



# House of Representatives

General Assembly

**File No. 62**

February Session, 2002

Substitute House Bill No. 5316

*House of Representatives, March 19, 2002*

The Committee on Banks reported through REP. DOYLE of the 28th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT CONCERNING CREDIT UNION MODERNIZATION.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 36a-2 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2002*):

3 As used in this title, unless the context otherwise requires:

4 (1) "Affiliate" of a person means any person controlling, controlled  
5 by, or under common control with, that person;

6 (2) "Applicant" with respect to any license or approval provision  
7 pursuant to this title means a person who applies for that license or  
8 approval;

9 (3) "Automated teller machine" means a stationary or mobile  
10 unattended device, including a satellite device but excluding a point of  
11 sale terminal, at which banking transactions, including, but not limited  
12 to, deposits, withdrawals, advances, payments or transfers, may be

13 conducted;

14 (4) "Bank" means a Connecticut bank or a federal bank;

15 (5) "Bank and trust company" means an institution chartered or  
16 organized under the laws of this state as a bank and trust company;

17 (6) "Bank holding company" has the meaning given to that term in  
18 12 USC Section 1841(a), as from time to time amended, except that the  
19 term "bank", as used in 12 USC Section 1841(a) includes a bank or out-  
20 of-state bank that functions solely in a trust or fiduciary capacity;

21 (7) "Capital stock" when used in conjunction with any bank or out-  
22 of-state bank means a bank or out-of-state bank that is authorized to  
23 accumulate funds through the issuance of its capital stock;

24 (8) "Club deposit" means deposits to be received at regular intervals,  
25 the whole amount deposited to be withdrawn by the owner or repaid  
26 by the bank in not more than fifteen months from the date of the first  
27 deposit, and upon which no interest or dividends need to be paid;

28 (9) "Commissioner" means the Commissioner of Banking and, with  
29 respect to any function of the commissioner, includes any person  
30 authorized or designated by the commissioner to carry out that  
31 function;

32 (10) "Company" means any corporation, joint stock company, trust,  
33 association, partnership, limited partnership, unincorporated  
34 organization, limited liability company or similar organization, but  
35 does not include (A) any corporation the majority of the shares of  
36 which are owned by the United States or by any state, or (B) any trust  
37 which by its terms must terminate within twenty-five years or not later  
38 than twenty-one years and ten months after the death of beneficiaries  
39 living on the effective date of the trust;

40 (11) "Connecticut bank" means a bank and trust company, savings  
41 bank or savings and loan association chartered or organized under the  
42 laws of this state;

43 (12) "Connecticut credit union" means a cooperative, nonprofit  
44 [association, the membership of which is limited as provided in section  
45 36a-438 which is incorporated without capital stock under the laws of  
46 this state and licensed] financial institution that (A) is organized under  
47 chapter 667 [for the purposes of encouraging thrift among its  
48 members, creating a source of credit at a fair and reasonable rate of  
49 interest and providing an opportunity for its members to use and  
50 control their own money to improve their economic and social  
51 condition] and the membership of which is limited as provided in  
52 section 39 of this act, (B) operates for the benefit and general welfare of  
53 its members with the earnings, benefits or services offered being  
54 distributed to or retained for its members, and (C) is governed by a  
55 volunteer board of directors elected by and from its membership;

56 (13) "Connecticut credit union service organization" means a credit  
57 union service organization that is incorporated under the laws of this  
58 state, located in this state and established by at least one Connecticut  
59 credit union;

60 [(13)] (14) "Consolidation" means a combination of two or more  
61 institutions into a new institution; all institutions party to the  
62 consolidation, other than the new institution, are "constituent"  
63 institutions; the new institution is the "resulting" institution;

64 [(14)] (15) "Control" has the meaning given to that term in 12 USC  
65 Section 1841(a), as from time to time amended;

66 (16) "Credit union service organization" means an entity organized  
67 under state or federal law to provide credit union service organization  
68 services primarily to its members, to Connecticut credit unions, federal  
69 credit unions and out-of-state credit unions other than its members,  
70 and to members of any such other credit unions;

71 [(15)] (17) "Customer" means any person using a service offered by a  
72 financial institution;

73 [(16)] (18) "Demand account" means an account into which demand

74 deposits may be made;

75 [(17)] (19) "Demand deposit" means a deposit that is payable on  
76 demand, a deposit issued with an original maturity or required notice  
77 period of less than seven days or a deposit representing funds for  
78 which the bank does not reserve the right to require at least seven  
79 days' written notice of the intended withdrawal, but does not include  
80 any time deposit;

81 [(18)] (20) "Deposit" means funds deposited with a depository;

82 [(19)] (21) "Deposit account" means an account into which deposits  
83 may be made;

84 [(20)] (22) "Depositor" includes a member of a mutual savings and  
85 loan association;

86 [(21)] (23) "Director" means a member of the governing board of a  
87 financial institution;

88 [(22)] (24) "Equity capital" means the excess of a Connecticut bank's  
89 total assets over its total liabilities, as defined in the instructions of the  
90 federal Financial Institutions Examination Council for consolidated  
91 reports of condition and income;

92 [(23)] (25) "Executive officer" means every officer of a Connecticut  
93 bank who participates or has authority to participate, otherwise than in  
94 the capacity of a director, in major policy-making functions of such  
95 bank, regardless of whether such officer has an official title or whether  
96 that title contains a designation of assistant and regardless of whether  
97 such officer is serving without salary or other compensation. The  
98 president, vice president, secretary and treasurer of such bank are  
99 deemed to be executive officers, unless, by resolution of the governing  
100 board or by such bank's bylaws, any such officer is excluded from  
101 participation in major policy-making functions, otherwise than in the  
102 capacity of a director of such bank, and such officer does not actually  
103 participate in such policy-making functions;

104        [(24)] (26) "Federal agency" has the meaning given to that term in 12  
105        USC Section 3101, as from time to time amended;

106        [(25)] (27) "Federal bank" means a national banking association,  
107        federal savings bank or federal savings and loan association having its  
108        principal office in this state;

109        [(26)] (28) "Federal branch" has the meaning given to that term in 12  
110        USC Section 3101, as from time to time amended;

111        [(27)] (29) "Federal credit union" means any institution chartered or  
112        organized as a federal credit union pursuant to the laws of the United  
113        States having its principal office in this state;

114        [(28)] (30) "Fiduciary" means a person undertaking to act alone or  
115        jointly with others primarily for the benefit of another or others in all  
116        matters connected with its undertaking and includes a person acting in  
117        the capacity of trustee, executor, administrator, guardian, assignee,  
118        receiver, conservator, agent, custodian under the Connecticut Uniform  
119        Gifts to Minors Act or the Uniform Transfers to Minors Act, and acting  
120        in any other similar capacity;

121        [(29)] (31) "Financial institution" means any Connecticut bank,  
122        Connecticut credit union, or other person whose activities in this state  
123        are subject to the supervision of the commissioner, but does not  
124        include a person whose activities are subject to the supervision of the  
125        commissioner solely pursuant to chapter 672a, 672b or 672c or any  
126        combination thereof;

127        [(30)] (32) "Foreign bank" has the meaning given to that term in 12  
128        USC Section 3101, as from time to time amended;

129        [(31)] (33) "Foreign country" means any country other than the  
130        United States and includes any colony, dependency or possession of  
131        any such country;

132        [(32)] (34) "Governing board" means the group of persons vested  
133        with the management of the affairs of a financial institution

134 irrespective of the name by which such group is designated;

135 [(33)] (35) "Holding company" means a bank holding company or a  
136 savings and loan holding company, except, as used in sections 36a-180  
137 to 36a-191, inclusive, "holding company" means a company that  
138 controls a bank;

139 [(34)] (36) "Insured depository institution" has the meaning given to  
140 that term in 12 USC Section 1813, as from time to time amended;

141 [(35)] (37) "Licensee" means any person who is licensed or required  
142 to be licensed pursuant to the applicable provisions of this title;

143 [(36)] (38) "Loan" includes any line of credit or other extension of  
144 credit;

145 [(37)] (39) "Merger" means the combination of one or more  
146 institutions with another which continues its corporate existence; all  
147 institutions party to the merger are "constituent" institutions; the  
148 merging institution which upon the merger continues its existence is  
149 the "resulting" institution;

150 [(38)] (40) "Mutual" when used in conjunction with any institution  
151 that is a bank or out-of-state bank means any such institution without  
152 capital stock;

153 [(39)] (41) "Mutual holding company" means any mutual savings  
154 bank or mutual savings and loan association reorganized or any  
155 nonstock corporation formed in connection with a reorganization  
156 pursuant to sections 36a-192 to 36a-199, inclusive, to hold a majority of  
157 the ordinary voting shares of a reorganized savings institution;

158 [(40)] (42) "Out-of-state" includes any state other than Connecticut  
159 and any foreign country;

160 [(41)] (43) "Out-of-state bank" means any institution that engages in  
161 the business of banking, but does not include a bank, Connecticut  
162 credit union, federal credit union or out-of-state credit union;

163 [(42)] (44) "Out-of-state credit union" means any credit union other  
164 than a Connecticut credit union or a federal credit union;

165 [(43)] (45) "Out-of-state trust company" means any company  
166 chartered to act as a fiduciary but does not include a company  
167 chartered under the laws of this state, a bank, an out-of-state bank, a  
168 Connecticut credit union, a federal credit union or an out-of-state  
169 credit union;

170 [(44)] (46) "Person" means an individual, company, including a  
171 company described in subparagraphs (A) and (B) of subdivision (10) of  
172 this section, or any other legal entity, including a federal, state or  
173 municipal government or agency or any political subdivision thereof;

174 [(45)] (47) "Point of sale terminal" means a device located in a  
175 commercial establishment at which sales transactions can be charged  
176 directly to the buyer's deposit, loan or credit account, but at which  
177 deposit transactions cannot be conducted;

178 [(46)] (48) "Reorganized savings bank" means any savings bank  
179 incorporated and organized in accordance with sections 36a-192 and  
180 36a-193 a majority of the ordinary voting shares of which is owned by  
181 a mutual holding company;

182 [(47)] (49) "Reorganized savings and loan association" means any  
183 savings and loan association incorporated and organized in  
184 accordance with sections 36a-192 and 36a-193 a majority of the  
185 ordinary voting shares of which is owned by a mutual holding  
186 company;

187 [(48)] (50) "Reorganized savings institution" means any reorganized  
188 savings bank or reorganized savings and loan association;

189 [(49)] (51) "Representative office" has the meaning given to that term  
190 in 12 USC Section 3101, as from time to time amended;

191 [(50)] (52) "Reserves for loan and lease losses" means the amounts  
192 reserved by a Connecticut bank against possible loan and lease losses

193 as shown on the bank's consolidated reports of condition and income;

194 [(51)] (53) "Satellite device" means an automated teller machine  
195 which is not part of an office of the bank, Connecticut credit union or  
196 federal credit union which has established such machine;

197 [(52)] (54) "Savings account" means a deposit account, other than an  
198 escrow account established pursuant to section 49-2a, into which  
199 savings deposits may be made and which account must be evidenced  
200 by periodic statements delivered at least semiannually or by a  
201 passbook;

202 [(53)] (55) "Savings and loan association" means an institution  
203 chartered or organized under the laws of this state as a savings and  
204 loan association;

205 [(54)] (56) "Savings bank" means an institution chartered or  
206 organized under the laws of this state as a savings bank;

207 [(55)] (57) "Savings deposit" means any deposit other than a demand  
208 deposit or time deposit on which interest or a dividend is paid  
209 periodically;

210 [(56)] (58) "Savings and loan holding company" has the meaning  
211 given to that term in 12 USC Section 1467a, as from time to time  
212 amended;

213 [(57)] (59) "State" means any state of the United States, the District of  
214 Columbia, any territory of the United States, Puerto Rico, Guam,  
215 American Samoa, the trust territory of the Pacific Islands, the Virgin  
216 Islands and the Northern Mariana Islands;

217 [(58)] (60) "State agency" has the meaning given to that term in 12  
218 USC Section 3101, as from time to time amended;

219 [(59)] (61) "State branch" has the meaning given to that term in 12  
220 USC Section 3101, as from time to time amended;

221 [(60)] (62) "Subsidiary" has the meaning given to that term in 12

222 USC Section 1841(d), as from time to time amended;

223 [(61)] (63) "Supervisory agency" means: (A) The commissioner; (B)  
224 the Federal Deposit Insurance Corporation; (C) the Resolution Trust  
225 Corporation; (D) the Office of Thrift Supervision; (E) the National  
226 Credit Union Administration; (F) the Board of Governors of the  
227 Federal Reserve System; (G) the United States Comptroller of the  
228 Currency; and (H) any successor to any of the foregoing agencies or  
229 individuals;

230 [(62)] (64) "Time account" means an account into which time  
231 deposits may be made; and

232 [(63)] (65) "Time deposit" means a deposit that the depositor or  
233 share account holder does not have a right and is not permitted to  
234 make withdrawals from within six days after the date of deposit,  
235 unless the deposit is subject to an early withdrawal penalty of at least  
236 seven days' simple interest on amounts withdrawn within the first six  
237 days after deposit, subject to those exceptions permissible under [Title  
238 12, Part 204 of the Code of Federal Regulations] 12 CFR Part 204, as  
239 from time to time amended.

240 Sec. 2. Section 36a-3 of the general statutes, as amended by section 1  
241 of public 01-9, section 1 of public act 01-34, section 1 of public act 01-56  
242 and section 1 of public act 01-76, is repealed and the following is  
243 substituted in lieu thereof (*Effective October 1, 2002*):

244 Other definitions applying to this title or to specified parts thereof  
245 and the sections in which they appear are:

- T1 "Account". Sections 36a-155 and 36a-365.  
T2 "Additional proceeds". Section 7 of [this act] public act 01-34.  
T3 "Advance fee". Sections 36a-510, 36a-485 and 36a-615.  
T4 "Advertise" or "advertisement". Sections 36a-485 and 36a-510.  
T5 "Agency bank". Section 36a-285.  
T6 "Alternative mortgage loan". Section 36a-265.  
T7 "Amount financed". Section 36a-690.

- T8 "Annual percentage rate". Section 36a-690.
- T9 "Annual percentage yield". Section 36a-316, as amended.
- T10 "Annuities". Section 52 of this act.
- T11 "Applicant". Section 36a-736.
- T12 "APR". Section 3 of [this act] public act 01-34.
- T13 "Assessment area". Section 2 of [this act] public act 01-9.
- T14 "Associate". Section 36a-184.
- T15 "Associated member". Section 59 of this act.
- T16 "Bank". Section 36a-30.
- T17 "Bankers' bank". Section 36a-70, as amended.
- T18 "Banking business". Section 36a-425, as amended.
- T19 "Basic services". Section 38 of this act.
- T20 "Billing cycle". Section 36a-565.
- T21 "Bona fide nonprofit organization". Section 36a-655.
- T22 "Branch". Sections 36a-145, as amended, [and] 36a-410, and 35 of this
- T23 act.
- T24 "Branch or agency net payment entitlement". Section 36a-428n, as
- T25 amended.
- T26 "Branch or agency net payment obligation". Section 36a-428n, as
- T27 amended.
- T28 "Broker". Section 36a-510 and section 3 of [this act] public act 01-34.
- T29 "Business and industrial development corporation". Section 36a-626.
- T30 "Business and property in this state". Section 36a-428n, as amended.
- T31 "Capital". Section 35 of this act.
- T32 "Cash advance". Section 36a-564.
- T33 "Cash price". Section 36a-770, as amended.
- T34 "Certificate of incorporation". Section 35 of this act.
- T35 ["Certificate of organization". Section 36a-435.]
- T36 "Closely related activities". [Section] Sections 36a-250 and 52 of this
- T37 act.
- T37 "Collective managing agency account". Section 36a-365.
- T38 "Commercial vehicle". Section 36a-770, as amended.
- T39 "Community bank". Section 36a-70, as amended.
- T40 "Community credit union". Section 2 of [this act] public act 01-9, as
- T41 amended by this act.

- T42 "Community development bank". Section 36a-70, as amended.
- T43 "Community reinvestment performance". Section 2 of [this act]
- T44 public act 01-9, as amended by this act.
- T45 "Connecticut holding company". Section 36a-410.
- T46 "Construction loan". Section 59 of this act.
- T47 "Consumer". Sections 36a-155, 36a-676 and 36a-695.
- T48 "Consumer Credit Protection Act". Section 36a-676.
- T49 "Consumer debtor" and "debtor". Sections 36a-645 and 36a-800, as
- T50 amended.
- T51 "Consumer collection agency". Section 36a-800, as amended.
- T52 "Consummation". Section 3 of [this act] public act 01-34.
- T53 "Controlling interest". Section 36a-276.
- T54 "Corporate". Section 35 of this act.
- T55 "Credit". Sections 36a-645 and 36a-676.
- T56 "Credit manager". Section 35 of this act.
- T57 "Creditor". Sections 36a-676, 36a-695 and 36a-800, as amended.
- T58 "Credit card", "cardholder" and "card issuer". Section 36a-676.
- T59 "Credit clinic". Section 36a-695.
- T60 "Credit rating agency". Section 36a-695.
- T61 "Credit report". Section 36a-695.
- T62 "Credit sale". Section 36a-676.
- T63 "Credit union service organization". Section 35 of this act.
- T64 "Credit union service organization services". Section 35 of this act.
- T65 "De novo branch". Section 36a-410.
- T66 "Debt". Section 36a-645.
- T67 "Debt adjustment". Section 36a-655.
- T68 "Debt mutual fund". [Section] Sections 36a-275 and 60 of this act.
- T69 "Debt securities". [Section] Sections 36a-275 and 60 of this act.
- T70 "Deliver". Section 36a-316, as amended.
- T71 "Deposit". Section 36a-316, as amended.
- T72 "Deposit account". Sections 36a-136 and 36a-316, as amended.
- T73 "Deposit account charge". Section 36a-316, as amended.
- T74 "Deposit account disclosures". Section 36a-316, as amended.
- T75 "Deposit contract". Section 36a-316, as amended.
- T76 "Deposit services". Section 36a-425, as amended.

- T77 "Depositor". Section 36a-316, as amended.
- T78 "Director". Section 35 of this act.
- T79 "Earning period". Section 36a-316, as amended.
- T80 "Electronic payment instrument". Section 36a-596, as amended.
- T81 "Eligible account holder". Section 36a-136.
- T82 "Eligible collateral". Section 36a-330.
- T83 "Equity mutual fund". [Section] Sections 36a-276 and 60 of this act.
- T84 "Equity security". Sections 36a-276 and 60 of this act.
- T85 "Federal Credit Union Act". Section 35 of this act.
- T86 "Federal Home Mortgage Disclosure Act". Section 36a-736.
- T87 "Fiduciary". Section 36a-365.
- T88 "Filing fee". Section 36a-770, as amended.
- T89 "Finance charge". Sections 36a-690 and 36a-770, as amended.
- T90 "Financial institution". Sections 36a-41, as amended, 36a-155, 36a-
- T91 316, as amended, 36a-330, 36a-736, section 35 of this act and section 3 of  
[this act] public act 01-76.
- T92 "Financial records". Section 36a-41, as amended.
- T93 "First mortgage loan". Sections 36a-485, 36a-705 and 36a-715.
- T94 ["Fiscal year". Section 36a-435.]
- T95 "Foreign banking corporation". Section 36a-425, as amended.
- T96 "General facility". Section 36a-580.
- T97 "Global net payment entitlement". Section 36a-428n, as amended.
- T98 "Global net payment obligation". Section 36a-428n, as amended.
- T99 "Goods". Sections 36a-535 and 36a-770, as amended.
- T100 "Graduated payment mortgage loan". Section 36a-265.
- T101 "Guardian". Section 36a-365.
- T102 "High cost home loan". Section 3 of [this act] public act 01-34.
- T103 "Holder". Section 36a-596, as amended.
- T104 "Home banking services". Section 36a-170.
- T105 "Home banking terminal". Section 36a-170.
- T106 "Home improvement loan". Section 36a-736.
- T107 "Home purchase loan". Section 36a-736.
- T108 "Home state". Section 36a-410.
- T109 "Immediate family member". Section [36a-435] 35 of this act.
- T110 "Insider". Section 51 of this act.

- T111 "Installment loan contract". Sections 36a-535 and 36a-770, as  
T112 amended.
- T113 "Insurance". Section 52 of this act.
- T114 "Insurance bank". Section 36a-285.
- T115 "Insurance department". Section 36a-285.
- T116 "Interest". Section 36a-316, as amended.
- T117 "Interest rate". Section 36a-316, as amended.
- T118 "Lender". Sections 36a-510, 36a-770, as amended, and section 3 of  
T119 [this act] public act 01-34.
- T120 "Lessor". Section 36a-676.
- T121 "License". Section 36a-626.
- T122 "Licensee". Sections 36a-510, 36a-596, as amended, and 36a-626.
- T123 "Limited branch". Section 36a-145, as amended.
- T124 "Limited facility". Section 36a-580.
- T125 "Loan broker". Section 36a-615.
- T126 "Loss". Section 36a-330.
- T127 "Made in this state". Section 36a-770, as amended.
- T128 "Managing agent". Section 36a-365.
- T129 "Manufactured home". Section 58 of this act.
- T130 "Material litigation". Section 36a-596, as amended.
- T131 "Member". Section [36a-435] 35 of this act.
- T132 "Member business loan". Section 59 of this act.
- T133 "Member in good standing". Section 35 of this act.
- T134 "Membership share". Section [36a-435] 35 of this act.
- T135 "Money order". Section 36a-596, as amended.
- T136 "Money transmission". Section 36a-365.
- T137 "Mortgage broker". Section 36a-485.
- T138 "Mortgage insurance". Section 36a-725.
- T139 "Mortgage lender". Sections 36a-485 and 36a-705.
- T140 "Mortgage loan". Sections 36a-261 and 36a-265, and section 58 of this  
T141 act.
- T142 "Mortgage rate lock-in". Section 36a-705.
- T143 "Mortgage servicing company". Section 36a-715.
- T144 "Mortgagor". Section 36a-715.
- T145 "Motor vehicle". Section 36a-770, as amended.

- T146 "Multiple common bond membership". Section [36a-435] 35 of this  
T147 act.
- T148 "Municipality". Section 36a-800, as amended.
- T149 "Net outstanding member business loan balance". Section 59 of this  
T150 act.
- T151 "Net worth". Section 36a-596, as amended, and sections 43 and 59 of  
T152 this act.
- T153 "Network". Section 36a-155.
- T154 "Note account". Sections 36a-301 and [36a-445] 55 of this act.
- T155 "Office". Section 36a-316, as amended.
- T156 "Officer". Section 35 of this act.
- T157 "Open-end credit plan". Section 36a-676.
- T158 "Open-end loan". Section 36a-565.
- T159 "Organization". Section 36a-800, as amended.
- T160 "Out-of-state holding company". Section 36a-410.
- T161 "Outstanding". Section 36a-596, as amended.
- T162 "Passbook savings account". Section 36a-316, as amended.
- T163 "Payment instrument". Section 36a-596, as amended.
- T164 "Periodic statement". Section 36a-316, as amended.
- T165 "Permissible investment". Section 36a-596, as amended.
- T166 "Person". Section 36a-184.
- T167 "Post". Section 36a-316, as amended.
- T168 "Prepaid finance charge". Section 3 of [this act] public act 01-34.
- T169 "Prepayment penalty". Section 3 of [this act] public act 01-34.
- T170 "Prime quality". Section 36a-596, as amended.
- T171 "Principal amount of the loan". Section 36a-510.
- T172 "Principal officer". Section 36a-485.
- T173 "Processor". Section 36a-155.
- T174 "Public deposit". Section 36a-330.
- T175 "Purchaser". Section 36a-596, as amended.
- T176 "Qualified financial contract". Section 36a-428n, as amended.
- T177 "Qualified public depository" and "depository". Section 36a-330.
- T178 "Real estate". Section 58 of this act.
- T179 "Records". Section 36a-17, as amended by this act.
- T180 "Relocate". Section 36a-145, as amended and section 63 of this act.

- T181 "Residential property". Section 36a-485.
- T182 "Retail buyer". Sections 36a-535 and 36a-770, as amended.
- T183 "Retail credit transaction". Section 42-100b.
- T184 "Retail deposits". Section 36a-70, as amended.
- T185 "Retail installment contract". Sections 36a-535 and 36a-770, as
- T186 amended.
- T187 "Retail installment sale". Sections 36a-535 and 36a-770, as amended.
- T188 "Retail seller". Sections 36a-535 and 36a-770, as amended.
- T189 "Reverse annuity mortgage loan". Section 36a-265.
- T190 "Sales finance company". Sections 36a-535 and 36a-770, as amended.
- T191 "Savings department". Section 36a-285.
- T192 "Savings deposit". Section 36a-316, as amended.
- T193 "Secondary mortgage loan". Section 36a-510.
- T194 "Security convertible into a voting security". Section 36a-184.
- T195 "Senior management". Section 35 of this act.
- T196 "Share". Section [36a-435] 35 of this act.
- T197 "Simulated check". Sections 36a-485 and 36a-510.
- T198 "Single common bond membership". Section [36a-435] 35 of this act.
- T199 "Social purpose investment". Section 36a-277.
- T200 "Standard mortgage loan". Section 36a-265.
- T201 "Tax and loan account". Sections 36a-301 and [36a-445] 55 of this act.
- T202 "The Savings Bank Life Insurance Company". Section 36a-285.
- T203 "Time account". Section 36a-316, as amended.
- T204 "Transaction". Section 36a-215, as amended.
- T205 "Travelers check". Section 36a-596, as amended.
- T206 "Troubled Connecticut credit union". Section 45 of this act.
- T207 "Troubled financial institution". Section 36a-215, as amended.
- T208 "Uninsured bank". Section 36a-70, as amended.
- T209 "Unsecured loan". Section 36a-615.

246 Sec. 3. Section 36a-17 of the general statutes is repealed and the  
247 following is substituted in lieu thereof (*Effective October 1, 2002*):

248 (a) The commissioner, in the commissioner's discretion, may make  
249 such public or private investigations or examinations within or outside  
250 this state, concerning any person subject to the jurisdiction of the

251 commissioner, as the commissioner deems necessary to carry out the  
252 duties of the commissioner.

253 (b) Any Connecticut bank, Connecticut credit union or Connecticut  
254 credit union service organization which causes or has caused any  
255 electronic data processing services to be performed for such  
256 [Connecticut] bank, credit union or credit union service organization  
257 either on or off its premises by an electronic data processing servicer  
258 shall enter into a written contract with such servicer. Such contract  
259 shall specify the duties and responsibilities of the [Connecticut] bank,  
260 credit union or credit union service organization and such servicer and  
261 provide that such servicer shall allow the commissioner to examine  
262 such servicer's books, records and computer systems in accordance  
263 with this subsection, if required by the commissioner. The Connecticut  
264 bank, Connecticut credit union or Connecticut credit union service  
265 organization shall promptly send a copy of such contract to the  
266 commissioner. The commissioner may examine the books, records and  
267 computer systems of any electronic data processing servicer that  
268 performs electronic data processing services for a Connecticut bank,  
269 Connecticut credit union or Connecticut credit union service  
270 organization, if such services substantially impact the operations of the  
271 Connecticut bank, Connecticut credit union or Connecticut credit  
272 union service organization as determined by the commissioner, in  
273 order to (1) determine whether such servicer has the capacity to protect  
274 the [Connecticut bank's] customer information of such bank, credit  
275 union or credit union service organization, and (2) assess such  
276 servicer's potential for continued service. The commissioner may  
277 assess a fee of one hundred fifty dollars per day plus costs for each  
278 examiner who conducts such examination, the total cost of which the  
279 commissioner may allocate on a pro rata basis to all Connecticut banks,  
280 Connecticut credit unions and Connecticut credit union service  
281 organizations under contract with such servicer.

282 (c) For the purpose of any investigation, examination or proceeding  
283 under this title the commissioner may administer oaths and  
284 affirmations, subpoena witnesses, compel attendance of witnesses,

285 take evidence, require written statements and require the production  
286 of any records which the commissioner deems relevant or material.  
287 The commissioner may require that certified copies of any such  
288 records be provided to the commissioner at the commissioner's office.

289 (d) Any person who is the subject of any such investigation,  
290 examination or proceeding shall make its records available to the  
291 commissioner in readable form; provide personnel and equipment  
292 necessary, including, but not limited to, assistance in the analysis of  
293 computer-generated records; provide copies or computer printouts of  
294 records when so requested; furnish unrestricted access to all areas of  
295 its principal place of business or wherever records may be located; and  
296 otherwise cooperate with the commissioner.

297 (e) The superior court for the judicial district of Hartford, upon  
298 application of the commissioner, may issue to any person refusing to  
299 obey a subpoena issued pursuant to subsection (c) of this section an  
300 order requiring that person to appear before the commissioner or any  
301 officer designated by the commissioner to produce records so ordered  
302 or to give evidence concerning the matter under investigation or in  
303 question. Failure to obey the order of the court may be punished by the  
304 court as a contempt of court.

305 [(f) A licensee under section 36a-489, 36a-511, 36a-536, 36a-555, 36a-  
306 581, 36a-600, 36a-633, 36a-656 or 36a-801, shall pay to the commissioner  
307 the actual cost of any examination of the licensee, as such cost is  
308 determined by the commissioner. Failure by the licensee to pay such  
309 cost within thirty days of receipt of demand from the commissioner  
310 shall automatically suspend the license until the costs are paid.]

311 [(g)] (f) As used in this section, "records" includes, but is not limited  
312 to, books, papers, correspondence, memoranda, agreements, diaries,  
313 logs, notes, ledgers, journals, visual, audio, magnetic or electronic  
314 recordings, computer printouts and software, and any other  
315 documents.

316 Sec. 4. Section 36a-53 of the general statutes, as amended by section

317 11 of public act 01-34 and section 11 of public act 01-48, is repealed and  
318 the following is substituted in lieu thereof (*Effective October 1, 2002*):

319 (a) Whenever the commissioner finds as the result of an  
320 investigation that any officer or director of any Connecticut bank or  
321 officer or director, as defined in section 35 of this act, of any  
322 Connecticut credit union or any officer, director, manager or general  
323 partner of a Connecticut credit union service organization (1) has  
324 violated or is violating any provision of the general statutes within the  
325 jurisdiction of the commissioner, or any regulation, rule or order  
326 adopted or issued thereunder, or any condition imposed in writing by  
327 the commissioner, (2) has breached or is breaching any written  
328 agreement with the commissioner, (3) has engaged or participated in  
329 or is engaging or participating in any unsafe or unsound practice in  
330 connection with any bank, Connecticut credit union, [or] federal credit  
331 union or credit union service organization, (4) has been or is charged in  
332 any information, indictment or complaint with the commission of or  
333 participation in a crime which is punishable by imprisonment for a  
334 term exceeding one year under state or federal law, and continued  
335 service or participation by such officer, [or] director, manager or  
336 general partner may pose a threat to the interests of depositors or  
337 members, or threatens to impair public confidence in any bank,  
338 Connecticut credit union, [or] federal credit union or Connecticut  
339 credit union service organization, (5) has used or is using such officer's,  
340 [or] director's, manager's or general partner's official position in a  
341 manner contrary to the interest of any bank, Connecticut credit union,  
342 [or] federal credit union or credit union service organization, or its  
343 depositors or members, or (6) has been or is negligent in the  
344 performance of such officer's, [or] director's, manager's or general  
345 partner's duties, after having been warned in writing by the  
346 commissioner to discontinue any such continuing delinquency, the  
347 commissioner may send notice to such officer, [or] director, manager  
348 or general partner by registered or certified mail, return receipt  
349 requested, or by any express delivery carrier that provides a dated  
350 delivery receipt. The notice shall be deemed received by the officer,  
351 [or] director, manager or general partner on the earlier of the date of

352 actual receipt or seven days after mailing or sending. Any such notice  
353 shall include: (A) A statement of the time, place and nature of the  
354 hearing; (B) a statement of the legal authority and jurisdiction under  
355 which the hearing is to be held; (C) a reference to the particular  
356 sections of the general statutes, regulations, rules or orders alleged to  
357 have been violated; (D) a short and plain statement of the matters  
358 asserted; and (E) a statement indicating that such officer, [or] director,  
359 manager or general partner may file a written request for a hearing on  
360 the matters asserted within fourteen days of receipt of the notice. If a  
361 hearing is requested within the time specified in the notice, the  
362 commissioner shall hold a hearing upon the matters asserted in the  
363 notice unless such officer, [or] director, manager or general partner  
364 fails to appear at the hearing. After the hearing, if the commissioner  
365 finds that any of the grounds set forth in subdivisions (1) to (6),  
366 inclusive, of this subsection exist with respect to such officer, [or]  
367 director, manager or general partner, the commissioner shall order the  
368 removal of such officer, [or] director, manager or general partner from  
369 office and from any participation in the management of the  
370 Connecticut bank, [or] Connecticut credit union or Connecticut credit  
371 union service organization. If such officer, [or] director, manager or  
372 general partner fails to appear at the hearing, the commissioner shall  
373 order the removal of such officer, [or] director, manager or general  
374 partner from office and from any participation in the management of  
375 the Connecticut bank, [or] Connecticut credit union or Connecticut  
376 credit union service organization. If the commissioner finds that the  
377 protection of the Connecticut bank, [or] Connecticut credit union or  
378 Connecticut credit union service organization, or the interest of its  
379 depositors or members requires immediate action, the commissioner  
380 may suspend any such officer, [or] director, manager or general  
381 partner from office and from further participation in the management  
382 of the Connecticut bank, [or] Connecticut credit union or Connecticut  
383 credit union service organization, by incorporating a finding to that  
384 effect in such notice. The suspension or prohibition shall become  
385 effective upon receipt of such notice and, unless stayed by a court,  
386 shall remain in effect until the entry of a permanent order or the

387 dismissal of the matters asserted.

388 (b) Whenever it appears to the commissioner that any such  
389 Connecticut bank, [or] Connecticut credit union or Connecticut credit  
390 union service organization (1) is violating, has violated or is about to  
391 violate any provision of the general statutes within the jurisdiction of  
392 the commissioner, or any regulation, rule or order adopted or issued  
393 thereunder, or any condition imposed in writing by the commissioner,  
394 (2) is breaching, has breached or is about to breach any written  
395 agreement with the commissioner, or (3) is engaging, has engaged or is  
396 about to engage, in an unsafe or unsound practice, the commissioner  
397 may send notice and take action against the Connecticut bank, [or]  
398 Connecticut credit union or Connecticut credit union service  
399 organization in accordance with section 36a-52, as amended. If the  
400 commissioner finds that the actual or threatened violation, breach or  
401 unsafe or unsound practice or practices specified in such notice is  
402 likely to cause insolvency or substantial dissipation of assets or  
403 earnings of the Connecticut bank, [or] Connecticut credit union or  
404 Connecticut credit union service organization, or is likely to otherwise  
405 seriously prejudice the interests of its depositors or members, the  
406 commissioner may incorporate a finding to that effect in such notice  
407 and issue a temporary order requiring the Connecticut bank, [or]  
408 Connecticut credit union or Connecticut credit union service  
409 organization to cease and desist from any such violation, breach or  
410 practice. The temporary order shall become effective upon receipt and,  
411 unless set aside or modified by a court, shall remain in effect until the  
412 effective date of a permanent order or the dismissal of the matters  
413 asserted.

414 (c) (1) Whenever the commissioner finds as the result of an  
415 investigation that any such officer, director, manager, general partner,  
416 Connecticut bank, [or] Connecticut credit union or Connecticut credit  
417 union service organization has (A) violated any provision of the  
418 general statutes within the jurisdiction of the commissioner, or any  
419 regulation, rule or order adopted or issued thereunder, or any  
420 condition imposed in writing by the commissioner, (B) breached any

421 written agreement with the commissioner, (C) engaged or participated  
422 in any unsafe or unsound practice, or (D) used such officer's, [or]  
423 director's, manager's or general partner's official position in a manner  
424 contrary to the interest of any bank, Connecticut credit union, [or]  
425 federal credit union or credit union service organization, or its  
426 depositors or members, the commissioner may send notice to and take  
427 action against such officer, director, manager, general partner,  
428 Connecticut bank, [or] Connecticut credit union or Connecticut credit  
429 union service organization regarding the violation, breach, unsafe or  
430 unsound practice, or misuse of official position in accordance with  
431 section 36a-50. Any finding made by the commissioner pursuant to  
432 this subdivision shall be considered a violation of this subsection for  
433 purposes of section 36a-50, as amended.

434 (2) Notwithstanding the provisions of section 36a-50, as amended,  
435 unless the violation, breach, unsafe or unsound practice, or misuse of  
436 official position found to have occurred pursuant to this subsection  
437 and section 36a-50, as amended, is such that it (A) is part of a pattern  
438 of misconduct, (B) has caused or is likely to cause a loss other than a de  
439 minimis loss to any bank, Connecticut credit union, [or] federal credit  
440 union or credit union service organization, (C) will result or has  
441 resulted in a pecuniary gain to an officer, [or] director, manager or  
442 general partner of any Connecticut bank, [or] Connecticut credit union  
443 or Connecticut credit union service organization, or (D) is a violation  
444 of section 36a-53a or sections 4 to 9, inclusive, of [this act] public act 01-  
445 34, the civil penalty the commissioner may impose under this  
446 subsection and section 36a-50, as amended, shall not exceed one  
447 thousand dollars.

448 (3) In determining the amount of any penalty imposed under this  
449 subsection and section 36a-50, as amended, the commissioner shall  
450 take into account (A) the size of the financial resources and good faith  
451 of the Connecticut bank, Connecticut credit union, Connecticut credit  
452 union service organization, officer or director of such Connecticut  
453 bank, [or] Connecticut credit union or officer, director, manager or  
454 general partner of such Connecticut credit union service organization,

455 (B) the gravity of the violation, breach, unsafe or unsound practice or  
456 misuse of official position, (C) the history of previous violations,  
457 breaches, unsafe or unsound practices, or misuse of official position,  
458 and (D) such other matters as justice may require, except that this  
459 subdivision does not apply to any violation of section 36a-53a and  
460 sections 4 to 9, inclusive, of [this act] public act 01-34.

461 (d) In connection with any investigation or proceeding under this  
462 section and section 36a-50, as amended, the commissioner shall make  
463 reasonable efforts to obtain from a federal banking or credit union  
464 agency any relevant information that the commissioner knows to be in  
465 the possession of such agency.

466 Sec. 5. (NEW) (*Effective October 1, 2002*) The Commissioner of  
467 Banking may enter into one or more stipulations and agreements or  
468 memoranda of understanding with a Connecticut bank, either alone or  
469 in conjunction with the Federal Deposit Insurance Corporation or its  
470 successor agency, or may enter into one or more letters of  
471 understanding and agreement or memoranda of understanding with a  
472 Connecticut credit union or Connecticut credit union service  
473 organization, either alone or in conjunction with the National Credit  
474 Union Administration or its successor agency, if the Commissioner of  
475 Banking finds as a result of an examination or investigation that the  
476 Connecticut bank, Connecticut credit union or Connecticut credit  
477 union service organization: (1) Has failed to file a report when due, (2)  
478 is insolvent, (3) has violated any provisions of the general statutes  
479 within the jurisdiction of the Commissioner of Banking, or any  
480 regulation, rule or order adopted or issued thereunder, or (4) has  
481 engaged or participated in, or is engaging or participating in, any  
482 unsafe and unsound practice.

483 Sec. 6. Subsection (a) of section 36a-65 of the general statutes is  
484 repealed and the following is substituted in lieu thereof (*Effective*  
485 *October 1, 2002*):

486 (a) The commissioner shall annually, on or after July first for the  
487 fiscal year commencing on said July first, collect pro rata based on

488 asset size from each Connecticut bank and each Connecticut credit  
489 union an amount sufficient in the commissioner's judgment to meet  
490 the expenses of the Department of Banking, including a reasonable  
491 reserve for contingencies, provided the commissioner shall not collect  
492 such amount from a newly organized Connecticut credit union until  
493 July first following the third full calendar year after issuance by the  
494 commissioner of such credit union's certificate of authority. Such  
495 assessments and expenses shall not exceed the budget estimates  
496 submitted in accordance with section 36a-13. Such assessments may be  
497 made more frequently than annually at the discretion of the  
498 commissioner. Such assessments for any fiscal year shall be reduced  
499 pro rata by the amount of any surplus from the assessments of prior  
500 fiscal years, which surplus shall be maintained in accordance with  
501 subdivision (4) of subsection (c) of this section. The commissioner may  
502 reduce any such assessment collected from a Connecticut credit union  
503 up to the amount of any assessment for the same fiscal year collected  
504 from such credit union by another state in which such credit union has  
505 established a branch. Such assessments for any fiscal year shall be a  
506 liability of such banks and credit unions as of the assessment date.  
507 Except as provided in this subsection, such assessments shall not be  
508 prorated for any reason.

509 Sec. 7. Subsection (b) of section 36a-65 of the general statutes is  
510 repealed and the following is substituted in lieu thereof (*Effective*  
511 *October 1, 2002*):

512 (b) (1) The fee for trust department examinations is one hundred  
513 fifty dollars a day for the examiner in charge, including time for report  
514 writing, and one hundred dollars a day for each assisting examiner.  
515 Any daily charge based on less than a three and one-half hour day will  
516 be computed on the basis of one-half per day charge and any time in  
517 excess of three and one-half hours will be on the basis of a full day. The  
518 minimum rate for the examination of a trust department is one  
519 hundred fifty dollars.

520 (2) The fee for an examination of a Connecticut credit union service

521 organization is the actual cost of the examination, as such cost is  
522 determined by the commissioner.

