions that have entered into or are about to enter into voluntary or involuntary liquidation proceedings.

(6) Members of the immediate families of all members qualified above. [1975 c.652 §74; 1985 c.762 §101]

723.712 Voting representative. Each credit union becoming a member of such central credit union may designate one person to be its voting representative in the central credit union, which person shall be designated by the board of directors of the member credit union. Such voting representative shall be eligible to hold office in the central credit union as if such person were

a member of the central credit union. [1975 c.652 §75]

723.716 Additional rights and powers.

(1) A central credit union shall have all of the rights and powers of any other credit union organized under this chapter and the additional rights and powers specified in this section, notwithstanding any limitations or restrictions found elsewhere in this chapter.

(2) A central credit union may make loans to other credit unions, purchase shares of and make deposits in other credit unions and, with the approval of the director, obtain or acquire the assets and liabilities of any credit union operating in this state that enters into liquidation.

(3) A central credit union may invest in and grant loans to associations of credit unions, central funds of credit unions or organizations chartered to provide service to credit unions.

(4) A central credit union may borrow money from any source. It may also issue debentures pursuant to a plan approved by the director. The debentures must be subordinate to the deposits and shares of the credit union. [1975 c.652 §76; 1985 c.762 §102]

CORPORATE CENTRAL CREDIT UNION

723.730 Corporate central credit union; membership; rights and powers. A central credit union, to which only credit unions organized under federal law or the state laws of Oregon, Washington, Idaho or Alaska, subsidiaries of any such credit unions, associations of any such credit unions and affiliates of such associations are eligible for membership, may be established in this state and shall be known as a corporate central credit union. A corporate central credit union shall have all the powers, rights and obligations imposed upon or granted central credit unions under this chapter, except:

(1) It shall be exempt from the regular reserve requirements of ORS 723.631, but shall be required to establish and maintain an equity reserve which shall be used as provided by rules adopted by the director. At the close of each accounting period there shall be set aside to the equity reserve a portion of the gross income for such period in an amount equal to two percent of gross income.

(2) It may buy or sell investment securities which are evidences of indebtedness and corporate bonds which are evidences of indebtedness. The buying and selling of such investment securities and corporate bonds, however, shall be limited to buying and selling without recourse marketable obligations evidencing indebtedness of any corporation; the United States or its agencies and instru-

mentalities; this state; any other state; and any county, city, school district, port district or other public body in the United States. Except with respect to the obligations of the United States, its agencies and instrumentalities, the obligations shall be rated in one of the four highest grades by a recognized investment service organization that has been engaged regularly and continuously for a period of not less than 10 years in rating such obligations. The total amount of the investment securities of any one obligor or maker held by the corporate central credit union shall at no time exceed two percent of the shares, undivided earnings and reserves of the corporate central credit union except that this limit shall not apply to obligations of the United States, its agencies and instrumentalities. The aggregate total of the investment securities and corporate bonds held by the corporate central credit union shall not exceed 15 percent of the shares, undivided earnings and reserves of the corporate central credit union.

(3) A corporate central credit union may make loans to a member without regard to the limit set in ORS 723.512. Notwithstanding ORS 723.502 or any other provision of law limiting allowable interest on a loan, a corporate central credit union and a member may agree in writing on the rate of interest that shall be charged on such loans. [1977 c.628 §2; 1981 c.192 §41; 1981 c.256 §1; 1985 c.206 §3]

TAXATION

723.752 Application of tax statutes to credit unions. Any credit union subject to this chapter shall be deemed an institution for savings within the meaning of the law that exempts such institutions from taxation. No law, except as stated in this section, that taxes corporations in any form, or the shares thereof or the accumulations therein, shall apply to credit unions doing business in accordance with this chapter unless the credit unions are specifically named in the law. However, credit unions subject to this chapter shall be subject to the same tax as mutual savings and loan associations. [1975 c.652 §77; 1985 c.762 §103]

723.756 Stock transfer taxes. The shares of any credit union shall not be subject to stock transfer taxes, either when issued or when transferred from one member to another. [1975 c.652 §78]

723.762 Participation in government programs. The participation by a credit union in any government program providing unemployment, social security, old age pension or other benefits shall not be deemed a waiver of the taxation exemption hereby granted. [1975 c.652 §79]

MISCELLANEOUS

723.802 [1975 c.652 §80; repealed by 1985 c.762 §196]

723.806 Notice to law enforcement officers of violation of Oregon Credit Union Act; exceptions. If the director has reason to believe that a person has violated any provision of the Oregon Credit Union Act for which criminal prosecution is provided, the director shall give the information relative to the violation to the federal, state or local law enforcement agency having jurisdiction of the violation. This section does not apply, however, if an official of the credit union has reported the information to the proper law enforcement officer under ORS 723.338. [1975 c.652 §81; 1979 c.88 §36]

723.812 Actions; assistance. The Attorney General shall conduct all actions begun by the director under authority of the Oregon Credit Union Act, and may require the assistance of the district attorney of the district in which the action is conducted. [1975 c.652 §82]

723.816 Prohibited acts. (1) No credit union officer, director, employee or agent, shall willfully:

(a) With intent to deceive, falsify any book of account, report, statement, record or other document of a credit union whether by alteration, false entry, omission or otherwise.

(b) Sign, issue, publish or transmit to a governmental office any book of account, report, statement, record or other document which the person knows to be false.