523 (3) A licensee under section 36a-489, 36a-511, 36a-536, 36a-555, 36a-  
524 581, 36a-600, as amended, 36a-633, 36a-656 or 36a-801, as amended,  
525 shall pay to the commissioner the actual cost of any examination of the  
526 licensee, as such cost is determined by the commissioner. Failure by  
527 the licensee to pay such cost not later than thirty days of receipt of  
528 demand from the commissioner shall automatically suspend the  
529 license until the costs are paid.

530 Sec. 8. Section 36a-44 of the general statutes, as amended by section  
531 3 of public act 01-72 and section 103 of public act 01-9 of the June  
532 special session, is repealed and the following is substituted in lieu  
533 thereof (*Effective October 1, 2002*):

534 No provision of sections 36a-41 to 36a-45, inclusive, as amended,  
535 shall be construed to prohibit: (1) The preparation, examination,  
536 handling or maintenance of any financial records by any officer,  
537 employee or agent of a financial institution having custody of such  
538 records or the examination of such records by a certified public  
539 accountant engaged by the financial institution to perform an  
540 independent audit; (2) the examination of any financial records by, or  
541 the furnishing of financial records by a financial institution to any  
542 official, employee or agent of a supervisory agency solely for use in the  
543 exercise of the duties of such official, employee or agent; (3) the  
544 publication of data furnished from financial records relating to  
545 customers where such data does not contain information identifying  
546 any particular customer or account; (4) the making of reports or  
547 returns required under the Internal Revenue Code of 1986, or any  
548 subsequent corresponding internal revenue code of the United States,  
549 as from time to time amended; (5) disclosure of information permitted  
550 under the Uniform Commercial Code concerning the dishonor of any  
551 negotiable instrument; (6) the exchange, in the regular course of  
552 business, of credit information between a financial institution and  
553 other financial institutions or commercial enterprises, directly or

554 through a consumer reporting agency; (7) disclosures to appropriate  
555 officials of federal, state or local governments upon suspected  
556 violations of the criminal law; (8) disclosures pursuant to a search  
557 warrant issued by a judge of the Superior Court or a judge trial referee  
558 under the provisions of section 54-33a, as amended; (9) disclosures  
559 concerning lawyers' clients' funds accounts made to the state-wide  
560 grievance committee pursuant to any rule adopted by the judges of the  
561 Superior Court; (10) disclosures to the purported payee or to any  
562 purported holder of a check, draft, money order or other item, whether  
563 or not such check, draft, money order or other item has been accepted  
564 by such payee or holder as payment, or to any financial institution  
565 purportedly involved in the collection process of a check, draft, money  
566 order or other item whether such check, draft, money order or other  
567 item would be paid if presented at the time of such disclosure; (11) any  
568 disclosure made in connection with a financial institution's attempts to  
569 preserve its rights or determine its liabilities with regard to any funds  
570 transfer or any check, draft, money order or other item drawn by or  
571 upon it or handled by it for collection or otherwise; [(12) the transfer of  
572 information from a Connecticut credit union to a shared service center  
573 and the personnel of such shared service center which takes place  
574 when a member of such Connecticut credit union uses a shared service  
575 center to effect a transaction with such Connecticut credit union;] (12)  
576 disclosures to an insurance company for purposes of risk assessment  
577 in connection with obtaining or maintaining a surety bond or fraud  
578 investigations; (13) any other disclosure required under applicable  
579 state or federal law or authorized to be made to any regulatory or law  
580 enforcement agency under applicable state or federal law.

581 Sec. 9. Section 36a-216 of the general statutes is repealed and the  
582 following is substituted in lieu thereof (*Effective October 1, 2002*):

583 (a) Whenever, in the opinion of the commissioner, general financial  
584 conditions are such that the public interest requires limitation on  
585 withdrawal of funds from Connecticut banks or Connecticut credit  
586 unions, or the assets of any Connecticut bank or Connecticut credit  
587 union are in such nonliquid condition that the interests of the

588 depositors or share account holders may be jeopardized, the  
589 commissioner may: (1) Order any one or more of such banks or credit  
590 unions to restrict all or any part of their business and limit or postpone  
591 for any length of time the payment of any amount or proportion of the  
592 deposits in any of the departments of such banks or credit unions as  
593 the commissioner deems necessary or expedient. The commissioner  
594 may regulate as to time and amount further payments as the interest of  
595 the public, of any such bank [or banks] or credit union or of the  
596 depositors, share account holders or creditors thereof may require.  
597 Any order [or orders] made by the commissioner under this  
598 subdivision may be amended, extended or revoked in whole or in part,  
599 whenever in the commissioner's judgment circumstances warrant or  
600 require; (2) authorize any such [banks] banks or credit unions to  
601 receive new deposits or share account payments which shall be  
602 designated as new deposits or share account payments, and shall be  
603 segregated from all other deposits or share account payments. Such  
604 new deposits or share account payments shall be invested only in  
605 assets approved by the commissioner as being sufficiently liquid to be  
606 available when needed to meet any demands on account of such new  
607 deposits or share account payments. Such assets shall not be merged  
608 with other assets but shall be held in trust for the security and payment  
609 of such new deposits or share account payments, except that income  
610 from such assets may, to the extent authorized by the commissioner, be  
611 used by the banks or credit unions for other proper purposes of such  
612 banks or credit unions; and the withdrawal of such new deposits or  
613 share account payments shall not be subjected in any respect to  
614 restriction or limitation under this section; (3) adopt such regulations,  
615 in accordance with chapter 54, as the commissioner deems advisable  
616 for the protection of any such bank or [banks] credit union or the  
617 depositors, share account holders or creditors thereof. Any person who  
618 violates any provision of such regulations shall be fined not more than  
619 one thousand dollars or imprisoned not more than one year or both.

620 (b) In determining action to be taken under this section, the  
621 commissioner may place such fair value on the assets of any such bank  
622 or credit union as the commissioner deems advisable under the

623 conditions prevailing and circumstances relating thereto.

624 (c) Any costs and expenses incurred by the commissioner in the  
625 exercise of the powers given to the commissioner under this section  
626 shall be assessed by the commissioner against [the] any bank or  
627 [banks] credit union in connection with which such costs and expenses  
628 were incurred and, when so assessed, shall be paid by such bank or  
629 [banks] credit union in addition to the annual assessment of expenses  
630 of the Department of Banking provided under section 36a-65, as  
631 amended by this act.

632 (d) Nothing in this section shall be construed to give the  
633 commissioner authority to establish a maximum rate of dividends or  
634 interest on deposits or share accounts applying to a type of  
635 Connecticut bank or Connecticut credit union as a group.

636 Sec. 10. Section 36a-219 of the general statutes is repealed and the  
637 following is substituted in lieu thereof (*Effective October 1, 2002*):

638 (a) Whenever, in the opinion of the commissioner or the governing  
639 board, or in the case of a Connecticut credit union service organization  
640 the commissioner or the governing board, managers or general  
641 partners, it may be necessary to preserve assets or protect depositors or  
642 share account holders, the commissioner may issue a temporary order  
643 restraining any Connecticut bank, [or] out-of-state bank that maintains  
644 in this state a branch, as defined in section 36a-410, to the extent of its  
645 operations in this state, Connecticut credit union or out-of-state credit  
646 union that maintains in this state a branch, as defined in section 35 of  
647 this act, to the extent of its operations in this state, or Connecticut  
648 credit union service organization from paying out any funds or  
649 receiving moneys for deposit, for certificates of indebtedness or for  
650 payment on accounts, or, in the case of a Connecticut bank,  
651 Connecticut credit union or Connecticut credit union service  
652 organization, appoint a conservator, until a hearing before the superior  
653 court of the judicial district of Hartford. The court may, upon  
654 application of the commissioner or upon application of the governing  
655 board of any such Connecticut bank, [or] out-of-state bank,

656 Connecticut credit union or out-of-state credit union, or the governing  
657 board, managers or general partners of any such Connecticut credit  
658 union service organization, issue an order restraining any such bank,  
659 credit union or credit union service organization from declaring or  
660 paying any dividends or from paying out any funds of such bank,  
661 credit union or credit union service organization for such time as the  
662 court deems necessary. Such order shall be in writing directed to such  
663 bank, credit union or credit union service organization and a copy of  
664 the order attested and [left] hand-delivered by the commissioner  
665 [with] to the president, chief executive officer, secretary, or treasurer  
666 [or cashier] of any such bank [,] or credit union, or in the case of a  
667 Connecticut credit union service organization, to the president, chief  
668 executive officer, secretary, treasurer, a manager or general partner of  
669 any such credit union service organization, or in the case of an out-of-  
670 state bank, [with] or out-of-state credit union, to its agent, shall be  
671 sufficient notice thereof. Before issuing such restraining order, the  
672 court shall cause reasonable notice to be given to such bank, credit  
673 union or credit union service organization. Notice to the [cashier]  
674 president, chief executive officer, secretary, treasurer or agent of any  
675 such bank or credit union, an agent of any such out-of-state bank or  
676 out-of-state credit union, or president, chief executive officer, secretary,  
677 treasurer, manager or general partner of any such credit union service  
678 organization shall be notice to such bank, credit union or credit union  
679 service organization. Notice may be waived by any such [cashier]  
680 president, chief executive officer, treasurer, secretary, manager, general  
681 partner or agent.

682 (b) Before the governing board of any such Connecticut bank, [or]  
683 out-of-state bank, Connecticut credit union or out-of-state credit union,  
684 or the governing board, managers or general partners of any such  
685 Connecticut credit union service organization applies to the court for  
686 such restraining order, notice shall be given in writing to the  
687 commissioner of its intention to so apply at least ten days before such  
688 application is made. If, in the opinion of the commissioner or such  
689 governing board, managers or general partners, such order should be  
690 revoked or modified, the court may, on application of the

691 commissioner or such governing board, managers or general partners,  
692 revoke or modify the original order, and notice of such revocation or  
693 modification shall be given to the bank, credit union or credit union  
694 service organization affected thereby in the same manner as in the case  
695 of the original order.

696 Sec. 11. Section 36a-220 of the general statutes is repealed and the  
697 following is substituted in lieu thereof (*Effective October 1, 2002*):

698 (a) If it appears to the commissioner that (1) the charter of any  
699 Connecticut bank or out-of-state bank that maintains in this state a  
700 branch, as defined in section 36a-410, or the certificate of authority of  
701 any Connecticut credit union or out-of-state credit union that  
702 maintains in this state a branch, as defined in section 35 of this act, is  
703 forfeited, (2) the public is in danger of being defrauded by such bank  
704 or credit union, it is unsafe or unsound for such bank or credit union to  
705 continue business or its assets are being dissipated, (3) such bank or  
706 credit union is insolvent, or (4) the Federal Deposit Insurance  
707 Corporation, National Credit Union Administration or [its] their  
708 successor [agency has] agencies have terminated insurance of the  
709 insurable accounts or deposits of such bank or credit union, the  
710 commissioner shall apply to the superior court for the judicial district  
711 of Hartford [or the judicial district in which the main office of such  
712 bank is located] for an injunction restraining such bank or credit union  
713 from conducting business or, in the case of a Connecticut bank or  
714 Connecticut credit union, for the appointment of a conservator or for a  
715 receiver to wind up its affairs.

716 (b) The court may take one or more of the following actions: (1)  
717 Grant such injunction or appoint such receiver, or both, (2) appoint  
718 such conservator, or (3) in the case of a Connecticut bank or  
719 Connecticut credit union, declare the charter of such bank or certificate  
720 of authority of such credit union to be null and void after reasonable  
721 notice to such bank or credit union. Nothing in this section shall be  
722 construed as affecting any provision of sections 36a-218 and 36a-219, as  
723 amended by this act.

724 Sec. 12. Section 36a-222 of the general statutes is repealed and the  
725 following is substituted in lieu thereof (*Effective October 1, 2002*):

726 (a) The duty of the receiver shall be to place the Connecticut bank or  
727 Connecticut credit union in liquidation and proceed to realize upon  
728 the assets of such bank or credit union, having due regard for the  
729 conditions of credit in the locality of such bank or credit union.

730 (b) The duty of the conservator shall be to carry on the business of  
731 the Connecticut bank or Connecticut credit union, to preserve and  
732 conserve the assets and property of the bank or credit union, and to  
733 put such bank or credit union in a safe and sound condition.

734 Sec. 13. Section 36a-223 of the general statutes is repealed and the  
735 following is substituted in lieu thereof (*Effective October 1, 2002*):

736 (a) In all cases in which the appointment of a receiver or conservator  
737 for any Connecticut bank or Connecticut credit union is sought, if it is  
738 found that a receiver or conservator should be appointed, the Superior  
739 Court shall appoint the commissioner as a receiver or conservator,  
740 except that the commissioner may request that the Federal Deposit  
741 Insurance Corporation or the [Resolution Trust Corporation] National  
742 Credit Union Administration, or their successor agencies, be appointed  
743 receiver or conservator. If the commissioner requests appointment of  
744 either [of those corporations] the Federal Deposit Insurance  
745 Corporation or the National Credit Union Administration, or their  
746 successor agencies, the Superior Court shall make such appointment.  
747 The Superior Court may appoint the receiver or conservator on an ex  
748 parte basis upon a sufficient affidavit of the commissioner or the  
749 commissioner's authorized representative indicating reasonable  
750 likelihood that an unsafe or unsound condition exists which is likely to  
751 have an adverse effect upon depositors, share account holders or  
752 creditors. The commissioner may organize a separate division within  
753 the Department of Banking for liquidating and administering the  
754 affairs of the banks or credit unions for which the commissioner is  
755 acting as receiver or conservator, and the commissioner may appoint  
756 such employees as the commissioner deems necessary for the

757 liquidation or administration of the affairs of such banks or credit  
758 unions. Any salaries and expenses shall be paid out of the funds of the  
759 bank or credit union in the possession of the commissioner, subject to  
760 the approval of the court having jurisdiction. The commissioner may  
761 appoint an agent, who may be an employee of the Department of  
762 Banking or such other person as the commissioner may deem  
763 appropriate and who, in the absence or incapacity of the commissioner  
764 and of the commissioner's deputy, shall have authority to act for or  
765 represent the commissioner in all matters pertaining to the duties of  
766 the commissioner as the receiver or conservator of any Connecticut  
767 bank or Connecticut credit union. Such agent may execute and sign for  
768 the commissioner as the receiver or conservator any documents,  
769 instruments or reports necessary in the administration of the  
770 receivership or conservatorship. The state shall be reimbursed for any  
771 costs or expenses incurred by the Department of Banking in the  
772 administration of the receivership or conservatorship, and the  
773 commissioner may collect from each such estate in receivership or  
774 conservatorship such charges as, in the commissioner's opinion, are  
775 fair and equitable. Any such costs or expenses so collected shall be  
776 deposited with the State Treasurer and shall be credited to the State  
777 Banking Fund. All legal services required by the commissioner or the  
778 commissioner's deputy, agent or employees in connection with such  
779 receivership proceedings or the administration or reorganization of  
780 any such Connecticut bank or Connecticut credit union shall be  
781 performed by the Attorney General, and any salaries and expenses for  
782 such legal assistance shall be paid out of the funds of the estate in  
783 receivership or conservatorship with the approval of the superior court  
784 having jurisdiction. Such salaries and expenses shall be allocated by  
785 the commissioner as nearly as possible to the estate in receivership or  
786 conservatorship for which the services were rendered, and the funds in  
787 payment of the same shall be deposited with the State Treasurer and  
788 shall be credited to the appropriation for the Attorney General. The  
789 commissioner shall keep on file in the commissioner's office an  
790 executed copy of each report required to be filed by the commissioner,  
791 as the receiver or conservator, with the clerk of the Superior Court and

792 shall include a report of each bank or credit union for which the  
793 commissioner is acting as receiver or conservator in the  
794 commissioner's annual report to the Governor. If the commissioner,  
795 the Federal Deposit Insurance Corporation or the [Resolution Trust  
796 Corporation] National Credit Union Administration, or their successor  
797 agencies, accepts the appointment as receiver or conservator, no bond  
798 shall be required to be posted.

799 (b) Upon the appointment of a receiver pursuant to subsection (a) of  
800 this section, possession of and title to all assets, business and property  
801 of the Connecticut bank or Connecticut credit union shall pass to and  
802 vest in the receiver without the execution of any instruments of  
803 conveyance, assignment, transfer or endorsement.

804 (c) A receiver or conservator appointed pursuant to subsection (a) of  
805 this section shall have the following powers: (1) To take possession of  
806 the books, records and assets of every description of the Connecticut  
807 bank or Connecticut credit union and collect all debts due and claims  
808 belonging to it; (2) to sue and defend all rights and claims involving  
809 the bank or credit union; (3) to exercise any and all fiduciary functions  
810 of the bank or credit union as of the date of the commencement of the  
811 receivership or conservatorship; (4) to borrow such sums of money as  
812 may be necessary or desirable in the performance of the duties of the  
813 receiver or conservator, and in connection therewith, to secure such  
814 borrowings by the pledge, hypothecation or mortgage of the assets of  
815 the bank or credit union; (5) to sell, subject to the approval of the  
816 appointing court, any and all real and personal property and, on like  
817 order, to compromise and settle all bad or doubtful debts; (6) to  
818 exercise all of the power and authority of the corporators,  
819 shareholders, directors, trustees, officers, [and] depositors and share  
820 account holders of such bank or credit union in carrying out the duty  
821 of the receiver or conservator; (7) to exercise such other powers and  
822 duties as may be reasonably necessary or desirable to effectively and  
823 efficiently perform the functions of receiver or conservator in  
824 accordance with federal and state banking and credit union laws and  
825 regulations.

826 Sec. 14. Section 36a-224 of the general statutes is repealed and the  
827 following is substituted in lieu thereof (*Effective October 1, 2002*):

828 Upon recommendation of the receiver and with the approval of the  
829 court having jurisdiction, any such Connecticut bank or Connecticut  
830 credit union placed in receivership may be reopened and may resume  
831 business and such receiver, upon the application of any depositor,  
832 shareholder, share account holder or creditor thereof, shall present to  
833 the court having jurisdiction, for the court's approval, any plan of  
834 refinancing or reorganization which has been submitted to the receiver  
835 by such depositor, share account holder, shareholder or creditor. Any  
836 authorized committee of shareholders, share account holders or  
837 depositors may, with the approval of the superior court having  
838 jurisdiction, examine the records of such bank or credit union for  
839 which they appear, in the possession of the commissioner as the  
840 receiver, for the purpose of preparing a plan of refinancing or  
841 reorganization of such bank or credit union. After submitting such  
842 proposed plan to the court having jurisdiction, the commissioner shall  
843 be subject to such orders as are made by the court respecting such  
844 plan.

845 Sec. 15. Section 36a-225 of the general statutes is repealed and the  
846 following is substituted in lieu thereof (*Effective October 1, 2002*):

847 The Superior Court, upon appointing a receiver of any Connecticut  
848 bank or Connecticut credit union, shall limit the time within which all  
849 claims against the bank or credit union may be presented to the  
850 receiver, and the court may, upon cause shown, extend such time and  
851 shall cause such public notice of such limitation or extension of time to  
852 be given as it deems reasonable and just. All claims not presented to  
853 the receiver within the period limited shall be forever barred, except  
854 that any claim for a deposit or share account, as shown by the  
855 depositor's or share account holder's passbook, certificate of deposit,  
856 statement or other evidence of deposit or the records of such bank or  
857 credit union, shall be allowed by the receiver.

858 Sec. 16. Section 36a-226 of the general statutes is repealed and the

859 following is substituted in lieu thereof (*Effective October 1, 2002*):

860 The receiver shall, as soon after the receiver's appointment as is  
861 practicable, make and return to the court an inventory and appraisal of  
862 the assets of the Connecticut bank or Connecticut credit union or estate  
863 in receivership, verified by oath according to the receiver's best  
864 knowledge, information and belief, and shall, from time to time  
865 thereafter, make and return such additional or supplementary  
866 inventories and valuations, and render such reports of the receiver's  
867 actions and statements of accounts, as are necessary for the  
868 information of the court or as are required by the order of the court.  
869 The receiver shall hold all the assets which come into the receiver's  
870 possession as such receiver, subject to the order of the court, and shall  
871 convert such assets into money with all reasonable dispatch, and for  
872 that purpose may sell and dispose of such assets, and make all proper  
873 conveyances thereof, and may compromise all doubtful claims for or  
874 against such bank or credit union; provided no claim in favor of such  
875 bank or credit union against any director, trustee or other officer  
876 thereof, for breach or neglect of official duty, shall be compromised  
877 without the special authority and approval of the court. In cases of  
878 doubt or difficulty the receiver may, upon written application, ask the  
879 advice of the court as to the manner in which the receiver shall execute  
880 the receiver's trust. The court may, from time to time, on its own  
881 motion, or on complaint of any interested party, make all necessary  
882 and proper orders as to the proceedings and actions of the receiver.

883 Sec. 17. Section 36a-227 of the general statutes is repealed and the  
884 following is substituted in lieu thereof (*Effective October 1, 2002*):

885 (a) All attachments of, or against, the estate of any Connecticut bank  
886 or Connecticut credit union, made within sixty days of the date of  
887 filing of any complaint seeking the appointment of a receiver pursuant  
888 to sections 36a-215 to 36a-239, inclusive, as amended, and all levies of  
889 execution upon the estate thereof not completed within such time  
890 period, except such levies made in pursuance of attachments which are  
891 not hereby invalidated, shall be dissolved, upon the appointment of a

892 receiver.

893 (b) Immediately after the granting of an injunction or appointment  
894 of a receiver pursuant to sections 36a-215 to 36a-239, inclusive, as  
895 amended, the commissioner shall place a notice of such injunction or  
896 appointment at the main entrance of the bank or credit union and  
897 thereafter no judgment lien, attachment lien or any voluntary lien shall  
898 attach to any asset of such bank or credit union. No director, officer,  
899 member of senior management, as defined in section 35 of this act, or  
900 agent of such bank or credit union shall thereafter have the authority  
901 to act on behalf of such bank or credit union or to convey, transfer,  
902 assign, pledge, mortgage or encumber any assets of such bank or credit  
903 union. Any attempt by any director, officer, member of senior  
904 management or agent of such bank or credit union to convey, transfer,  
905 assign, pledge, mortgage or encumber any asset of such bank or credit  
906 union or to create any lien on such bank or credit union or to prefer  
907 any depositor, share account holder or creditor of such bank or credit  
908 union after the posting of such notice or in contemplation thereof shall  
909 be void.

910 Sec. 18. Section 36a-228 of the general statutes is repealed and the  
911 following is substituted in lieu thereof (*Effective October 1, 2002*):

912 Within six months after the appointment of a receiver pursuant to  
913 section 36a-223, as amended by this act, the commissioner or the  
914 receiver may terminate any executory contract for services or  
915 advertising to which the Connecticut bank or Connecticut credit union  
916 is a party or any obligation of the bank or credit union as a lessee. A  
917 lessor who receives sixty days' notice of the election to terminate a  
918 lease shall have no claim for rent other than rent accrued to the date of  
919 termination or for damages for such termination.

920 Sec. 19. Section 36a-229 of the general statutes is repealed and the  
921 following is substituted in lieu thereof (*Effective October 1, 2002*):

922 Any person who wilfully neglects or refuses to deliver to the  
923 receiver or conservator of any Connecticut bank or Connecticut credit

924 union, on demand, any books, papers or evidences of title or debt or  
925 property belonging to such receivership or conservatorship, in the  
926 possession or under the control of such person, shall be fined not more  
927 than ten thousand dollars or imprisoned not more than three years or  
928 both.

929 Sec. 20. Section 36a-230 of the general statutes is repealed and the  
930 following is substituted in lieu thereof (*Effective October 1, 2002*):

931 No claim in favor of a Connecticut bank or Connecticut credit union  
932 in receivership, not barred by the statute of limitations at the time of  
933 serving the citation on the bank or credit union for the appointment of  
934 a receiver, shall be barred against the receiver in any suit for the  
935 recovery of such claim, brought by the receiver either in the receiver's  
936 name or in the name of such bank or credit union.

937 Sec. 21. Subsection (a) of section 36a-231 of the general statutes is  
938 repealed and the following is substituted in lieu thereof (*Effective*  
939 *October 1, 2002*):

940 (a) The receiver or conservator of any Connecticut bank or  
941 Connecticut credit union shall file with the clerk of the superior court  
942 having jurisdiction, within the first three days of April and October in  
943 each year, a statement subscribed and sworn to by the receiver or  
944 conservator, containing the following particulars, so far as they do not  
945 appear in a preceding report on file with the court, and any changes or  
946 additions that have occurred since the filing of such preceding report:  
947 (1) The names and residences, so far as known, of all creditors of such  
948 receivership or conservatorship, and the amounts respectively due  
949 them; (2) a full list of all the assets on hand, with the estimated value of  
950 such assets at the time of the appointment of the receiver or  
951 conservator; (3) a statement of all disbursements of money made in the  
952 discharge of duties as receiver or conservator; (4) the amount of cash  
953 on hand and the place or places of deposit of the cash and the terms of  
954 such deposit.

955 Sec. 22. Section 36a-233 of the general statutes is repealed and the

956 following is substituted in lieu thereof (*Effective October 1, 2002*):

957 No part of the funds or property in the possession of a receiver of  
958 any Connecticut bank or Connecticut credit union is subject to process  
959 of foreign attachment.

960 Sec. 23. Section 36a-234 of the general statutes is repealed and the  
961 following is substituted in lieu thereof (*Effective October 1, 2002*):

962 In any action against the receiver of any Connecticut bank or  
963 Connecticut credit union in which an injunction is granted restraining  
964 the receiver from disposing of any of the trust estate, the receiver shall  
965 apply for the dissolution of such injunction within thirty days after the  
966 writ or order of injunction is served. The hearing on any such  
967 application has precedence over all other causes in respect to the order  
968 of trial.

969 Sec. 24. Section 36a-235 of the general statutes is repealed and the  
970 following is substituted in lieu thereof (*Effective October 1, 2002*):

971 (a) All payments or conveyances made by any Connecticut bank or  
972 Connecticut credit union in contemplation of insolvency, to or for the  
973 use of any or all of the creditors of such bank or credit union, with the  
974 fraudulent intent to prevent the distribution and appropriation of the  
975 effects of such bank or credit union in the manner prescribed by  
976 section 36a-237, as amended by this act, are void.

977 (b) No execution shall be issued or levied against any Connecticut  
978 bank or Connecticut credit union, or its property, before final  
979 judgment, including the exhaustion of all appeals, in any proceeding  
980 brought against such bank or credit union in any court in this or any  
981 other state.

982 Sec. 25. Section 36a-237 of the general statutes is repealed and the  
983 following is substituted in lieu thereof (*Effective October 1, 2002*):

984 (a) The avails of the property of any Connecticut bank in the  
985 possession of a receiver shall be distributed in the following order of

986 priority: (1) All fees and assessments due the commissioner; (2) the  
987 charges and expenses of settling such bank's affairs; (3) all deposits; (4)  
988 all other liabilities; (5) any liquidation account; and (6) in the case of a  
989 capital stock Connecticut bank, the claims of shareholders or, in the  
990 case of a mutual savings bank or mutual savings and loan association,  
991 the claims of depositors in proportion to their respective deposits.

992 (b) In the event of liquidation of a Connecticut credit union, the  
993 assets of the Connecticut credit union or the proceeds from any  
994 disposition of the assets shall be applied and distributed in the  
995 following sequence: (1) All fees and assessments due the  
996 commissioner; (2) claims of secured creditors up to the value of their  
997 collateral; (3) the costs and expenses of liquidation; (4) the wages due  
998 the employees of the Connecticut credit union; (5) the costs and  
999 expenses incurred by creditors in successfully opposing the release of  
1000 the Connecticut credit union from certain debts as allowed by the  
1001 commissioner; (6) all taxes owed to the United States or any other  
1002 governmental unit; (7) all other debts owed to the United States or any  
1003 other governmental unit; (8) claims of general creditors and secured  
1004 creditors to the extent that their claims exceed the value of their  
1005 collateral; (9) members, to the extent of uninsured share accounts, and  
1006 the organization that insured the share accounts of the Connecticut  
1007 credit union; (10) in the event of liquidation of a Connecticut credit  
1008 union that is a corporate Connecticut credit union, as defined in  
1009 section 35 of this act, membership capital, and then paid-in capital; and  
1010 (11) in the event of liquidation of a Connecticut credit union that has  
1011 received a low-income designation from the National Credit Union  
1012 Administration under 12 CFR 701.34, as from time to time amended,  
1013 any outstanding secondary capital accounts.

1014 [(b)] (c) The holders of claims in any class set forth in this section  
1015 shall not receive any distribution until the holders of claims in all  
1016 classes having a higher priority under this section are paid in full. If  
1017 the avails of the property of any such [capital stock] Connecticut bank  
1018 [, mutual savings bank or mutual savings and loan association] or  
1019 Connecticut credit union are insufficient to pay in full all of the claims

1020 in a particular class, the avails shall be distributed to each claimant  
1021 within such class on a pro rata basis.

1022 Sec. 26. Section 36a-238 of the general statutes is repealed and the  
1023 following is substituted in lieu thereof (*Effective October 1, 2002*):

1024 Whenever the Federal Deposit Insurance Corporation or National  
1025 Credit Union Administration, or [its] their successor [agency, pays or  
1026 makes] agencies, pay or make available for payment the insured  
1027 deposit or account liabilities of a closed Connecticut bank or  
1028 Connecticut credit union, the Federal Deposit Insurance Corporation  
1029 or National Credit Union Administration, whether or not it has  
1030 become such bank's or credit union's receiver, is subrogated to all of  
1031 the rights of the owners of the deposits or share accounts against such  
1032 bank or credit union in the same manner and to the same extent as  
1033 subrogation of the Federal Deposit Insurance Corporation is provided  
1034 for in the Federal Deposit Insurance Act, as from time to time  
1035 amended, in the closing of a federal bank, or the National Credit Union  
1036 Administration is provided for in the Federal Credit Union Act, 12  
1037 USC Section 1741 et seq., as from time to time amended, in the closing  
1038 of a federal credit union.

1039 Sec. 27. Section 36a-239 of the general statutes is repealed and the  
1040 following is substituted in lieu thereof (*Effective October 1, 2002*):

1041 (a) After a final disposition of funds as provided in sections 36a-236  
1042 and 36a-237, as amended by this act, the receiver, upon applying to the  
1043 superior court having jurisdiction and after such public notice as the  
1044 court may require, may be discharged from further liability. If no plan  
1045 of refinancing or reorganization has been approved by the court, the  
1046 charter of the Connecticut bank or certificate of authority of a  
1047 Connecticut credit union in receivership shall be forfeited upon the  
1048 discharge of the receiver from further liability.

1049 (b) Upon a determination by the commissioner that the conditions  
1050 that formed the basis for the appointment of a conservator for any  
1051 Connecticut bank or Connecticut credit union no longer exist, the

1052 commissioner shall apply to the superior court having jurisdiction to  
1053 have the conservator discharged from further liability. Upon  
1054 appointment of a receiver for any bank or credit union that is subject to  
1055 a conservatorship, the conservator shall automatically be discharged  
1056 from further liability without any specific action of the commissioner  
1057 or the court.

1058 Sec. 28. Section 36a-291 of the general statutes is repealed and the  
1059 following is substituted in lieu thereof (*Effective October 1, 2002*):

1060 Unless the applicable deposit contract or share contract provides  
1061 that the account is nontransferable, and except to the extent that such  
1062 deposit contract or share contract otherwise limits such right, the  
1063 interest of any named owner in any savings account or share account  
1064 established or maintained at any Connecticut bank or Connecticut  
1065 credit union, except a savings or share account subject to negotiable  
1066 orders of withdrawal, or in any time account established or maintained  
1067 at such bank or credit union, without regard to whether any such  
1068 account is held in the names of one or more persons, may be pledged  
1069 by such named owner, without the consent of any other named owner  
1070 thereof by delivery to the pledgee of (1) the passbook, if any,  
1071 evidencing such account, and (2) an order to the Connecticut bank or  
1072 Connecticut credit union to transfer such pledged account to the  
1073 pledgee; but no such pledge shall be effective against any person other  
1074 than the named owners, their executors or administrators, or their  
1075 receivers or custodians, unless an actual transfer of such account to the  
1076 pledgee has been made upon the books of such bank or credit union,  
1077 or a copy of the order for such transfer has been filed with the bank or  
1078 credit union. Any pledgee which makes a loan based on the pledge of  
1079 a savings account, [or a] time account or share account as provided in  
1080 this section shall have a lien against such account until all sums due  
1081 under the loan have been repaid. The Connecticut bank or Connecticut  
1082 credit union with which such savings account, [or] time account or  
1083 share account is established or maintained may be a pledgee under this  
1084 section. This section does not apply to a negotiable certificate of  
1085 deposit subject to the terms of article 9 of title 42a.

1086 Sec. 29. Section 36a-292 of the general statutes is repealed and the  
1087 following is substituted in lieu thereof (*Effective October 1, 2002*):

1088 (a) Whenever all or any portion of the balance of any deposit  
1089 account or share account which is a joint account under section 36a-290  
1090 has been paid, after the death of one account owner to any surviving  
1091 account owner or owners, and if the deceased account owner has left  
1092 no other estate of sufficient value for the payment of claims against the  
1093 deceased account owner's estate, such survivor or survivors or, if any  
1094 such survivor is incapable, the legal representative of such incapable  
1095 survivor, shall pay to the representative of such estate or, if there is no  
1096 such representative, and subject to the terms of subsection (b) of this  
1097 section, directly to the claimant, from such joint account or from its  
1098 proceeds, any valid claims against the deceased account owner's estate  
1099 for such deceased account owner's funeral expenses, for the expenses  
1100 of settling such estate, for any debts owed for the last sickness of such  
1101 deceased account owner, and for any debt due to this state for aid or  
1102 care to the deceased account owner. The aggregate liability of the  
1103 surviving account owner or owners, under this section, shall not  
1104 exceed an amount equal to the balance of such joint account on the  
1105 date of the deceased account owner's death divided by the number of  
1106 owners of such account immediately before the deceased account  
1107 owner's death.

1108 (b) After pursuing all remedies available for payment from any  
1109 estate left by the deceased account owner, any person to whom any of  
1110 the claims, expenses or debts listed in subsection (a) of this section are  
1111 owed shall have direct recourse to such survivor, survivors or legal  
1112 representative of any such incapable survivor for such claim, expense  
1113 or debt, but only to the extent of their liability under subsection (a) of  
1114 this section, and shall thereafter have no further recourse against the  
1115 deceased account owner's estate for such claim, expense or debt.

1116 Sec. 30. Section 36a-293 of the general statutes is repealed and the  
1117 following is substituted in lieu thereof (*Effective October 1, 2002*):

1118 Notice to any bank or Connecticut credit union or federal credit

1119 union of any adverse claim to all or any portion of the balance of a  
1120 deposit account or share account held within this state and, according  
1121 to [the] such bank's or credit union's records, for the credit of any  
1122 person, shall not be effectual to cause such bank or credit union to  
1123 recognize such adverse claimant unless such adverse claimant also  
1124 either (1) procures a restraining order, injunction or other appropriate  
1125 process against such bank or credit union from a court of competent  
1126 jurisdiction in a cause instituted by such person wherein each person  
1127 for whose credit the deposit account or share account is held, or such  
1128 person's executor, administrator, receiver, custodian, legal  
1129 representative or heir, is made a party and is served with summons, or  
1130 (2) executes to such bank or credit union, in a form and with sureties  
1131 acceptable to it, a bond indemnifying such bank or credit union from  
1132 any and all liability, loss, damage, costs and expenses for and on  
1133 account of the payment of such adverse claim or the dishonor of the  
1134 check or other order of the person for whose credit the deposit account  
1135 or share account, according to the records of such bank or credit union,  
1136 is held; provided this section shall not apply in any instance where the  
1137 person for whose credit the deposit account or share account is held,  
1138 according to the records of such bank or credit union, is a fiduciary for  
1139 such adverse claimant, and the facts constituting such relationship,  
1140 and the facts showing reasonable cause of belief on the part of such  
1141 claimant that such fiduciary is about to misappropriate all or any  
1142 portion of the balance of such deposit account or share account, are  
1143 made to appear by affidavit of such claimant. An adverse claimant  
1144 means one who is not a named owner, joint owner or co-owner of the  
1145 deposit account or share account according to the bank's or credit  
1146 union's records. This section shall not apply to any writ of foreign  
1147 attachment or any writ of execution applying to a deposit account or  
1148 share account.

1149 Sec. 31. Section 36a-294 of the general statutes is repealed and the  
1150 following is substituted in lieu thereof (*Effective October 1, 2002*):

1151 When any passbook, certificate or instrument, negotiable or  
1152 nonnegotiable, transferable or nontransferable, issued by a

1153 Connecticut bank or Connecticut credit union in connection with a  
1154 deposit account or share account has been lost, stolen or destroyed, all  
1155 persons in whose names such account is held, or their respective legal  
1156 representatives, may make written application to such bank or credit  
1157 union for either the payment of the balance then due on such account  
1158 or for the issuance of a duplicate passbook, certificate or instrument for  
1159 such account. Such application shall be signed by each person in  
1160 whose name such account is then held according to the records of the  
1161 bank or credit union, and shall be in such form, together with such  
1162 sureties and such reasonable representations, warranties, agreements  
1163 and indemnifications as are acceptable to such bank or credit union.  
1164 Upon receipt of such application and proof satisfactory to it of the  
1165 identity of the person or persons making such application, such bank  
1166 or credit union shall, at its option, either pay the balance then due on  
1167 such account to such applicant or applicants or issue a duplicate  
1168 passbook, certificate or instrument for such account and, upon such  
1169 payment or issuance, all liability of such bank or credit union to any  
1170 person making such application and based on the existence of the  
1171 original passbook, certificate or instrument terminates.

1172 Sec. 32. Section 36a-295 of the general statutes is repealed and the  
1173 following is substituted in lieu thereof (*Effective October 1, 2002*):

1174 Except as otherwise provided by applicable state or federal law,  
1175 including title 42a, if a Connecticut bank or Connecticut credit union  
1176 has rendered a statement or delivered a passbook to its depositor or  
1177 share account holder reflecting transactions in or the balance of a  
1178 deposit account or share account, and unless a court of competent  
1179 jurisdiction determines, in an action filed by the depositor or share  
1180 account holder against such bank or credit union before the expiration  
1181 of seven years from the date of the rendering of the statement or the  
1182 delivery of the passbook, that the statement or passbook was  
1183 inaccurate or incomplete, then, upon the expiration of the seven-year  
1184 period, at the option of such bank or credit union, the statement or  
1185 passbook is deemed accurate and complete as of the date of the  
1186 statement or the delivery and as to each transaction and any balance

1187 reflected in the statement or passbook, and such depositor or share  
1188 account holder is thereafter barred from questioning the correctness of  
1189 any transaction and any balance reflected therein for any cause.  
1190 Nothing in this section shall be construed to relieve the depositor or  
1191 share account holder from the duty imposed by law or contract of  
1192 exercising due diligence in the examination of any such statement or  
1193 passbook when rendered by the bank or credit union, and of  
1194 immediate notification to the bank or credit union upon discovery of  
1195 any error therein, nor from the legal consequences of neglect of such  
1196 duty.

1197 Sec. 33. Section 36a-297 of the general statutes is repealed and the  
1198 following is substituted in lieu thereof (*Effective October 1, 2002*):

1199 A minor may contract to establish a deposit account with any bank  
1200 or share account with any Connecticut credit union or federal credit  
1201 union, and may be the owner, or a joint owner, co-owner or beneficiary  
1202 of any deposit account or share account. A minor who is an owner, co-  
1203 owner or beneficiary of any deposit account or share account shall be  
1204 bound by the terms of the deposit contract or share account contract  
1205 governing such [deposit] account, as amended by the bank or credit  
1206 union from time to time, and any payment made or withdrawal  
1207 permitted by such bank or credit union in accordance with the terms of  
1208 the deposit contract or share account contract governing such account  
1209 shall constitute a sufficient and valid release to such bank or credit  
1210 union for such payment or withdrawal and shall be binding upon such  
1211 minor and any other owner, co-owner or beneficiary of such deposit  
1212 account or share account to the same extent as if such minor were over  
1213 the age of majority. Unless made by such minor or by a person  
1214 appointed as guardian of the estate of such minor, a bank or  
1215 Connecticut credit union or federal credit union may treat any claim to  
1216 a deposit account or share account made solely on behalf of a minor  
1217 owner, co-owner or beneficiary of such deposit account or share  
1218 account as an adverse claim under section 36a-293, as amended by this  
1219 act. This section shall not affect any rights of or obligations imposed on  
1220 a parent, guardian or spouse of a minor under section 45a-631.

1221 Sec. 34. (NEW) (*Effective October 1, 2002*) Sections 34 to 73, inclusive,  
1222 of this act shall be known as the "Connecticut Credit Union Act".

1223 Sec. 35. (NEW) (*Effective October 1, 2002*) As used in sections 34 to 73,  
1224 inclusive, of this act, unless the context otherwise requires:

1225 (1) "Branch" means any office of a Connecticut credit union at a  
1226 fixed location, other than the main office, at which shares or deposits  
1227 are received, share drafts or checks are paid, or money is lent;

1228 (2) "Capital" means undivided earnings, regular reserves, other  
1229 special purpose reserves, donated equity, and accumulated, unrealized  
1230 gains or losses on securities in accordance with generally accepted  
1231 accounting principles;

1232 (3) "Certificate of incorporation" means the certificate of  
1233 incorporation of a Connecticut credit union and includes in the case of  
1234 Connecticut credit unions in existence on July 1, 1975, articles of  
1235 association, articles of incorporation and certificates of organization;

1236 (4) "Corporate", when used in conjunction with any institution that  
1237 is a Connecticut credit union, federal credit union or out-of-state credit  
1238 union, means a corporate credit union, as defined in 12 CFR 704.2, as  
1239 from time to time amended;

1240 (5) "Credit manager" means a natural person approved by the  
1241 governing board of a Connecticut credit union and employed by such  
1242 credit union to supervise its lending activities;

1243 (6) "Credit union service organization services" means those services  
1244 that are authorized for credit union service organizations under state  
1245 or federal law, and that are closely related to credit union business, are  
1246 convenient and useful to credit union business, are reasonably related  
1247 to the operations of a credit union or are financial in nature;

1248 (7) "Director" means a member of the governing board, a director  
1249 emeritus or an advisory director of a Connecticut credit union;

1250 (8) "Federal Credit Union Act" means 12 USC Section 1751 et seq., as  
1251 from time to time amended;

1252 (9) "Financial institution" means any Connecticut credit union, bank,  
1253 federal credit union, out-of-state bank or out-of-state credit union;

1254 (10) "Immediate family member" means any person related by  
1255 blood, adoption or marriage to a person within the field of  
1256 membership of the Connecticut credit union;

1257 (11) "Member" means any person who has been admitted to  
1258 membership in the Connecticut credit union in accordance with this  
1259 act;

1260 (12) "Member in good standing" means a member who (A) owns at  
1261 least one membership share in a credit union, (B) is current on all  
1262 credit obligations to the credit union, and (C) has not caused the credit  
1263 union a credit or share loss that remains outstanding;

1264 (13) "Membership share" means a share equal to the stated par value  
1265 of the Connecticut credit union which may not be withdrawn or  
1266 transferred except upon termination of membership and which confers  
1267 membership and voting rights on the member;

1268 (14) "Multiple common bond membership" means a field of  
1269 membership consisting of more than one group of individuals, each of  
1270 which has, within the group, a common bond of occupation or  
1271 association;

1272 (15) "Officer" means the chairperson, vice chairperson, secretary and  
1273 treasurer of the governing board of a Connecticut credit union;

1274 (16) "Senior management" means the president or chief executive  
1275 officer, vice president or vice chief executive officer, chief financial  
1276 officer, credit manager, and any person occupying a similar status or  
1277 performing a similar function;

1278 (17) "Share" means the basic unit of moneys held by a member of a

1279 Connecticut credit union in share accounts at a Connecticut credit  
1280 union on which a dividend may be paid;

1281 (18) "Single common bond membership" means a field of  
1282 membership consisting of one group that has a common bond of  
1283 occupation or association.

1284 Sec. 36. (NEW) (*Effective October 1, 2002*) (a) The franchise and filing  
1285 fee payable to the Secretary of the State shall be thirteen dollars for the  
1286 filing of a certificate of incorporation upon the incorporation of a  
1287 Connecticut credit union under the laws of this state.

1288 (b) The filing and certification fee payable to the Secretary of the  
1289 State shall be thirteen dollars for the filing and certification of (1) a  
1290 certificate of amendment to the certificate of incorporation of a  
1291 Connecticut credit union, (2) a merger agreement, plan of merger,  
1292 certificate of amendment to certificate of incorporation and the  
1293 Commissioner of Banking's approval pursuant to subdivision (3) of  
1294 subsection (b) of section 67 of this act, (3) an officer's certificate of  
1295 conversion and the Commissioner of Banking's approval pursuant to  
1296 subsection (g) of section 68 of this act, or (4) a certificate of  
1297 incorporation, certificate of authority and the Commissioner of  
1298 Banking's approval pursuant to subsection (c) of section 69 of this act.

1299 (c) The filing fee payable to the Secretary of the State shall be  
1300 thirteen dollars for the filing of a certificate of authority and certificate  
1301 of incorporation pursuant to subsection (f) of section 70 of this act.

1302 (d) The certification fee payable to the Secretary of the State shall be  
1303 thirteen dollars for certification by the Secretary of the State of a copy  
1304 of (1) the certificate of incorporation, (2) a certificate of amendment to  
1305 the certificate of incorporation, (3) an officer's certificate of conversion  
1306 and the Commissioner of Banking's approval pursuant to subsection  
1307 (f) of section 68 of this act, or (4) the certificate of incorporation and the  
1308 certificate of authority pursuant to subsection (c) of section 69 of this  
1309 act.

1310       Sec. 37. (NEW) (*Effective October 1, 2002*) (a) No person shall, or have  
1311 the power to, engage in the business of a Connecticut credit union in  
1312 this state until such person has obtained a certificate of authority to  
1313 engage in the business of a Connecticut credit union from the  
1314 Commissioner of Banking.

1315       (b) No person shall use, either as a part of its name or as a prefix or  
1316 suffix thereto or as a designation of the business carried on by it, the  
1317 phrase "credit union" or "mutual benefit association", except a  
1318 Connecticut credit union, a federal credit union or a credit union  
1319 otherwise authorized to engage in business in this state under this title.  
1320 The provisions of this subsection shall not apply to an association of  
1321 credit unions or a credit union service organization located in this  
1322 state.

1323       (c) A certificate of authority shall be issued by the Commissioner of  
1324 Banking to an applicant meeting the requirements of section 38 of this  
1325 act.

1326       (d) A certificate of authority issued under this section may be  
1327 revoked by the Commissioner of Banking for cause in accordance with  
1328 section 36a-51 of the general statutes, as amended.

1329       Sec. 38. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
1330 union organized under this title shall be subject to the provisions of the  
1331 laws of this state governing corporations without capital stock,  
1332 provided the provisions of this title shall prevail over any inconsistent  
1333 provisions of title 33 of the general statutes.

1334       (b) Seven or more individuals may file with the commissioner an  
1335 application to organize a Connecticut credit union, provided each is at  
1336 least eighteen years of age. The application shall be in writing and  
1337 shall include (1) a proposed certificate of incorporation on a standard  
1338 form provided by the Commissioner of Banking, signed and  
1339 acknowledged by the organizers either individually or collectively  
1340 before an officer competent to administer oaths. The proposed  
1341 certificate of incorporation shall specifically state: (A) The name of the

1342 Connecticut credit union; (B) the town in which the main office is to be  
1343 located; (C) the name, occupation and residence, post office or business  
1344 address of each organizer, proposed director and proposed member of  
1345 senior management, provided the organizers, proposed directors and  
1346 proposed senior management shall separately file with the  
1347 Commissioner of Banking the notice of the residence of each organizer,  
1348 proposed director and proposed member of senior management whose  
1349 residence address is not included in the proposed certificate of  
1350 incorporation; and (D) a statement that the purpose of the Connecticut  
1351 credit union is to conduct the business of and to engage in any act or  
1352 activity lawful for a Connecticut credit union, or, in the case of a  
1353 Connecticut credit union that is organized to provide basic services, a  
1354 statement that the purpose of such credit union is to offer basic  
1355 services; (2) the proposed bylaws prescribing the manner in which the  
1356 business of the Connecticut credit union shall be conducted on a  
1357 standard form provided without charge by the Commissioner of  
1358 Banking, signed and acknowledged by the organizers either  
1359 individually or collectively before an officer competent to administer  
1360 oaths; (3) a business plan, including a three-year financial forecast; (4) a  
1361 potential member survey; (5) in the case of a proposed Connecticut  
1362 credit union the membership of which is limited to persons within a  
1363 well-defined community, neighborhood or rural district, evidence to  
1364 support a finding of such community, neighborhood or rural district;  
1365 and (6) any other information that the Commissioner of Banking may  
1366 require.

1367 (c) In connection with an application to organize and at any other  
1368 time the Commissioner of Banking requests, each organizer and  
1369 director of a Connecticut credit union shall provide fingerprints to the  
1370 Commissioner of Banking for use in conducting criminal history  
1371 records checks. Such criminal history records checks shall be  
1372 conducted in accordance with section 31 of public act 01-175.

1373 (d) (1) Upon the filing of the required application, the  
1374 Commissioner of Banking shall investigate the facts and shall  
1375 determine whether: (A) The proposed field of membership is favorable

1376 to the success of the Connecticut credit union; (B) the organizers,  
1377 proposed directors and proposed members of senior management are  
1378 of such character, general fitness and experience as to warrant belief  
1379 that the business of the proposed Connecticut credit union will be  
1380 conducted honestly and efficiently in accordance with the provisions  
1381 of sections 34 to 73, inclusive, of this act; (C) the proposed certificate of  
1382 incorporation meets the requirements of this section; and (D) the  
1383 proposed credit union provides reasonable promise of successful  
1384 operation. In addition to the determinations under this subdivision,  
1385 the Commissioner of Banking shall consider the effect of overlapping  
1386 fields of membership on the proposed credit union and existing  
1387 Connecticut credit unions and federal credit unions. As a condition of  
1388 approval of the application, the Commissioner of Banking may require  
1389 the proposed Connecticut credit union to limit or eliminate overlaps to  
1390 achieve the purposes of sections 34 to 73, inclusive, of this act, and  
1391 promote the welfare and stability of those credit unions doing business  
1392 in this state.

1393 (2) The Commissioner of Banking shall not issue a certificate of  
1394 authority to engage in the business of a Connecticut credit union if, in  
1395 the opinion of the Commissioner of Banking, the name selected would  
1396 tend to confuse the public.

1397 (3) If the Commissioner of Banking determines that the foregoing  
1398 requirements are satisfied, and that the proposed Connecticut credit  
1399 union will have its shares and deposits insured by the National Credit  
1400 Union Administration, or its successor agency, the Commissioner of  
1401 Banking shall issue a certificate of authority to engage in the business  
1402 of a Connecticut credit union. One original of the certificate of  
1403 incorporation and one original of the certificate of authority shall be  
1404 filed by the Connecticut credit union with the Secretary of the State.  
1405 When the certificate of incorporation and certificate of authority are  
1406 filed with the Secretary of the State in accordance with the provisions  
1407 of this subsection, the Connecticut credit union shall become a  
1408 corporation and its corporate existence shall continue perpetually  
1409 unless otherwise expressly provided by law.

1410 (e) Within a reasonable time after issuance of the certificate of  
1411 authority by the Commissioner of Banking, the organizers shall hold  
1412 an organization meeting at which they shall elect directors, who  
1413 thereafter shall elect officers, appoint committee members, adopt the  
1414 bylaws, and conduct any other business necessary to complete the  
1415 organization of the Connecticut credit union. The Connecticut credit  
1416 union shall complete such organization and shall commence business  
1417 within six months from the issuance of the certificate of authority by  
1418 the Commissioner of Banking or such certificate of authority shall be  
1419 void. The Commissioner of Banking may, upon the application of the  
1420 organizers and for good cause shown, grant a Connecticut credit union  
1421 a reasonable extension of time to complete such organization and  
1422 commence business. A Connecticut credit union shall not commence  
1423 business until its shares and deposits are insured by the National  
1424 Credit Union Administration or its successor agency, and it has been  
1425 bonded by a surety company authorized to do business in this state to  
1426 the same extent such bonding is required by 12 CFR Part 713, as from  
1427 time to time amended.

1428 (f) Seven or more individuals may organize a Connecticut credit  
1429 union that provides basic services in accordance with this section,  
1430 except a Connecticut credit union the membership of which is limited  
1431 to persons within a well-defined community, neighborhood or rural  
1432 district. In order to expedite the issuance of a certificate of authority,  
1433 the Commissioner of Banking shall provide, without charge, to such  
1434 organizers: (1) A model business plan for basic services; (2) policy  
1435 guidelines concerning shares, lending, investments and other credit  
1436 union business activities; and (3) sample letters for sponsor support,  
1437 grants and nonmember deposits, where applicable. If the  
1438 Commissioner of Banking makes the determinations required by  
1439 subsection (d) of this section, the Commissioner of Banking shall issue  
1440 a certificate of authority to engage in the business of a Connecticut  
1441 credit union, with the express restriction that such credit union may  
1442 offer only basic services. Any credit union organized pursuant to this  
1443 subsection may upon the approval of the Commissioner of Banking,  
1444 convert to a Connecticut credit union operating without the

1445 restrictions provided in its certificate of authority. A credit union that  
1446 proposes to convert shall file with the Commissioner of Banking a  
1447 proposed plan of conversion, including a new business plan, an  
1448 original certificate of amendment to its certificate of incorporation and  
1449 a certificate by the secretary of the converting credit union that the  
1450 proposed plan of conversion and proposed certificate of amendment to  
1451 its certificate of incorporation have been approved by a majority of the  
1452 governing board of the converting credit union. The Commissioner of  
1453 Banking shall approve a conversion under this subsection if the  
1454 Commissioner of Banking determines that: (A) The converting credit  
1455 union has complied with all applicable provisions of law; (B) the  
1456 converting credit union has net worth in the amount required by the  
1457 Commissioner of Banking; (C) the converting credit union has received  
1458 satisfactory ratings in its most recent safety and soundness  
1459 examination; and (D) the proposed conversion will serve the necessity  
1460 and convenience of the members of the converting credit union. After  
1461 receipt of the Commissioner of Banking's approval, the converting  
1462 credit union shall promptly file such approval and the certificate of  
1463 amendment to its certificate of incorporation with the Secretary of the  
1464 State. Upon such filing, the converting credit union shall be a  
1465 Connecticut credit union subject to all the requirements and limitations  
1466 and possessed of all rights, privileges and powers granted to it by its  
1467 certificate of incorporation and by the provisions of sections 34 to 73,  
1468 inclusive, of this act, and shall be subject to all of the duties, relations,  
1469 obligations, trusts and liabilities of a Connecticut credit union. As used  
1470 in this section, "basic services" means the issuance of regular shares,  
1471 the making of signature loans not exceeding amounts predetermined  
1472 by the Commissioner of Banking, the making of participation loans as  
1473 a participant in an amount specified by the Commissioner of Banking,  
1474 the sale of money orders and travelers checks, and the issuance and  
1475 redemption of savings bonds.

1476 (g) (1) The certificate of incorporation of a Connecticut credit union  
1477 may, with the approval of the Commissioner of Banking, be amended  
1478 at any time by the adoption at a meeting of an amendment resolution  
1479 by two-thirds of the directors of the credit union. Written notice of

1480 such meeting, together with the text of the proposed amendment shall  
1481 be given to each director at least seven days prior to the meeting.

1482 (2) An original certificate of amendment shall be filed with the  
1483 Commissioner of Banking. The certificate of amendment shall set forth:  
1484 (A) The name of the Connecticut credit union; (B) the amendment; and  
1485 (C) a statement of the number of directors' votes required to take such  
1486 action and the number of votes cast in favor of the amendment.

1487 (3) The Commissioner of Banking, upon determining that the  
1488 certificate of incorporation, as amended, meets the requirements of  
1489 sections 34 to 73, inclusive, of this act, shall endorse the Commissioner  
1490 of Banking's approval thereon, and return the original certificate of  
1491 incorporation to the Connecticut credit union. Upon receipt of the  
1492 certificate of amendment, the Connecticut credit union shall file the  
1493 original certificate of amendment with the Secretary of the State, and  
1494 such amendment shall become effective upon filing.

1495 (h) (1) The bylaws of a Connecticut credit union shall specify at least  
1496 the following: (A) The name of the credit union; (B) the field of  
1497 membership of the credit union and the qualifications for membership;  
1498 (C) the par value of shares; (D) the number and terms of directors  
1499 including directors emeritus and advisory directors, if applicable, and  
1500 procedures for their election; (E) the duties of the members of senior  
1501 management; (F) the manner in which a credit committee, credit  
1502 manager, loan officer or any combination thereof shall be responsible  
1503 for the credit functions of the credit union; (G) the manner of  
1504 conducting the annual meeting and the provisions for voting; (H)  
1505 conditions for payment on, receipt of or withdrawal of shares and  
1506 deposits; and (I) such other matters as the governing board deems  
1507 necessary.

1508 (2) The bylaws of a Connecticut credit union may not be amended  
1509 without the written approval of the Commissioner of Banking for a  
1510 period of three years following issuance by the Commissioner of  
1511 Banking of the certificate of authority to engage in the business of a  
1512 Connecticut credit union. Thereafter, the bylaws of a Connecticut

1513 credit union may be amended in accordance with subdivision (3) of  
1514 this subsection, provided the bylaws comply with this subdivision,  
1515 and any such amendment changing the name of the credit union or the  
1516 field of membership of the credit union shall require the written  
1517 approval of the Commissioner of Banking in accordance with  
1518 subdivision (3) of this subsection. The Commissioner of Banking's  
1519 approval shall not be required to amend the field of membership of a  
1520 Connecticut credit union with a multiple common bond membership  
1521 to add a group of less than five hundred potential members, excluding  
1522 members of the immediate family or household of a potential member.

1523 (3) The bylaws may be amended by the adoption at a meeting of an  
1524 amendment resolution by two-thirds of the directors of the credit  
1525 union. Written notice of the meeting and text of the proposed  
1526 amendment shall be given to each director at least seven days prior to  
1527 the meeting. The Connecticut credit union shall file with the  
1528 Commissioner of Banking, within ten days after its adoption, one copy  
1529 of any proposed amendment on a form provided by the Commissioner  
1530 of Banking. In the case of a proposed amendment requiring the  
1531 Commissioner of Banking's approval, the Commissioner of Banking  
1532 shall, within thirty days after such filing, determine whether such  
1533 proposed amendment is consistent with the provisions and purposes  
1534 of sections 34 to 73, inclusive, of this act. The Commissioner of  
1535 Banking, upon determining that such proposed amendment satisfies  
1536 the requirements of said sections 34 to 73, inclusive, shall endorse the  
1537 Commissioner of Banking's approval on such proposed amendment,  
1538 and return one copy thereof to the Connecticut credit union.

1539 (4) Any amendment to the bylaws of a Connecticut credit union  
1540 shall become effective when adopted except amendments requiring the  
1541 approval of the Commissioner of Banking which shall become effective  
1542 upon such approval.

1543 Sec. 39. (NEW) (*Effective October 1, 2002*) (a) (1) Except as provided  
1544 in subdivision (2) of this subsection, the field of membership of a  
1545 Connecticut credit union is limited to (A) a single common bond

1546 membership, (B) a multiple common bond membership, or (C) persons  
1547 within a well-defined community, neighborhood or rural district.

1548 (2) The field of membership of a Connecticut credit union may  
1549 include (A) members of the immediate family or household of all  
1550 persons included under subparagraphs (A), (B) and (C) of subdivision  
1551 (1) of this subsection, (B) organizers and employees of such credit  
1552 union, (C) any advisory director of such credit union, (D) the surviving  
1553 spouse of a deceased member of such credit union, and (E)  
1554 notwithstanding any change in employment, occupation, residence or  
1555 other condition initially controlling the eligibility for membership in  
1556 any Connecticut credit union, any person properly admitted to  
1557 membership in a Connecticut credit union. Such person may continue  
1558 membership therein during such person's lifetime. The field of  
1559 membership of a Connecticut credit union under subparagraphs (A)  
1560 and (B) of subdivision (1) of this subsection may include associations  
1561 and organizations of individuals who are members of such credit  
1562 union, partnerships in which the majority of the partners are  
1563 individuals who are members of such credit union and, corporations in  
1564 which the majority of whose shareholders are individuals who are  
1565 members of such credit union.

1566 (b) Notwithstanding the provisions of subsection (a) of this section,  
1567 the Commissioner of Banking may authorize a Connecticut credit  
1568 union with a multiple common bond membership to include in its field  
1569 of membership any person within a well-defined community,  
1570 neighborhood or rural district if:

1571 (1) The Commissioner of Banking determines that the well-defined  
1572 community, neighborhood or rural district is (A) an investment area,  
1573 as defined in Section 103(16) of the Community Development Banking  
1574 and Financial Institutions Act of 1994, 12 USC Section 4702(16), and  
1575 meets any additional requirements that the Commissioner of Banking  
1576 may impose; and (B) underserved by other depository institutions, as  
1577 defined in Section 19(b)(1)(A) of the Federal Reserve Act, 12 USC  
1578 Section 461(b), based on data of the Commissioner of Banking and

1579 federal supervisory agencies;

1580 (2) The Connecticut credit union establishes and maintains a main  
1581 office or branch in the well-defined community, neighborhood or rural  
1582 district at which credit union services are available; and

1583 (c) Any Connecticut credit union that is so authorized to expand its  
1584 field of membership under subsection (b) of this section continues as a  
1585 Connecticut credit union whose field of membership is limited to a  
1586 multiple common bond membership.

1587 (d) (1) The Commissioner of Banking may not approve an  
1588 amendment to the bylaws of a Connecticut credit union with a  
1589 multiple common bond membership to expand its field of membership  
1590 to add a group of five hundred or more potential members, excluding  
1591 individuals who are potentially eligible as members of the immediate  
1592 family or household of a potential member, or persons within a well-  
1593 defined community, neighborhood or rural district, unless the  
1594 Commissioner of Banking determines in writing that (A) the  
1595 Connecticut credit union has not engaged in any material unsafe or  
1596 unsound practice during the one-year period preceding the date on  
1597 which the proposed amendment is filed with the Commissioner of  
1598 Banking, (B) the Connecticut credit union is adequately capitalized, (C)  
1599 the Connecticut credit union has the administrative capability to serve  
1600 the proposed membership group and the financial resources to meet  
1601 the need for additional staff and assets to serve the new membership  
1602 group, (D) any potential harm that the expansion of the field of  
1603 membership of the Connecticut credit union may have on any other  
1604 Connecticut credit union and its members is clearly outweighed in the  
1605 public interest by the probable beneficial effect of the expansion in  
1606 meeting the convenience and needs of the members of the group  
1607 proposed to be included in the field of membership, and (E) formation  
1608 of a separate credit union by the group proposed to be included is not  
1609 practicable and consistent with reasonable safety and soundness  
1610 standards. A Connecticut credit union whose field of membership is  
1611 limited to a single common bond membership or multiple common

1612 bond membership that acquires as potential members persons within a  
1613 well-defined community, neighborhood or rural district, other than the  
1614 well-defined community, neighborhood or rural district specified in  
1615 subdivision (1) of subsection (b) of this section, by merger, expansion  
1616 or otherwise, shall become a Connecticut credit union whose field of  
1617 membership is limited to persons within a well-defined community,  
1618 neighborhood or rural district.

1619 (2) The Commissioner of Banking may withhold or condition an  
1620 approval of an amendment to the bylaws sought by a community  
1621 credit union, as defined in section 2 of public act 01-9, as amended by  
1622 this act, under this subsection pursuant to the provisions of section 6 of  
1623 public act 01-9, as amended by this act.

1624 (3) The Commissioner of Banking may approve an amendment to  
1625 the bylaws of a Connecticut credit union to change the field of  
1626 membership without regard for the common bond whenever the  
1627 Commissioner of Banking determines that continued operation of the  
1628 Connecticut credit union without the proposed amendment may result  
1629 in liquidation or merger of such credit union.

1630 Sec. 40. (NEW) (*Effective October 1, 2002*) (a) All applications for  
1631 membership shall be submitted to the Connecticut credit union. The  
1632 governing board at a regular meeting shall consider and act upon the  
1633 membership applications received by the Connecticut credit union  
1634 subsequent to the previous regular meeting or such applications may  
1635 be considered and acted upon by the membership officer, if one is  
1636 appointed by the governing board.

1637 (b) The governing board may expel any member who has not  
1638 carried out such member's obligations to the Connecticut credit union  
1639 or who has failed to comply with such credit union's bylaws. No  
1640 member may be expelled by the governing board until such member  
1641 has been informed in writing of the charges against such member and  
1642 has had a reasonable opportunity to be heard thereon.

1643 (c) A Connecticut credit union may cancel the shares of any member

1644 who is expelled, applying the value thereof to such member's  
1645 indebtedness to the Connecticut credit union. A member of a  
1646 Connecticut credit union who has been expelled shall not be relieved  
1647 of any liability to the Connecticut credit union. The Connecticut credit  
1648 union shall repay the amounts paid in on shares by expelled members,  
1649 together with any dividends credited to the member's shares, in the  
1650 order of the member's expulsion, as funds become available therefor,  
1651 except that the Connecticut credit union may deduct from such  
1652 payments any sums due it from such member.

1653       Sec. 41. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
1654 union shall hold an annual meeting as provided in its bylaws. Special  
1655 meetings of members shall be held as provided in the bylaws and shall  
1656 be called by the governing board at the request of a majority of the  
1657 governing board, at the written request of the supervisory committee,  
1658 or ten per cent of the members of the credit union or such lesser  
1659 percentage of such members as provided in the bylaws.

1660       (b) Notice of each annual or special meeting shall be given to each  
1661 member in writing by the secretary at least ten days prior to the annual  
1662 or special meeting. In the case of a special meeting, the notice shall  
1663 clearly state the purpose of the meeting and the matters that will be  
1664 considered.

1665       (c) (1) Each member in good standing shall have a single vote at all  
1666 meetings notwithstanding the number of shares or number of accounts  
1667 that such member holds.

1668       (2) A member may not vote or hold office if the member is less than  
1669 eighteen years of age.

1670       (3) Unless provided otherwise in the bylaws, a member entitled to  
1671 vote may vote in person, by proxy or by mail ballot.

1672       Sec. 42. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
1673 union shall submit a written report to the Commissioner of Banking  
1674 annually on February first and August first and otherwise as often as

1675 the Commissioner of Banking deems necessary. The report shall be in  
1676 the form prescribed by the Commissioner of Banking, list the assets  
1677 and liabilities of the Connecticut credit union and contain any other  
1678 information the Commissioner of Banking may require. The  
1679 Connecticut credit union shall also provide the Commissioner of  
1680 Banking with such other reports and information as may be required  
1681 by the Commissioner of Banking. Each Connecticut credit union that  
1682 fails to file any report or information required by this section shall pay  
1683 to the Commissioner of Banking one hundred dollars for each day that  
1684 it fails to file such report or information.

1685 (b) A Connecticut credit union shall file with the Commissioner of  
1686 Banking, within ten business days after the organization meeting and  
1687 after each annual meeting, a list of the names and addresses of all  
1688 members of the governing board, identifying which members are  
1689 officers, the members of the credit committee, if applicable, and the  
1690 members of the supervisory committee, identifying the chairperson of  
1691 each such committee. The Connecticut credit union shall notify the  
1692 Commissioner of Banking within ten business days after any changes  
1693 to the list which occur therein.

1694 (c) A Connecticut credit union that is required under federal law to  
1695 submit a net worth restoration plan to the National Credit Union  
1696 Administration or its successor agency shall simultaneously submit a  
1697 final signed copy of such plan to the Commissioner of Banking.

1698 (d) A Connecticut credit union shall establish and maintain records,  
1699 accounting systems and procedures which accurately reflect its  
1700 operations and which enable the Commissioner of Banking to readily  
1701 ascertain the true financial condition of the credit union and whether  
1702 such credit union is complying with sections 34 to 73, inclusive, of this  
1703 act.

1704 (e) A Connecticut credit union shall preserve all of its records in  
1705 accordance with regulations adopted by the Commissioner of Banking  
1706 pursuant to chapter 54 of the general statutes.

1707       Sec. 43. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
1708 union shall establish and maintain an allowance for loan and lease  
1709 losses account in an amount that represents the estimated losses on  
1710 loans and leases. The allowance for loan and lease losses account  
1711 requirement shall be computed and adjusted, through the provision  
1712 for loan and lease losses account, prior to the declaration or payment  
1713 of dividends.

1714       (b) A Connecticut credit union shall contribute from its earnings, as  
1715 net worth, the greater of (1) such amounts as may be required by 12  
1716 CFR Part 702, as from time to time amended, or (2) amounts in  
1717 accordance with the following schedule: (A) In the case of a  
1718 Connecticut credit union in existence for more than four years and  
1719 having assets of two million dollars or more, ten per cent of its gross  
1720 income until its net worth equals four per cent of total assets, then five  
1721 per cent of gross income until its net worth equals six per cent of total  
1722 assets; and (B) in the case of a Connecticut credit union in existence for  
1723 four years or less or a Connecticut credit union having assets of less  
1724 than two million dollars, ten per cent of its gross income until its net  
1725 worth equals seven and one-half per cent of total assets, then five per  
1726 cent of its gross income until its net worth equals ten per cent of total  
1727 assets.

1728       (c) The Commissioner of Banking may increase the net worth  
1729 requirement of any Connecticut credit union set forth in subsection (b)  
1730 of this section when the Commissioner of Banking deems it necessary  
1731 to protect the safety and soundness of such Connecticut credit union.

1732       (d) Whenever the net worth falls below the applicable percentages  
1733 of total assets specified in subsection (b) of this section, the Connecticut  
1734 credit union shall make regular contributions in such amounts as  
1735 specified in subsection (b) of this section as may be needed to maintain  
1736 such net worth. Such contributions shall be made prior to the  
1737 declaration or payment of dividends.

1738       (e) As used in this section, the term "net worth" means the retained  
1739 earnings balance of the Connecticut credit union at the end of each

1740 dividend period, excluding the allowance for loan and lease losses  
1741 account and, in the case of a Connecticut credit union designated by  
1742 the National Credit Union Administration as a low-income credit  
1743 union under 12 CFR 701.34, as from time to time amended, net worth  
1744 includes any secondary capital account that is uninsured and  
1745 subordinate to all other claims, including claims of creditors,  
1746 shareholders and the National Credit Union Share Insurance Fund.  
1747 Retained earnings shall consist of undivided earnings, as determined  
1748 under generally accepted accounting principles, regular reserves and  
1749 other appropriations designated by the Commissioner of Banking or  
1750 the National Credit Union Administration, or its successor agency, or  
1751 by the governing board of the Connecticut credit union with the  
1752 approval of the Commissioner of Banking.

1753       Sec. 44. (NEW) (*Effective October 1, 2002*) (a) The funds of a  
1754 Connecticut credit union shall be deposited in the name of the credit  
1755 union only in such depository or depositories as designated by the  
1756 governing board, in accordance with section 60 of this act, and no  
1757 withdrawal of such funds shall be made unless the check or order  
1758 withdrawing such funds is signed by a director or member of senior  
1759 management designated by the governing board.

1760       (b) Every director, supervisory committee member, credit  
1761 committee member if applicable, and every employee of a Connecticut  
1762 credit union who has charge or possession of the funds, securities or  
1763 other assets of the Connecticut credit union, shall be bonded by a  
1764 surety company authorized to do business in this state to the same  
1765 extent as such bonding is required by 12 CFR Part 713, as from time to  
1766 time amended. Such bond shall be in favor of the Connecticut credit  
1767 union. A copy of each such bond and any renewal thereof shall be  
1768 promptly filed by the Connecticut credit union with the Commissioner  
1769 of Banking.

1770       Sec. 45. (NEW) (*Effective October 1, 2002*) (a) The governing board of  
1771 a Connecticut credit union shall be charged with and have control over  
1772 the general management of the operations, funds, committee actions

1773 and records of the credit union. Except to the extent the governing  
1774 board is otherwise authorized to delegate such authority or unless  
1775 such action would be detrimental to the financial integrity of the  
1776 Connecticut credit union, the governing board shall: (1) Establish and  
1777 adopt written policies necessary to implement the powers of the credit  
1778 union, which policies shall be approved and reviewed on at least an  
1779 annual basis, including policies governing: (A) Lending in accordance  
1780 with sections 57, 58 and 59 of this act, (B) investments in accordance  
1781 with subsection (a) of section 60 of this act, (C) employment and  
1782 personnel, (D) funds management, (E) collections, (F) charge-offs, (G)  
1783 conditions of membership, and expulsion of members in accordance  
1784 with subsection (b) of section 40 of this act, (H) charitable  
1785 contributions, and (I) conflicts of interest in accordance with sections  
1786 51 and 59 of this act; (2) make adequate provision for an allowance for  
1787 investment losses account in accordance with generally accepted  
1788 accounting principles and for an allowance for a loan and lease losses  
1789 account in accordance with generally accepted accounting principles  
1790 and section 43 of this act; (3) declare dividends in accordance with  
1791 sections 43 and 56 of this act; (4) authorize interest refunds to  
1792 members; (5) determine the maximum amount of shares that a  
1793 member may own; (6) establish different classes of share accounts,  
1794 including special purpose accounts, classified according to different  
1795 rights and restrictions; (7) appoint and authorize members of senior  
1796 management to conduct and supervise the business of the Connecticut  
1797 credit union and to approve all usual expenditures incident to the  
1798 conduct of the business of the Connecticut credit union; (8) cause to be  
1799 obtained and maintained in full force and effect at all times the bond  
1800 required by subsection (e) of section 38 of this act, and subsection (b) of  
1801 section 44 of this act; (9) approve loans in accordance with the bylaws  
1802 of the Connecticut credit union and cause to be prepared each month  
1803 and maintained on file in the main office of the Connecticut credit  
1804 union a list of all delinquent loans; (10) authorize any extraordinary  
1805 expenditures necessary or appropriate for the conduct of the business  
1806 of the Connecticut credit union; (11) establish a supervisory committee  
1807 and appoint its members and may establish and appoint members to

1808 other committees consistent with its bylaws to carry out the business of  
1809 the credit union, which committees shall keep complete minutes of all  
1810 actions taken; (12) fill any vacancies that may arise among the  
1811 directors, senior management or members of board-appointed  
1812 committees, in accordance with this section and in the manner  
1813 provided in the bylaws; and (13) exercise such other authority and  
1814 perform such other duties as prescribed by sections 34 to 73, inclusive,  
1815 of this act and the bylaws.

1816 (b) The governing board of a Connecticut credit union shall consist  
1817 of an odd number of directors, at least five in number. The initial  
1818 governing board shall be elected at the organization meeting of the  
1819 Connecticut credit union as provided in subsection (e) of section 38 of  
1820 this act, and thereafter by the members of the Connecticut credit union  
1821 at the annual meeting as provided in section 41 of this act. Any  
1822 director elected or appointed to serve on the governing board of a  
1823 troubled Connecticut credit union shall be approved by the  
1824 Commissioner of Banking prior to any such service. For the purposes  
1825 of this subsection, "troubled Connecticut credit union" means any  
1826 Connecticut credit union that, in the written opinion of the  
1827 Commissioner of Banking is (1) in danger of becoming insolvent, (2)  
1828 not likely to be able to meet the demands of its members, or pay its  
1829 obligations in the normal course of business or is likely to incur losses  
1830 that may deplete all or substantially all of its capital, or (3) being  
1831 operated in an unsafe and unsound manner.

1832 (c) Each director shall hold office for the term provided in the  
1833 bylaws, except that the term may not exceed three years as long as the  
1834 director is qualified to serve under subsection (e) of this section and  
1835 until the director's successor has qualified. A director may serve more  
1836 than one term. If directors are elected for terms in excess of one year,  
1837 their terms of office shall be staggered so that, insofar as possible, an  
1838 equal number of such terms shall expire each year.

1839 (d) Each director shall take and subscribe to an oath or affirmation  
1840 that the director (1) will diligently and honestly perform the duties of

1841 director in administering the affairs of the Connecticut credit union; (2)  
1842 will remain responsible for the performance of the duties of director  
1843 even if the director delegates the performance of such duties; and (3)  
1844 will not knowingly or wilfully permit the violation of any law or  
1845 regulation applicable to credit unions.

1846 (e) No person shall be qualified to serve as a director of a  
1847 Connecticut credit union if such person (1) is not a member in good  
1848 standing; (2) has been found liable on any claim or convicted of any  
1849 offense involving dishonesty or breach of trust; (3) has been removed  
1850 by any state or federal regulatory agency from office as a director,  
1851 officer or employee of a financial institution; (4) is not eligible for  
1852 coverage under the surety bond required by subsection (a) of this  
1853 section and section 44 of this act; or (5) has habitually neglected to pay  
1854 debts or has become insolvent or bankrupt, unless the governing board  
1855 of such credit union determines in writing that it would be in the best  
1856 interests of the credit union for such person to be so qualified to serve  
1857 as director.

1858 (f) No director of a Connecticut credit union may receive  
1859 compensation for services as a member of the governing board and no  
1860 member of a board-appointed committee of such Connecticut credit  
1861 union shall receive compensation for services as a member of such  
1862 committee, except a member of the supervisory committee may be  
1863 compensated for the time actually spent performing audits and  
1864 verifications.

1865 (g) In accordance with the bylaws of a Connecticut credit union, the  
1866 officers of such credit union shall be members of the governing board  
1867 who are elected by members of the governing board. The chairperson  
1868 and vice chairperson shall not hold more than one office at a time. The  
1869 duties of the officers shall be set forth in the bylaws.

1870 (h) (1) The governing board of a Connecticut credit union may fix  
1871 the compensation of the employees of such credit union.

1872 (2) The directors, board-appointed committee members and

1873 members of senior management of a Connecticut credit union may be  
1874 reimbursed for reasonable and necessary out-of-pocket expenses  
1875 actually incurred and paid in the performance of their official duties.

1876 (i) (1) The governing board of a Connecticut credit union shall  
1877 remove, by a two-thirds vote of its members at a regular or special  
1878 meeting, a director or a board-appointed committee member who fails,  
1879 without good cause, to attend three consecutive meetings of the  
1880 governing board or committee or one-half of such meetings held  
1881 during a calendar year, who is no longer qualified under subsection (e)  
1882 of this section, or for any of the causes enumerated and in accordance  
1883 with subdivision (2) of this subsection.

1884 (2) The governing board of a Connecticut credit union shall have the  
1885 power to suspend at any time, by a two-thirds vote of its members, at a  
1886 regular or special meeting, any director or member of a board-  
1887 appointed committee for good cause, including, but not limited to, (A)  
1888 a violation of any statute, regulation or order applicable to such credit  
1889 union; (B) participation in any unsafe or unsound practice in  
1890 connection with such credit union; (C) commission of or participation  
1891 in a crime which is punishable by imprisonment for a term exceeding  
1892 one year under state or federal law, as charged in any information,  
1893 indictment or complaint, and if continued service or participation by  
1894 such director or member may pose a threat to the interests of members  
1895 of such credit union; (D) failure to perform such director's or member's  
1896 duties or breach of such director's or member's fiduciary duty; (E) use  
1897 of such director's or member's official position in a manner contrary to  
1898 the interests of such credit union or its members; and (F) breach of a  
1899 written agreement with the Commissioner of Banking. The suspension  
1900 shall take effect immediately and the Commissioner of Banking shall  
1901 be notified promptly of such suspension. Within seven business days  
1902 after the effective date of the suspension, the governing board shall  
1903 cause notice to be given to all members of the Connecticut credit union  
1904 of a special meeting of members to be held for the purpose of hearing  
1905 the report of the governing board regarding the suspension and voting  
1906 on removal, provided such notice shall not be given if the director or

1907 member of a board-appointed committee who is subject to suspension  
1908 resigns. The special meeting shall be held no more than twenty-one  
1909 business days after the effective date of the suspension. The  
1910 membership of the Connecticut credit union shall have, by majority  
1911 vote, the authority to accept or reject the report of the governing board.  
1912 The governing board shall take any action with respect thereto as the  
1913 members deem necessary. If such action involves removal, the credit  
1914 union shall promptly notify the Commissioner of Banking of such  
1915 removal.

1916 (j) (1) A vacancy on the governing board that exists due to the death,  
1917 resignation or removal of a director shall be filled by majority vote of  
1918 the remaining directors, regardless of whether the remaining directors  
1919 constitute a quorum. A director elected by the governing board to fill a  
1920 vacancy shall hold office until the next annual meeting, at which time  
1921 the members of the credit union shall vote to fill the remainder of the  
1922 unexpired term.

1923 (2) A vacancy on the governing board that exists due to the  
1924 expiration of the term of a director shall be filled by the appointment  
1925 of a successor director by the secretary unless there are a greater  
1926 number of candidates than vacancies to be filled, in which case the  
1927 vacancies shall be filled by a vote of the members of the Connecticut  
1928 credit union.

1929 (k) (1) If the bylaws so provide, the governing board may appoint  
1930 advisory directors to serve at the pleasure of such governing board to  
1931 advise and consult with the board in carrying out the board's duties  
1932 and responsibilities. An advisory director need not be eligible for  
1933 membership in the credit union, shall not be a member of the  
1934 governing board, and shall not be entitled to vote on any matter before  
1935 the board. An advisory director may participate in any governing  
1936 board or committee deliberation, but shall not make any motions.

1937 (2) If the bylaws so provide, the governing board may appoint  
1938 directors emeritus to serve at the pleasure of the governing board to  
1939 advise and consult with the governing board in carrying out the

1940 board's duties and responsibilities. A director emeritus shall be a  
1941 member of the credit union and shall not be an officer of the credit  
1942 union, participate in any governing board or committee deliberations,  
1943 make motions or vote on any matter before the governing board.

1944 (3) The number of advisory directors and directors emeritus and  
1945 their qualifications shall be specified for in the bylaws.

1946 Sec. 46. (NEW) (*Effective October 1, 2002*) (a) The governing board of  
1947 a Connecticut credit union shall meet as often as necessary and at least  
1948 monthly, provided if the governing board delegates its authority to an  
1949 executive committee, one body shall meet at least monthly and the  
1950 other at least quarterly, as provided in the bylaws. The governing  
1951 board shall keep complete minutes of all of its meetings which shall  
1952 include the names of all directors present at each meeting.

1953 (b) Unless the bylaws provide otherwise, the governing board may  
1954 permit any and all directors to participate in all except one meeting per  
1955 year of the governing board through the use of any means of  
1956 communication by which all directors participating in the meeting  
1957 may simultaneously hear each other and communicate during the  
1958 meeting. A director participating in a meeting by this means is deemed  
1959 to be present at the meeting.

1960 (c) At the meeting of the governing board following the annual  
1961 meeting of members, the governing board shall elect officers of the  
1962 governing board and appoint committee members.

1963 (d) Unless a greater number is required by the bylaws, a majority of  
1964 the governing board shall constitute a quorum. The act of a majority of  
1965 the directors present at a meeting at which a quorum is present shall  
1966 be the act of the governing board unless the act of a greater number is  
1967 required by sections 34 to 73, inclusive, of this act, or the bylaws of the  
1968 credit union.