(c) By means of deceit, obtain a signature to a writing which is a subject of forgery.

(d) With intent to deceive, destroy any credit union book of account, report, statement, record or other document.

(2) No person shall maliciously and knowingly spread false reports about the management or finances of any credit union. [1975 c.652 §83]

723.818 Giving false document, statement or report prohibited. A person may not knowingly give or cause to be given to the director any document or any oral or written statement or report that is false in any material respect, in the course of any investigation or examination by the director under this chapter. [1987 c.215 §7]

723.822 Cease and desist orders; contents; effective date; removal or suspension. (1) The director may issue and serve upon a credit union or a director, officer, committee member, employee or agent of a credit union an order to cease and desist from a practice or a violation as follows:

(a) The director may issue an order to cease and desist from an unsafe or unsound

practice when the director has reasonable cause to believe that the person to whom the order is directed is engaging, has engaged or is about to engage in an unsafe or unsound practice in conducting the business of the credit union.

(b) The director may issue an order to cease and desist from a violation when the director has reasonable cause to believe that the person to whom the order is directed is violating, has violated or is about to violate a law or rule, an order of the director or any provision of the articles of incorporation or bylaws of the credit union.

(2) An order under subsection (1) of this section shall include the following:

(a) A statement of the facts constituting the practice or violation.

(b) A provision requiring the person named in the order to cease and desist from the practice or violation. The provision may be mandatory or otherwise.

(c) The effective date of the order.

(d) A notice to the person named in the order of the right to a contested case hearing under ORS 183.310 to 183.550.

(3) When the practice or violation specified in the order or the continuation of the practice or violation is likely to prejudice the interest of the members of a credit union, the director may issue an order effective immediately or at a later date. In all other cases, the order shall be effective 30 days after the date of the order unless the person named in the order requests a hearing thereon.

(4) An order under this section remains in effect until it is withdrawn by the director or by a court order.

(5) If an individual named in an order under this section fails to comply with the order, the director may issue an order removing or suspending the individual from the office or position held by the individual. The removal or suspension is in addition to any penalty provided by ORS 723.826 for failure to comply with an order issued under this section. [1975 c.544 §56; 1977 c.135 §46; 1987 c.215 §8; 1987 c.286 §13]

723.826 Civil penalties. (1) The director may assess any person who violates any provision of this chapter or any rule or final order issued under this chapter a civil penalty of not more than \$2,000 for each violation or \$10,000 in the aggregate for all violations within any three-month period. In the case of an individual agent or employee of a credit union, the civil penalty shall be not more than \$1,000 for each violation or \$5,000 in the aggregate for all violations within any three-month period. The director

shall count each day that a violation continues as a separate violation.

(2) In addition to the civil penalty provided by subsection (1) of this section, a credit union or a director, officer, committee member, agent or employee of a credit union who violates any provision of this chapter, or any rule or final order issued under this chapter, may be assessed a civil penalty in an amount determined by the director but not to exceed the amount by which the person profited as a result of the violation.

(3) Civil penalties under this section shall be imposed as provided in ORS 183.090.

(4) If a civil penalty is assessed against a director, officer, committee member, agent or employee of a credit union, unless the director provides otherwise, the director, officer, committee member, agent or employee shall forfeit the penalty and the penalty shall not be paid either directly or indirectly by the credit union.

(5) All moneys collected under this section shall be paid to the State Treasurer and credited as provided in ORS 705.145. [1975 c.544 §57; 1981 c.192 §42; 1985 c.762 §104; 1987 c.215 §9; 1987 c.373 §65; 1991 c.734 §97]

723.830 Regulation of services performed for credit union. A credit union may not cause any of the services described in this section to be performed for the credit union, by contract or otherwise, whether on or off its premises, unless both the credit union and the person performing the services furnish assurances satisfactory to the director that the performance of the services will be subject to regulation and examination by the director to the same extent as if the services were performed by the credit union itself on its own premises. This section applies to the following services:

(1) Check and deposit sorting and posting.

(2) Computation and posting of interest and other credits and charges.

(3) Preparation and mailing of checks, statements, notices and similar items.

(4) Any other clerical, bookkeeping, accounting, statistical or similar functions performed for a credit union. [1987 c.650 §9]

723.832 Application to credit unions existing on September 13, 1975. The provisions of the Oregon Credit Union Act shall apply to the fullest extent permitted by the laws and Constitutions of the United States and of the State of Oregon, to all existing credit unions organized under any general Act of this state. [1975 c.652 §85]

723.836 Effect of amendment or repeal of Oregon Credit Union Act. (1) The Oregon Credit Union Act may be amended, repealed or modified, but such amendment, repeal or modification shall not take away or impair any remedy for any liability which shall have been previously incurred.

(2) The repeal of a previous law by section 88, chapter 652, Oregon Laws 1975, shall not affect any right accrued or established, or any liability or penalty incurred, under the provisions of such previous law, prior to the repeal thereof. [1975 c.652 §§86,87; 1985 c.762 §105]

PENALTIES

723.990 [Repealed by 1975 c.544 §62 and by 1975 c.652 §88]

723.992 Penalties. (1) Violation of ORS 723.816 (1) is a Class C felony.

(2) Violation of ORS 723.816 (2) is a Class A misdemeanor. [1975 c.652 §84]