1969 Sec. 47. (NEW) (*Effective October 1, 2002*) (a) The executive  
1970 committee, if one is appointed by the governing board, shall consist of

1971 an odd number of not less than three directors of the Connecticut  
1972 credit union.

1973 (b) The executive committee shall meet in accordance with section  
1974 46 of this act, and as often as necessary and shall act for the governing  
1975 board between meetings of the governing board, in all other matters  
1976 except for approval of policies, subject to such conditions and  
1977 limitations as prescribed by the governing board.

1978 (c) The executive committee shall keep complete minutes of all of its  
1979 actions, copies of which shall be submitted to the governing board at  
1980 its next meeting.

1981 Sec. 48. (NEW) (*Effective October 1, 2002*) (a) The supervisory  
1982 committee shall consist of not less than three members of the  
1983 Connecticut credit union, none of whom shall simultaneously serve on  
1984 the credit committee or as an officer of the Connecticut credit union or  
1985 be otherwise regularly employed by such credit union, and only one of  
1986 whom shall simultaneously serve as a director of the Connecticut  
1987 credit union, and all of whom shall be annually appointed by the  
1988 governing board and be members in good standing. The supervisory  
1989 committee shall be responsible for ensuring that members of senior  
1990 management and directors meet required financial reporting objectives  
1991 and establish practices and procedures sufficient to safeguard  
1992 members' assets. To meet its responsibilities, the supervisory  
1993 committee shall determine whether internal controls are established  
1994 and effectively maintained, accounting records and financial reports  
1995 are promptly prepared and accurate, relevant plans, policies and  
1996 procedures established by the governing board are properly  
1997 administered, and the governing board's plans, policies, and control  
1998 procedures are sufficient to safeguard against error, carelessness,  
1999 conflict of interest, self-dealing and fraud.

2000 (b) The supervisory committee shall have the sole authority to  
2001 engage or terminate outside and internal auditors. Upon authorization  
2002 of the expenses by the governing board, the supervisory committee  
2003 may engage any assistance necessary for the performance of its duties,

2004 including having any audit, examination or verification required by  
2005 law, regulation or bylaw. Any agreement between the supervisory  
2006 committee and an outside auditor shall be documented by an  
2007 engagement letter that specifies the terms, conditions and objectives of  
2008 the engagement or statement of agreed upon procedures in accordance  
2009 with this subsection. The supervisory committee shall make or cause to  
2010 be made a comprehensive annual audit of the books and affairs of the  
2011 Connecticut credit union, including its assets, liabilities, capital,  
2012 income and expense accounts and the minutes of all governing board  
2013 and board-appointed committee meetings. Such audit shall cover the  
2014 period elapsed since the last audit. Any compensated outside auditors  
2015 performing audits for the supervisory committee shall be independent  
2016 of the credit union's employees, members of the governing board,  
2017 member of any board-appointed committee, the credit manager and  
2018 loan officers and members of the immediate families of any of the  
2019 above. The annual audit shall meet the following minimum guidelines:

2020 (1) A Connecticut credit union with total assets of three hundred  
2021 million dollars or more shall have an opinion audit of the credit  
2022 union's financial statement performed by an independent licensed  
2023 public or certified public accountant; and

2024 (2) A Connecticut credit union with total assets of less than three  
2025 hundred million dollars shall have:

2026 (A) An opinion audit of its financial statements performed by an  
2027 independent licensed public or certified public accountant;

2028 (B) An agreed upon procedures engagement performed by a person  
2029 having adequate technical training and proficiency as an auditor  
2030 commensurate with the level of sophistication and complexity of the  
2031 credit union under audit, provided if such engagement is not  
2032 comprehensive, the supervisory committee shall satisfy any remaining  
2033 requirements of a comprehensive audit in accordance with this  
2034 subsection; or

2035 (C) A comprehensive audit performed by the supervisory

2036 committee or the credit union's internal auditors or the internal auditor  
2037 of another financial institution.

2038 (c) The supervisory committee shall perform or cause to be  
2039 performed a verification of members' accounts at least once every two  
2040 years through:

2041 (1) Verification of share and loan accounts of all members;

2042 (2) Statistical sampling of member share and loan accounts done in  
2043 connection with an opinion audit of the financial statements  
2044 performed by an independent licensed public or certified public  
2045 accountant; or

2046 (3) A statistical sampling method that results in a random selection  
2047 that is representative of the membership.

2048 (d) The supervisory committee shall make any additional audits and  
2049 supplemental verifications and examinations of the affairs of the  
2050 Connecticut credit union that it deems appropriate, or that the  
2051 governing board or Commissioner of Banking requires.

2052 (e) Promptly following the completion of an audit or other  
2053 verification or examination, the supervisory committee shall (1) file a  
2054 written report at the main office of the Connecticut credit union; (2)  
2055 present the report to the governing board at its next meeting, and a  
2056 summary thereof to the members at the next annual meeting or if the  
2057 audit was not performed by the supervisory committee, the outside  
2058 auditor shall present the report or summary thereof; and (3) file a copy  
2059 of the written report with the Commissioner of Banking.

2060 (f) The supervisory committee shall provide related working papers,  
2061 policies and procedures concerning the annual audit, internal audit,  
2062 examination and verification to the Commissioner of Banking, upon  
2063 the Commissioner of Banking's request, and shall require any  
2064 independent licensed or certified public accountant, internal auditor or  
2065 any other auditor to provide such related working papers, policies and  
2066 procedures concerning the annual audit, internal audit, examination

2067 and verification to the Commissioner of Banking, upon the  
2068 Commissioner of Banking's request. The governing board shall require  
2069 that the auditor submit to such board a signed report of the audit or  
2070 examination showing the condition of the Connecticut credit union  
2071 within a reasonable period of time from the effective date of the audit  
2072 or examination.

2073 (g) At any time that the supervisory committee discovers any  
2074 operating practices of the Connecticut credit union that it deems  
2075 unsafe which have not been corrected by the governing board, the  
2076 supervisory committee shall give notice to all credit union members of  
2077 a special meeting of members to be held for the purpose of receiving  
2078 the report of the supervisory committee of such operating practices.  
2079 The membership of the Connecticut credit union shall have, by  
2080 majority vote, the authority to accept or reject the report of the  
2081 supervisory committee. The supervisory committee shall take any  
2082 action the members deem necessary.

2083 (h) The supervisory committee shall meet as often as necessary and  
2084 at least annually and shall keep complete minutes of all of its meetings,  
2085 including the names of those members present.

2086 (i) The supervisory committee shall have the power to suspend at  
2087 any time, by a two-thirds vote of its members at a meeting called for  
2088 that purpose, any director or employee of the Connecticut credit union  
2089 or any member of a board-appointed committee for cause. The  
2090 suspension shall take effect immediately and the Commissioner of  
2091 Banking shall be notified promptly of such suspension. Not later than  
2092 seven business days after the effective date of the suspension, the  
2093 supervisory committee shall cause notice to be given to all members of  
2094 the Connecticut credit union of a special meeting of members to be  
2095 held for the purpose of hearing the report of the supervisory  
2096 committee regarding the suspension and voting on removal, provided  
2097 such notice shall not be given if the director, employee or member of a  
2098 board-appointed committee who is subject to suspension resigns. The  
2099 special meeting shall be held no more than twenty-one business days

2100 after the date of suspension. The membership of the Connecticut credit  
2101 union shall have, by majority vote, the authority to accept or reject the  
2102 report of the supervisory committee. The supervisory committee shall  
2103 take any action with respect thereto as the members deem necessary. If  
2104 such action involves removal, the credit union shall promptly notify  
2105 the Commissioner of Banking of such removal.

2106       Sec. 49. (NEW) (*Effective October 1, 2002*) (a) Except as provided in  
2107 section 51 of this act, the governing board may delegate, in accordance  
2108 with its bylaws, all or part of its lending authority to a credit  
2109 committee, a credit manager who may be but is not required to be a  
2110 member, loan officers or any combination thereof, who shall review  
2111 and act on all applications for extensions of credit or for release or  
2112 substitution of collateral in accordance with the loan policy prescribed  
2113 by the governing board.

2114       (b) If the bylaws of a Connecticut credit union provide for a credit  
2115 committee, such committee shall consist of an odd number of three or  
2116 more members of the credit union, none of whom shall simultaneously  
2117 serve on the supervisory committee and all of whom shall be members  
2118 in good standing.

2119       (c) The credit committee shall meet as often as necessary but at least  
2120 monthly at a duly noticed meeting. All actions by the committee shall  
2121 be by majority vote of those members present at any duly noticed  
2122 meeting at which a quorum is present. A majority of the credit  
2123 committee shall constitute a quorum. The credit committee shall keep  
2124 complete minutes of all of its meetings, including the names of those  
2125 present. The credit manager or loan officer shall provide to the  
2126 governing board or the credit committee, if any, on at least a monthly  
2127 basis, a complete listing of all applications for extensions of credit or  
2128 for release or substitution of collateral that were reviewed and acted  
2129 upon.

2130       (d) A credit manager or loan officer shall not disburse the funds of  
2131 the Connecticut credit union for any extension of credit approved by  
2132 such credit manager or loan officer, except for extensions of credit that

2133 are secured in full by pledge of the borrowing member's own shares.

2134 (e) An applicant for an extension of credit or release or substitution  
2135 of collateral that has been disapproved by a credit manager or loan  
2136 officer may appeal to the credit committee or, in the absence of a credit  
2137 committee, to the governing board. Any such appeal to the credit  
2138 committee or the governing board shall be acted upon at the next  
2139 regular meeting of the credit committee or governing board. An  
2140 applicant for an extension of credit or release or substitution of  
2141 collateral that has been disapproved by the credit committee, other  
2142 than an applicant appealing a denial by a credit manager or loan  
2143 officer, may appeal to the governing board. Any such appeal to the  
2144 governing board shall be acted upon by the governing board at its next  
2145 regular meeting.

2146 Sec. 50. (NEW) (*Effective October 1, 2002*) (a) In addition to  
2147 compensating its employees, a Connecticut credit union may, either  
2148 independently or in conjunction with one or more other Connecticut  
2149 credit unions, with the approval of the governing board, provide death  
2150 benefits, disability benefits, accident benefits, hospital, medical,  
2151 surgical and dental benefits, incentive savings benefits, severance  
2152 benefits, retirement benefits and other employee benefits for its active  
2153 and retired employees and their families. The provisions of this section  
2154 shall be subject to the conditions and requirements imposed by the  
2155 Employee Retirement Income Security Act of 1974, Public Law 93-406,  
2156 as from time to time amended.

2157 (b) A Connecticut credit union may, with the approval of a majority  
2158 of the governing board, provide personal liability or indemnity  
2159 insurance coverage for its directors, credit committee members and  
2160 supervisory committee members. With the approval of the  
2161 Commissioner of Banking, a Connecticut credit union may also  
2162 provide reasonable health, accident and related types of personal  
2163 insurance for its directors, other than its emeritus directors and  
2164 advisory directors, which insurance shall not be considered  
2165 compensation.

2166       Sec. 51. (NEW) (*Effective October 1, 2002*) (a) The governing board of  
2167 a Connecticut credit union shall adopt a written conflict of interest  
2168 policy that includes provisions addressing transactions with insiders  
2169 and their immediate family members, as defined in section 35 of this  
2170 act, and other persons having a common ownership, investment or  
2171 other pecuniary interest in a business enterprise with such insiders and  
2172 immediate family members of such persons. As used in this section,  
2173 "insider" means a director, member of a board-appointed committee,  
2174 member of senior management and loan officer of a Connecticut credit  
2175 union.

2176       (b) An extension of credit made by a Connecticut credit union to an  
2177 insider shall require the approval of the governing board if (1) such  
2178 insider is the debtor, guarantor, endorser or cosigner of the extension  
2179 of credit; and (2) the extension of credit by itself or when added to the  
2180 aggregate of all outstanding extensions of credit for which such insider  
2181 is the debtor, guarantor, endorser or cosigner exceeds twenty-five  
2182 thousand dollars plus pledged shares.

2183       (c) No insider of a Connecticut credit union or professional retained  
2184 by a Connecticut credit union shall in any manner, directly or  
2185 indirectly, participate in any determination affecting such person's  
2186 pecuniary interest or the pecuniary interest of any immediate family  
2187 member of such person or any corporation, partnership or association,  
2188 other than the Connecticut credit union, in which such person is  
2189 directly or indirectly interested.

2190       (d) An insider, immediate family member of such insider or other  
2191 person having a common ownership, investment or other pecuniary  
2192 interest in a business enterprise with an insider or immediate family  
2193 member of such insider shall not obtain an extension of credit from the  
2194 Connecticut credit union with preferential rates, terms or conditions,  
2195 or act as guarantor or endorser thereon, and shall not be involved in  
2196 the appraisal or valuation of assets which are to be used as collateral  
2197 for an extension of credit.

2198       (e) An insider and the immediate family member of such insider

2199 shall not receive, directly or indirectly, any commission, fee or other  
2200 compensation, except those of a nominal value, in connection with any  
2201 extension of credit by the Connecticut credit union, provided this  
2202 subsection shall not prohibit: (1) Payment by a Connecticut credit  
2203 union of: (A) Salaries to employees, (B) incentives or bonuses to  
2204 employees based on the Connecticut credit union's overall financial  
2205 performance, (C) incentives or bonuses to employees, other than a  
2206 member of senior management, in connection with an extension of  
2207 credit, provided the governing board establishes written policies and  
2208 internal controls in connection with such incentives or bonuses and  
2209 monitors compliance with such policies and controls at least annually,  
2210 (D) fees to an insider or immediate family member of such insider for  
2211 the performance of title searches, loan closings and collections,  
2212 provided the Connecticut credit union has complied with subsection  
2213 (k) of this section prior to engaging such insider or immediate family  
2214 member of such insider; and (2) receipt of compensation from a person  
2215 outside a Connecticut credit union by a director, member of a board-  
2216 appointed committee or employee who is not a member of senior  
2217 management or an immediate family member of such director,  
2218 committee member or employee, for a service or activity performed by  
2219 the director, committee member or employee outside the Connecticut  
2220 credit union, provided no referral has been made by the credit union  
2221 or the director, committee member, employee or immediate family  
2222 member of such director, committee member or employee.

2223 (f) An insider and the immediate family members of such insider or  
2224 an employee of a Connecticut credit union shall not receive anything  
2225 of value in connection with the making of an investment or deposit by  
2226 the Connecticut credit union of funds of the credit union, unless the  
2227 governing board determines that the involvement of the insider, the  
2228 immediate family member of such insider or the employee does not  
2229 present a conflict of interest, and includes such determination in its  
2230 minutes. The prohibition contained in this subsection shall not prohibit  
2231 the credit union from paying salaries, incentives and bonuses to  
2232 employees in connection with the making of such investments or  
2233 deposits. An insider shall conduct all transactions that are not

2234 prohibited under this subsection at arm's length and in the best  
2235 interests of the Connecticut credit union.

2236 (g) An insider and the immediate family members of such insider  
2237 shall not receive any direct or indirect compensation or benefit in  
2238 connection with the credit union's insurance or group purchasing  
2239 activities for members and employees. The prohibition contained in  
2240 this subsection shall also apply to any employee not otherwise covered  
2241 if the employee is directly involved in insurance or group purchasing  
2242 activities unless the governing board determines that the employee's  
2243 involvement does not present a conflict of interest and includes such  
2244 determinations in its minutes. An insider and the immediate family  
2245 member of such insider shall conduct all transactions that are not  
2246 prohibited under this subsection at arm's length and in the best  
2247 interests of the credit union.

2248 (h) A Connecticut credit union shall not buy, lease or otherwise  
2249 acquire premises from any of the following without the prior approval  
2250 of the governing board, such approval to be included in the governing  
2251 board's minutes: (1) An insider or immediate family member of such  
2252 insider; (2) a corporation in which an insider or immediate family  
2253 member of such insider is an officer or director or has an ownership  
2254 interest of ten per cent or more; (3) a partnership in which any insider  
2255 or immediate family member of such insider is a general partner or a  
2256 limited partner with an interest of ten per cent or more. The  
2257 prohibition contained in this subsection shall also apply to any  
2258 employee not otherwise covered if the employee is directly involved in  
2259 investments in fixed assets unless the governing board determines that  
2260 the employee's involvement does not present a conflict of interest and  
2261 includes such determinations in its minutes.

2262 (i) No insider or employee of a Connecticut credit union or the  
2263 immediate family member of any such person shall purchase, directly  
2264 or indirectly, any of the assets of the credit union for an amount less  
2265 than the current market value thereof, without the prior approval of  
2266 the governing board which approval shall include a determination that

2267 the transaction is in the best interests of the credit union. Such  
2268 approval and determination shall be included in the governing board's  
2269 minutes.

2270 (j) With the approval of the Commissioner of Banking, a  
2271 Connecticut credit union may have as an employee or director a  
2272 person who serves as an officer, employee or director of any other  
2273 financial institution.

2274 (k) When a Connecticut credit union retains an insider or an  
2275 immediate family member of such insider to render services to the  
2276 credit union, the governing board shall document in its minutes that  
2277 such hiring was at arm's length and in the best interests of the credit  
2278 union and was in accordance with the competitive bidding and  
2279 appropriate due diligence process as provided in the credit union's  
2280 conflict of interest policy.

2281 (l) The directors, members of board-appointed committees,  
2282 members of senior management and the immediate family members of  
2283 such persons that have outstanding loans or investments in a credit  
2284 union service organization shall not receive any salary, commission,  
2285 investment income or other income or compensation from such credit  
2286 union service organization, either directly or indirectly, or from any  
2287 person being served through the credit union service organization.  
2288 This provision shall not prohibit (1) such Connecticut credit union  
2289 insiders or the immediate family members of such persons from  
2290 assisting in the operation of such credit union service organization,  
2291 provided such persons are not compensated by the credit union  
2292 service organization, and (2) reimbursement to the Connecticut credit  
2293 union for the services provided by such directors, committee members  
2294 or senior management members if the accounts receivable of the  
2295 Connecticut credit union due from the credit union service  
2296 organization is paid in full at least quarterly.

2297 (m) A Connecticut credit union shall not grant a member business  
2298 loan if any additional income received by the credit union or senior  
2299 management of the credit union is tied to the profit or sale of the

2300 business or commercial endeavor for which the loan is made.

2301 Sec. 52. (NEW) (*Effective October 1, 2002*) A Connecticut credit union  
2302 may:

2303 (1) Transact a general credit union business and exercise by its  
2304 governing board or duly authorized members of senior management,  
2305 subject to applicable law, all such incidental powers as are consistent  
2306 with its purposes. The express powers authorized for a Connecticut  
2307 credit union under this section do not preclude the existence of  
2308 additional powers deemed to be incidental to the transaction of a  
2309 general credit union business pursuant to this subdivision;

2310 (2) (A) Issue shares to its members and receive payments on shares  
2311 from its members and from those nonmembers specified in subsection  
2312 (e) of section 54 of this act, subject to the provisions of sections 36a-290  
2313 to 36a-297, inclusive, 36a-330 to 36a-338, inclusive, of the general  
2314 statutes and section 54 of this act, (B) receive deposits of members and  
2315 nonmembers subject to provisions of sections 54 and 55 of this act, (C)  
2316 reduce the amount of its member and nonmember shares and deposits,  
2317 and (D) expel members and cancel shares in accordance with section  
2318 40 of this act;

2319 (3) Make and use its best efforts to make secured and unsecured  
2320 extensions of credit to its members in accordance with section 36a-265  
2321 of the general statutes and sections 57, 58 and 59 of this act;

2322 (4) Invest its funds in accordance with section 60 of this act;

2323 (5) Declare and pay dividends in accordance with sections 43 and 56  
2324 of this act, and pay interest refunds to borrowers;

2325 (6) Act as a finder or agent for the sale of insurance and fixed and  
2326 variable rate annuities directly, sell insurance and such annuities  
2327 indirectly through a Connecticut credit union service organization, or  
2328 enter into arrangements with third-party marketing organizations for  
2329 the sale by such third-party marketing organizations of insurance or  
2330 such annuities on the premises of the Connecticut credit union or to

2331 members of the Connecticut credit union, provided: (A) Such  
2332 insurance and annuities are issued or purchased by or from an  
2333 insurance company licensed in accordance with section 38a-41 of the  
2334 general statutes; and (B) the Connecticut credit union, Connecticut  
2335 credit union service organization or third-party marketing  
2336 organization, and any officer and employee thereof, shall be licensed  
2337 as required by section 38a-769 of the general statutes before engaging  
2338 in any of the activities authorized by this subdivision. As used in this  
2339 subdivision, "annuities" and "insurance" have the same meanings as set  
2340 forth in section 38a-41 of the general statutes, except that "insurance"  
2341 does not include title insurance. The provisions of this subdivision do  
2342 not authorize a Connecticut credit union or Connecticut credit union  
2343 service organization to underwrite insurance or annuities;

2344 (7) Borrow money to an amount not exceeding fifty per cent of the  
2345 total assets of the Connecticut credit union provided the credit union  
2346 shall give prior notice to the Commissioner of Banking in writing of its  
2347 intention to borrow amounts in excess of thirty-five per cent of its total  
2348 assets;

2349 (8) Act as fiscal agent for the federal government, this state or any  
2350 agency or political subdivision thereof;

2351 (9) Provide loan processing, loan servicing, member check and  
2352 money order cashing services, disbursement of share withdrawals and  
2353 loan proceeds, money orders, internal audits, automated teller  
2354 machine services and other similar services to other Connecticut credit  
2355 unions, federal credit unions and out-of-state credit unions;

2356 (10) Provide finder services to its members, including the offering of  
2357 third party products and services through the sale of advertising space  
2358 on its web site, account statements and receipts, and the sale of  
2359 statistical or consumer financial information to outside vendors in  
2360 accordance with sections 36a-40 to 36a-45, inclusive, of the general  
2361 statutes in order to facilitate the sale of such products to the members  
2362 of such Connecticut credit union;

2363 (11) With the prior approval of the Commissioner of Banking,  
2364 exercise fiduciary powers;

2365 (12) Maintain and rent safe deposit boxes within suitably  
2366 constructed vaults, provided the Connecticut credit union has  
2367 adequate insurance coverage for losses related to such rental;

2368 (13) Provide certification services, including notary services,  
2369 signature guaranties, certification of electronic signatures and share  
2370 draft certifications;

2371 (14) Act as agent (A) in the collection of taxes for any qualified  
2372 treasurer of any taxing district or qualified collector of taxes or (B) for  
2373 any electric, electric distribution, gas, water or telephone company  
2374 operating within this state in receiving moneys due such company for  
2375 utility services furnished by it;

2376 (15) Issue and sell securities which (A) are guaranteed by the  
2377 Federal National Mortgage Association or any other agency or  
2378 instrumentality authorized by state or federal law to create a  
2379 secondary market with respect to extensions of credit of the type  
2380 originated by the Connecticut credit union, or (B) subject to the  
2381 approval of the Commissioner of Banking, relate to extensions of credit  
2382 originated by the Connecticut credit union and are guaranteed or  
2383 insured by a financial guaranty insurance company or comparable  
2384 private entity;

2385 (16) Establish a charitable fund, either in the form of a charitable  
2386 trust or a nonprofit corporation to assist in making charitable  
2387 contributions, provided (A) the trust or nonprofit corporation is  
2388 exempt from federal income taxation and may accept charitable  
2389 contributions under Section 501 of the Internal Revenue Code of 1986,  
2390 or any subsequent corresponding internal revenue code of the United  
2391 States, as from time to time amended, (B) the trust or nonprofit  
2392 corporation's operations are disclosed fully to the Commissioner of  
2393 Banking upon request, and (C) the trust department of the credit union  
2394 or one or more directors or members of senior management of the

2395 credit union act as trustees or directors of the fund;

2396 (17) In the discretion of a majority of its governing board, make  
2397 contributions or gifts to or for the use of any corporation, trust or  
2398 community chest, fund or foundation created or organized under the  
2399 laws of the United States or of this state and organized and operated  
2400 exclusively for charitable, educational or public welfare purposes, or of  
2401 any hospital which is located in this state and which is exempt from  
2402 federal income taxes and to which contributions are deductible under  
2403 Section 501(c) of the Internal Revenue Code of 1986, or any subsequent  
2404 corresponding internal revenue code of the United States, as from time  
2405 to time amended;

2406 (18) Sell, pledge or assign any or all of its outstanding extensions of  
2407 credit to any other lending institution, credit union service  
2408 organization or quasi-governmental entity and any government-  
2409 sponsored enterprise, and act as collecting, remitting and servicing  
2410 agent in connection with any such extension of credit and charge for its  
2411 acts as agent. Any such credit union may purchase the minimum  
2412 amount of capital stock of such entity or enterprise if required by that  
2413 entity or enterprise to be purchased in connection with the sale, pledge  
2414 or assignment of extensions of credit to that entity or enterprise and  
2415 may hold and dispose of such stock, provided that with respect to  
2416 purchases of stock of a credit union service organization, the  
2417 Connecticut credit union shall not exceed the limitations of section 60  
2418 of this act. A Connecticut credit union may purchase one or more  
2419 outstanding extensions of credit from any other lending institution and  
2420 any federally-recognized Native American tribe, provided there exists  
2421 a formal written agreement with tribal government to permit the credit  
2422 union to service and collect on such extensions of credit;

2423 (19) Sell a participating interest in any or all of its outstanding  
2424 extensions of credit to and purchase a participating interest in any or  
2425 all of the outstanding extensions of credit of any financial institution or  
2426 credit union service organization pursuant to an appropriate written  
2427 participation and servicing agreement to be signed by all parties

2428 involved in such transaction;

2429 (20) With the approval of the Commissioner of Banking, join the  
2430 Federal Home Loan Bank System and borrow funds as provided under  
2431 federal law;

2432 (21) Sell all or part of its assets, other than extensions of credit, to  
2433 other lending institutions, purchase all or part of the assets, other than  
2434 extensions of credit, of other lending institutions, and assume all or  
2435 part of the shares and the liabilities of any other credit union or out-of-  
2436 state credit union;

2437 (22) With the prior written approval of the Commissioner of  
2438 Banking, engage in closely related activities, unless the Commissioner  
2439 of Banking determines that any such activity shall be conducted by a  
2440 credit union service organization of the Connecticut credit union,  
2441 utilizing such organizational, structural or other safeguards as the  
2442 Commissioner of Banking may require, in order to protect the  
2443 Connecticut credit union from exposure to loss. As used in this  
2444 subdivision, "closely related activities" means those activities that are  
2445 closely related, convenient and necessary to the business of a  
2446 Connecticut credit union, are reasonably related to the operation of a  
2447 Connecticut credit union or are financial in nature including, but not  
2448 limited to, business and professional services, data processing, courier  
2449 and messenger services, credit-related activities, consumer services,  
2450 services related to real estate, financial consulting, tax planning and  
2451 preparation, community development activities, or any activities  
2452 reasonably related to such activities;

2453 (23) With the approval of the Commissioner of Banking, engage in  
2454 any activity that a federal credit union or out-of-state credit union may  
2455 be authorized to engage in under state or federal law. The application  
2456 for such approval shall be in writing and shall include a description of  
2457 the activity, a description of the financial impact of the activity on the  
2458 Connecticut credit union, citation of the legal authority to engage in  
2459 the activity under state or federal law, a description of any limitations  
2460 or restrictions imposed on such activity under state or federal law, and

2461 any other information that the Commissioner of Banking may require.  
2462 The Commissioner of Banking shall approve or disapprove such  
2463 activity not later than thirty days after the application filed is complete.  
2464 The Commissioner of Banking may impose any limitations or  
2465 conditions to ensure that any such activity is conducted in a safe and  
2466 sound manner with adequate consumer protections. The provisions of  
2467 this subdivision do not authorize a Connecticut credit union or a  
2468 Connecticut credit union service organization to sell title insurance.

2469 Sec. 53. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
2470 union may, with the approval of the commissioner, sell all or a  
2471 significant part of its assets in accordance with the provisions of  
2472 section 36a-210 of the general statutes.

2473 (b) A Connecticut credit union may, with the approval of the  
2474 commissioner, sell a branch.

2475 Sec. 54. (NEW) (*Effective October 1, 2002*) (a) The par value of shares  
2476 of a Connecticut credit union shall be five dollars or any multiple  
2477 thereof, provided such par value shall not exceed one hundred dollars.

2478 (b) A Connecticut credit union may receive payments on shares and  
2479 permit withdrawals of payments on shares with the exception of  
2480 membership shares in accordance with such credit union's bylaws and  
2481 the Deposit Account Contract Act, sections 36a-315 to 36a-323,  
2482 inclusive, of the general statutes except that the governing board may  
2483 require members to give sixty days' notice of intention to withdraw the  
2484 whole or any part of their shares or payments on shares, including  
2485 membership shares.

2486 (c) A Connecticut credit union may, with the written approval of the  
2487 Commissioner of Banking and subject to applicable restrictions of state  
2488 and federal law, receive from members payments on shares that  
2489 qualify as part of a retirement plan for self-employed individuals or an  
2490 individual retirement account in accordance with the applicable  
2491 provisions of the Internal Revenue Code of 1986, or any subsequent  
2492 corresponding internal revenue code of the United States, as from time

2493 to time amended. Such payments on shares shall be established in a  
2494 separate account from the shares of the member, and shall not be  
2495 subject to pledge to secure extensions of credit by the Connecticut  
2496 credit union to the member or be available for set-off by the  
2497 Connecticut credit union if the member defaults on an extension of  
2498 credit. Such shares shall be treated as under separate ownership for  
2499 purposes of applying any limit imposed by the governing board  
2500 pursuant to its authority under subdivision (5) of subsection (a) of  
2501 section 45 of this act, on the maximum amount of shares owned by a  
2502 member. Otherwise, such shares are subject to all of the provisions of  
2503 this act relating to shares.

2504 (d) A Connecticut credit union may receive payments on shares  
2505 which the member agrees in writing not to withdraw within the time  
2506 period specified in the agreement.

2507 (e) A Connecticut credit union may receive payments from a  
2508 nonmember who is (1) an individual, into a share account held jointly  
2509 with a member of the Connecticut credit union, which share account is  
2510 subject to the provisions of section 36a-290 of the general statutes; (2)  
2511 the United States, this state or any municipality or other political  
2512 subdivision thereof; (3) a federally-recognized Native American tribal  
2513 government located in this state; or (4) another Connecticut credit  
2514 union, federal credit union or out-of-state credit union.

2515 (f) A Connecticut credit union that has received a low-income  
2516 designation from the National Credit Union Administration, or its  
2517 successor agency, under 12 CFR 701.34, as from time to time amended,  
2518 may offer secondary capital accounts to any person other than an  
2519 individual, subject to the requirements and conditions imposed on  
2520 federally-chartered, low-income designated credit unions under 12  
2521 CFR 701.34, as from time to time amended.

2522 (g) A Connecticut credit union shall maintain in full force and effect  
2523 share insurance as required under the Federal Credit Union Act. Any  
2524 Connecticut credit union that fails to maintain in full force and effect  
2525 such share insurance shall terminate its corporate existence under such

2526 terms and conditions as the Commissioner of Banking deems  
2527 appropriate.

2528 (h) A Connecticut credit union may obtain from an insurance  
2529 company licensed and qualified to do business in this state share  
2530 insurance coverage that exceeds the maximum allowable under the  
2531 Federal Credit Union Act.

2532 (i) Without being required to take any action to attach or perfect a  
2533 lien, a Connecticut credit union shall have and may impress and  
2534 enforce a lien on the shares of each member to secure the payment of  
2535 all absolute and contingent liabilities of such member to the  
2536 Connecticut credit union.

2537 Sec. 55. (NEW) (*Effective October 1, 2002*) (a) As used in this section:

2538 (1) "Tax and loan account" means an account, the balance of which  
2539 is subject to the right of immediate withdrawal, established for receipt  
2540 of payments of federal taxes and certain United States obligations.  
2541 Such accounts are not shares, as defined in subdivision (17) of section  
2542 35 of this act; and

2543 (2) "Note account" means a note, subject to the right of immediate  
2544 call, evidencing funds held by depositories electing the note option  
2545 under applicable United States Treasury Department regulations. Note  
2546 accounts are not shares, as defined in subdivision (17) of section 35 of  
2547 this act.

2548 (b) Subject to the regulations of the United States Treasury  
2549 Department, Connecticut credit unions may serve as depositories for  
2550 federal taxes or as United States Treasury tax and loan depositories,  
2551 and satisfy any requirement in connection therewith, including  
2552 maintaining tax and loan accounts and note accounts, and pledging  
2553 collateral.

2554 (c) Connecticut credit unions shall pay a return on note accounts at  
2555 the rates required by the United States Treasury Department.

2556 (d) In addition to the requirements contained in the regulations of  
2557 the United States Treasury Department, Connecticut credit unions  
2558 shall meet all requirements in order to obtain any available insurance  
2559 of deposits contained in tax and loan accounts and note accounts by  
2560 the National Credit Union Administration's Share Insurance Fund.

2561 Sec. 56. (NEW) (*Effective October 1, 2002*) The governing board of a  
2562 Connecticut credit union, or the executive committee or senior  
2563 management if so delegated by the governing board, may declare and  
2564 pay dividends on partial or full shares from current or accumulated  
2565 net earnings, provided such credit union shall meet its net worth  
2566 requirements, provide for accrued and unpaid expenses and  
2567 adequately fund the allowance for loan and lease losses account. A  
2568 Connecticut credit union may not declare or pay dividends if it is  
2569 insolvent or if its net assets are less than stated capital or if the  
2570 payment of dividends would render such credit union insolvent or  
2571 reduce its net assets below stated capital. The Commissioner of  
2572 Banking may restrict the payment of dividends whenever it appears  
2573 that such payment would adversely affect the financial condition of a  
2574 Connecticut credit union.

2575 Sec. 57. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
2576 union shall adopt and implement a written loan policy that requires  
2577 written applications for all extensions of credit, and addresses the  
2578 categories and types of secured and unsecured extensions of credit  
2579 offered by the credit union, the manner in which mortgage loans,  
2580 member business loans and insider loans will be made and approved,  
2581 underwriting guidelines and collateral requirements, and which  
2582 addresses, in accordance with safety and soundness, acceptable  
2583 standards for title review, title insurance and appraiser qualifications,  
2584 procedures for the approval and selection of appraisers, appraisal and  
2585 evaluation standards, and the credit union's administration of the  
2586 appraisal and evaluation process. The Commissioner of Banking may  
2587 review a Connecticut credit union's loan policy and may order changes  
2588 to be made to ensure safe and sound lending practices.

2589 (b) A Connecticut credit union shall use its best efforts to make such  
2590 secured and unsecured extensions of credit to its members, including  
2591 lease financing for personal property if the leases are the functional  
2592 equivalent of secured loans for personal property, with such maturities  
2593 as may be determined by the governing board, repayable in  
2594 consecutive weekly, biweekly, semimonthly, monthly, quarterly or  
2595 semiannual installments, but which may be repaid in whole or in part  
2596 prior to maturity, and on such terms as the bylaws and loan policy of  
2597 such credit union may permit.

2598 (c) Except as otherwise provided in this section, the total direct or  
2599 indirect liabilities of any one obligor, however incurred, to any  
2600 Connecticut credit union, exclusive of such credit union's investment  
2601 in the investment securities of such obligor, shall not exceed at the time  
2602 incurred the greater of two hundred dollars or ten per cent of such  
2603 credit union's total assets. For purposes of determining the limitations  
2604 of this subsection, in computing the liabilities of an obligor, a liability  
2605 is incurred at the time of the closing of the transaction, unless such  
2606 closing is preceded by a legally binding written commitment to enter  
2607 into the transaction, in which case such liability is incurred at the time  
2608 of commitment and is net of any liabilities of the obligor to such  
2609 Connecticut credit union that will be paid with the proceeds of the  
2610 commitment at the time of closing. The limitations provided for in this  
2611 subsection may be exceeded for a period of time not to exceed six  
2612 hours if at the closing of any transaction at which such obligor incurs  
2613 such liabilities to a Connecticut credit union in excess of such  
2614 limitations, such credit union immediately assigns or participates out  
2615 to one or more other persons an amount that constitutes not less than  
2616 the excess over the applicable limitation. For purposes of this  
2617 subsection, in computing the liabilities of a partnership the individual  
2618 liabilities of the general partners shall be included; and in computing  
2619 the individual liabilities of a general partner, the liabilities of the  
2620 partnership shall be included.

2621 Sec. 58. (NEW) (*Effective October 1, 2002*) (a) Subject to the  
2622 requirements of this section, a Connecticut credit union may make one

2623 or more mortgage loans to its members. As used in this section, the  
2624 term "mortgage loan" means a closed-end loan or line of credit secured  
2625 wholly or substantially by a lien on or interest in real estate, including  
2626 a leasehold interest, and which is secured by a one-to-four family  
2627 residence that is the primary residence of a member or by any other  
2628 real estate provided the aggregate of the loans made by the credit  
2629 union to such mortgagor that are secured by such other real estate do  
2630 not exceed fifty thousand dollars. As used in this section and section 59  
2631 of this act, the term "real estate" includes land and any structure and  
2632 other improvement or equipment that is permanently attached to such  
2633 land or structure. The term "mortgage loan" shall not include a  
2634 member business loan, as defined in section 59 of this act.

2635 (b) A satisfactory certificate of title issued by a qualified person  
2636 approved by the Connecticut credit union, or a satisfactory policy of  
2637 title insurance, shall be filed with the lending Connecticut credit union  
2638 until the mortgage loan is paid or sold.

2639 (c) The real estate shall be appraised or otherwise suitably evaluated  
2640 before any mortgage loan is made on its security, by one or more  
2641 suitable persons who are familiar with real estate values in the  
2642 community where the real estate is located. Such persons shall be  
2643 approved by the governing board of the Connecticut credit union  
2644 making the loan, or any board-appointed committee or person  
2645 appropriately designated by such governing board in accordance with  
2646 the loan and insider policies of the Connecticut credit union, provided  
2647 if the loan under consideration is a loan to be insured or guaranteed by  
2648 a governmental agency, the appraiser may be one who appraised the  
2649 real estate for the governmental agency. Such appraisal or evaluation  
2650 shall be in writing, state the amount at which the real estate has been  
2651 appraised or evaluated and be filed with the lending Connecticut  
2652 credit union until the loan is paid or sold.

2653 (d) For the purposes of this subsection, the net equity value of real  
2654 estate is the appraised value determined pursuant to this subsection,  
2655 reduced by the value of any prior liens or encumbrances with the

2656 exception of leases, easements and reservations to the United States of  
2657 fissionable materials. A mortgage loan made by a Connecticut credit  
2658 union may not exceed in amount ninety per cent of the net equity  
2659 value of the real estate except:

2660 (1) Loans guaranteed or insured by the United States government or  
2661 its agencies, provided the amount of the guaranty or insurance is at  
2662 least equal to the portion of the loan that exceeds the loan-to-value  
2663 limit;

2664 (2) Loans backed by the full faith and credit of a state government,  
2665 provided the amount of the assurance is at least equal to the portion of  
2666 the loan that exceeds the loan-to-value limit;

2667 (3) Loans guaranteed or insured by a state, municipal or local  
2668 government, or its agency, provided (A) the amount of the guaranty or  
2669 insurance is at least equal to the portion of the loan that exceeds the  
2670 loan-to-value limit, and (B) the Connecticut credit union has  
2671 determined that the guarantor or insurer has the financial capacity and  
2672 willingness to perform under the terms of the guaranty or insurance  
2673 agreement;

2674 (4) Loans that are renewed, refinanced or restructured without the  
2675 advancement of new funds or an increase in a line of credit, except for  
2676 reasonable closing costs;

2677 (5) Loans that are renewed, refinanced or restructured in connection  
2678 with workout situations involving existing loans from the Connecticut  
2679 credit union to its members, either with or without the advancement of  
2680 new funds, where such action is consistent with safe and sound  
2681 lending practices and is a part of a clearly defined and well  
2682 documented program to achieve orderly liquidation of the debt,  
2683 reduce risk of loss or maximize recovery of the loan;

2684 (6) Loans that facilitate the sale of real estate acquired by the  
2685 Connecticut credit union in the ordinary course of collecting a debt  
2686 previously contracted in good faith; and

2687 (7) Loans where all or part of such loan is made in primary reliance  
2688 upon the mortgage insurance policy of a private mortgage guaranty  
2689 company, licensed by the Insurance Commissioner to do business in  
2690 this state and approved by the Commissioner of Banking.

2691 (e) A mortgage loan made by a Connecticut credit union secured by  
2692 a first lien or interest shall have a maturity not exceeding forty-two  
2693 years from the date of its making, and a mortgage loan to finance a  
2694 manufactured home or secured by a subordinate lien shall have a  
2695 maturity not exceeding twenty years from the date of its making. For  
2696 purposes of this subsection, the term "manufactured home" means a  
2697 movable dwelling containing living facilities suitable for year-round  
2698 occupancy by one family, including permanent provision for eating,  
2699 sleeping, cooling and sanitation, provided such dwelling is to be  
2700 maintained as a residence of the purchaser and will, within ninety  
2701 days after purchase, be located at a manufactured housing community  
2702 or other semipermanent site within this state.

2703 (f) A mortgage loan made by a Connecticut credit union shall  
2704 require repayment of principal and payment of interest in at least  
2705 consecutive semiannual installments of principal and interest, such  
2706 payments to be sufficient to pay the loan in full not later than forty-two  
2707 years from the date of the first payment and the first payment to be  
2708 made within twenty-four months from the date of the note. The  
2709 requirements for semiannual principal payments pursuant to this  
2710 subsection are not applicable to: (1) Consumer revolving loan  
2711 agreements made pursuant to subsection (c) of section 49-2 of the  
2712 general statutes, (2) alternative mortgage loans made pursuant to  
2713 section 36a-265 of the general statutes, (3) loans that may be demanded  
2714 at any time and that are secured by residential real estate, and (4) any  
2715 other loan or class of loans determined by the Commissioner of  
2716 Banking not to be subject to such requirements.

2717 (g) A Connecticut credit union may make a mortgage loan secured  
2718 by a first lien or interest for the construction or repair of buildings or  
2719 other improvements on the property of the borrower, which loan may

2720 be made in installments advanced at the discretion of the credit union  
2721 as the work progresses, provided at no time shall the ratio of the  
2722 amount loaned to the then total value exceed fifty per cent or the ratio  
2723 the final loan is to bear to the value of the completed real estate,  
2724 whichever is the greater. Loans made to finance the construction of  
2725 buildings and having a maturity of not more than twenty-four months  
2726 or having a maturity of not more than thirty-six months, if approved  
2727 by the Commissioner of Banking, are not subject to the limitations  
2728 imposed by subsection (f) of this section.

2729 (h) Attorneys' fees in connection with any mortgage loan made by a  
2730 Connecticut credit union, including preparation of the mortgage deed  
2731 and note, title search, waivers and closing fees or recording fees, shall  
2732 be paid by the borrower unless otherwise determined by the credit  
2733 union.

2734 (i) A Connecticut credit union may make and invest in any  
2735 mortgage loan, including construction and improvement loans,  
2736 insured by the Federal Housing Administration without regard to the  
2737 limitations and restrictions of this section, except that such loans are  
2738 subject to the following limitations: (1) In the case of loans secured by a  
2739 first mortgage on real estate, the contract of insurance shall contain a  
2740 provision that the debentures to be issued by the Federal Housing  
2741 Administration in settlement of such insurance, in the event of the  
2742 foreclosure or default of any such loan or mortgage, shall be fully  
2743 guaranteed as to payment of principal and interest by the government  
2744 of the United States, (2) if the credit union has a commitment for such  
2745 insurance, issued by the Federal Housing Administration, it may grant  
2746 a loan to a borrower for the purpose of building upon or improving  
2747 the real estate of the borrower, the money so borrowed to be advanced  
2748 at the discretion of the credit union in installments as the work  
2749 progresses, provided the total of all advances made does not exceed  
2750 eighty per cent of the value of the real estate on the date of each  
2751 advance or the proportion that the final loan is to bear to the final  
2752 estimated value of the real estate, whichever is the greater, except that  
2753 the final advance may be in such an amount that the total of all

2754 advances made may equal but not exceed the amount of such  
2755 commitment. The final advance shall not be made until the buildings  
2756 or improvements have been inspected and approved by the Federal  
2757 Housing Administration for an insured loan.

2758 (j) Without regard to the limitations and restrictions of this section, a  
2759 Connecticut credit union may make and invest in any mortgage loan  
2760 which the Administrator of Veterans' Affairs guarantees, makes a  
2761 commitment to guarantee or insures.

2762 (k) A Connecticut credit union may make a mortgage loan secured  
2763 by a leasehold interest, provided the leasehold estate has a term which  
2764 does not expire prior to the maturity of the mortgage loan. The term of  
2765 the leasehold estate shall not include any period for which the lease  
2766 may grant an option of renewal.

2767 (l) A Connecticut credit union may invest its funds in mortgage  
2768 loans which do not conform to the requirements of this section,  
2769 provided the governing board or a board-appointed committee has  
2770 reviewed the nonconforming aspects of the particular mortgage loan  
2771 or mortgage loan program and has determined such loan or program  
2772 to be prudent under the circumstances and all such mortgage loans  
2773 outstanding at the time of origination do not exceed eight per cent of  
2774 the total assets of the Connecticut credit union. The Connecticut credit  
2775 union shall make a notation of the determination of whether such loan  
2776 is prudent and the reasons for such determination in the applicable  
2777 loan file. A loan which was included within the percentage of total  
2778 assets limitation of this subsection subsequently may be excluded if the  
2779 loan is repaid or if the nonconforming aspects are eliminated or  
2780 otherwise cease to exist.

2781 Sec. 59. (NEW) (*Effective October 1, 2002*) (a) As used in this section:

2782 (1) "Associated member" means any member with a shared  
2783 ownership, investment or other pecuniary interest in a business or  
2784 commercial endeavor with the borrower.

2785 (2) "Construction loan" means a loan for developing or acquiring  
2786 and developing real estate, as defined in subsection (a) of section 58 of  
2787 this act, where the borrower intends to convert such real estate to  
2788 income-producing property or use such real estate for income-  
2789 producing purposes, including residential housing for rental or sale, or  
2790 commercial, industrial or similar purposes.

2791 (3) "Member business loan" means any loan, line of credit or  
2792 unfunded commitment thereof, letter of credit or any other extension  
2793 of credit, where the borrower intends to use or uses the proceeds for  
2794 any of the following purposes: (A) Commercial; (B) corporate; (C)  
2795 investment property; (D) business venture; or (E) agricultural, but does  
2796 not include the following loans:

2797 (i) A loan fully secured by a lien on a one-to-four family residence  
2798 that is the primary residence of the member;

2799 (ii) A loan fully secured by shares in the credit union making the  
2800 loan or by shares or deposits in other financial institutions;

2801 (iii) One or more loans to a member or an associated member where  
2802 the proceeds are to be used or are used for the purposes specified in  
2803 this subdivision to benefit a common endeavor and which, in the  
2804 aggregate, are equal to less than fifty thousand dollars;

2805 (iv) A loan where any agency of the federal government, a state or  
2806 any political subdivision of such state, fully insures or guarantees  
2807 repayment, or provides an advance commitment to purchase the loan  
2808 in full; or

2809 (v) A loan granted by the corporate Connecticut credit union to a  
2810 Connecticut credit union, federal credit union or out-of-state credit  
2811 union.

2812 (4) "Net worth" means retained earnings under generally accepted  
2813 accounting principles.

2814 (5) "Net outstanding member business loan balance" means the

2815 outstanding loan balance, including any unfunded commitment,  
2816 exclusive of the portion of the member business loan secured by shares  
2817 in the credit union, or by shares or deposits in other financial  
2818 institutions, or fully or partially insured or guaranteed by any agency  
2819 of the federal government, a state or any political subdivision of such  
2820 state, or subject to an advance commitment to purchase by any agency  
2821 of the federal government, a state or any political subdivision of such  
2822 state.

2823 (b) No Connecticut credit union shall make a member business loan  
2824 unless it has adequate net worth as determined by the Commissioner  
2825 of Banking, develops a member business loan program and obtains the  
2826 prior written approval of the Commissioner of Banking for such  
2827 program. The request for approval of such program shall include a  
2828 member business loan policy that meets the requirements of  
2829 subsection (c) of this section and shall demonstrate that sufficient  
2830 resources, knowledge, systems and procedures are in place to monitor  
2831 and control the risks involved. A Connecticut credit union that makes  
2832 member business loans shall use the services of or employ an  
2833 individual for the purpose of processing, making or servicing member  
2834 business loans with at least two years direct experience with the types  
2835 or categories of member business loans the credit union intends to  
2836 make.

2837 (c) The governing board of a Connecticut credit union shall adopt a  
2838 specific member business loan policy that shall be a part of the credit  
2839 union's loan policy. Such policy shall be reviewed at least annually or  
2840 more often if deemed necessary by the governing board and shall  
2841 address:

2842 (1) The categories or types of member business loans that will be  
2843 made;

2844 (2) The trade area;

2845 (3) The maximum amount of assets, in relation to net worth, that  
2846 will be invested in member business lending subject to the limitations

2847 provided in subsection (h) of this section;

2848 (4) The maximum amount of assets, in relation to net worth, that  
2849 will be invested in a given category or type of member business loan  
2850 subject to the limitations provided in subdivision (2) of subsection (f)  
2851 of this section and subsection (i) of this section;

2852 (5) The maximum amount of assets, in relation to net worth, that  
2853 will be loaned to one member or associated members, subject to the  
2854 limitations provided in subdivision (2) of subsection (f) of this section  
2855 and subsection (g) of this section;

2856 (6) The qualifications and experience of the individuals responsible  
2857 for processing, approving or administering member business loans;

2858 (7) The required analysis and documentation of the ability of the  
2859 borrower to repay the member business loan by the individuals  
2860 responsible for processing, approving or administering;

2861 (8) The receipt and periodic updating of financial statements and  
2862 other documentation, including tax returns;

2863 (9) The documentation required in support of each loan application,  
2864 which shall include the following: (A) Balance sheet, (B) cash flow  
2865 analysis, (C) income statement, (D) tax data, (E) analysis of leveraging,  
2866 and (F) comparison with industry average or similar analysis. If the  
2867 member business loan is secured by a mortgage on income-producing  
2868 real estate and if the Connecticut credit union relies upon such real  
2869 estate or income production as primary security for the loan, the credit  
2870 union shall also obtain and retain in its files such income projection  
2871 statements, tenants' financial statements and other credit information  
2872 as the credit union deems necessary. The governing board may amend  
2873 the member business loan policy to eliminate the requirement for any  
2874 documentation that the governing board determines is not generally  
2875 available for a particular type of member business loan provided the  
2876 reasons for such determination are stated in such amendment;

2877 (10) The collateral requirements which shall include: (A) Loan-to-

2878 value ratios, (B) determination of value, (C) determination of  
2879 ownership, (D) steps to secure various types of collateral, and (E)  
2880 frequency of re-evaluation of value and marketability of collateral;

2881 (11) The interest rates and maturities of member business loans;

2882 (12) General member business loan procedures which shall include:  
2883 (A) Loan monitoring, (B) servicing and administering, and (C)  
2884 collection; and

2885 (13) Guidelines for purchase and sale of member business loans and  
2886 loan participation if the credit union intends to engage in such activity.

2887 (d) A Connecticut credit union shall not grant a member business  
2888 loan if any additional income received by such credit union or a  
2889 member of the senior management is tied to the profit or sale of the  
2890 business or commercial endeavor for which the loan is made.

2891 (e) Member business loans made to an insider are subject to the  
2892 provisions of section 51 of this act.

2893 (f) A Connecticut credit union may make unsecured member  
2894 business loans provided:

2895 (1) The aggregate of unsecured net outstanding member business  
2896 loan balances to any one member or associated members shall not  
2897 exceed the lesser of one hundred thousand dollars or two and one-half  
2898 per cent of the credit union's net worth;

2899 (2) The aggregate of all unsecured net outstanding member business  
2900 loan balances shall not exceed ten per cent of the credit union's net  
2901 worth;

2902 (3) The credit union has a net worth of at least seven per cent; and

2903 (4) The credit union submits quarterly reports to the Commissioner  
2904 of Banking providing numbers and such other detail as may be  
2905 required by the Commissioner of Banking to demonstrate compliance  
2906 with this section.

2907 (g) The aggregate amount of secured and unsecured net outstanding  
2908 member business loan balances to any one member or associated  
2909 members shall not exceed the greater of one hundred thousand dollars  
2910 or fifteen per cent of the credit union's net worth. The Commissioner of  
2911 Banking may waive this limit subject to the provisions of subsection (l)  
2912 of this section.

2913 (h) (1) The aggregate amount of secured and unsecured net  
2914 outstanding member business loan balances shall be limited to the  
2915 lesser of twelve and one-quarter per cent of the Connecticut credit  
2916 union's total assets or one and three-quarters times the Connecticut  
2917 credit union's net worth. The Commissioner of Banking may grant an  
2918 exception to the aggregate limit upon written request from a  
2919 Connecticut credit union and submission of documentation evidencing  
2920 that one of the following three criteria have been met:

2921 (A) The credit union serves predominantly low-income members, as  
2922 defined in subsection (f) of section 54 of this act;

2923 (B) The credit union participates in the Community Development  
2924 Financial Institutions Program, 12 CFR Part 1805, as from time to time  
2925 amended; or

2926 (C) The credit union is established for the purpose of making  
2927 member business loans, as supported by its bylaws, business plan,  
2928 field of membership, minutes of the governing board and loan  
2929 portfolio.

2930 (2) The Commissioner of Banking shall notify the Connecticut credit  
2931 union and the National Credit Union Administration of the  
2932 Commissioner of Banking's decision on the request for an exception  
2933 not later than forty-five days from such request. An exception, if  
2934 granted, shall be revoked by the Commissioner of Banking if the  
2935 Connecticut credit union ceases to qualify under subparagraph (A), (B)  
2936 or (C) of subdivision (1) of this subsection, or for reasons of safety and  
2937 soundness.

2938 (i) Unless waived by the Commissioner of Banking under  
2939 subsection (l) of this section, a member business loan that is a  
2940 construction loan is subject to the following additional requirements:

2941 (1) The aggregate of all construction loans shall not exceed fifteen  
2942 per cent of the net worth of the Connecticut credit union;

2943 (2) The borrower shall have at least a thirty-five per cent equity  
2944 interest in the real estate being developed or acquired and developed;  
2945 and

2946 (3) The loan proceeds shall be released only after on-site, written  
2947 inspections by qualified personnel and in accordance with a pre-  
2948 approved draw schedule and any other conditions as set forth in the  
2949 loan documentation.

2950 (j) Unless waived by the Commissioner of Banking under subsection  
2951 (l) of this section, the loan-to-value ratio for a member business loan  
2952 secured by a first lien shall not exceed eighty per cent unless the value  
2953 in excess of eighty per cent is covered through private mortgage or  
2954 equivalent insurance, or is insured or guaranteed or subject to advance  
2955 commitment to purchase by an agency of the federal government, or of  
2956 a state or any of the political subdivisions of such state, but in no case  
2957 shall the loan-to-value ratio exceed ninety-five per cent.

2958 (k) The loan-to-value ratio for any member business loan secured by  
2959 a second or lesser priority lien shall not exceed eighty per cent unless  
2960 the credit union holds the first lien and the value in excess of eighty  
2961 per cent is covered through private mortgage or equivalent insurance,  
2962 or is insured or guaranteed or subject to advance commitment to  
2963 purchase by an agency of the federal government, or of a state or any  
2964 of the political subdivisions of such state, in which case the loan-to-  
2965 value ratio of such member business loan shall not exceed ninety-five  
2966 per cent.

2967 (l) A Connecticut credit union may request a waiver of the  
2968 limitations set forth in subsections (g), (i) and (j) of this section by

2969 submitting the following documentation to the Commissioner of  
2970 Banking: (1) A copy of the member business loan policy; (2) a  
2971 statement of the higher limit sought, if applicable; (3) an explanation of  
2972 the need to raise the limit or change the appraisal requirement, as  
2973 applicable; (4) documentation to support the credit union's ability to  
2974 manage the activity; (5) an analysis of the credit union's prior  
2975 experience in making member business loans, including: (A) The  
2976 history of loan losses and loan delinquency, (B) volume and cyclical or  
2977 seasonal patterns, (C) diversification, (D) concentrations of credit to  
2978 one member or associated members in excess of fifteen per cent of the  
2979 credit union's net worth, (E) underwriting standards and practices, (F)  
2980 types or categories of loans grouped by purpose and collateral, and (G)  
2981 the qualifications of individuals responsible for processing, approving  
2982 and administering member business loans. The Commissioner of  
2983 Banking will provide a copy of the waiver request to Region 1 of the  
2984 National Credit Union Administration and will consult and seek to  
2985 work cooperatively with Region 1 in making a decision on the request.  
2986 The Commissioner of Banking may grant or deny the waiver within  
2987 sixty days of receipt of the request.

2988 (m) Member business loans shall be subject to the appraisal  
2989 requirements of 12 CFR Part 722.3, as from time to time amended,  
2990 provided the credit union may request a waiver of such appraisal  
2991 requirements in accordance with the applicable provisions of  
2992 subsection (l) of this section. Such waiver request shall not become  
2993 effective until written approval has been granted by both the  
2994 Commissioner of Banking and the National Credit Union  
2995 Administration.

2996 (n) The Commissioner of Banking may lower any limit provided in  
2997 this section, revoke any waiver granted under this section or revoke  
2998 the credit union's approval to make member business loans if the  
2999 credit union's policies or practices violate safe and sound lending  
3000 principles.

3001 (o) Member business loans shall be identified in the aggregate on a

3002 Connecticut credit union's financial statements provided each type or  
3003 category of member business loan shall be separately identified in the  
3004 credit union's records.

3005 Sec. 60. (NEW) (*Effective October 1, 2002*) (a) The governing board of  
3006 a Connecticut credit union shall adopt and implement a written  
3007 investment policy governing investments made pursuant to this  
3008 section and securities trading, if any. No Connecticut credit union shall  
3009 make any investment pursuant to this section unless the purchase and  
3010 holding of such investment is consistent with such policy. The policy  
3011 shall establish standards for the making of prudent investments which  
3012 shall include (1) the rating of individual investments by nationally  
3013 recognized rating services, if any, and (2) standards for diversification  
3014 of the credit union's investment portfolio among industry categories.  
3015 The policy shall provide for the frequent and periodic review by the  
3016 credit union of investments made pursuant to the policy and shall  
3017 provide for the reasonable and expeditious divestiture of investments  
3018 which the governing board, upon its review, no longer deems prudent  
3019 or consistent with the credit union's investment policy. The investment  
3020 policy and any investment made pursuant to the policy shall be subject  
3021 to the supervision of the Commissioner of Banking concerning safe  
3022 and sound credit union practices.

3023 (b) The investment officer or investment committee, if any, shall act  
3024 for the governing board between meetings of the governing board in  
3025 all matters involving investment of funds pursuant to this section.  
3026 Such investment officer or committee shall report to the governing  
3027 board at each of its regular meetings, during which the governing  
3028 board shall review all investments made pursuant to this section, as  
3029 well as details of any securities trading engaged in by such credit  
3030 union. The minutes of the governing board meetings shall recite the  
3031 results of each such review. The governing board shall cause the credit  
3032 union to use reasonable efforts to divest as expeditiously as possible  
3033 any investment which the governing board, upon its review, no longer  
3034 deems prudent or consistent with the Connecticut credit union's  
3035 investment policy.

3036 (c) A Connecticut credit union may invest its funds, which are not  
3037 committed to loans to members in: (1) Securities, obligations, or other  
3038 instruments of, or issued by, or fully guaranteed as to principal and  
3039 interest by the United States or any of its agencies or instrumentalities,  
3040 or in any trusts established for investing directly or collectively in such  
3041 instruments; (2) general obligations and revenue obligations of any  
3042 state or territory of the United States, or any political subdivision  
3043 thereof, provided such obligations are rated in the three highest rating  
3044 categories by a rating service of such obligations recognized by the  
3045 Commissioner of Banking and no more than ten per cent of total assets  
3046 may be invested in any one issuer; (3) obligations or other instruments  
3047 or securities of the Student Loan Marketing Association; (4) federal  
3048 funds, shares, share certificates or other share deposits of any other  
3049 Connecticut credit union, federal credit union or out-of-state credit  
3050 union whose share accounts or deposits are insured by the National  
3051 Credit Union Administration, or its successor agency; (5) loans not  
3052 exceeding twenty per cent of the lending credit union's total assets to  
3053 any other Connecticut credit union, federal credit union or out-of-state  
3054 credit union; (6) federal funds of or deposit accounts with a  
3055 Connecticut bank, federal bank or out-of-state bank the accounts of  
3056 which are insured by the Federal Deposit Insurance Corporation or its  
3057 successor agency; (7) shares of, deposits with or loans to any federal  
3058 reserve bank or any central liquidity facility established under state or  
3059 federal law; (8) shares of, deposits with or loans to any corporate  
3060 Connecticut credit union, corporate federal credit union or corporate  
3061 out-of-state credit union; (9) shares of stock or obligations of or loans  
3062 to a national or state credit union association or credit union  
3063 corporation of which the credit union is a member, provided such  
3064 investment does not constitute a controlling interest in such association  
3065 or corporation or does not in the aggregate exceed one per cent of the  
3066 total assets of the credit union; (10) real estate and improvements  
3067 thereon, furniture, fixtures and equipment for the present or future use  
3068 of the credit union, provided such investment may not in the  
3069 aggregate exceed five per cent of the total assets of the credit union  
3070 without the written approval of the Commissioner of Banking; (11)

3071 debt mutual funds and equity mutual funds, provided the portfolios of  
3072 such mutual funds consist solely of investments described in  
3073 subdivisions (1) to (3), inclusive, of this subsection; (12) fixed or  
3074 variable rate asset-backed securities, collateralized mortgage  
3075 obligations and real estate mortgage investment conduits, except  
3076 stripped mortgage-backed securities, residual interests, mortgage  
3077 servicing rights, commercial mortgage related securities or small  
3078 business-related securities; (13) money market funds rated in the three  
3079 highest rating categories by a rating service of such funds recognized  
3080 by the Commissioner of Banking; (14) repurchase agreements and  
3081 reverse repurchase agreements provided (A) the underlying securities  
3082 are legal investments for Connecticut credit unions, (B) the  
3083 Connecticut credit union receives a daily assessment of the market  
3084 value of the underlying securities, including accrued interest, and  
3085 maintains an adequate margin that reflects a risk assessment of the  
3086 underlying securities and the term of the agreement, and (C) the  
3087 Connecticut credit union has entered into signed contracts with all  
3088 approved counterparties; and (15) Yankee dollar deposits, Eurodollar  
3089 deposits, banker's acceptances, deposit notes and bank notes with  
3090 original weighted average maturities of less than five years and issued  
3091 by a Connecticut bank, federal bank or out-of-state bank.

3092 (d) A Connecticut credit union may, subject to the provisions of  
3093 subsections (e) and (f) of section 62 of this act, invest its funds in or  
3094 make loans to credit union service organizations provided (1) the total  
3095 of any such investment in or loan to any one credit union service  
3096 organization does not exceed two per cent of the total assets of the  
3097 credit union without regard to the amount derived from the  
3098 profitability of such credit union service organization, and (2) the  
3099 credit union shall file with the Commissioner of Banking prior written  
3100 notice of its intention to make such investment or loan. The  
3101 Connecticut credit union may make such investment or loan unless the  
3102 Commissioner of Banking disapproves such investment or loan not  
3103 later than thirty business days after the notice is filed.

3104 (e) In addition to other investments authorized by this section, a

3105 Connecticut credit union may, with the prior written approval of the  
3106 Commissioner of Banking, invest its funds in: (1) Debt securities,  
3107 equity securities, debt mutual funds and equity mutual funds without  
3108 regard to any other liability to the Connecticut credit union of the  
3109 maker, obligor, guarantor or issuer of such securities and mutual funds  
3110 provided: (A) The securities and mutual funds are rated in the three  
3111 highest rating categories by a rating service of such securities and  
3112 mutual funds recognized by the Commissioner of Banking or, if not so  
3113 rated, are determined by the credit union's governing board to be a  
3114 prudent investment, (B) the total amount of such securities and mutual  
3115 funds of any one maker, obligor or issuer invested in by a Connecticut  
3116 credit union may not exceed at any time twenty-five per cent of its  
3117 capital, (C) the total amount of such debt securities and debt mutual  
3118 funds may not exceed at any time twenty-five per cent of its total  
3119 assets, (D) the total amount of such equity securities and equity mutual  
3120 funds may not exceed at any time twenty-five per cent of its total  
3121 assets, and (E) a Connecticut credit union may not engage in securities  
3122 trading, including when-issued trading and pair-off transactions  
3123 without additional prior written approval of the Commissioner of  
3124 Banking; and (2) subject to any limitations imposed by the  
3125 Commissioner of Banking, in any other investment the Commissioner  
3126 of Banking deems appropriate in light of such factors as the financial  
3127 condition and strategic goals of the Connecticut credit union and the  
3128 degree of risk inherent in the investment, provided the credit union  
3129 demonstrates that sufficient resources, knowledge, systems and  
3130 procedures are in place to monitor and control the risks involved.

3131 (f) All securities in which a Connecticut credit union invests shall be  
3132 registered in the name of the credit union. Records of securities owned  
3133 by such credit union shall be maintained at the main office of such  
3134 credit union. The records held by such credit union concerning its  
3135 account with any of the depositories or financial institutions holding  
3136 its securities, and the securities registered in its name and held by it,  
3137 shall be subject to inspection at any time during business hours by any  
3138 director, member of senior management or member of the supervisory  
3139 committee of the Connecticut credit union.

3140 (g) As used in this section: (1) "Debt mutual funds" means  
3141 partnership interests in, shares of stock of, units of beneficial interest in  
3142 or other ownership interest in any one investment company registered  
3143 under the Investment Company Act of 1940, as from time to time  
3144 amended, commonly described as mutual funds, money market funds,  
3145 investment trusts or business trusts, provided the portfolios of such  
3146 investment companies consist solely of investments described in  
3147 subdivision (3) of this subsection.

3148 (2) "Equity mutual funds" means partnership interests in, shares of  
3149 stock of, units of beneficial interest in or other ownership interest in  
3150 any one investment company which is registered under the Investment  
3151 Company Act of 1940, as from time to time amended, commonly  
3152 described as mutual funds, money market funds, investment trusts or  
3153 business trusts, but excludes debt mutual funds, as defined in  
3154 subdivision (1) of this subsection.

3155 (3) "Debt securities" means (A) any marketable obligation  
3156 evidencing indebtedness of any person in the form of direct, assumed  
3157 or guaranteed bonds, notes or debentures or any security that has  
3158 attributes similar to such marketable obligations; (B) any obligation  
3159 identified by certificates of participation in investments described in  
3160 subparagraph (A) of this subdivision in which a Connecticut credit  
3161 union could invest directly; or (C) repurchase agreements.

3162 (4) "Equity securities" means any stock or similar security, certificate  
3163 of interest or participation in any profit-sharing agreement,  
3164 preorganization certificate or subscription, transferable share, voting  
3165 trust certificate or certificate of deposit for an equity security, limited  
3166 partnership interest, interest in a joint venture or certificate of interest  
3167 in a business trust; or any security convertible, with or without  
3168 consideration, into such a security, or carrying any warrant or right to  
3169 subscribe to or purchase such a security; or any such warrant or right;  
3170 or any put, call, straddle or other option or privilege of buying such a  
3171 security from or selling such a security to another without being bound  
3172 to do so, but excludes debt mutual funds, as defined in subdivision (1)

3173 of this subsection, and equity mutual funds, as defined in subdivision  
3174 (2) of this subsection.

3175 Sec. 61. (NEW) (*Effective October 1, 2002*) (a) A single corporate  
3176 Connecticut credit union may be organized and operated as a  
3177 Connecticut credit union under the provisions of sections 34 to 73,  
3178 inclusive, of this act, and shall be subject to the provisions of said  
3179 sections 34 to 73, inclusive, which are not inconsistent with this section.  
3180 The corporate Connecticut credit union shall use the word "corporate"  
3181 in its official name.

3182 (b) The field of membership of the corporate Connecticut credit  
3183 union shall be limited to Connecticut credit unions, federal credit  
3184 unions, out-of-state credit unions, credit union service organizations,  
3185 organizations and associations of any such member credit unions or  
3186 credit union service organizations, organizations and associations of  
3187 directors or members of senior management of any such member  
3188 credit unions, and subsidiaries of such organizations and associations  
3189 and the natural person organizers of such corporate Connecticut credit  
3190 union. The bylaws of the corporate Connecticut credit union shall  
3191 contain such provisions as are necessary to define classes of  
3192 membership and services that may be provided to members.

3193 (c) Each member of the corporate Connecticut credit union shall be  
3194 represented at any meeting of members by one individual who has  
3195 been duly authorized by such member. Only such individual so  
3196 authorized may cast the vote of the member it represents at such  
3197 meetings.

3198 (d) Any director, general partner, manager, employee or board-  
3199 appointed committee member of any member, and any employee of  
3200 the corporate Connecticut credit union may serve as a director, or  
3201 committee member of the corporate Connecticut credit union subject to  
3202 any additional criteria imposed by the bylaws of the corporate  
3203 Connecticut credit union.

3204 (e) (1) The corporate Connecticut credit union may invest its funds,

3205 which are not committed to loans to members, in accordance with  
3206 section 60 of this act, provided investments in debt securities, as  
3207 defined in section 60 of this act, and credit union service organizations  
3208 shall be made in accordance with the investment limits of 12 CFR Part  
3209 704, as from time to time amended, and whenever the National Credit  
3210 Union Administration approval is required under 12 CFR Part 704, as  
3211 from time to time amended, the corporate Connecticut credit union  
3212 shall obtain similar approval from the Commissioner of Banking.

3213 (2) With the approval of the Commissioner of Banking, the  
3214 corporate Connecticut credit union may accept investments from  
3215 member and nonmember financial institutions and such investments  
3216 shall be a part of the paid-in capital of the corporate Connecticut credit  
3217 union, but shall not be deemed to be shares of the corporate  
3218 Connecticut credit union.

3219 (f) Loans to members shall be in accordance with sections 57 to 59,  
3220 inclusive, of this act, provided such loans shall not exceed the lending  
3221 limits of 12 CFR Part 704.7(c), as from time to time amended. Loans  
3222 sold by the corporate Connecticut credit union to the central liquidity  
3223 facility or securities sold subject to repurchase shall not be treated as  
3224 funds borrowed by the corporate Connecticut credit union,  
3225 notwithstanding the recourse rights or repurchase liability inherent in  
3226 such transactions.

3227 (g) (1) The corporate Connecticut credit union may: (A) Borrow  
3228 funds, provided such borrowing shall not exceed the borrowing limits  
3229 of 12 CFR Part 704.9(b), as from time to time amended, (B) become the  
3230 agent member for this state in any central liquidity facility for credit  
3231 unions authorized by federal law, (C) invest in such central liquidity  
3232 facility for such amount as may be required in order to secure for the  
3233 corporate Connecticut credit union and its members full participation  
3234 in the functions of that facility, (D) receive and hold deposits or  
3235 investments of such facility, (E) enter into correspondent relationships  
3236 with other financial institutions and establish and maintain with or  
3237 establish and maintain on such credit union's books for such other

3238 institutions any accounts which are normally required as part of the  
3239 correspondent relationship, (F) establish and maintain one or more  
3240 credit union service organizations as provided in section 62 of this act,  
3241 and (G) provide custodial or safekeeping services to its members for  
3242 securities owned by such members.

3243 (2) The corporate Connecticut credit union shall contribute to  
3244 reserves an amount equal to that required by 12 CFR 704.3(c), as from  
3245 time to time amended.

3246 Sec. 62. (NEW) (*Effective October 1, 2002*) (a) With the approval of the  
3247 Commissioner of Banking and in accordance with subsection (d) of  
3248 section 60 of this act, a Connecticut credit union may establish a  
3249 Connecticut credit union service organization by itself or jointly with  
3250 one or more other Connecticut credit unions, federal credit unions,  
3251 out-of-state credit unions or other federally-insured depository  
3252 institutions within or outside of this state. The establishing  
3253 Connecticut credit union shall file with the Commissioner of Banking  
3254 an application, which shall include a description of the credit union  
3255 service organization services to be engaged in by the Connecticut  
3256 credit union service organization, an explanation of how the proposed  
3257 services are related to credit union services, and any other information  
3258 that the Commissioner of Banking may require. Such credit union  
3259 service organization shall be organized as a corporation, limited  
3260 liability company or limited partnership, provided the establishing  
3261 Connecticut credit union obtains and files together with its application  
3262 a written legal opinion that any such limited liability company or  
3263 limited partnership is established in a manner that will limit potential  
3264 exposure of such Connecticut credit union to no more than the amount  
3265 of funds invested in or lent to the Connecticut credit union service  
3266 organization by such Connecticut credit union.

3267 (b) A Connecticut credit union service organization shall (1) account  
3268 for all transactions in accordance with generally accepted accounting  
3269 principles, (2) prepare quarterly financial statements and obtain an  
3270 annual opinion audit by a licensed certified public accountant on its

3271 financial statements in accordance with generally accepted auditing  
3272 standards, (3) preserve all of its books and records in accordance with  
3273 regulations applicable to Connecticut credit unions adopted by the  
3274 Commissioner of Banking pursuant to chapter 54 of the general  
3275 statutes, (4) provide the Commissioner of Banking with complete  
3276 access to its books, records and internal controls for review, evaluation  
3277 and examination, and (5) pay the actual cost of any such review,  
3278 evaluation or examination conducted by the Commissioner of  
3279 Banking.

3280 (c) A Connecticut credit union service organization may expand its  
3281 credit union service organization services by filing with the  
3282 Commissioner of Banking prior written notice of its intention to  
3283 engage in such expanded services, including a description of the  
3284 proposed expanded services, an explanation of how the proposed  
3285 expansion is related to credit union services, and any other  
3286 information that the Commissioner of Banking may require. The  
3287 Connecticut credit union service organization may expand its services  
3288 unless the Commissioner of Banking disapproves such expansion not  
3289 later than thirty business days after the notice is filed.

3290 (d) A Connecticut credit union service organization shall not acquire  
3291 control, either directly or indirectly, of another depository financial  
3292 institution, nor invest in shares, stocks or obligations of an insurance  
3293 company, trade association, liquidity facility, or similar organization,  
3294 corporation or association.

3295 (e) A Connecticut credit union service organization shall be subject  
3296 to the conservatorship and receivership provisions of sections 36a-215  
3297 to 36a-239, inclusive, of the general statutes.

3298 (f) A Connecticut credit union may invest its funds in or lend to an  
3299 existing credit union service organization in accordance with  
3300 subsection (d) of section 60 of this act.

3301 (g) (1) Prior to investing in or lending to a credit union service  
3302 organization, a Connecticut credit union shall obtain (A) a written

3303 agreement that the credit union service organization will: (i) Account  
3304 for all transactions in accordance with generally accepted accounting  
3305 principles, (ii) prepare quarterly financial statements and obtain an  
3306 annual opinion audit by a licensed certified public accountant on its  
3307 financial statements in accordance with generally accepted auditing  
3308 standards, (iii) provide the Commissioner of Banking with complete  
3309 access to all books and records of the credit union service organization  
3310 and with the ability to review credit union service organization  
3311 internal controls, as the Commissioner of Banking deems necessary,  
3312 and (iv) pay the actual cost of any examination conducted by the  
3313 Commissioner of Banking; and (B) a written legal opinion that the  
3314 credit union service organization is established as a corporation,  
3315 limited partnership or limited liability company and the potential  
3316 exposure of the Connecticut credit union is limited to no more than the  
3317 loss of funds invested in or lent to the credit union service  
3318 organization. In order for a Connecticut credit union to maintain its  
3319 investment in or loan to a credit union service organization that plans  
3320 to change its form of organization, the Connecticut credit union shall  
3321 obtain a written legal opinion that the credit union service  
3322 organization will continue in such form that will limit potential  
3323 exposure to the Connecticut credit union to no more than the loss of  
3324 funds invested in or lent to the credit union service organization.

3325 (2) If the Commissioner of Banking determines that a Connecticut  
3326 credit union's investments in or loans to any credit union service  
3327 organization exceed the limitations of this section or subsection (d) of  
3328 section 60 of this act, or is otherwise not prudent for the Connecticut  
3329 credit union to maintain, the Commissioner of Banking may require  
3330 the Connecticut credit union to divest such loans or investments.

3331 (h) In connection with providing credit union service organization  
3332 services, a Connecticut credit union service organization may invest in  
3333 service providers. Any such investment shall be limited to the amount  
3334 required by the service provider to obtain its services.

3335 (i) A Connecticut credit union may, in order to obtain credit union

3336 service organization services or to provide credit union service  
3337 organization services to its members, or to enable its members to  
3338 conduct transactions through a credit union service organization,  
3339 whether or not it establishes, invests its funds in or lends to a credit  
3340 union service organization pursuant to subsection (a) or (f) of this  
3341 section, enter into agreements with and pay appropriate fees and  
3342 service charges to a credit union service organization.

3343 (j) As frequently as the Commissioner of Banking deems  
3344 appropriate or necessary, the Commissioner of Banking may conduct  
3345 an examination of the records and books of a Connecticut credit union  
3346 service organization or a credit union service organization in which a  
3347 Connecticut credit union has invested or to which it has lent funds.

3348 (k) Each Connecticut credit union service organization and each of  
3349 its directors, officers, managers, general partners, employees and  
3350 authorized agent of a Connecticut credit union service organization  
3351 who has charge or possession of the funds, securities or other assets of  
3352 such credit union service organization shall be bonded by a surety  
3353 company authorized to do business in this state. Such bond shall be in  
3354 favor of the Connecticut credit union service organization and in such  
3355 amount as is approved by the board of directors, managers or general  
3356 partners of the credit union service organization, which amount the  
3357 Commissioner of Banking may require to be increased for reasons of  
3358 safety and soundness. A copy of each such bond and any renewal  
3359 thereof or premium receipt therefor shall be promptly filed with the  
3360 Commissioner of Banking by the Connecticut credit union service  
3361 organization.

3362 Sec. 63. (NEW) (*Effective October 1, 2002*) (a) No Connecticut credit  
3363 union shall establish a branch in this state or outside of this state unless  
3364 prior to such establishment the credit union has filed with the  
3365 Commissioner of Banking an application to establish a branch and  
3366 such application has not been disapproved by the Commissioner of  
3367 Banking not later than thirty days after the application has been filed  
3368 with the Commissioner of Banking.

3369 (b) The Commissioner of Banking may disapprove an application to  
3370 establish a branch if the Commissioner of Banking finds that: (1)  
3371 Establishment of the proposed branch is inconsistent with safety and  
3372 soundness; (2) establishment of the proposed branch is inconsistent  
3373 with the Connecticut credit union's field of membership; (3) in the case  
3374 of a Connecticut credit union whose membership is limited to persons  
3375 with a single common bond or multiple common bond, establishment  
3376 of the proposed branch will result in an impermissible overlap with  
3377 the field of membership of other credit unions in the town in which the  
3378 branch is to be located; (4) in the case of a Connecticut credit union  
3379 whose membership is limited to a well-defined community,  
3380 neighborhood or rural district, (A) the proposed branch is not  
3381 generally accessible to the public, (B) the establishment of the  
3382 proposed branch will result in an oversaturation of financial  
3383 institutions in the town in which the branch is to be located, or (C)  
3384 such credit union does not have a record of compliance with the  
3385 requirements of public act 01-9, as amended by this act; or (5) in the  
3386 case of an out-of-state branch, the laws of such other state do not  
3387 authorize the establishment of such branch.

3388 (c) Except as provided in subsection (b) of this section, a Connecticut  
3389 credit union may establish or operate a branch in the same or  
3390 approximately the same location as another financial institution,  
3391 provided any such institution's insurable accounts or deposits are  
3392 federally insured.

3393 (d) (1) A Connecticut credit union that proposes to close a branch  
3394 within or outside of this state shall submit to the Commissioner of  
3395 Banking a notice of the proposed closing as soon as possible but not  
3396 less than thirty days prior to the closing date. The notice shall include a  
3397 detailed statement of the reasons for the decision to close the branch.

3398 (2) The Connecticut credit union shall provide notice of the  
3399 proposed closing to its members by:

3400 (A) Posting such notice in a conspicuous manner on the premises of  
3401 the branch proposed to be closed at least thirty days prior to the

3402 closing, and

3403 (B) Including such notice in at least one regular account statement  
3404 mailed to its members who utilize the branch proposed to be closed, or  
3405 in a separate mailing to such members at least thirty days prior to the  
3406 closing date.

3407 (e) With the approval of the Commissioner of Banking, any  
3408 Connecticut credit union may relocate any branch within this state in  
3409 accordance with such notice and other requirements as the  
3410 Commissioner of Banking may prescribe. As used in this subsection,  
3411 "relocate" means to move within the same immediate neighborhood  
3412 without substantially affecting the nature of the business or members  
3413 served.

3414 (f) The Commissioner of Banking may examine and supervise the  
3415 out-of-state branches of any Connecticut credit union and may enter  
3416 into agreements with other state or federal credit union regulators  
3417 concerning such examination or supervision.

3418 Sec. 64. (NEW) (*Effective October 1, 2002*) (a) (1) An out-of-state, state-  
3419 chartered credit union may, with the prior written approval of the  
3420 Commissioner of Banking, establish a branch in this state, provided the  
3421 laws of such state authorize under conditions no more restrictive than  
3422 those imposed by the laws of this state as determined by the  
3423 Commissioner of Banking, a Connecticut credit union to establish a  
3424 branch in that state. The Commissioner of Banking shall not grant  
3425 approval unless the Commissioner of Banking determines that such  
3426 out-of-state credit union: (A) Is financially solvent; (B) maintains share  
3427 insurance as required under the Federal Credit Union Act; and (C) is  
3428 effectively examined and supervised by an official of the state in which  
3429 it is chartered. The Commissioner of Banking may disapprove the  
3430 establishment of any such branch if any of the reasons specified in  
3431 subsection (b) of section 63 of this act, if applied to an out-of-state  
3432 state-chartered credit union, exists. An out-of-state, state-chartered  
3433 credit union that has established a branch in this state may, with the  
3434 approval of the Commissioner of Banking, establish additional

3435 branches in this state in accordance with this section.

3436 (2) An out-of-state, federally-chartered credit union may, with prior  
3437 written notice to the Commissioner of Banking, establish a branch or  
3438 additional branches in this state. A federal credit union may, with  
3439 prior written notice to the Commissioner of Banking, establish  
3440 additional branches in this state.

3441 (b) The Commissioner of Banking may examine and supervise the  
3442 Connecticut branches of any out-of-state, state-chartered credit union  
3443 and may enter into agreements with other state credit union regulators  
3444 concerning such examinations or supervision.

3445 (c) The Commissioner of Banking may, after giving notice and an  
3446 opportunity to be heard to any out-of-state, state-chartered credit  
3447 union, revoke or suspend the approval given to such out-of-state credit  
3448 union to establish a branch in this state for any reason that would be  
3449 sufficient grounds to deny an application to establish a branch in this  
3450 state.

3451 Sec. 65. (NEW) (*Effective October 1, 2002*) (a) The Commissioner of  
3452 Banking may require any out-of-state, state-chartered or federally-  
3453 chartered credit union that maintains a branch in this state pursuant to  
3454 section 64 of this act, to submit an annual audit report to the  
3455 Commissioner of Banking.

3456 (b) An out-of-state, state-chartered or federally-chartered credit  
3457 union that maintains a branch in this state that is required under  
3458 federal law to submit a net worth restoration plan to the board of the  
3459 National Credit Union Administration shall simultaneously submit an  
3460 executed copy of such plan to the Commissioner of Banking.

3461 Sec. 66. (NEW) (*Effective October 1, 2002*) (a) With the approval of the  
3462 Commissioner of Banking, a Connecticut credit union may relocate its  
3463 main office anywhere within the state.

3464 (b) The Commissioner of Banking, before granting an approval  
3465 under subsection (a) of this section, shall consider: (1) The field of

3466 membership of the Connecticut credit union to be served by the  
3467 proposed relocation of the main office of the Connecticut credit union;  
3468 (2) the adequacy of the current main office of the Connecticut credit  
3469 union; (3) the economic need for and cost of such proposed relocation;  
3470 and (4) the convenience and necessity to the field of membership of the  
3471 proposed relocation.

3472       Sec. 67. (NEW) (*Effective October 1, 2002*) (a) With the approval of the  
3473 Commissioner of Banking, a Connecticut credit union may merge with  
3474 a Connecticut credit union, a federal credit union or an out-of-state  
3475 credit union in accordance with the requirements of this section. In the  
3476 case of a merger with an out-of-state state-chartered credit union  
3477 where the resulting institution is the out-of-state state-chartered credit  
3478 union, the Commissioner of Banking may not approve such merger  
3479 unless such out-of-state credit union maintains share insurance as  
3480 required by the Federal Credit Union Act and the laws of the  
3481 chartering state of such credit union authorize, under conditions no  
3482 more restrictive than those imposed by the laws of this state as  
3483 determined by the Commissioner of Banking, a Connecticut credit  
3484 union to merge with a credit union chartered in that state. Any federal  
3485 credit union or out-of-state federally-chartered credit union proposing  
3486 to merge with a Connecticut credit union shall comply with all federal  
3487 laws to effect the merger and shall file proof of such compliance with  
3488 the Commissioner of Banking and any additional information that the  
3489 Commissioner of Banking may require. Any out-of-state state-  
3490 chartered credit union proposing to merge with a Connecticut credit  
3491 union shall comply with all laws of its chartering state to effect the  
3492 merger and shall file proof of such compliance with the Commissioner  
3493 of Banking and any additional information that the Commissioner of  
3494 Banking may require.

3495       (1) The governing boards of the credit unions proposing to merge  
3496 shall (A) adopt by majority vote a plan of merger, which shall set forth  
3497 the name of each credit union proposing to merge and that of the  
3498 resulting credit union, and the terms and conditions of the proposed  
3499 merger, including the proposed field of membership of the resulting

3500 credit union; (B) enter into a merger agreement; (C) file with the  
3501 Commissioner of Banking an application in accordance with  
3502 subdivision (2) of this subsection; and (D) in the case of a terminating  
3503 Connecticut credit union, submit the plan of merger to its members in  
3504 accordance with subdivision (3) of this subsection.

3505 (2) The credit unions proposing to merge shall file an application  
3506 with the Commissioner of Banking. Such application shall include (A)  
3507 the plan of merger and a copy of the minutes of each of the governing  
3508 boards adopting the plan of merger; (B) the merger agreement; (C) an  
3509 original proposed certificate of amendment to the resulting credit  
3510 union's certificate of incorporation and proposed amended bylaws, if  
3511 applicable; (D) financial statements of the merging credit unions and a  
3512 pro forma financial statement of the resulting institution; (E) in the  
3513 case of a terminating Connecticut credit union, a proposed written  
3514 notice to its members of the date, time and place of the meeting at  
3515 which its members shall vote on the plan of merger and a proposed  
3516 form of any ballot and proxy; (F) information addressing the  
3517 considerations required under subsection (b) of this section; and (G)  
3518 such additional information as the Commissioner of Banking may  
3519 require.

3520 (3) A terminating Connecticut credit union shall give written notice  
3521 of the date, time and place of the meeting at which its members shall  
3522 vote on the plan of merger. Such notice shall state that the purpose of  
3523 the meeting is to consider the plan of merger and contain or be  
3524 accompanied by a copy or summary of the plan. The notice shall be  
3525 hand-delivered or mailed to each member at such member's last-  
3526 known address as shown on the records of the credit union not less  
3527 than thirty nor more than fifty days prior to the date of the meeting.  
3528 Unless waived by the Commissioner of Banking in accordance with  
3529 subdivision (2) of subsection (b) of this subsection, the affirmative vote  
3530 of two-thirds of the members of the terminating Connecticut credit  
3531 union voting on the plan of merger shall be required for approval of  
3532 the merger. The terminating Connecticut credit union shall file with  
3533 the Commissioner of Banking a verified statement that the merger has

3534 been duly noticed and approved by its members in accordance with  
3535 this subdivision.

3536 (b) (1) The Commissioner of Banking shall not approve a merger  
3537 pursuant to this section unless the Commissioner of Banking considers  
3538 whether (A) the merging credit unions have engaged in any unsafe or  
3539 unsound practice during the one-year period preceding the date on  
3540 which the merger application is filed with the Commissioner of  
3541 Banking; (B) the resulting credit union will be adequately capitalized;  
3542 (C) the resulting credit union will have the managerial capability and  
3543 the financial resources to serve the proposed membership; (D) the  
3544 proposed merger will substantially lessen competition in the  
3545 Connecticut credit union industry; and (E) the proposed merger will  
3546 have a beneficial effect in meeting the convenience and needs of the  
3547 proposed membership.

3548 (2) The Commissioner of Banking may approve a merger pursuant  
3549 to this section without regard to field of membership or may waive the  
3550 membership vote if the Commissioner of Banking certifies in writing  
3551 that based on the information available to the Commissioner of  
3552 Banking, one or more of the Connecticut credit unions proposing to  
3553 merge are or will be in a doubtful or failing financial condition, other  
3554 alternatives to the merger are not reasonably available to protect the  
3555 credit unions' members and creditors, or an emergency requiring  
3556 expeditious action exists, which certification shall be attached to the  
3557 Commissioner of Banking's approval.

3558 (3) If the Commissioner of Banking is satisfied that the requirements  
3559 of this act have been complied with, the Commissioner of Banking  
3560 shall issue an approval of the merger, which approval may contain  
3561 such terms and conditions as the Commissioner of Banking deems  
3562 necessary or appropriate. After approval of the merger by the  
3563 Commissioner of Banking, the resulting credit union shall file a copy  
3564 of the merger agreement, the plan of merger, the certificate of  
3565 amendment to its certificate of incorporation, if any, and the  
3566 Commissioner of Banking's approval in the office of the Secretary of

3567 the State. Within ten days after such documents are filed with the  
3568 Secretary of the State, the resulting credit union shall file with the  
3569 Commissioner of Banking copies of such filed documents, and in the  
3570 case of a Connecticut credit union that is the resulting credit union, a  
3571 copy of its amended bylaws, if any. The merger shall become effective  
3572 on the first business day following the filing in the office of the  
3573 Secretary of the State.

3574 (c) Upon the effective date of the merger, (1) the corporate existence  
3575 of the parties to the merger shall be continued by and in the resulting  
3576 credit union; (2) the entire assets, business, good will and franchises of  
3577 each of the parties to the merger shall be vested in the resulting credit  
3578 union without any deed, endorsement or other instrument of transfer;  
3579 and (3) all of the debts, obligations and liabilities of the parties to the  
3580 merger shall be assumed by the resulting credit union.

3581 Sec. 68. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
3582 union that has been in existence and continuously operating for at least  
3583 five years may convert into a federal credit union upon the approval of  
3584 the conversion by the Commissioner of Banking as provided in this  
3585 section.

3586 (b) The Connecticut credit union proposing to convert shall file an  
3587 application with the Commissioner of Banking. Such application shall  
3588 include (A) a plan of conversion adopted by a majority vote of the  
3589 governing board and a copy of the governing board's resolution  
3590 adopting the plan of conversion, (B) a proposed written notice of the  
3591 date, time and place of a regular or special meeting of the members of  
3592 the converting Connecticut credit union for the vote on the proposed  
3593 conversion, including a proposed form of any proxy and mail ballot,  
3594 (C) proof of compliance with all applicable federal laws to effect the  
3595 conversion, and (D) any additional information as the Commissioner  
3596 of Banking may require.

3597 (c) The converting Connecticut credit union shall give written notice  
3598 of the date, time and place of the meeting at which the plan of  
3599 conversion is to be considered, which notice shall be hand-delivered or

3600 mailed to each member of the converting Connecticut credit union at  
3601 such member's last-known address as shown on the records of such  
3602 Connecticut credit union not less than thirty nor more than fifty days  
3603 prior to the date of the meeting.

3604 (d) Each member of the converting Connecticut credit union may  
3605 cast one vote on the proposed plan of conversion. The affirmative vote  
3606 of two-thirds of all the members voting, including those votes cast in  
3607 person and those ballots properly completed and received by the  
3608 credit union prior to the time of the meeting, shall be required for  
3609 approval of the proposed conversion. A statement of the results of the  
3610 vote, verified by the secretary of the meeting, shall be filed with the  
3611 Commissioner of Banking within ten days after the meeting.

3612 (e) The Commissioner of Banking shall approve a conversion under  
3613 this section if the Commissioner of Banking determines that the  
3614 converting credit union has complied with the requirements of  
3615 sections 34 to 73, inclusive, of this act.

3616 (f) Promptly after receipt of the Commissioner of Banking's  
3617 approval and in no event later than ninety days thereafter, the  
3618 converting Connecticut credit union shall take such action as may be  
3619 necessary under the applicable federal law to make it a federal credit  
3620 union. Within ten days after the converting Connecticut credit union  
3621 receives a federal credit union charter and a certificate of insurance,  
3622 such credit union shall file with the Commissioner of Banking a copy  
3623 of the federal charter and certificate of insurance.

3624 (g) The converting credit union shall, within ninety days after the  
3625 receipt of a charter as a federal credit union: (A) File with the Secretary  
3626 of the State a certificate, signed by any two officers under oath stating  
3627 that the credit union has converted to a federal credit union pursuant  
3628 to this section; (B) obtain from the Secretary of the State one or more  
3629 certified copies of the certificate and the Commissioner of Banking's  
3630 approval; and (C) record the certified copies in the office of the town  
3631 clerk of each town in this state where such credit union owns real  
3632 property.

3633 (h) The converted federal credit union possesses all of the rights,  
3634 privileges and powers granted to it by its federal charter, and all of the  
3635 assets, business and good will of the converting institution are  
3636 transferred to and vested in it without any deed or instrument of  
3637 conveyance provided the converting credit union may execute any  
3638 deed or instrument of conveyance as is convenient to confirm such  
3639 transfer. The converted credit union is subject to all of the duties,  
3640 relations, obligations, trusts and liabilities of the converting credit  
3641 union, whether as debtor, depository, registrar, transfer agent,  
3642 executor, administrator, trustee or otherwise, and is liable to pay and  
3643 discharge all such debts and liabilities, to perform all such duties and  
3644 to administer all such trusts in the same manner and to the same extent  
3645 as if the converted credit union had itself incurred the obligation or  
3646 liability or assumed the duty, relation or trust. All rights of creditors of  
3647 the converting credit union and all liens upon the property of such  
3648 institution are preserved unimpaired and the converted credit union is  
3649 entitled to receive, accept, collect, hold and enjoy any and all gifts,  
3650 bequests, devises, conveyances, trusts and appointments in favor of or  
3651 in the name of the converting credit union and whether made or  
3652 created to take effect prior to or after the conversion.

3653 Sec. 69. (NEW) (*Effective October 1, 2002*) (a) A federal credit union or  
3654 an out-of-state credit union may convert into a Connecticut credit  
3655 union by (1) complying with all federal requirements or requirements  
3656 of the chartering state for conversion; (2) filing with the Commissioner  
3657 of Banking proof of such compliance; and (3) filing with the  
3658 Commissioner of Banking an application which shall include: (A) A  
3659 plan of conversion and a copy of the governing board's resolution  
3660 adopting the plan of conversion, (B) a three-year business plan,  
3661 including pro forma financial statements, (C) a copy of the proposed  
3662 certificate of incorporation signed by the proposed directors and a  
3663 copy of the proposed bylaws, (D) information addressing the  
3664 determinations contained in subsection (b) of this section, and (E) any  
3665 additional information as the Commissioner of Banking may require.

3666 (b) When the Commissioner of Banking has been satisfied that all of

3667 the requirements of subsection (a) of this section, and all other  
3668 requirements of sections 34 to 73, inclusive, of this act, have been  
3669 complied with, and the Commissioner of Banking determines that (1)  
3670 the conversion would serve the economic needs of the proposed field  
3671 of membership and is in accordance with sound credit union practices,  
3672 (2) the converting credit union will have the managerial capacity and  
3673 the financial resources to serve the proposed membership group, and  
3674 (3) the converting credit union has adequate net worth to meet all  
3675 applicable regulatory requirements, the Commissioner of Banking  
3676 shall (A) issue an approval of the conversion, which may contain such  
3677 conditions as the Commissioner of Banking may require, and (B) issue  
3678 a certificate of authority to engage in the business of a Connecticut  
3679 credit union.

3680 (c) The converting credit union shall promptly file and record the  
3681 approval, its certificate of incorporation and the certificate of authority  
3682 with the Secretary of the State. Upon such filing and recording, the  
3683 federal credit union or out-of-state credit union shall become a  
3684 Connecticut credit union as of the date it ceases to be a federal credit  
3685 union or out-of-state credit union. A copy of the converting credit  
3686 union's certificate of incorporation and the certificate of authority,  
3687 certified by the Secretary of the State, shall be filed with the  
3688 Commissioner of Banking within ten days of the filing of such  
3689 documents.

3690 (d) The converted Connecticut credit union possesses all of the  
3691 rights, privileges and powers granted to it by its certificate of  
3692 incorporation, and all of the assets, business and good will of the  
3693 converting credit union are transferred to and vested in it without any  
3694 deed or instrument of conveyance provided the converting credit  
3695 union may execute any deed or instrument of conveyance as is  
3696 convenient to confirm such transfer. The converted credit union is  
3697 subject to all of the duties, relations, obligations, trusts and liabilities of  
3698 the converting credit union, whether as debtor, depository, registrar,  
3699 transfer agent, executor, administrator, trustee or otherwise, and is  
3700 liable to pay and discharge all such debts and liabilities, to perform all

3701 such duties and to administer all such trusts in the same manner and  
3702 to the same extent as if the converted credit union had itself incurred  
3703 the obligation or liability or assumed the duty, relation or trust. All  
3704 rights of creditors of the converting credit union and all liens upon the  
3705 property of such credit union are preserved unimpaired and the  
3706 converted institution is entitled to receive, accept, collect, hold and  
3707 enjoy any and all gifts, bequests, devises, conveyances, trusts and  
3708 appointments in favor of or in the name of the converting credit union  
3709 and whether made or created to take effect prior to or after the  
3710 conversion.

3711 (e) Within ninety days of conversion, the Connecticut credit union  
3712 shall record a certificate, signed by any two officers stating that the  
3713 conversion is effective, in the office of the town clerk in each town in  
3714 this state where the Connecticut credit union owns real property.

3715 Sec. 70. (NEW) (*Effective October 1, 2002*) (a) (1) Any Connecticut  
3716 credit union or federal credit union may convert into a mutual savings  
3717 bank, a mutual savings and loan association, or a mutual community  
3718 bank, as defined in subsection (r) of section 36a-70 of the general  
3719 statutes, as amended, in accordance with the provisions of this section.

3720 (2) Any conversion of a federal credit union pursuant to this section  
3721 shall be authorized only if permitted by federal law and shall be  
3722 subject to all requirements prescribed by federal law.

3723 (3) The converting credit union shall file with the Commissioner of  
3724 Banking: (A) A proposed plan of conversion which shall include  
3725 current financial reports, current delinquent loan schedules, a  
3726 combined financial report if applicable, a proposed business plan, a  
3727 three-year financial forecast prepared by a certified public accounting  
3728 firm or other professional firm approved by the commissioner,  
3729 analyses of the regulatory effect of the conversion brought about by a  
3730 change in the regulator, a method and schedule for terminating any  
3731 nonconforming activities that would result from such conversion; (B) a  
3732 copy of the proposed certificate of incorporation and proposed bylaws;  
3733 and (C) a certificate by the secretary of the converting credit union that

3734 the proposed conversion has been approved by the governing board  
3735 and the members, in accordance with subdivision (4) of this subsection  
3736 in the case of a converting Connecticut credit union, and in accordance  
3737 with federal law in the case of a converting federal credit union.

3738 (4) In the case of a converting Connecticut credit union, the plan of  
3739 conversion shall require the approval of a majority of the governing  
3740 board. After approving the plan of conversion, the governing board of  
3741 the converting Connecticut credit union shall establish the date and  
3742 time of a regular or special meeting of members for vote on the  
3743 proposal. Written notice of the meeting at which the proposal is to be  
3744 considered together with a mail ballot and a disclosure statement shall  
3745 be hand-delivered or mailed to each member, at such member's last-  
3746 known address as shown on the records of the converting Connecticut  
3747 credit union, not more than thirty days nor less than fourteen days  
3748 prior to the date of the meeting. The notice, disclosure statement and  
3749 mail ballot shall comply with the requirements of Appendix A to 12  
3750 CFR Part 708a, as from time to time amended, and shall be submitted  
3751 to the commissioner for approval prior to distribution to members.  
3752 Each member of the converting Connecticut credit union may cast one  
3753 vote on the proposal. The affirmative vote of two-thirds of all the  
3754 members voting, including those votes cast in person and those ballots  
3755 properly completed and received by the converting Connecticut credit  
3756 union prior to the time of the meeting, shall be required for approval  
3757 of the conversion.

3758 (b) The commissioner shall not approve the conversion unless the  
3759 commissioner makes the considerations, determinations and findings  
3760 required by subsections (c), (d) and (e) of this section.

3761 (c) The commissioner shall not approve the conversion unless the  
3762 commissioner considers the following factors: (1) The population of  
3763 the area to be served by the proposed mutual Connecticut bank; (2) the  
3764 adequacy of existing banking facilities in the area to be served by the  
3765 proposed mutual Connecticut bank; and (3) the character and  
3766 experience of the proposed directors and officers.

3767 (d) The commissioner shall not approve the conversion unless the  
3768 commissioner determines that: (1) The converting credit union has  
3769 complied with all applicable provisions of law; (2) the converting  
3770 credit union has equity capital at least equal to the minimum equity  
3771 capital required for the organization of the type of mutual Connecticut  
3772 bank to which it is converting; (3) the proposed conversion will serve  
3773 the public necessity and convenience; (4) conditions in the locality in  
3774 which the proposed mutual Connecticut bank will transact business  
3775 afford reasonable promise of successful operation; and (5) the  
3776 proposed directors and executive officers possess capacity and fitness  
3777 for the duties and responsibilities with which they will be charged. If  
3778 the commissioner cannot make such determination with respect to any  
3779 such proposed director or proposed executive officer, the  
3780 commissioner may refuse to allow such proposed director or proposed  
3781 executive officer to serve in such capacity in the proposed mutual  
3782 Connecticut bank. As used in this subsection, "executive officer" means  
3783 every officer of the proposed mutual Connecticut bank who  
3784 participates or has authority to participate, other than in the capacity of  
3785 a director, in major policy-making functions of the proposed mutual  
3786 Connecticut bank, regardless of whether such officer has an official  
3787 title or whether such officer's title contains a designation of assistant or  
3788 whether such officer serves without salary or other compensation. The  
3789 vice president, the chief financial officer, secretary and treasurer of the  
3790 proposed mutual Connecticut bank are presumed to be executive  
3791 officers, unless, by resolution of the governing board or by the  
3792 proposed mutual Connecticut bank's bylaws, any such officer is  
3793 excluded from participation in major policy-making functions, other  
3794 than in the capacity of a director of the proposed mutual Connecticut  
3795 bank, and such officer does not actually participate in major policy-  
3796 making functions.

3797 (e) The commissioner shall not approve the conversion unless the  
3798 commissioner finds that the proposed mutual Connecticut bank will  
3799 provide adequate services to meet the banking needs of all community  
3800 residents, including low-income residents and moderate-income  
3801 residents in accordance with a plan submitted by the converting credit

3802 union to the commissioner, in such form and containing such  
3803 information as the commissioner may require. Upon receiving any  
3804 such plan, the commissioner shall make the plan available for public  
3805 inspection and comment at the Department of Banking and cause  
3806 notice of its submission and availability for inspection and comment to  
3807 be published in the department's weekly bulletin. With the  
3808 concurrence of the commissioner, the converting credit union shall  
3809 publish, in the form of a legal advertisement in a newspaper having a  
3810 substantial circulation in the area, notice of such plan's submission and  
3811 availability for public inspection and comment. The notice shall state  
3812 that the inspection and comment period will last for a period of thirty  
3813 days from the date of publication. The commissioner shall not make  
3814 such finding until the expiration of such thirty-day period. In making  
3815 such finding, the commissioner shall consider, among other factors,  
3816 whether the plan identifies specific unmet credit and consumer  
3817 banking needs in the local community and specifies how such needs  
3818 will be satisfied, provides for sufficient distribution of banking services  
3819 among branches or satellite devices, or both, located in low-income  
3820 neighborhoods, contains adequate assurances that banking services  
3821 will be offered on a nondiscriminatory basis and demonstrates a  
3822 commitment to extend credit for housing, small business and  
3823 consumer purposes in low-income neighborhoods.

3824 (f) If the conversion is approved by the commissioner and the  
3825 commissioner receives notification from the converting credit union  
3826 that all approvals required under federal law, including approvals  
3827 needed for deposit insurance by the Federal Deposit Insurance  
3828 Corporation or its successor agency have been obtained and that any  
3829 waiting period prescribed by federal law has expired, a certificate of  
3830 authority to commence business shall be issued by the commissioner.  
3831 After receipt of the certificate of authority, the converting credit union  
3832 shall promptly file such certificate of authority and its certificate of  
3833 incorporation with the Secretary of the State and with the town clerk of  
3834 the town in which its principal office is located. Upon such filing, the  
3835 license of the converting credit union shall automatically lapse and the  
3836 converting credit union shall cease to be a credit union and shall

3837 become a mutual savings bank, mutual savings and loan association or  
3838 mutual community bank, as the case may be. Upon such conversion,  
3839 the converted mutual Connecticut bank shall possess all of the rights,  
3840 privileges and powers granted to it by its certificate of incorporation  
3841 and by the provisions of the general statutes applicable to the type of  
3842 institution into which it converted, and all of the assets and business of  
3843 the converting credit union shall be transferred to and vested in it  
3844 without any deed or instrument of conveyance, provided the  
3845 converting credit union may execute any deed or instrument of  
3846 conveyance as is convenient to confirm such transfer. The converted  
3847 mutual Connecticut bank shall be subject to all of the duties, relations,  
3848 obligations and liabilities of the converting credit union, whether as  
3849 debtor, depository or otherwise, and shall be liable to pay and  
3850 discharge all such debts and liabilities, to perform all such duties in the  
3851 same manner and to the same extent as if the converted mutual  
3852 Connecticut bank had itself incurred the obligation or liability or  
3853 assumed the duty or relation. All rights of creditors of the converting  
3854 credit union and all liens upon the property of such credit union shall  
3855 be preserved unimpaired and the converted mutual Connecticut bank  
3856 shall be entitled to receive, accept, collect, hold and enjoy any and all  
3857 gifts, bequests, devises, conveyances and appointments in favor of or  
3858 in the name of the converting credit union and whether made or  
3859 created to take effect prior to or after the conversion.

3860 (g) Within ninety days after the conversion, the converted mutual  
3861 Connecticut bank shall record a certificate, signed by the secretary and  
3862 stating that the conversion is effective, in the office of the town clerk in  
3863 each town in this state where the converted mutual Connecticut bank  
3864 owns real property.

3865 (h) The converted mutual Connecticut bank may not exercise any of  
3866 the fiduciary powers granted to Connecticut banks by law until  
3867 express authority therefor has been given by the commissioner.

3868 Sec. 71. (NEW) (*Effective October 1, 2002*) (a) A Connecticut credit  
3869 union may terminate its corporate existence and be dissolved in

3870 accordance with a plan of dissolution as provided in this section.

3871 (b) Within three days after a majority of the governing board has  
3872 adopted a plan of dissolution of the Connecticut credit union, the  
3873 governing board shall file with the Commissioner of Banking a copy of  
3874 such plan of dissolution, attested by the chairman or vice chairman  
3875 and the secretary or treasurer, and inform the Commissioner of  
3876 Banking of the date on which the plan will be voted on by the  
3877 members of the Connecticut credit union. The plan of dissolution shall  
3878 be approved at an annual or special meeting of the members. Written  
3879 notice of the date, time and place of the meeting at which the plan of  
3880 dissolution is to be considered shall be hand-delivered or mailed to  
3881 each member at such member's last-known address as shown on the  
3882 records of the Connecticut credit union, not more than thirty nor less  
3883 than seven days prior to the date of the vote. The written notice shall  
3884 clearly describe the plan and the reasons for the plan and shall notify  
3885 the member of such member's right to vote on the plan in person, by  
3886 proxy or by mail ballot, and shall have an official form of proxy or mail  
3887 ballot attached. The affirmative vote of two-thirds of those members  
3888 voting shall be required to approve the proposal. Upon receipt of the  
3889 filing, the Commissioner of Banking may by order appoint the  
3890 National Credit Union Administration or its successor agency to act as  
3891 liquidating agent.

3892 (c) Within three days after the members of such Connecticut credit  
3893 union have voted on the plan of dissolution, the Connecticut credit  
3894 union shall file with the Commissioner of Banking a statement of the  
3895 results of the vote, certified by the secretary of the credit union. The  
3896 statement shall state the number of members who voted on the plan  
3897 and the number of members who voted in favor of adopting such plan.

3898 (d) On receipt of the statement, the Commissioner of Banking shall:

3899 (1) Take possession of the property and business of the Connecticut  
3900 credit union; or

3901 (2) Notify the liquidating agent, if one is appointed as provided in

3902 subsection (b) of this section, to take possession of the property and  
3903 business of the Connecticut credit union; or

3904 (3) Apply to the superior court for the judicial district of Hartford  
3905 for the appointment of a receiver for the Connecticut credit union. The  
3906 court may appoint the receiver after reasonable notice to the  
3907 Connecticut credit union.

3908 (e) The Commissioner of Banking may seek the appointment of a  
3909 conservator or receiver for any Connecticut credit union, in accordance  
3910 with section 36a-220 of the general statutes, as amended by this act, if  
3911 the Commissioner of Banking certifies, in writing, that no other  
3912 reasonable alternatives are available to protect the members and  
3913 creditors of such Connecticut credit union and, it appears that:

3914 (1) The Connecticut credit union, through insolvency, repeated  
3915 gross mismanagement or repeated neglect in the conduct of its  
3916 operations, is no longer able to carry out the purposes for which it was  
3917 formed;

3918 (2) The Connecticut credit union has abandoned its activities and is  
3919 no longer functioning as a Connecticut credit union and termination  
3920 cannot be accomplished by any other means; or

3921 (3) Any reason specified in subsection (a) of section 36a-220 of the  
3922 general statutes, as amended by this act, exists.

3923 Sec. 72. (NEW) (*Effective October 1, 2002*) The Commissioner of  
3924 Banking may adopt such regulations in accordance with the provisions  
3925 of chapter 54 of the general statutes and make such findings, consistent  
3926 with sections 34 to 73, inclusive, of this act, as may be necessary for the  
3927 conduct of Connecticut credit unions and the enforcement of the  
3928 provisions of said sections. The commissioner may adopt regulations  
3929 in accordance with the provisions of chapter 54 of the general statutes  
3930 to establish rates to be paid as dividends on shares having an agreed  
3931 maturity subject to the conditions in section 56 of this act.

3932 Sec. 73. (NEW) (*Effective October 1, 2002*) Nothing in sections 34 to

3933 73, inclusive, of this act, shall be construed to exempt Connecticut  
3934 credit unions organized under said sections 34 to 73, inclusive, from  
3935 taxation under the provisions of chapter 208 of the general statutes.

3936 Sec. 74. Subsection (b) of section 36a-24a of the general statutes is  
3937 repealed and the following is substituted in lieu thereof (*Effective*  
3938 *October 1, 2002*):

3939 (b) From May 12, 1999, to July 1, 2000, if the Commissioner of  
3940 Banking finds that it is not reasonably possible for a depository  
3941 institution to avoid, or to effectively protect itself against, a failure of  
3942 one or more of the critical functions of an information system because  
3943 (1) the depository institution has failed to develop adequate testing  
3944 plans to resolve any date change problems related to the years 1999  
3945 and 2000, (2) the depository institution has failed to develop adequate  
3946 contingency plans to ensure the ability of such depository institution to  
3947 conduct business in the event of a failure of one or more of such critical  
3948 functions, or (3) the implementation of adequate testing plans with  
3949 respect to such information system has resulted in a failure of one or  
3950 more of such critical functions and the depository institution has failed  
3951 to develop adequate contingency plans to address such failure, the  
3952 commissioner may seek any applicable remedy provided under  
3953 sections 36a-50, as amended, 36a-52, as amended, 36a-53 as amended  
3954 by this act, and 36a-220, as amended by this act, and subsection (e) of  
3955 section [36a-464] 71 of this act, provided the limitations set forth in  
3956 subdivisions (2) and (3) of subsection (c) of section 36a-53, as amended  
3957 by this act, do not apply to any action taken by the commissioner  
3958 pursuant to this section. Any finding made by the commissioner  
3959 pursuant to this section shall be considered a violation of this section  
3960 for the purposes of sections 36a-50, as amended, 36a-52, as amended,  
3961 and 36a-53, as amended by this act.

3962 Sec. 75. Subparagraph (J) of subdivision (1) of subsection (d) of  
3963 section 36a-65 of the general statutes, as amended by section 1 of  
3964 public act 01-183, is repealed and the following is substituted in lieu  
3965 thereof (*Effective October 1, 2002*):

3966 (J) Conversions under (i) sections 36a-135 to 36a-138, inclusive, five  
3967 thousand dollars; (ii) sections [36a-469a] 70 of this act, 36a-252, as  
3968 amended, and 36a-252a, as amended, two thousand five hundred  
3969 dollars; and (iii) section 10 of [this act] public act 01-183, fifteen  
3970 thousand dollars.

3971 Sec. 76. Subdivision (18) of section 36a-316 of the general statutes, as  
3972 amended by section 3 of public act 01-6, is repealed and the following  
3973 is substituted in lieu thereof (*Effective October 1, 2002*):

3974 (18) "Time account" means (A) a deposit account with a maturity of  
3975 at least seven days in which the depositor generally does not have a  
3976 right to make withdrawals for six days after the account is opened,  
3977 unless the deposit is subject to an early withdrawal penalty of at least  
3978 seven days' interest on amounts withdrawn, and (B) a Connecticut  
3979 credit union member's payment on shares which such member agrees  
3980 in writing not to withdraw within the time period stated therein as  
3981 described in subsection [(f)] (b) of section [36a-446] 54 of this act.

3982 Sec. 77. Subsection (a) of section 36a-265 of the general statutes is  
3983 repealed and the following is substituted in lieu thereof (*Effective*  
3984 *October 1, 2002*):

3985 (a) (1) "Mortgage loan" means a loan secured by a first mortgage on  
3986 one, two, three or four family, owner-occupied residential real  
3987 property;

3988 (2) "Standard mortgage loan" means a mortgage loan authorized by  
3989 section 36a-261 or section [36a-442] 58 of this act for the Connecticut  
3990 bank or Connecticut credit union making such loan;

3991 (3) "Alternative mortgage loan" means a mortgage loan which is a  
3992 reverse annuity mortgage loan or graduated payment mortgage loan,  
3993 other than a standard mortgage loan;

3994 (4) "Reverse annuity mortgage loan" means a mortgage loan in  
3995 which loan proceeds are advanced to the mortgagors, in installments,  
3996 either directly or indirectly, and which together with unpaid interest, if

3997 any, is to be repaid in accordance with subdivision (2) of subsection (e)  
3998 of this section; and

3999 (5) "Graduated payment mortgage loan" means a mortgage loan,  
4000 other than a standard mortgage loan, in which principal and interest  
4001 payments, if any, and the making of additional advances, if any, are  
4002 designed to reflect the prospective increasing or decreasing income of  
4003 the mortgagor.

4004 Sec. 78. Subsection (a) of section 51-344a of the general statutes is  
4005 repealed and the following is substituted in lieu thereof (*Effective*  
4006 *October 1, 2002*):

4007 (a) Whenever the term "judicial district of Hartford-New Britain" or  
4008 "judicial district of Hartford-New Britain at Hartford" is used or  
4009 referred to in the following sections of the general statutes, it shall be  
4010 deemed to mean or refer to the judicial district of Hartford on and after  
4011 September 1, 1998: Sections 1-205, 1-206, 2-48, 3-21a, 3-62d, 3-70a, 3-  
4012 71a, 4-61, 4-160, 4-164, 4-177b, 4-180, 4-183, 4-197, 5-202, 5-276a, as  
4013 amended, 8-30g, 9-7a, 9-7b, as amended, 9-369b, as amended, 10-153e,  
4014 12-208, 12-237, 12-268l, 12-312, 12-330m, 12-405k, 12-422, 12-448, 12-454,  
4015 12-456, 12-463, 12-489, 12-522, 12-554, 12-565, 12-572, 12-586f, 12-597,  
4016 12-730, 13b-34, 13b-235, 13b-315, 13b-375, 14-57, 14-66, 14-67u, 14-110,  
4017 14-195, 14-311, 14-311c, 14-324, 14-331, 15-125, 15-126, 16-41, 16a-5, 17b-  
4018 60, 17b-64, 17b-100, 17b-238, 17b-531, 19a-85, 19a-86, 19a-123d, 19a-425,  
4019 19a-498, as amended, 19a-517, 19a-526, 19a-633, 20-12f, 20-13e, 20-29,  
4020 20-40, 20-45, 20-59, 20-73a, 20-86f, 20-99, 20-114, 20-133, 20-154, 20-156,  
4021 20-162p, 20-192, 20-195p, 20-202, 20-206c, 20-227, 20-238, 20-247, 20-263,  
4022 as amended, 20-271, as amended, 20-307, 20-341f, 20-363, 20-373, 20-  
4023 404, 20-414, 21a-55, 21a-190i, 21a-196, 22-7, 22-37, 22-64, 22-195, 22-228,  
4024 22-248, 22-254, 22-320d, 22-326a, 22-344b, 22-386, 22a-6b, 22a-7, 22a-16,  
4025 22a-30, 22a-34, 22a-53, 22a-60, 22a-62, 22a-63, as amended, 22a-66h,  
4026 22a-106a, 22a-119, 22a-163m, 22a-167, 22a-180, 22a-182a, 22a-184, 22a-  
4027 220a, 22a-220d, 22a-225, 22a-226, 22a-226c, 22a-227, 22a-250, 22a-255l,  
4028 22a-276, 22a-285a, 22a-285g, 22a-285j, 22a-310, 22a-342a, 22a-344, 22a-  
4029 361a, 22a-374, 22a-376, 22a-408, 22a-430, 22a-432, 22a-438, 22a-449f, 22a-

4030 449g, 22a-459, 23-5e, 23-65m, 25-32e, as amended, 25-36, as amended,  
4031 28-5, 29-158, 29-161b, 29-317, 29-323, 29-329, 29-334, 29-340, 29-369, 30-  
4032 8, 31-109, 31-249b, 31-266, 31-266a, 31-270, 31-273, 31-284, 31-285, 31-  
4033 339, 31-355a, 31-379, 35-3c, 35-42, 36a-186, 36a-187, [36a-462, 36a-467]  
4034 72 of this act, 36a-494, 36a-517, 36a-587, 36a-647, 36a-684, 36a-718, as  
4035 amended, 36a-807, 36b-26, 36b-27, 36b-30, 36b-50, 36b-71, 36b-72, as  
4036 amended, 36b-74, 36b-76, 38a-41, 38a-52, 38a-134, 38a-139, 38a-140, 38a-  
4037 147, 38a-150, 38a-185, 38a-209, 38a-225, 38a-226b, 38a-241, 38a-337, 38a-  
4038 470, 38a-620, 38a-657, 38a-687, as amended, 38a-774, 38a-776, 38a-817,  
4039 38a-843, 38a-868, 38a-906, 38a-994, 42-103c, 42-110d, 42-110k, 42-110p,  
4040 42-182, 46a-5, 46a-56, 46a-100, 47a-21, 49-73, 51-44a, as amended, 51-  
4041 81b, 51-194, 52-146j, 53-392d and 54-211a.

4042 Sec. 79. Subdivision (2) of section 2 of public act 01-9 is repealed and  
4043 the following is substituted in lieu thereof (*Effective October 1, 2002*):

4044 (2) "Community credit union" means a Connecticut credit union that  
4045 has ten million dollars or more in total assets and the membership of  
4046 which is limited to persons within a well-defined [local] community,  
4047 neighborhood or rural district as provided in subsection (a) of section  
4048 [36a-438] 39 of this act.

4049 Sec. 80. Subsection (a) of section 3 of public act 01-9 is repealed and  
4050 the following is substituted in lieu thereof (*Effective October 1, 2002*):

4051 (a) Each community credit union shall satisfy its continuing and  
4052 affirmative obligation to help meet the credit needs of its [local]  
4053 community, including low-income and moderate-income  
4054 neighborhoods, consistent with the safe and sound operation of such  
4055 community credit union.

4056 Sec. 81. Section 6 of public act 01-9 is repealed and the following is  
4057 substituted in lieu thereof (*Effective October 1, 2002*):

4058 The Commissioner of Banking may consider the community  
4059 reinvestment performance of a community credit union in connection  
4060 with (1) an approval of an amendment to the certificate of

4061 [organization] incorporation pursuant to subsection (g) of section [36a-  
4062 437 in connection with the establishment or change of location of an  
4063 office or change in the field of membership] 38 of this act; (2) an  
4064 approval of an expansion of its field of membership pursuant to  
4065 subsection [(d)] (c) of section [36a-438] 39 of this act; and (3) an  
4066 approval of a merger pursuant to section [36a-470] 67 of this act. The  
4067 commissioner may withhold approval of or condition an issuance of  
4068 approval of such amendment, expansion or merger pursuant to this  
4069 section.

4070 Sec. 82. Subsection (a) of section 36a-136 of the general statutes is  
4071 repealed and the following is substituted in lieu thereof (*Effective*  
4072 *October 1, 2002*):

4073 (a) As used in this section: (1) "Eligible account holder" means any  
4074 person holding a qualifying deposit; (2) "deposit account" means a  
4075 deposit account, as defined in subdivision [(19)] (21) of section 36a-2,  
4076 as amended by this act, but does not include an escrow account  
4077 established pursuant to section 49-2a; (3) "qualifying deposit" means a  
4078 deposit in a deposit account held on the eligibility record date. The  
4079 amount of the qualifying deposit of an eligible account holder shall be  
4080 the total of the deposit balances in the eligible account holder's deposit  
4081 accounts in the converting institution as of the close of business on the  
4082 eligibility record date.

4083 Sec. 83. Subdivision (17) of section 36a-316 of the general statutes is  
4084 repealed and the following is substituted in lieu thereof (*Effective*  
4085 *October 1, 2002*):

4086 (17) "Savings deposit" means a savings deposit, as defined in  
4087 subdivision [(55)] (57) of section 36a-2, as amended by this act, and the  
4088 payment on shares at a Connecticut credit union or federal credit  
4089 union, and a "savings account" is a deposit account which contains  
4090 savings deposits.

4091 Sec. 84. Subdivision (10) of section 36a-596 of the general statutes, as  
4092 amended by section 3 of public act 01-56, is repealed and the following

4093 is substituted in lieu thereof (*Effective October 1, 2002*):

4094 (10) "Permissible investment" means: (A) Cash in United States  
4095 currency; (B) time deposits, as defined in subdivision [(63)] (65) of  
4096 section 36a-2, as amended by this act, or other debt instruments of a  
4097 bank; (C) bills of exchange or bankers acceptances which are eligible  
4098 for purchase by member banks of the Federal Reserve System; (D)  
4099 commercial paper of prime quality; (E) interest-bearing bills, notes,  
4100 bonds, debentures or other obligations issued or guaranteed by: (i) The  
4101 United States or any of its agencies or instrumentalities, or (ii) any  
4102 state, or any agency, instrumentality, political subdivision, school  
4103 district or legally constituted authority of any state if such investment  
4104 is of prime quality; (F) interest-bearing bills or notes, or bonds,  
4105 debentures or preferred stocks, traded on any national securities  
4106 exchange or on a national over-the-counter market, if such debt or  
4107 equity investments are of prime quality; (G) receivables due from  
4108 selling agents consisting of the proceeds of the sale of payment  
4109 instruments which are not past due or doubtful of collection; (H) gold;  
4110 and (I) any other investments approved by the commissioner.  
4111 Notwithstanding the provisions of this subdivision, if the  
4112 commissioner at any time finds that an investment of a licensee is  
4113 unsatisfactory for investment purposes, the investment shall not  
4114 qualify as a permissible investment.

4115 Sec. 85. Subsection (g) of section 19a-343a of the general statutes is  
4116 repealed and the following is substituted in lieu thereof (*Effective*  
4117 *October 1, 2002*):

4118 (g) If the defendant is a financial institution and the record owner of  
4119 the real property, or if the defendant is a financial institution claiming  
4120 an interest of record pursuant to a bona fide mortgage, assignment of  
4121 lease or rent, lien or security in the real property and is not determined  
4122 to be a principal or an accomplice in the conduct constituting the  
4123 public nuisance, the court shall not enter any order against such  
4124 defendant. The state shall have the burden of proving by clear and  
4125 convincing evidence that any such defendant claiming an interest of

4126 record under this subsection is a principal or an accomplice in the  
 4127 alleged conduct constituting the public nuisance. For the purposes of  
 4128 this subsection, "financial institution" means a bank, as defined in  
 4129 subdivision (4) of section 36a-2, as amended by this act, an out-of-state  
 4130 bank, as defined in subdivision [(41)] (43) of section 36a-2, as amended  
 4131 by this act, institutional lender or any subsidiary or affiliate of such  
 4132 bank, out-of-state bank or institutional lender who directly or  
 4133 indirectly acquires the real property pursuant to strict foreclosure,  
 4134 foreclosure by sale or deed-in-lieu of foreclosure, and with the intent of  
 4135 ultimately transferring the property, or other lender licensed by the  
 4136 Department of Banking.

4137 Sec. 86. (*Effective October 1, 2002*) Sections 36a-435 to 36a-475,  
 4138 inclusive, of the general statutes are repealed.

This act shall take effect as follows:	
Section 1	<i>October 1, 2002</i>
Sec. 2	<i>October 1, 2002</i>
Sec. 3	<i>October 1, 2002</i>
Sec. 4	<i>October 1, 2002</i>
Sec. 5	<i>October 1, 2002</i>
Sec. 6	<i>October 1, 2002</i>
Sec. 7	<i>October 1, 2002</i>
Sec. 8	<i>October 1, 2002</i>
Sec. 9	<i>October 1, 2002</i>
Sec. 10	<i>October 1, 2002</i>
Sec. 11	<i>October 1, 2002</i>
Sec. 12	<i>October 1, 2002</i>
Sec. 13	<i>October 1, 2002</i>
Sec. 14	<i>October 1, 2002</i>
Sec. 15	<i>October 1, 2002</i>
Sec. 16	<i>October 1, 2002</i>
Sec. 17	<i>October 1, 2002</i>
Sec. 18	<i>October 1, 2002</i>
Sec. 19	<i>October 1, 2002</i>
Sec. 20	<i>October 1, 2002</i>
Sec. 21	<i>October 1, 2002</i>
Sec. 22	<i>October 1, 2002</i>

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Sec. 23	<i>October 1, 2002</i>
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Sec. 25	<i>October 1, 2002</i>
Sec. 26	<i>October 1, 2002</i>
Sec. 27	<i>October 1, 2002</i>
Sec. 28	<i>October 1, 2002</i>
Sec. 29	<i>October 1, 2002</i>
Sec. 30	<i>October 1, 2002</i>
Sec. 31	<i>October 1, 2002</i>
Sec. 32	<i>October 1, 2002</i>
Sec. 33	<i>October 1, 2002</i>
Sec. 34	<i>October 1, 2002</i>
Sec. 35	<i>October 1, 2002</i>
Sec. 36	<i>October 1, 2002</i>
Sec. 37	<i>October 1, 2002</i>
Sec. 38	<i>October 1, 2002</i>
Sec. 39	<i>October 1, 2002</i>
Sec. 40	<i>October 1, 2002</i>
Sec. 41	<i>October 1, 2002</i>
Sec. 42	<i>October 1, 2002</i>
Sec. 43	<i>October 1, 2002</i>
Sec. 44	<i>October 1, 2002</i>
Sec. 45	<i>October 1, 2002</i>
Sec. 46	<i>October 1, 2002</i>
Sec. 47	<i>October 1, 2002</i>
Sec. 48	<i>October 1, 2002</i>
Sec. 49	<i>October 1, 2002</i>
Sec. 50	<i>October 1, 2002</i>
Sec. 51	<i>October 1, 2002</i>
Sec. 52	<i>October 1, 2002</i>
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Sec. 54	<i>October 1, 2002</i>
Sec. 55	<i>October 1, 2002</i>
Sec. 56	<i>October 1, 2002</i>
Sec. 57	<i>October 1, 2002</i>
Sec. 58	<i>October 1, 2002</i>
Sec. 59	<i>October 1, 2002</i>
Sec. 60	<i>October 1, 2002</i>
Sec. 61	<i>October 1, 2002</i>
Sec. 62	<i>October 1, 2002</i>
Sec. 63	<i>October 1, 2002</i>

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Sec. 64	October 1, 2002
Sec. 65	October 1, 2002
Sec. 66	October 1, 2002
Sec. 67	October 1, 2002
Sec. 68	October 1, 2002
Sec. 69	October 1, 2002
Sec. 70	October 1, 2002
Sec. 71	October 1, 2002
Sec. 72	October 1, 2002
Sec. 73	October 1, 2002
Sec. 74	October 1, 2002
Sec. 75	October 1, 2002
Sec. 76	October 1, 2002
Sec. 77	October 1, 2002
Sec. 78	October 1, 2002
Sec. 79	October 1, 2002
Sec. 80	October 1, 2002
Sec. 81	October 1, 2002
Sec. 82	October 1, 2002
Sec. 83	October 1, 2002
Sec. 84	October 1, 2002
Sec. 85	October 1, 2002
Sec. 86	October 1, 2002

**Statement of Legislative Commissioners:**

Technical changes were made throughout bill for accuracy and consistency.

**BA**      *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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***OFA Fiscal Note***

***State Impact:*** None

***Municipal Impact:*** None

***Explanation***

The bill clarifies private credit unions' authority to provide services and organizational requirements and has no fiscal impact for the Department of Banking.

**OLR Bill Analysis**

sHB 5316

**AN ACT CONCERNING CREDIT UNION MODERNIZATION****SUMMARY:**

This bill significantly reorganizes credit union law under the Connecticut Credit Union Act by:

1. modifying the process for organizing and establishing a Connecticut credit union;
2. allowing credit unions to make member business loans;
3. authorizing credit unions to invest their surplus funds in additional securities, funds, obligations, and real estate;
4. increasing the authority of credit unions' governing boards and executive, supervisory, and credit committees;
5. expanding the role credit union service organizations play in assisting credit unions and their members;
6. requiring credit unions to have policies addressing conflicts of interest and insider transactions;
7. creating basic service and corporate credit unions;
8. updating credit union merger and conversion policies;
9. requiring "allowance for loan and lease losses" accounts; and
10. allowing members to vote on their credit union's proposed dissolution.

The bill also applies banking law principles of receivership and insolvency to credit unions. It allows the banking commissioner to apply for an injunction, receiver, or conservator for a credit union under certain circumstances. It allows a share account holder to pledge his credit union interest to another person, and applies to credit unions current banking law provisions regarding adverse claims.

EFFECTIVE DATE: October 1, 2002

## **DEFINITIONS (§ 1)**

### ***Connecticut Credit Union***

The bill amends the definition of a "Connecticut credit union" by expanding its field of membership to include (1) a credit union's organizers and employees; (2) a credit union's advisory directors; (3) a deceased member's surviving spouse; and (4) members for life, regardless of any change in the circumstances under which they originally qualified. It redefines the purpose of a Connecticut credit union as operating for the benefit and general welfare of its members by distributing to, or keeping for, them the earnings, benefits, or services offered. The bill removes the purposes of (1) encouraging thrift among its members, (2) creating a source of credit with reasonable interest rates, and (3) allowing members to use and control their own money. It specifies that a volunteer board of directors elected by and from the credit union's membership must govern a credit union.

The bill expands the definition of Connecticut credit union officers to include the governing board's chairman, vice-chairman, secretary, and treasurer, and its directors to include members of the governing board, directors emeritus, and advisory directors.

### ***Time Deposit***

The bill adds share accounts (essentially savings accounts held by member of credit unions) to the definition of a "time deposit."

## **FRANCHISE AND FILING FEES (§ 36)**

Current law requires a Connecticut credit union to pay the secretary of the state \$13 for: (1) incorporation, (2) filing a certificate of amendment to a certificate of organization, (3) a certificate of merger, or (4) a copy of a certificate of organization, amendment, or merger. The bill additionally imposes a \$13 fee for filing a certificate of authority and certificate of incorporation for a Connecticut or federal credit union's conversion to a mutual savings bank, mutual savings and loan association, or mutual community bank. It also imposes a \$13 fee for the secretary of the state to certify an original or a copy of:

1. a certificate of incorporation;
2. a certificate of amendment to the certificate of incorporation;
3. an officer's certificate of conversion and the commissioner's approval of a Connecticut credit union's conversion to a federal credit union;
4. a certificate of incorporation or authority for a federal or out-of-state credit union to convert to a Connecticut credit union;
5. a merger agreement, plan of merger, certificate of amendment to the certificate of incorporation, and the commissioner's approval of the merger.

#### **CERTIFICATES OF AUTHORITY TO OPERATE CONNECTICUT CREDIT UNIONS (§ 37, 38)**

##### ***Applying to Organize***

The bill expands current laws allowing seven or more people to apply with the commissioner to organize a Connecticut credit union. Current law requires the application to include: (1) the credit union's name, including the words "credit union" and "Inc." or "mutual benefit association; (2) a statement that the Connecticut credit union plans to engage in lawful credit union behavior, and that its existence is perpetual; (3) the locations of its Connecticut offices; (4) a detailed description of its field of membership; (5) any other lawful provisions about the credit union's regulation, management, or powers the governing board believes to be appropriate; (6) the par value of its shares; and (7) three copies of its certificate of organization and two copies of its bylaws.

The bill, instead, requires the organizers' written application to include:

1. a proposed certificate of incorporation on the commissioner's form, which the organizers have signed and acknowledged before an officer competent to administer oaths, stating:

- a. the Connecticut credit union's name;
  - b. the town where the main office will be located;
  - c. each organizer, proposed director, and proposed member of senior management's name, occupation, residence, and post office or business address, including those not named in the proposed certificate;
  - d. that the Connecticut credit union intends to engage in activities authorized for its type of institution;
2. the proposed bylaws, describing how the credit union intends to conduct its business, signed and acknowledged by the organizers before an officer competent to administer oaths;
  3. a business plan, including a three-year financial forecast;
  4. a potential member survey;
  5. for a proposed community credit union, evidence to support a finding that the geographic community exists; and
  6. any other information the commissioner requires.

The bill requires each of the organizers and directors, when applying to organize and whenever the commissioner requires, to provide him with their fingerprints for use in criminal history background checks. But the bill does not require him to conduct these checks. It requires the commissioner to investigate the same facts in filed applications as under current law, as well as to determine if the proposed credit union has a reasonable likelihood of success. It also requires him to consider the effect of overlapping fields of membership on the proposed and existing credit unions and allows him to require the proposed credit union to limit or eliminate overlaps to promote credit union stability. The bill eliminates the provision of current law giving a properly certified Connecticut credit union "perpetual existence."

One provision of the bill requires the commissioner to issue a certificate of authority to any applicant who meets the requirements listed above (§ 37(c)), while another states an additional requirement that the credit union obtain share and deposit insurance from the National Credit Union Association (NCUA) (§ 38(d)(3)). It eliminates the current schedule requiring the commissioner to notify the organizers within 30 days of the application filing with his decision granting or denying their certificate. The bill prohibits the

commissioner from issuing a certificate of authority if he thinks the proposed credit union's name will tend to confuse the public. It allows him to revoke a certificate for any violation of the banking laws.

If the commissioner approves a certificate, the bill requires the credit union to file one original of the certificate of incorporation and one original of the certificate of authority with the secretary of the state. Upon filing, the bill considers the credit union to be a corporation.

### ***Organizing a New Credit Union***

Within a reasonable time after the commissioner issues the certificate of authority, the bill requires the credit union's organizers to hold an organizational meeting to elect directors, who (1) elect officers, (2) appoint committee members, (3) adopt the bylaws, and (4) conduct any other necessary business to complete the credit union's organization. Under current law, the organizers must carry out these duties. The bill requires the credit union to finish its organization and start conducting business within six months of the date the commissioner issues its certificate of authority, or its certificate becomes void. But it permits the organizers to apply for an extension and allows the commissioner to grant the request for good cause. The bill prohibits the credit union from starting to conduct business until (1) the NCUA insures its deposits and shares and (2) a surety company bonds it.

### ***Amending a Certificate of Incorporation***

Current law specifies procedures for a credit union to amend its certificate of incorporation. The bill changes the commissioner's approval process to require him, if he finds the amended certificate of incorporation complies with the Connecticut Credit Union Act, to endorse it and return the original certificate of incorporation to the credit union, which must file it with the secretary of the state. Under current law, the commissioner files the amended certificate. The bill also specifies that the amendment is effective upon this filing.

### ***Bylaws***

The bill significantly changes the required contents of a Connecticut credit union's bylaws. It requires them to specify at least: (1) the credit union's name; (2) its field of membership and membership

qualifications; (3) its shares' par value; (4) the number and terms of directors and election procedures; (5) the duties of members of senior management; (6) the credit function responsibilities of a credit committee, credit manager, loan officer, or combination thereof; (7) how to conduct annual meetings and voting; (8) conditions for paying, receiving, or withdrawing shares and deposits; and (9) other matters the governing board finds necessary.

Current law requires the bylaws to contain: (1) the purpose for, and manner in which, special meetings of members will be held; (2) the officers' titles and duties; (3) how officers and directors will be removed and how to fill their vacancies; (4) the term lengths for the supervisory committee, credit committee, directors, and officers; (5) other management and regulatory provisions the incorporators or governing board deem necessary; and (6) any additional provisions the commissioner requires.

Currently, a credit union can amend its bylaws at any time, but the commissioner must approve all bylaw changes. The bill prohibits a credit union from amending its bylaws without the commissioner's written approval for the three years after its certification. After that, it allows the credit union to amend its bylaws, but it requires the commissioner's written approval for any change to the credit union's name or field of membership. It specifies that any bylaw amendment becomes effective when adopted, except that those requiring the commissioner's approval are effective upon his approval. The bill allows a credit union with a multiple common bond membership to add a group of fewer than 500 potential members to its field of membership without the commissioner's approval.

### ***Basic Service Credit Unions and Conversion to a Full Service Credit Union***

The bill creates a new level of credit union services, called basic service. It allows any credit union except a community credit union to be organized just to provide basic services. It defines "basic services" as (1) issuing regular shares, (2) making signature and participation loans up to an amount the commissioner determines, (3) selling money orders and travelers checks, and (4) issuing and redeeming savings bonds.

In order to accelerate a basic service credit union's certification

process, the bill requires the commissioner to provide to the organizers, free of charge: (1) a model business plan for basic services; (2) policy guidelines about shares, lending, investments, and other credit union business activities; and (3) sample letters for sponsor support, grants, and nonmember deposits, as applicable. If the commissioner finds the organizers in compliance with all credit union organization requirements, including NCUA insurance, the bill requires him to issue the credit union a certificate of authority to offer only basic credit union services.

The bill allows a basic service credit union, with the commissioner's approval, to convert to a full service credit union. To do so, it must file with the commissioner a proposed conversion plan, including (1) a new business plan, (2) an original certificate of amendment to its certificate of incorporation, and (3) a certificate from its secretary that a majority of the governing board approved the conversion plan and amended certificate.

The bill requires the commissioner to approve the conversion if he finds that (1) the converting credit union complied with all applicable laws, (2) its net worth meets his requirements, (3) it received satisfactory ratings on its most recent safety and soundness examination, and (4) the proposed conversion will better serve the credit union's members' needs. Once the commissioner approves the conversion, the bill requires the credit union promptly to file the approval and its amended certificate of incorporation with the secretary of the state, at which point it becomes a full service Connecticut credit union, with all of the corresponding rights, duties, privileges, and liabilities.

### **FIELDS OF MEMBERSHIP (§ 39)**

Current law limits Connecticut credit unions' fields of membership to (1) single common bonds, (2) multiple common bonds and (3) people in a well-defined community, neighborhood, or rural area. It defines a "multiple common bond membership" as a membership field consisting of more than one group of people, with each group member having a common bond of occupation or association, while a "single common bond membership" consists of only one such group. Current law calls a Connecticut credit union with at least \$10 million in assets and a membership limited to people in a well-defined community, neighborhood, or rural area a "community credit union." The bill

expands these fields of membership to include a Connecticut credit union's (1) organizers and employees and (2) advisory director.

### ***Multiple and Single Common Bond Fields of Membership***

The bill permits single and multiple common bond fields of membership to include (1) associations and organizations of the credit union's members, (2) partnerships where the majority of partners are members, and (3) corporations in which a majority of shareholders are members.

The bill repeals the current criteria by which the commissioner must judge whether to approve any change to a field of membership. Instead it applies these criteria only to an amendment that would allow a multiple common bond membership credit union to expand its field of membership to add a group of 500 or more potential members, excluding those eligible because of a family relationship or relation to a community, neighborhood, or rural district. In addition, he must find that (1) the credit union has complied with applicable laws and (2) it is not practicable or safe for the proposed group to form its own credit union. The bill seems to allow amendments to add smaller groups without the commissioner's approval.

The bill requires any credit union with a multiple or single common bond field of membership that acquires people in a well-defined community, neighborhood, or rural district other than an underserved investment area through merger, expansion, or otherwise, to become a community credit union. It allows the commissioner to withhold or condition approval of a community credit union's bylaw amendment on its community reinvestment performance.

### **MEMBERSHIP APPLICATIONS AND EXPULSION OF MEMBERS (§ 40)**

Current law requires all membership applications to be submitted to a membership officer, if one is appointed, who has the authority to approve applications and must report to the governing board on applications approved and received. The bill directs all membership applications to be submitted to the Connecticut credit union. It requires the governing board to consider and act on these applications at each regular meeting or appoint a membership officer. Current law allows the governing board to expel members failing to carry out their

obligations to the credit union or violating its bylaws, and allows members to give notice and withdraw from membership. The bill removes the member withdrawal provision.

#### **CREDIT UNION MEETINGS (§ 41)**

Current law requires Connecticut credit unions to hold annual meetings when their governing boards decide; the bill requires annual meetings as the bylaws provide. The bill allows the governing board to call special meetings, as the bylaws provide, at (1) the request of a majority of the board, (2) the supervisory committee's written request, or (3) the request of 10% of the credit unions members, or any lesser percentage as the bylaws provide. It prohibits a member under age 18 from voting or holding office. Unless the bylaws provide otherwise, the bill allows members to vote (1) in person, (2) by proxy, or (3) by mail ballot. Current law expressly prohibits proxy voting and does not mention mail ballots.

#### **REPORTING AND RECORDING REQUIREMENTS (§ 42)**

Current law requires Connecticut credit unions to submit annual reports to the commissioner within 31 days after their fiscal year ends. The bill requires them to submit reports to the commissioner twice a year, on February 1 and April 1, and otherwise as often as he deems necessary. It requires them to present management and committee information as required under current law and to identify each committee chairman. The bill requires credit unions to establish and maintain records, accounting systems, and procedures accurately reflecting their operations so the commissioner can readily determine their true financial condition and ensure their compliance with the Connecticut Credit Union Act.

#### **LOAN AND LEASE LOSSES (§ 43)**

Current law establishes the amount of reserves a credit union must maintain against bad loans and other losses. The bill instead requires Connecticut credit unions to establish and maintain an "allowance for loan and lease losses account" in an amount representing its estimated losses on loans and leases. It specifies that credit unions must compute and adjust the allowance necessary before declaring or paying dividends. Most of the bill's provisions on the allowance for loan and lease losses are the same as current reserves law, but it raises the

threshold net worth amount determining which contribution provisions apply to a credit union from \$500,000 to \$2 million.

The bill defines “net worth” as (1) a Connecticut credit union’s retained earnings balance at the end of each dividend, excluding the allowance for loan and lease losses account, and (2) for a credit union that the NCUA designates as a low-income credit union under federal law, including any uninsured secondary capital account subordinate to all other claims, including creditors, shareholders, and the National Credit Union Share Insurance Fund. It specifies that retained earnings consist of (1) undivided earnings, (2) regular reserves, and (3) other appropriations the commissioner, the NCUA, or the credit union’s governing board, with the commissioner’s approval, designate.

#### **DEPOSITS (§ 44)**

Under current law, credit unions can deposit their funds only in government-insured accounts, and cannot deposit more than 10% of their assets in out-of-state institutions. The bill allows credit unions to deposit funds in any depositories their governing boards designate. It prohibits withdrawing funds unless the director or designated member of senior management signs the withdrawal check or order.

#### **GOVERNING BOARDS (§ 45)**

##### ***Authority***

The bill gives Connecticut credit union governing boards control over managing the credit union’s operations, funds, committee actions, and records. It adds to the board’s current powers by authorizing it or its designee to:

1. establish and adopt written policies needed to implement the credit union’s powers, which must be approved and reviewed at least annually, including policies on:
  - a. lending and investments, in accordance with the Connecticut Credit Union Act,
  - b. employment and personnel,
  - c. funds management,
  - d. collections and charge-offs,
  - e. charitable contributions, and

- f. conflicts of interest;
2. make adequate provision for an allowance for investment losses and the loan and lease losses account;
3. establish different classes of share accounts, including special purpose accounts classified according to different rights and restrictions;
4. ensure that required bonds are maintained in full force and effect at all times;
5. approve loans in accordance with the credit union's bylaws;
6. set credit union employees' compensation levels; and
7. establish a supervisory committee, appoint its members, and establish and appoint members to other committees as the bylaws allow, all of which must keep minutes of all actions they take.

### ***Membership***

The bill specifies that a credit union's governing board consist of an odd number of directors, with a minimum of five. It removes the current 15-member maximum and defines a "director" as a member of a Connecticut credit union's governing board, a director emeritus, or an advisory director. The bill requires the commissioner to approve all directors elected or appointed to serve on a troubled Connecticut credit union's governing board before they begin service. It defines "troubled Connecticut credit union" as one that, in the commissioner's written opinion, is (1) in danger of insolvency; (2) unlikely to be able to meet its members' demands or pay its obligations in the normal course of business (3) likely to incur losses depleting most or all of its capital; or (4) operating in an unsafe and unsound manner. It defines "capital" as (1) undivided earnings; (2) regular reserves; (3) other special purpose reserves; (4) donated equity; and (5) accumulated, unrealized security gains or losses.

The bill allows a director to serve multiple terms and stipulates that the terms of office for directors serving terms longer than one year be staggered to ensure that an equal number of terms expire each year. It requires each director to take an oath or affirmation that he will (1)

diligently and honestly perform his duties in administering the credit union's affairs, (2) remain responsible for the duties of a director even if he delegates their performance, and (3) not knowingly or willfully allow any violation of credit union laws.

In addition to the current requirement that directors be members in good standing, the bill prohibits anyone from serving as a credit union's director if he (1) has been found liable on any claim, or convicted of any offense, involving dishonesty or breach of trust; (2) has been removed by any state or federal regulatory agency from office as a financial institution's director, officer, or employee; (3) is not eligible for coverage under the credit union's surety bond; or (4) has habitually failed to pay debts or has become insolvent or bankrupt, unless the governing board decides in writing that his service as director is in the credit union's best interests.

### ***Suspension and Removal***

The bill requires the credit union's governing board, by a two-thirds vote of its members at a regular or special meeting, to remove a director or board-appointed committee member who has failed, without good cause, to attend three consecutive board or committee meetings or half of the meetings held during the calendar year, or who is no longer qualified for the position under the criteria cited above. The bill allows a governing board to remove or suspend, by a two-thirds vote, any director or board-appointed committee member for good cause, including (1) violation of any credit union statute, regulation, or order; (2) participation in any unsafe or unsound practice in connection with the credit union; (3) being charged with committing or participating in a crime punishable by more than one year in prison under state or federal law, if continued service or participation could pose a threat to the credit union's members; (4) failure to perform his duties or breach of his fiduciary duty; (5) use of his official position in a way contrary to the credit union or its members' interest; and (6) breach of a written agreement with the commissioner.

The bill requires the board promptly to notify the commissioner of any decision to suspend; the suspension takes effect immediately, and within seven business days the board must notify all of the credit union's members of a special meeting to hear the report on the suspension and vote on removal. The bill does not require this notice

to be given if the suspended director or member resigns. The special meeting must take place within 21 business days after the suspension's effective date. The bill authorizes the credit union's membership, by majority vote, to reject or accept the governing board's report and requires the board to take any action the members deem necessary. If this action involves removal, the bill requires the credit union promptly to notify the commissioner.

### ***Vacancies***

Current law requires filling board vacancies according to the credit union's bylaws. Under the bill, if a vacancy occurs on the governing board because of a director's death, resignation, or removal, a majority vote of the remaining directors is needed to fill the position, regardless of whether they constitute a quorum. It allows a director so elected to hold office until the next annual meeting, when the credit union's members must vote to fill the rest of the unexpired term. The bill requires the secretary to appoint a successor for any governing board vacancy due to the expiration of a director's term. But if there are more candidates than vacancies to fill, the bill requires the credit union's members to vote on the matter.

### ***Advisory Directors and Directors Emeritus***

The bill allows the governing board, as the bylaws permit, to appoint advisory directors and directors emeritus to serve at its pleasure and advise the board on executing its duties and responsibilities. An advisory director need not be eligible for credit union membership, but a director emeritus must be a credit union member. The bill prohibits advisory directors from being governing board members, directors emeritus from being credit union officers, and both from voting on any governing board matter. An advisory director, but not a director emeritus, may participate in governing board or committee deliberations, but neither may make any motions. The bill requires the bylaws to specify the number of advisory directors and directors emeritus and their qualifications.

### ***Governing Board Meetings (§ 46)***

Current law requires the governing board to meet at least monthly. The bill continues this, but if the governing board delegates its authority to an executive committee, it requires one body to meet at

least monthly and the other at least quarterly, according to the bylaws. Unless the bylaws provide otherwise, the bill allows the board to permit any and all directors to participate in all but one board meeting per year through the use of any means of communication allowing all participating directors simultaneously to hear and communicate with each other during the meeting. The bill deems any person participating through these means to be present at the meeting.

The bill requires the governing board to elect its officers and appoint committee members at its first meeting after the annual meeting. Unless the bylaws require a greater number, the bill considers a majority of the board to constitute a quorum. It regards any act of a majority of directors present at a meeting where there is a quorum to be an act of the governing board, unless the bylaws or the Connecticut Credit Union Act provide otherwise.

#### **EXECUTIVE COMMITTEES (§ 47)**

The bill requires an executive committee, if the governing board appoints one, to consist of an odd number of three or more credit union directors. It removes the current five-member maximum. The bill provides for the committee to meet quarterly or monthly, according to the bylaws, and to act for the governing board between the board's meetings in all areas except approving policies, subject to the board's conditions and limitations. Current law requires one of the executive committee members to be chairman of the governing board. The bill does not contain this provision, nor does it specifically state the ways in which the committee can act for the board.

#### **SUPERVISORY COMMITTEES AND CREDIT UNION AUDITS (§ 48)**

The bill requires a credit union's supervisory committee to consist of three or more credit union members annually appointed by the governing board. None may simultaneously serve on the credit committee or as the credit union's officer or employee. Only one may simultaneously serve as the credit union's director, and all must be members in good standing. It removes the current five-member limit.

The bill makes the supervisory committee responsible for ensuring that directors and senior managers meet required financial reporting objectives and establish practices and procedures sufficient to safeguard members' assets. To fulfill these responsibilities, the bill requires the supervisory committee to determine whether (1) internal

controls are established and effectively maintained; (2) accounting records and financial reports are accurate and promptly prepared; (3) relevant plans, policies, and procedures the governing board established are administered properly; and (4) the governing board's plans, policies, and control procedures are sufficient to safeguard against error, carelessness, conflict of interest, self-dealing, and fraud.

The bill gives the supervisory committee sole authority to hire and fire outside and internal auditors. As under current law, it requires an annual audit. It also requires any agreement between the committee and an outside auditor to be documented in an engagement letter specifying the terms, conditions, and objectives of the employment or stating agreed-upon procedures. The committee must make or provide for an annual audit covering the entire period since the last audit. It prohibits any paid outside auditor from being a credit union employee, governing board or board-appointed committee member, credit manager, loan officer, or an immediate family member of any of these people.

The bill requires each Connecticut credit union's annual audit to contain an opinion audit of its financial statement by an independent licensed or certified public accountant. Credit unions with less than \$300 million in total assets must also have: (1) an agreed-upon "procedures engagement" performed by a trained and proficient auditor that adequately assesses the credit union under audit, provided that the supervisory committee must satisfy any comprehensive audit requirements the audit does not meet and (2) a comprehensive audit performed by the supervisory committee, the credit union's internal auditors, or another financial institution's internal auditors.

The bill requires the committee to verify members' accounts at least once every two years by (1) verifying all members' share and loan accounts, (2) obtaining a statistical sampling of member share and loan accounts performed in connection with an independent licensed or certified public accountant's opinion audit, or (3) using a statistical sampling method resulting in a random selection representative of the credit union's membership. Current law requires the supervisory committee to file its report at the credit union's main office and present it to the governing board. The bill also requires the committee to file a copy of its written report with the commissioner.

The bill requires the supervisory committee, or any independent

licensed or certified public accountant, internal auditor, or other auditor, as applicable, to provide related working papers, policies, and procedures concerning the annual audit, internal audit, examination, and verification to the commissioner upon his request. It mandates the governing board to require the auditor to submit a signed report of the audit or examination showing the credit union's condition within a reasonable time after the audit or examination's effective date.

The bill empowers the supervisory committee to suspend at any time, by a two-thirds vote of its members, any credit union director, employee, or board-appointed committee member for cause, at a meeting called for that purpose. It requires the suspension to take effect immediately, and the committee promptly to notify the commissioner. Current law requires the committee to notify all members of a special meeting to hear its report on the suspension and to vote on removal. But the bill does not require this notice if the person subject to suspension resigns. The bill specifies that the special meeting must take place no more than 21 business days after the suspension date. It requires the supervisory committee promptly to notify the commissioner if the members ask it to remove the offending party.

### **CREDIT COMMITTEES (§ 49)**

The bill allows a credit union's governing board to delegate, in accordance with its bylaws, some or all of its lending authority to (1) a credit committee; (2) a credit manager; (3) loan officers; or (4) any combination of these. The bill defines a "credit manager" as a person approved by a Connecticut credit union's governing board to supervise lending activities. If the bylaws permit credit committees, the bill directs that the committee consist of an odd number of three or more credit union members in good standing, and it removes the current five-member limit. As under current law, none of them may simultaneously serve on the supervisory committee.

Current law prohibits loan officers from disbursing the credit union's funds for any credit extensions they approve except those secured in full by pledge of the borrowing member's own shares. The bill applies the same restriction to credit managers. It also allows any unsuccessful applicant for credit or release or substitution of collateral to appeal to the credit committee, if applicable, or else to the governing board. The bill requires the committee or board to act on the appeal at

its next regular meeting. If the credit committee disapproves the appeal, the person can appeal to the governing board, unless he is appealing a denial by a credit manager or loan officer. The governing board must act on the appeal at its next regular meeting.

### **CREDIT UNION AND EMPLOYEE AND MEMBER BENEFITS (§ 50)**

With the commissioner's approval, the bill permits a credit union to provide reasonable health, accident, and related personal insurance to its directors, other than its emeritus and advisory directors. This is not considered compensation.

### **INSIDERS (§ 51)**

The bill requires Connecticut credit unions' governing boards to adopt a written conflict of interest policy including provisions addressing transactions with (1) insiders and their immediate family members and (2) other people with common ownership, investment, or other pecuniary interest in a business enterprise with insiders and their families. The bill defines an "insider" as a credit union's director, board-appointed committee member, senior manager, or loan officer. It considers an "immediate family member" to be a person related by blood, adoption, or marriage to a person in a Connecticut credit union's field of membership. It defines "senior management" as the president or chief executive officer (CEO), vice president or vice CEO, chief financial officer, credit manager, or any person in a similar position.

If a Connecticut credit union extends credit to an insider, the bill requires the governing board's approval if (1) the insider is the debtor, guarantor, endorser, or cosigner and (2) the credit extension by itself, or added to the total outstanding credit on which the insider is the debtor, guarantor, endorser, or cosigner, exceeds \$25,000 plus pledged shares.

The bill prohibits a credit union insider or professional the credit union hires from directly or indirectly participating in any decision affecting his pecuniary interest or that of his immediate family, or any corporation, partnership, or association, other than the credit union, in which he has a direct or indirect interest. It also prohibits an insider, his immediate family members, or other people sharing a common ownership, investment, or other pecuniary interest with an insider or

his immediate family from (1) getting a credit extension from the credit union with preferential rates, terms, or conditions; (2) acting as a guarantor or endorser on the credit extension; or (3) being involved with appraising or valuating assets to be used as collateral.

The bill prohibits insiders and their immediate family from directly or indirectly receiving any commission, fee, or other compensation, except those of nominal value, in connection with the credit union's extensions of credit. But the bill specifies that this prohibition does not apply to the credit union's payment of (1) employee salaries, incentives, or bonuses based on the credit union's overall financial performance; (2) incentives or bonuses to employees not part of senior management, in connection with an extension of credit, so long as the governing board establishes related policies and controls and monitors compliance at least once a year; and (3) fees to an insider or his immediate family for performing title searches, loan closings, and collections. The bill also allows directors, board-appointed committee members, employees not part of senior management, and their immediate family members to receive compensation from someone outside the credit union for services or activities the director, committee member, or employee performed, as long as they did not make a referral. The bill stipulates that insiders conduct all permissible transactions at arm's length and in the credit union's best interests.

The bill prohibits insiders, their immediate families, and credit union employees from receiving anything of value in connection with the credit union's investment or deposit of its funds, unless the governing board determines they do not present a conflict of interest, and includes the determination in its minutes. The bill specifies that this prohibition does not bar the credit union from paying salaries, incentives, and bonuses to its employees in connection with making these investments or deposits. With the commissioner's approval, the bill allows a credit union to retain an employee or director who serves as an officer, employee, or director of any other financial institution. It defines a "financial institution" as any Connecticut, federal, or out-of-state bank or credit union.

The bill prohibits an insider and his immediate family from receiving any direct or indirect payment or benefit connected to the credit union's insurance or group purchasing activities for members and employees. It specifies that this prohibition also applies to any employee who is directly involved in insurance or group purchasing

activities, unless the governing board determines the employee's involvement does not present a conflict of interest and includes this determination in its minutes.

The bill prohibits Connecticut credit unions from buying, leasing, or otherwise acquiring, without the governing board's approval recorded in its minutes, premises from: (1) an insider or his immediate family member; (2) a corporation in which the insider or his immediate family member is an officer or director or has an ownership interest of 10% or more; or (3) a partnership in which any insider or his immediate family member is a limited or general partner with an interest of 10% or more. The bill applies this prohibition to any employee who is directly involved in fixed asset investments, unless the governing board determines the employee's involvement does not present a conflict of interest and includes this determination in its minutes.

It prohibits insiders, employees, and their immediate families from directly or indirectly buying any credit union asset for less than the current fair market value, unless the credit union's governing board approves the transaction, determines it to be in the credit union's best interest, and records both in its minutes. When a credit union hires an insider or his immediate family member to render services, the bill requires the governing board to document in its minutes that the hiring was (1) at arm's length, (2) in the credit union's best interests, and (3) in accordance with the competitive bidding and appropriate due diligence provisions of the credit union's conflict of interest policy.

The bill prohibits directors, board-appointed committee members, members of senior management, and members of their immediate families with outstanding credit union service organization loans or investments from directly or indirectly receiving any salary, commission, investment income, or other compensation from the credit union service organization or any person it serves. But the bill specifies that it does not bar (1) Connecticut credit union insiders or their immediate family from helping to operate the credit union service organization, if this organization does not pay them and (2) reimbursing the credit union for services its directors, committee members, or senior management members provide, if the credit union service organization pays in full, at least quarterly, the amount it owes the credit union for these services.

The bill prohibits Connecticut credit unions from making a member

business loan if the credit union or its senior management receives additional income tied to the profit or sale of the business or commercial endeavor for which the loan is made.

### **CONNECTICUT CREDIT UNION AUTHORIZED POWERS (§ 52)**

In addition to their current powers, the bill allows Connecticut credit unions to:

1. receive deposits from their members and certain nonmembers;
2. reduce the amount of their nonmember shares and deposits;
3. expel members;
4. use their best efforts to make secured and unsecured loans to their members in accordance with the Connecticut Credit Union Act and alternative mortgage loan laws;
5. declare and pay dividends, and pay interest refunds to borrowers;
6. act as a finder or agent for insurance and annuity direct sales, sell insurance and annuities indirectly through a Connecticut credit union service organization, or enter into arrangements for third-party marketing organizations to sell insurance and annuities at the credit union or to its members, so long as:
  - a. the insurance company issuing or selling the insurance and annuities is licensed to do so;
  - b. the Connecticut credit union, Connecticut credit union service organization, or third-party marketer gets an insurance license before selling any insurance or annuities;
  - c. the insurance sold does not include title insurance; and
  - d. the credit union or credit union service organization does not underwrite the insurance or annuities;
7. act as a federal, state, or local government or agency's fiscal agent;
8. provide to other Connecticut, federal, and out-of-state credit unions
  - (a) loan processing and servicing,
  - (b) member check and money order cashing services,
  - (c) share withdrawal and loan proceed disbursement,
  - (d) money orders,
  - (e) internal audits,
  - (f) automated

- teller machine services, and (g) other similar services;
9. provide services to help its customers find products, including offering third party products and services by (a) selling advertising space on its web site, (b) putting enclosures in account statements and receipts, and (c) selling statistical or consumer financial information to outside vendors in accordance with disclosure laws;
  10. exercise fiduciary powers, with the commissioner's prior approval;
  11. maintain and rent out safety deposit boxes if the credit union has sufficient insurance to cover any losses;
  12. provide certification services, such as notarizing, guaranteeing signatures, and certifying electronic signatures and share drafts;
  13. acting as an agent for (a) an authorized tax collector or (b) an in-state electric, electric distribution, gas, water, or telephone company in collecting moneys due to it;
  14. issuing and selling securities that (a) the Federal National Mortgage Association or another entity authorized to create a secondary loan market for the credit union's type of loans guarantees or (b) subject to the commissioner's approval, relate to loans the credit union makes and are guaranteed or insured by a financial guaranty insurance company or similar entity;
  15. establish a charitable fund, either as a trust or nonprofit corporation, so long as (a) it is tax-exempt and the tax code allows it to accept charitable contributions, (b) the fund fully discloses its operations upon the commissioner's request, and (c) the credit union's trust department or at least one director or senior manager acts as the fund's trustee or director;
  16. in a majority of the governing board's discretion, make contributions or gifts to or for a 501(c)(3) tax-exempt charitable,

- educational, or public welfare organization, without the limits applicable under current law;
17. pledge or assign any or all of its outstanding loans to any other credit union service organization, quasi-governmental entity, or government-sponsored enterprise and act as the collecting, remitting, and servicing agent for the loans, charging for these acts;
  18. buy the minimum amount of an entity's capital stock if the entity requires the purchase in connection with the credit union's loan sale, pledge, or assignment and hold and dispose of the stock;
  19. buy one or more loans from any other lending institution or federally-recognized Native American tribe, if it has a formal written agreement with the tribal government allowing the credit union to service and collect on the loans;
  20. join the Federal Home Loan Bank System, with the commissioner's approval, and borrow funds as federal laws allow;
  21. sell some or all of its non-loan assets to another lending institution, buy some or all of another lending institution's non-loan assets, and assume some or all of a Connecticut or out-of-state credit union's liabilities;
  22. sell a branch or some or all of its assets, with the commissioner's approval; and
  23. engage in credit union- or financially-related activities (like data processing, consumer services, and tax planning), with the commissioner's approval, unless the commissioner feels that the credit union's credit union service organization should perform the activities to protect the credit union from loss exposure.

#### **PAR VALUE AND PAYMENTS (§§ 53, 54)**

Current law allows a credit union's shares to have a par value of \$5 or any multiple of \$5; the bill limits the par value to a \$100 maximum. Current law also allows members, with the commissioner's written approval, to make payments on their shares that qualify as part of a retirement plan. The bill continues to allow these payments but limits them to individual retirement accounts and Keoghs, excluding 401(k) accounts allowed under current law.

The bill allows Connecticut credit unions to receive payment on shares from a nonmember who is (1) an individual holding an account jointly with a member; (2) a federal, state, or local governmental entity; (3) a federally-recognized Native American tribal government located in Connecticut; or (4) another credit union. Current law allows credit unions only to pay on shares from nonmembers who are state or federal officers, employees, or agents with official custody of public funds.

The bill permits NCUA-designated low-income Connecticut credit unions to offer secondary capital accounts to anyone other than individuals, subject to applicable federal laws. It also allows Connecticut credit unions to get share insurance coverage from a licensed Connecticut insurance company in amounts exceeding the Federal Credit Union Act's limits.

#### **PAYMENT OF DIVIDENDS (§ 56)**

Under current law a credit union's dividends may be paid only from net earnings, after provision is made for required reserves. The bill allows a Connecticut credit union's governing board, or its executive committee or senior management if the governing board so delegates, to declare and pay dividends on partial or full shares from current or accumulated net earnings, so long as the credit union can still (1) meet its net worth requirements, (2) provide for accrued and unpaid expenses, and (3) adequately fund the allowance for loan and lease losses account. But it prohibits a credit union from declaring or paying dividends if (1) it is insolvent or paying dividends would make it so or (2) its net assets are less than stated capital or paying dividends would make them so.

#### **LOANS AND LOAN POLICIES (§ 57)**

The bill requires Connecticut credit unions to adopt and implement

written loan policies calling for all loan applications to be in writing, and addressing (1) the categories and types of secured and unsecured loans the credit union offers; (2) the way it will make and approve mortgage loans, member business loans, and insider loans; and (3) underwriting guidelines and collateral requirements. The policy must also cover acceptable standards for (1) title review, title insurance, and appraiser qualifications and (2) appraisal and evaluation standards and the administration process. The bill allows the commissioner to review loan policies and order changes to ensure safe and sound lending practices.

As under current law, the bill prohibits an obligor's total direct or indirect liabilities to a credit union from exceeding the greater of \$200 or 10% of the credit union's assets when incurred. It allows exceeding these limitations for up to six hours if, at the closing where the obligor incurs these liabilities, the credit union immediately assigns or apportions to one or more other people at least the amount over the limit. The bill considers a liability to be incurred at closing, unless a legally binding written contract to enter into the transaction precedes the closing, in which case the liability is incurred at the time of the commitment. It views a liability as the net of all liabilities the obligor will pay to the credit union at closing from the commitment proceeds. The bill specifies that the general partners' liabilities be included in computing a partnership's liabilities, and the partnership's liabilities included in computing a general partner's liabilities.

### **MORTGAGE LOANS (§ 58)**

The bill allows Connecticut credit unions to make mortgage loans to their members. It defines "mortgage loan" for this purpose as (1) a closed-end loan or line of credit (2) secured wholly or substantially by a lien on, or interest in, real estate, (3) including a leasehold interest, and (4) secured by a one-to-four family residence that is a member's primary residence or (5) by any other real estate, so long as the credit union's loans to a mortgagor secured by other real estate total no more than \$50,000. The bill exempts from its restrictions mortgage loans that the Administration of Veterans' Affairs guarantees, commits to, or insures. It allows credit unions to make mortgage loans secured by a leasehold interest, so long as the leasehold estate's term, excluding any renewal, does not expire before the loan matures. The bill specifies that a mortgage loan does not include a member business loan. It defines "real estate" for mortgage loan purposes to include land, any

structure, and other improvements or equipment permanently attached to the land or structure.

Current law requires a person familiar with real estate values in the community where the real estate is located to appraise or evaluate it before the credit union makes a mortgage. The bill specifies that the credit union's governing board or its designee approve the appraiser before he makes his assessment, but it permits using an appraisal by someone who appraised the property for a governmental agency that plans to insure or guarantee it.

The bill adds new requirements to the other provisions of current mortgage law. First, it requires mortgage loans a Connecticut credit union makes (1) secured by a first lien or interest to mature not more than 42 years after they were made and (2) to finance a manufactured home or secured by a subordinate lien to mature not more than 20 years after they were made. It defines "manufactured home" as a movable dwelling containing living facilities suitable for one family to live in year-round, including permanent facilities for eating, sleeping, cooling, and sanitation, as long as the purchaser uses the dwelling as a residence and will, within 90 days after purchase, situate it in a manufactured housing community or other semi-permanent site in Connecticut.

Second, the bill requires Connecticut credit union mortgage loans to have their principal and interest paid in at least consecutive semiannual installments, with payments sufficient to pay off the entire loan within 42 years from the first payment and the first payment within 24 months of the date of the loan. But the semiannual payment requirement does not apply to: (1) consumer revolving loan agreements; (2) alternative mortgage loans; (3) loans secured by residential real estate that can be demanded at any time; (4) building construction loans, with the commissioner's approval, that will mature within 24 or 36 months; and (5) any other loan or class of loan the commissioner chooses.

The bill exempts Federal Housing Administration (FHA) insured loans from its mortgage loan restrictions, but subjects those loans to two additional limitations: (1) for first mortgages on real estate, the insurance contract must provide that the federal government fully guarantees that principal and interest will be paid in the event of loan default or foreclosure, and (2) if the credit union has a commitment for

FHA insurance, it may grant the borrower an installment construction loan if the total of all installments is no more than the greater of (A) 80% of the real estate's value each time the credit union makes an advance or (B) the final loan's proportion to the real estate's final estimated value, except that the final advance may make the total of all advances equal to the total loan amount. Current law prohibits the installment total from exceeding the greater of 50% of the real estate's value or the final loan's proportion to the final estimated property value. The bill prohibits the credit union from making the final advance on an insured loan until the FHA inspects and approves the construction.

The bill allows Connecticut credit unions to invest in mortgages otherwise prohibited under its restrictions if (1) its governing board or board-appointed committee reviews the loan's or overall loan program's nonconforming aspects and finds the loan or program prudent under the circumstances and (2) the total of its outstanding nonconforming loans is no more than 8% of the credit union's total assets. It requires the credit union to record its decision regarding the loan's prudence and its reasons in the application file. A nonconforming loan can be removed from the assets limitation when the borrower repays the loan or the nonconforming aspects no longer exist.

## **MEMBER BUSINESS LOANS (§ 59)**

### ***Establishing a Business Loan Program***

The bill prohibits Connecticut credit unions from making member business loans until they (1) meet the commissioner's net worth (i.e., retaining earnings) requirements, (2) develop a member business loan program, and (3) get the commissioner's prior written approval. In applying for the commissioner's approval, the credit union must include its member business loan policy and show it has sufficient resources, knowledge, systems, and procedures in place to monitor and control the risks involved. It requires Connecticut credit unions making member business loans to hire a person with at least two years direct experience to process, make, or service the loans.

### ***Definitions***

The bill defines a "member business loan" to be any loan, line of credit

or unfunded credit line commitment, letter of credit, or other credit extension that the borrower plans to use for (1) commercial, (2) corporate, (3) investment property, (4) a business venture, or (5) agricultural purposes. It excludes the following loans: (1) those fully secured by a lien on the member's one-to-four family residence; (2) those fully secured by credit union or other financial institution shares or deposits; (3) one or more loans totaling less than \$50,000 to members or associated members who plan to use the money to benefit a common endeavor; (4) those that a federal, state, or local governmental agency fully insures, guarantees repayment, or commits in advance to buy in full; or (5) those that a corporate Connecticut credit union grants to a Connecticut, federal, or out-of-state credit union. The bill defines an "associated member" as any member sharing ownership, an investment, or another pecuniary interest in a business or commercial endeavor with the borrower. It defines a "construction loan" as a loan for developing or acquiring real estate the borrower plans to use to produce income, such as renting or selling residential or commercial property. The bill defines "net worth" as retained earnings.

### ***Credit Union Business Loan Policy***

The bill requires the credit union's governing board to adopt and annually review a specific member business loan policy addressing:

1. the types of member business loans it will make;
2. the trade area;
3. the maximum amount of assets, in relation to net worth, that it will invest in member business loans;
4. the maximum amount of assets, in relation to net worth, it will invest in each type of member business loans;
5. the maximum amount of assets, in relation to net worth, that it will loan to a single member or associated member, subject to the bill's overall business loan limits (see below);
6. the qualifications and experience it will require of its member business loan employees;
7. the documentation required to support each loan application,

- which it may amend as necessary, including:
- a. balance sheet
  - b. cash flow analysis
  - c. income statement
  - d. tax data
  - e. leveraging analysis
  - f. comparison with industry standard
8. the extent to which it will require its employees to underwrite the loan;
  9. receiving and updating financial statements and other documentation, including tax returns;
  10. for loans secured primarily by a mortgage on income-producing real estate, getting and retaining income projection statements, tenants' financial statements, and other necessary credit information;
  11. collateral requirements, including
    - a. loan-to-value ratios
    - b. value and ownership determinations
    - c. steps to secure collateral
    - d. frequency of re-evaluating collateral value and marketability
  12. interest rates and maturities;
  13. general procedures, including loan monitoring, servicing, administering, and collection;
  14. guidelines for buying and selling member business loans and loan participation, if applicable.

### **Loan Limits**

The bill allows Connecticut credit unions to make unsecured member business loans so long as:

1. the total unsecured net outstanding member business loan balance

- to any one member or associated members does not exceed the lesser of \$100,000 or 2.5% of the credit union's worth;
2. the total of all unsecured net outstanding member business loan balances does not exceed 10% of the credit union's net worth;
  3. the credit union's net worth is at least 7%; and
  4. the credit union submits quarterly reports to the commissioner, providing numbers and any other details he requires.

The bill defines the "net outstanding member business loan balance" as the outstanding loan balance, including unfunded commitments but excluding portions of member business loans (1) secured by credit union shares, (2) secured by shares or deposits in other financial institutions, or (3) that a federal, state, or local governmental agency partially insures, guarantees, or commits in advance to purchase.

The bill prohibits the total amount of secured and unsecured net outstanding member business loan balances to any one member or associated members from exceeding the greater of (1) \$100,000 or (2) 15% of the credit union's net worth, but allows the commissioner to waive this maximum. It limits a Connecticut credit union's total amount of secured and unsecured net outstanding member business loan balances to the lesser of (1) 12.25% of its total assets or (2) 1.75 times its net worth. It allows the commissioner to grant an exception to the aggregate limit if the credit union submits a written request documenting that it meets at least one of the following criteria:

1. it serves predominately low-income members;
2. it participates in the federal Community Development Financial Institutions Program; or
3. it can demonstrate that it was established to make member loans.

The bill requires the commissioner to notify the credit union and the NCUA of his decision within 45 days after the exemption request. It allows him to revoke an exemption if the credit union ceases to qualify or for safety and soundness reasons.

### ***Construction Loans***

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The bill subjects member business construction loans to additional requirements, unless the commissioner waives them:

1. the total of all construction loans may not exceed 15% of the credit union's net worth;
2. the borrower must have at least a 35% equity interest in the real estate at issue; and
3. the loan records may be released only after qualified personnel make on-site, written inspections in accordance with a pre-approved draw schedule and any other conditions the loan documentation requires.

### ***Loan-to-Value Ratios***

The bill limits the loan-to-value ratio for member business loans secured by first liens to 80% or less, unless a private mortgage or equivalent insurance covers the value over 80%, or a federal, state, or local governmental agency insures, guarantees, or commits in advance to purchase the excess. It allows the commissioner to waive this limit and permit a loan-to-value ratio up to 95%.

The bill also prohibits the loan-to-value ratio for member business loans secured by second or lesser priority liens from exceeding 80%, unless the credit union holds the first lien and a (1) private mortgage or equivalent insurance covers the value over 80% or (2) a federal, state, or local governmental agency insures, guarantees, or commits in advance to purchase the excess. It bars the loan-to-value ratio from ever exceeding 95%.

### ***Waivers***

The bill allows a Connecticut credit union to request a waiver of the limits on (1) member business loans, (2) member business construction loans, and (3) loan-to-value ratios for member business loans secured by first liens. It can do so by submitting the following documentation to the commissioner:

1. a copy of its member business loan policy;
2. a statement of the higher limit it seeks, if applicable;
3. an explanation of its need to raise the limit or change the appraisal requirement, as applicable;
4. documentation to support its ability to manage the activity;
5. an analysis of its prior member business loan experience, including:
  - a. its history of loan losses and loan delinquency,
  - b. volume and cyclical or seasonal patterns,
  - c. diversification,
  - d. concentrations of credit to one member or associated members over 15% of its net worth,
  - e. underwriting standards and practices,
  - f. types of loans grouped by purpose and collateral, and
  - g. qualifications of the employees who process, approve, and administer the loans.

The bill requires the commissioner to provide the NCUA's Region 1 with a copy of the request and consult and work cooperatively with that office to make a decision. It allows the commissioner to grant or deny the waiver within 60 days of receiving the request.

The bill subjects member business loans to federal appraisal requirements, but allows the credit union to request a waiver (it does not say from where). Both the commissioner and the NCUA must approve the request in writing before it takes effect.

The bill allows the commissioner to lower any limit, revoke any waiver, or revoke a credit union's approval to make member business loans if the credit union's policies or practices violate safe and sound lending principals. It requires credit unions' financial statements to identify their total member business loans, and separately identify each category of member business loans in their records.

### **CREDIT UNION INVESTMENTS (§ 60)**

In addition to those authorized by current law, the bill allows Connecticut credit unions to invest their uncommitted funds in:

1. the Student Loan Marketing Association's (SLMA) obligations, and

- its other securities and instruments;
2. any other NCUA-insured Connecticut, federal, or out-of-state credit union's federal funds, shares, share certificates, or other share deposits;
  3. an FDIC-insured Connecticut, federal, or out-of-state bank's federal funds or deposit accounts;
  4. any federal reserve bank or state or federal central liquidity facility's shares, deposits, or loans;
  5. any corporate Connecticut, federal, or out-of-state credit union's shares, deposits, or loans;
  6. shares of, deposits with, or loans to a national or state credit union association or credit union corporation of which the credit union is a member, if the investment does not constitute a controlling interest in the entity or total more than 1% of the credit union's total assets;
  7. real estate and real estate improvements, furniture, fixtures, and equipment for the credit union's future use, but the investment may not total more than 5% of the credit union's total assets without the commissioner's written approval;
  8. debt and equity mutual funds, whose portfolios consist solely of authorized government and SLMA securities and obligations;
  9. fixed or variable rate asset-backed securities, collateralized mortgage obligations, and real estate mortgage investment conduits, except stripped mortgage-backed securities, residual interests, mortgage servicing rights, commercial mortgage related securities, or small business-related securities;
  10. money market funds that a commissioner-approved ratings service rates in the three highest ratings categories;

11. repurchase agreements and reverse repurchase agreements, so long as (A) the underlying securities are legal investments for Connecticut credit unions, (B) the credit union receives daily assessments of the underlying securities' market value, including accrued interest, and maintains an adequate margin reflecting a risk assessment of the underlying securities and the term of the agreement, and (C) the credit union enters into signed contracts with all approved counterparties; and
12. Connecticut, federal, or out-of-state bank-issued Yankee dollar deposits, Eurodollar deposits, bankers' acceptances, deposit notes, and bank notes with original weighted average maturities under five years.

The bill also limits investment in government general and revenue bonds allowed under current law to no more than 10% of the credit union's total assets in any one issuer.

With the commissioner's prior written approval, the bill also allows Connecticut credit unions to invest in:

1. debt and equity securities and debt and equity mutual funds (including money market funds and investment trusts), regardless of any other liability the securities and mutual funds' maker, obligor, guarantor, or issuer has to the credit union, so long as
  - a. a commissioner-approved ratings service rates the securities and mutual funds in the three highest ratings categories, or if not, the credit union's governing board considers them a prudent investment;
  - b. the total amount the credit union invests in one maker, obligor, or issuer's securities and mutual funds does not exceed 25% of its capital;
  - c. the total amount of the debt securities and debt mutual funds do not exceed 25% of the credit union's total assets;
  - d. the total amount of the equity securities and equity mutual

- funds do not exceed 25% of the credit union's total assets; and
- e. the credit union does not engage in securities trading, including when-issued trading and pair-off transactions, without the commissioner's additional prior written approval; and
2. any other investment the commissioner deems appropriate considering the credit union's financial condition and strategic goals, the investment's inherent risk, and the credit union's ability to monitor and control the risks involved.

Under the bill, "debt securities" means (1) any marketable obligation showing any person's indebtedness in the form of direct, assumed, or guaranteed bonds, notes or debentures, or any similar security; (2) participation agreements in these investments; or (3) repurchase agreements. The bill defines "equity securities" as a stock or similar security, certificate of interest, or participation in any (1) profit-sharing agreement, (2) pre-organization certificate or subscription, (3) transferable share, (4) voting trust certificate or certificate of deposit for an equity security, (5) limited partnership interest, (6) interest in a joint venture, (7) certificate of interest in a business trust; (8) any security convertible, with or without consideration, into a security listed above; (9) any warrant or right; or (10) any put, call, straddle, or other option or privilege of buying or selling a security without being bound to do so, but excluding debt and equity mutual funds.

The bill allows a Connecticut credit union to invest in, or make loans to, credit union service organizations, so long as (1) the total loan or investment to any one organization is no more than 2% of the credit union's total assets, regardless of the credit union service organization's profitability; and (2) the credit union files with the commissioner prior written notice of its intent to make the loan or investment. If the commissioner does not disapprove it within 30 days of filing the notice, the bill permits the credit union to make the loan or investment.

### **CORPORATE CONNECTICUT CREDIT UNIONS (§ 61)**

Current law allows a single central Connecticut credit union to be organized and operated as a Connecticut credit union. The bill keeps most of the central credit union provisions, but renames the entity a "corporate credit union." It defines "corporate," when used to

describe a Connecticut, federal, or out-of-state credit union, as an organization that (1) is chartered as a credit union under federal or state law; (2) receives shares from, and provides loan services to, credit unions; (3) operates primarily to serve other credit unions; (4) the NCUA designates as a corporate credit union; (5) limits its number of natural person members to the minimum required by state or federal law to charter and operate the credit union; and (6) does not condition a credit union's membership eligibility on its membership in any other organization. It must use the word "corporate" in its official name. The bill allows the same membership categories as apply to a central credit union, and also includes (1) credit union service organizations and their associated organizations and (2) the corporate Connecticut credit union's organizers.

The bill eliminates certain limitations on the governing board's authority and permissible investments that exist under central credit union law. It allows a corporate Connecticut credit union to invest its surplus in the same way as other Connecticut credit unions, except for debt securities and credit union service organizations, which must be made according to federal corporate credit union laws and must have the commissioner's approval whenever the federal act directs its credit unions to the NCUA. The bill also allows a corporate Connecticut credit union, with the commissioner's approval, to accept investments from member and nonmember financial institutions. It considers these investments to be part of the credit union's paid-in capital, but not its shares.

The bill allows a corporate Connecticut credit union to make loans in the same way as other Connecticut credit unions, but subject to federal lending limits. The federal law limits a corporate credit union's total unsecured loans to member credit unions to the greater of 50% of its capital or 75% of its total reserves and undivided earnings. Current law limits a central credit union's total loans to 20% of its paid-in and unimpaired capital and surplus. The bill limits the corporate credit union's maximum total of secured loans and irrevocable lines of credit to the greater of 100% of capital or 200% of total reserves, undivided earnings, and paid-in capital. The bill also requires a corporate Connecticut credit union to contribute to the reserves based on the reserve ratio requirements in federal law.

The bill allows a corporate Connecticut credit union to borrow funds up to the limits imposed by federal corporate credit union laws, which

allow credit unions to borrow up to the greater of 10 times their capital or 50% of shares. Central credit unions may only borrow funds up to 100% of their paid-in and unimpaired capital and surplus. The bill also allows a corporate credit union to establish and maintain one or more credit union service organizations.

### **CONNECTICUT CREDIT UNION SERVICE ORGANIZATIONS (§ 62)**

Current law allows one or more Connecticut credit unions, with the commissioner's approval, to operate a shared service center for their members' benefit or contract with a credit union service organization to own or operate a center. It defines a credit union service organization as an organization providing services that are useful to credit unions in conducting their operations and providing services to their members.

The bill expands credit union service organizations' role in providing services to credit unions. It allows a Connecticut credit union, with the commissioner's approval, to establish a Connecticut credit union service organization, individually or jointly with other Connecticut, federal, or out-of-state credit unions, or other federally insured depository institutions inside or outside of Connecticut. It defines a "credit union service organization" as an entity organized under state or federal law to provide credit union service organization services primarily to (1) its members, (2) Connecticut and federal credit unions, (3) out-of-state credit unions other than its members, and (4) members of other credit unions. It defines "credit union service organization services" as financial services that (1) state or federal laws authorize credit union service organizations to provide, (2) are closely related to credit union business, (3) are convenient and useful to credit union business, and (4) are reasonably related to the credit union's operations. A "Connecticut credit union service organization" is a credit union service organization located in Connecticut, incorporated under Connecticut laws, and established by at least one Connecticut credit union. The bill repeals the current statutory definition of a credit union service organization, which simply defines them as providing services to credit unions.

The bill requires a Connecticut credit union establishing a credit union service organization to file an application with the commissioner containing (1) a description of the services in which the credit union service organization will engage, (2) an explanation of how these

services are related to credit union services, and (3) any other information the commissioner requires. The bill specifies that the credit union service organization be organized as a corporation, but it may be a limited liability company or limited partnership if the establishing Connecticut credit union files with its application a written legal opinion that the limited liability company or limited partnership will limit the credit union's exposure to no more than the amount of money it invests in or lends to the credit union service organization.

The bill requires a Connecticut credit union service organization to (1) account for all transactions using generally accepted accounting principles; (2) prepare quarterly financial statements and obtain an annual opinion audit on these statements by a licensed certified public accountant; (3) preserve all of its books and records in accordance with the regulations the commissioner adopts; (4) give the commissioner complete access to its books, records, and internal controls for review, evaluation, and examination; and (5) pay the actual cost of any review, evaluation, or examination the commissioner conducts.

The bill allows Connecticut credit unions to invest funds in, or lend to, existing credit union service organizations. But in doing this, the Connecticut credit union must obtain (1) a written agreement that the credit union service organization will perform the same accounting and recordkeeping activities as required above, except preserving its books in accordance with the commissioner's regulations, and (2) a written legal opinion that the credit union service organization is established as a corporation, limited liability company, or limited partnership, and the credit union's potential risk exposure is no more than losing the money it invested in or lent to the credit union service organization. If the Connecticut credit union wishes to maintain its investment in, or loan to, a credit union service organization planning to change its form of organization, the bill requires it to obtain a written legal opinion that the service organization will continue in a form that similarly limits the credit union's potential exposure.

The bill allows a Connecticut credit union service organization to expand its services by filing with the commissioner (1) prior written notice of its intent to expand services, (2) an explanation of how the proposed expansion is related to credit union services, and (3) any additional information the commissioner requires. Unless the commissioner disapproves within 30 days of filing this notice, the bill

permits the organization to expand its services. It prohibits credit union service organizations from acquiring direct or indirect control of another depository institution or investing in shares, stocks, or obligations of an insurance company, trade association, liquidity facility, or similar organization, corporation, or association.

If the commissioner determines that a Connecticut credit union's investments in, or loans to, any credit union service organization exceed the 2% assets limit or is otherwise imprudent for the credit union to maintain, the bill allows him to require the credit union to divest the loans or investments. The bill allows a Connecticut credit union service organization, in connection with providing credit union service organization services, to invest in service providers. But it limits this investment to the amount the service provider requires for its services.

Current law allows a Connecticut credit union, whether or not it invests in a credit union service organization, to enter into agreements with it and pay it appropriate fees and service charges to enable its members to transact with the service organization. The bill also allows a credit union to lend to a credit union service organization to obtain credit union service organization services for itself or provide them to its members.

### **CONNECTICUT CREDIT UNION BRANCHES AND MAIN OFFICES (§§ 63, 66)**

The bill defines "branch" as any Connecticut credit union office at a fixed location, other than the main office, that (1) receives shares or deposits, (2) pays share drafts or checks, or (3) lends money. It prohibits a Connecticut credit union from establishing a branch inside or outside of the state unless it first applies to the commissioner to establish a branch and the commissioner has not disapproved it within 30 days after its filing. The bill allows the commissioner to disapprove an application to establish a branch if he finds that:

1. establishing the proposed branch is inconsistent with safety and soundness or with the Connecticut credit union's field of membership;
2. for a single or multiple common bond membership, establishing the proposed branch will result in impermissible overlap with other credit unions' fields of membership in the proposed location;

3. for a community credit union :
  - a. the proposed branch is not generally accessible to the public,
  - b. establishing the branch will oversaturate the proposed location with financial institutions, or
  - c. the credit union does not have a record of complying with community reinvestment requirements; or
4. for an out-of-state branch, the other state's laws do not authorize the branch's establishment.

As long as it does not violate these provisions, the bill allows a Connecticut credit union to establish or operate a branch in the same or approximately the same location as another federally insured financial institution. The bill also allows the commissioner to examine and supervise a Connecticut credit union's out-of-state branches, and enter into agreements with other state or federal credit union regulators for this examination and supervision.

If a Connecticut credit union wants to close a branch inside or outside of Connecticut, the bill requires it to notify the commissioner as soon as possible but at least 30 days before the closing date. The notice must include a detailed statement of the credit union's reasons for closing the branch. It requires the credit union to notify its members of the proposed closing by (1) conspicuously posting the notice at the branch at least 30 days before the closing and (2) including the notice in at least one regular account statement it mails to its members who use the branch, or in a separate mailing to those members at least 30 days before the closing date.

If the commissioner approves, the bill allows any Connecticut credit union to relocate a branch in the state in accordance with the commissioner's notice and other requirements. It defines "relocating" as moving within the same immediate neighborhood without substantially affecting the nature of the business or members served.

### **Main Offices**

The bill allows a Connecticut credit union, with the commissioner's approval, to relocate its main office anywhere in the state. It requires the commissioner, before granting approval, to consider: (1) the field of membership the Connecticut credit union's proposed relocation would serve; (2) the adequacy of the credit union's current main office; (3) the economic need for, and cost of, the proposed relocation; and (4) the

proposed relocation's convenience and necessity to the field of membership.

### **OUT-OF-STATE CREDIT UNIONS (§ 64)**

Current law allows out-of-state, state-chartered credit unions to establish branches in Connecticut. The bill allows the commissioner to disapprove establishing a branch for the same reasons he can disapprove establishing a Connecticut credit union's new branch. It allows an out-of-state, state-chartered credit union with a branch in Connecticut to, with the commissioner's approval, establish additional branches in the state. It also allows an out-of-state, federally-chartered credit union, with prior written notice to the commissioner, to establish a branch or additional branches in Connecticut, and allows a federal credit union, with prior written notice, to establish additional branches.

### **MERGERS (§ 67)**

#### ***Conditions***

The bill significantly revises the current law under which a Connecticut credit union, with the commissioner's permission, may merge with a Connecticut, federal, or out-of-state credit union. It sets the following conditions on mergers with out-of-state and federal credit unions:

1. When a merger results in an out-of-state state-chartered credit union, the bill prohibits the commissioner from approving the merger unless the out-of-state credit union has share insurance as the Federal Credit Union Act requires and its chartering state's laws authorize the merger under conditions no more restrictive than do Connecticut's laws.
2. Federal and out-of-state federally-chartered credit unions proposing to merge with a Connecticut credit union must show the commissioner they comply with all federal laws.
3. Any out-of-state credit union proposing a merger must show the commissioner it complies with its chartering state's laws governing the merger and any additional information he requires.

#### ***Plans and Application***

Current law requires the governing boards of the credit unions proposing to merge to adopt a merger plan by majority vote. The bill requires this merger plan to name the merging credit unions, the resulting credit union, and the proposed merger's terms and conditions, including the resulting credit union's field of membership. The boards must (1) enter into a merger agreement; (2) file an application with the commissioner; and (3) for a terminating Connecticut credit union, submit the merger plan to its members for a vote.

The application must include (1) the merger plan and each governing board's minutes adopting the plan; (2) the merger agreement; (3) an original proposed certificate of incorporation and proposed amended bylaws, if applicable; (4) financial statements of the merging credit unions and a pro forma financial statement for the resulting institution; (5) for a terminating Connecticut credit union, a proposed written notice to its members of the time, date, and place of the meeting to vote on the merger and a proposed form of any ballot or proxy; (6) information addressing the items the commissioner must consider before approving; and (7) any additional information the commissioner requires.

### ***Approval***

The bill prohibits the commissioner from approving a merger unless he considers whether (1) the merging credit unions have engaged in any unsafe or unsound practice during the one-year period before they filed their application; (2) the resulting credit union will be adequately capitalized; (3) the resulting credit union will have the managerial capability and financial resources to serve its proposed membership; (4) the proposed merger will substantially lessen competition in the Connecticut credit union industry; and (5) the proposed merger will benefit the proposed membership's convenience and needs. It allows the commissioner to approval the merger if he is satisfied the conditions are met, and include in his approval terms and conditions as he sees fit.

After the commissioner approves the merger, the bill requires the resulting credit union to file a copy of its merger agreement, merger plan, certificate of amendment to its certificate of incorporation, if any, and the commissioner's approval in the Secretary of the State's Office. Within 10 days after filing, it must also file copies of these documents

with the commissioner, and a copy of its amended bylaws, if the resulting institution is a Connecticut credit union.

The bill specifies that the merger becomes effective on the first business day after the resulting credit union files with the secretary of the state. On the effective date, the bill indicates that (1) the merged parties' corporate existence is continued by and in the resulting credit union; (2) both parties' assets, business, good will, and franchises are vested in the resulting credit union without any deed, endorsement, or other instrument of transfer; and (3) the resulting credit union assumes all of the merged parties' debts, obligations, and liabilities.

## **CONVERSIONS (§§ 68, 69)**

### ***Connecticut Credit Union into Federal Credit Union***

Current law allows a Connecticut credit union, with the commissioner's approval, to convert into a federal or out-of-state credit union. The bill limits conversion to Connecticut credit unions that have existed and continuously operated for at least five years, and only into a federal credit union.

Current law requires the governing board to adopt the conversion proposal by a majority vote, and establish the time and date of a regular or special meeting for the members to vote on it. The bill requires the Connecticut credit union proposing to convert to file an application with the commissioner, including: (1) the conversion plan adopted by a majority vote of the governing board and a copy of its resolution adopting the plan; (2) a proposed written notice of the date, time, and place of a regular or special meeting for the members to vote on the conversion, including a proposed form of any proxy or mail ballot; (3) proof of compliance with all applicable federal laws governing the conversion; and (4) any additional information the commissioner requires. The bill requires the commissioner to approve a conversion if he determines that the converting credit union has complied with all of the requirements.

Current law requires the converting Connecticut credit union promptly to take any action necessary to make it a federal credit union, and in any case no more than 90 days after the member vote approving conversion. Within 10 days after the Connecticut credit union receives the document evidencing the federal credit union's organization, it

must file a copy of its federal charter with the commissioner. The bill makes this no more than 90 days after receiving the commissioner's approval. And, within 10 days after the converting Connecticut credit union receives a federal credit union charter and certificate of insurance, the bill requires it to file copies of them with the commissioner.

***Federal or Out-of-State Credit Union into Connecticut Credit Union (§ 69)***

Current law allows federal and out-of-state credit unions to convert into Connecticut credit unions by complying with federal or state conversion requirements and filing proof of compliance and an application with the commissioner. The bill requires the application to include: (1) a plan of conversion and copy of the governing board's resolution adopting the plan; (2) a three-year business plan, including pro forma financial statements; (3) a copy of the proposed certificate of incorporation, signed by the proposed directors, and a copy of the proposed bylaws; (4) information addressing the items the commissioner must consider about the proposed credit union's suitability; and (5) any additional information he requires.

Current law allows the commissioner to issue an approval of conversion and a certificate of authority when he is satisfied that the proposed credit union has complied with all requirements. The bill requires him first to determine that (1) the conversion would serve the proposed membership's economic needs and is in accordance with sound credit union practices, (2) the converting credit union will have the managerial capacity and financial resources to serve its members, and (3) the converting credit union has sufficient net worth to meet all applicable regulatory requirements.

The bill requires the converting credit union to promptly file and record the commissioner's approval and its certificates of incorporation and authority with the secretary of the state. Currently the commissioner does this filing. As under current law, when these are filed and recorded, the bill considers the federal or out-of-state credit union to be a Connecticut credit union on the date it ceases to be a federal or out-of-state credit union. Within 10 days of filing, it requires the converted credit union to file copies with the commissioner.

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**Connecticut or Federal Credit Union to Mutual Connecticut Bank  
(§ 70)**

Current law allows Connecticut and federal credit unions to convert into a mutual savings bank, mutual savings and loan association, or mutual community bank. The bill removes a requirement that the proposed conversion plan the converting credit union files with the commissioner include a provision prohibiting a converted mutual Connecticut bank from paying its directors any expenses or fees, or entering into any agreements with directors or their affiliates to provide it with products or services, for at least two years after the conversion's effective date.

**Converted Credit Union Powers**

The bill specifies that a converted federal or Connecticut credit union possesses all rights, privileges, and powers as its federal charter or state certificate of authority, as applicable, grants, and the converting institution's assets, business, and good will are transferred to and vested in it without any deed or instrument of conveyance, unless the converting credit union wishes to execute an instrument to confirm the transfer. It subjects the converted credit union to all of the converting credit union's duties, relations, obligations, trusts, and liabilities, whether as debtor, depository, registrar, transfer agent, executor, administrator, or otherwise, and makes it liable to pay and discharge all the debts and liabilities, perform all the duties, and administer all the trusts as though the converted credit union had incurred the liability or assumed the duty itself. The bill preserves all of the converting credit union's creditors' rights and all liens against its property, and allows the credit union to receive, accept, collect, hold, and enjoy all gifts, bequests, devises, conveyances, trusts, and appointments in its name or favor, whether they were meant to take effect before or after the conversion.

**DISSOLUTION (§ 71)**

The bill modifies the procedures for a Connecticut credit union to terminate its corporate existence and be dissolved. Under current law, within three days after a majority of the governing board has adopted a plan to dissolve the credit union, the board must file a copy of the plan with the commissioner and inform him of the date when the members will vote on it. The bill requires the credit union's chairman or vice chairman and secretary or treasurer to attest to the copy of the

dissolution plan filed with the commissioner.

The bill also dictates that the dissolution plan be approved at an annual or special meeting of the credit union's members. It requires written notice of the date, time, and place of the meeting to be hand-delivered or mailed to all members at their last-known address, as shown on the credit union's records, no more than 30 nor less than seven days before the vote. The notice must clearly describe the plan and the reasons for it and notify each member of his right to vote on the plan in person, by proxy, or by mail ballot, and include an official form of proxy or mail ballot. The bill reduces the number of members needed to approve the proposal from two-thirds to a majority of members voting.

When the commissioner receives the vote result statement, current law allows him to apply to the Superior Court of Hartford or the town where the credit union is located to appoint a receiver. The bill allows him to apply only to the Hartford Superior Court. The bill eliminates the commissioner's ability to terminate the Connecticut credit union's corporate existence by certifying, in writing, that no other reasonable alternatives are available to protect the credit union's members and creditors. Instead, it allows him to ask for a conservator or receiver to be appointed, in the same way as he can for a bank. The bill also allows him to have a conservator or receiver appointed (1) for the reasons current law allows him to terminate the credit union's corporate existence and (2) for any of the reasons current law allows him to apply for a receiver or conservator for banks.

## **RESTRAINING ORDERS AND INJUNCTIONS**

### ***Notice of a Temporary Restraining Order (§ 10)***

The bill expands the current delivery requirements to require the commissioner to hand-deliver a copy of the restraining order to the bank, credit union, or credit union service organization's president, chief executive officer, secretary, treasurer, manager, or general partner, as appropriate for each institution. Current law requires him only to leave the order with a bank's secretary, treasurer, or cashier. The bill allows these executives to waive the notice. The bill also extends to credit unions and credit union service organizations reasonable notice before a court issues a restraining order, and it deems notice to the institution's executives as sufficient notice to the

institution itself.

### ***Courts' Authority Over Injunction Application (§ 11)***

The bill allows the commissioner to apply for an injunction, receiver, or conservator in the case of (1) a forfeited certificate of authority of a Connecticut or out-of-state credit union; (2) a credit union's fraud, unsafe business practices, asset dissipation, or insolvency; or (3) termination of NCUA insurance. Current law allows the court to (1) grant an injunction or appoint a receiver or both or (2) appoint a conservator. The bill allows it to declare a Connecticut credit union's certificate of authority null and void after giving reasonable notice to the credit union. The law already allows it to nullify a Connecticut bank's charter.

### ***Receivers and Conservators (§§ 12, 13, 14, 15, 16, 17, 18, 20)***

The bill applies provisions of current banking law regarding receivers, receivership, and insolvency to Connecticut credit unions. If a court decides to name a receiver or conservator for a credit union, the bill requires it to name the commissioner. But the bill allows the commissioner to request that the NCUA be named receiver in his place. It also allows him to put credit unions into the Department of Banking division that liquidates and administers the affairs of banks. The bill requires the receiver to place the Connecticut credit union in liquidation. It requires the conservator to carry on the credit union's business, preserve and conserve its assets and property, and put it in a safe and sound condition. The bill also authorizes such additional procedures for receivers and conservators as current law allows for Connecticut banks.

The bill prohibits any member of a credit union's senior management, or a director or officer from (1) acting on the credit union's behalf, (2) conveying, transferring, assigning, pledging, mortgaging, or encumbering any of its assets, (3) creating any lien on it, or (4) preferring any of its share account holders or creditors, and declares any such act void. It allows the commissioner or receiver to terminate the credit union's executory contracts and lessee obligations within six months of the receiver's appointment. It also allows share account holders to submit plans to refinance or reorganize the credit union, as current law allows depositors, shareholders, and creditors to do for banks.

The bill prohibits a claim in favor of a Connecticut credit union in receivership that was not time-barred at the time the receiver citation was served on the credit union from being barred against the receiver in a suit to recover the claim, brought by the receiver in his own or the credit union's name.

### ***Liquidation, Subrogation, and Disposition (§§ 25, 26, 27)***

Current law directs the distribution sequence of a liquidated Connecticut credit union's assets or the proceeds from their disposition. The bill adds specific provisions for liquidating corporate and low-income credit unions to that list: (1) for a corporate Connecticut credit union, membership and then paid-in capital and (2) for a Connecticut credit union the NCUA designates as low-income, any outstanding secondary capital accounts. The bill also specifies that when a Connecticut credit union's assets and their proceeds are insufficient to pay the total amount due each claimant in a particular class, they must be distributed to each claimant in the class on a pro rata basis.

If the NCUA pays a closed Connecticut credit union's insured account liabilities, the bill requires the NCUA to be subrogated to the share account owners' rights against the credit union just the same as it is in the closing of a federal credit union. The bill also requires the Connecticut credit union to forfeit its certificate of authority after the funds are properly distributed if the court has not approved any refinancing or reorganization plan.

### **PLEDGE OF SHARE ACCOUNT (§ 28)**

The bill allows any named share account holder to pledge his interest in a Connecticut credit union account to another person without the consent of any other named owner, unless the share contract says the account is nontransferable or otherwise limits pledge rights. But the bill does not allow pledging of (1) a share account subject to negotiable orders of withdrawal or (2) a time account. Current law limits the effectiveness of a bank deposit account pledge to the account's named owners, their executors, or administrators only, unless the pledger recorded a different intent on the bank's books or filed with it a copy of such order. The bill applies this provision to credit unions, and also allows a pledge to be effective against a bank deposit or credit union

account's receivers or custodians. The bill requires a lien against the pledgee's account until full loan repayment if the pledgee makes a loan based on the pledge of a savings account. It allows the Connecticut credit union maintaining the share account to be a pledgee.

### **ADVERSE CLAIM TO SHARE ACCOUNT (§ 30)**

The bill applies to credit union share accounts the current law regarding adverse claims to money in a bank account. It prohibits a Connecticut or federal credit union from recognizing an adverse claimant's demand for money from a share account holder's account held in Connecticut unless the claimant either (1) gets a restraining order, injunction, or other process against the credit union in which the account holder or his executor, administrator, receiver, custodian, legal representative or heir is made a party and served with summons or (2) executes a bond indemnifying the credit union from any liability, damage, costs, or expenses for paying the claim. But the bill says these prohibitions do not apply if the share account holder is the claimant's fiduciary and the claimant presents an affidavit showing his reasonable belief that the fiduciary is about to misappropriate the share account funds. The bill also adds a bank account holder's receiver or custodian to the list of people whom an adverse claimant to a bank account may make a party and serve with summons.

### **SHARE ACCOUNT HOLDERS AND PASSBOOKS (§§ 31, 32, 33)**

The bill makes Connecticut credit union passbooks, certificates, instruments, and statements subject to the same laws that apply to banks. If a share account document is lost, stolen, or destroyed, the bill allows the person or people holding the account to apply to the credit union for payment of the account balance or issuance of a duplicate document. The bill specifies that the credit union's liability for the original document ends upon payment or reissuance. It makes everything in a statement or passbook valid, unless the account holder files an action against the credit union claiming inaccuracy or incompleteness within seven years after delivery.

The bill also allows minors to establish Connecticut or federal credit union share accounts as owners, joint owners, co-owners, or beneficiaries.

### **COMMISSIONER'S AUTHORITY OVER BANKS AND CREDIT UNIONS (§§ 3, 4, 9, 10)**

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The bill extends the banking commissioner's current authority over banks to the following activities and other entities, as indicated:

1. electronic data processing services (Connecticut credit unions and credit union service organizations) (§ 3);
2. liability for violating banking laws (credit union service organizations and their officers, directors, managers, or general partners) (§ 4);
3. limit withdrawals from institutions in financial distress (Connecticut credit unions) (§ 9);
4. issue a temporary restraining order preventing institutions from distributing or receiving money (Connecticut credit unions, Connecticut credit union service organizations, and out-of-state credit unions with branches in Connecticut) (§ 10) ;
5. appoint a conservator (Connecticut credit unions and Connecticut credit union service organizations) (§ 10);
6. issue a restraining order to prevent an institution from paying out dividends or other funds until the court deems it necessary (credit unions and Connecticut credit union service organizations) (§ 10).

### ***Stipulations and Agreements (§§ 5, 6)***

If the banking commissioner conducts an examination or investigation and finds that a Connecticut bank, credit union, or credit union service organization: (1) did not file a report when it was due; (2) is insolvent; (3) violated any banking statute, regulation, rule, or order; or (4) is or has been participating in unsafe and unsound practices, the bill allows him to enter into (1) stipulations and agreements or memoranda of understanding with a Connecticut bank, either alone or with the Federal Deposit Insurance Corporation (FDIC), or (2) letters of understanding and agreement or memoranda of understanding with a Connecticut credit union or Connecticut credit union service organization, either alone or with the National Credit Union Administration.

### ***Banking Department Assessments and Examination Fees***

The bill gives new Connecticut credit unions three full calendar years after the commissioner issues their certificates of authority before he may collect pro rata annual payments to meet Department of Banking

expenses. It also gives the commissioner discretion to reduce a credit union's payment by the amount it paid in another state.

**Information Disclosure (§§ 7, 8)**

The bill removes current law's express permission for Connecticut credit unions to disclose member information to shared service centers members use to complete a transaction with the credit union. But it allows financial institutions to disclose customer records to insurance companies to conduct risk assessment relating to surety bonds and fraud investigations.

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute  
Yea 16    Nay 1