

Senate Engrossed

credit unions; formation; loans; membership

State of Arizona
Senate
Fifty-sixth Legislature
Second Regular Session
2024

SENATE BILL 1296

AN ACT

AMENDING SECTIONS 6-501, 6-506 AND 6-510, ARIZONA REVISED STATUTES;
REPEALING SECTION 6-512, ARIZONA REVISED STATUTES; AMENDING SECTIONS
6-516, 6-522, 6-523, 6-524, 6-531, 6-537, 6-542, 6-551, 6-556, 6-561,
6-563 AND 6-564, ARIZONA REVISED STATUTES; RELATING TO CREDIT UNIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 6-501, Arizona Revised Statutes, is amended to
3 read:

4 6-501. Definitions

5 A. In this chapter, unless the context otherwise requires:

6 1. "Branch office":

7 (a) Means a place of business of a credit union, other than a
8 principal office, at which deposits are received and checks are paid.

9 ~~, but~~

10 (b) Does not include premises used for computer operations,
11 recordkeeping, accounting, storage, maintenance or other administrative or
12 service functions.

13 2. "Capital" means share accounts, reserves and undivided earnings.

14 3. "Corporate credit union" means a credit union whose field of
15 membership consists of other credit unions and organizations or
16 associations owned by or composed of credit unions and corporations or
17 associations that primarily serve credit unions.

18 4. "Credit union" means a cooperative nonprofit association that is
19 incorporated under this chapter for the purposes of:

20 (a) Encouraging thrift among its members. ~~and~~

21 (b) Creating a source of credit and other financial services at A
22 fair and reasonable cost.

23 (c) ASSISTING MEMBERS TO MANAGE AND CONTROL THEIR FINANCIAL
24 RESOURCES TO IMPROVE THEIR SOCIAL AND ECONOMIC CONDITIONS.

25 5. "Deposit account" means a balance other than a share account
26 held by a credit union, including balances designated as special
27 investment accounts, deposits, certificates of deposit, certificates of
28 indebtedness, demand deposit accounts or other similar names.

29 6. "Fixed asset" means land, buildings and major equipment used by
30 a credit union in the provision of services.

31 7. "Governmental unit" means a board, agency, department,
32 authority, instrumentality or other unit or organization of the federal,
33 state, county, municipal or other level of government.

34 8. "Immediate family" means persons related by blood or marriage
35 and includes foster and adopted children.

36 9. "Insolvent" means that the value of a credit union's assets is
37 less than its liabilities.

38 10. "Insuring organization" means the national credit union
39 administration or successor organization or any other ~~equivalent~~ insurer
40 approved by the deputy director.

41 11. "Membership share" means a balance held by a credit union and
42 established by a member according to the standards prescribed by the
43 credit union.

44 12. "Organization" means any corporation, association, partnership,
45 society, firm, syndicate, trust or other legal entity.

1 13. "Reserves":

2 (a) Means allocations of retained income. ~~and~~

3 (b) Includes regular and special reserves and any allowances for
4 loan losses and investment losses.

5 14. "Risk assets" includes all assets of the credit union except the
6 following:

7 (a) Cash on hand.

8 (b) Deposits or shares in federally or state insured banks, savings
9 and loan associations and credit unions that have a remaining maturity of
10 five years or less or if the maturity is greater than five years, the
11 asset is being carried on the credit union's records at the lower of cost
12 or market or is being marked to market value monthly.

13 (c) Assets that have a remaining maturity of five years or less and
14 are insured by, fully guaranteed as to principal and interest by or due
15 from the United States government, its agencies, the federal national
16 mortgage association, the federal home loan mortgage corporation or the
17 government national mortgage association, including collateralized
18 mortgage obligations that are comprised of government guaranteed mortgage
19 loans or if the maturity is greater than five years, the asset is being
20 carried on the credit union's records at the lower of cost or market or is
21 being marked to market value monthly.

22 (d) Loans to other credit unions that have a remaining maturity of
23 five years or less or if the maturity is greater than five years, the
24 asset is being carried on the credit union's records at the lower of cost
25 or market or is being marked to market value monthly.

26 (e) Student loans insured under ~~the provisions of~~ title IV, part B
27 of the higher education act of 1965 (20 United States Code section 1071,
28 et seq.) or similar state insurance programs that have a remaining
29 maturity of five years or less or if the maturity is greater than five
30 years, the asset is being carried on the credit union's records at the
31 lower of cost or market or is being marked to market value monthly.

32 (f) Loans that have a remaining maturity of five years or less and
33 are fully insured or guaranteed by the federal or state government or an
34 agency of either or if the maturity is greater than five years, the asset
35 is being carried on the credit union's records at the lower of cost or
36 market or is being marked to market value monthly.

37 (g) Shares or deposits in a central or corporate credit union that
38 have a remaining maturity of five years or less or if the maturity is
39 greater than five years, the asset is being carried on the credit union's
40 records at the lower of cost or market or is being marked to market value
41 monthly.

42 (h) Common trust investments, including mutual funds, that deal
43 exclusively in investments authorized by the federal credit union act and
44 are either carried at the lower cost or market or are marked to the market
45 value monthly.

1 (i) Prepaid expenses.

2 (j) Accrued interest on nonrisk investments.

3 (k) Loans fully secured by a pledge of shares in the lending
4 federal credit union equal to and maintained to at least the amount of the
5 loan outstanding.

6 (l) Loans that are purchased from liquidating credit unions and
7 guaranteed by the national credit union administration.

8 (m) National credit union share insurance fund guaranty accounts
9 established with the authorization of the national credit union
10 administration under the authority of section 208(a)(1) of the federal
11 credit union act.

12 (n) Investments in shares of the national credit union
13 administration central liquidity facility.

14 (o) Fixed assets as defined in section 701.36(b) of the federal
15 credit union act.

16 (p) Deposits in the national credit union share insurance fund
17 representing a federally insured credit union's capitalization account
18 balance of one percent of insured shares.

19 15. "Share account" means a balance held by a credit union and
20 established by a member according to this chapter, including balances
21 designated as shares, share certificates, share draft accounts and
22 membership shares. Ownership of a share account confers membership and
23 voting rights and represents an interest in the capital of the credit
24 union.

25 B. For the purposes of subsection A, paragraph 14, subdivision (g)
26 of this section, a "central or corporate credit union" means a credit
27 union whose membership primarily consists of either:

28 1. Other credit unions organized under state or federal law.

29 2. Officials, committee members and employees of any credit union
30 organized under state or federal law.

31 3. Any combination of the categories described in paragraphs 1 and
32 2 of this subsection.

33 Sec. 2. Section 6-506, Arizona Revised Statutes, is amended to
34 read:

35 6-506. Organization procedure

36 A. Any seven or more residents of this state who are of legal age
37 and who have a common bond of interest or association may apply to the
38 deputy director for permission to organize a credit union under this
39 chapter.

40 B. The incorporators shall prepare, adopt and execute a certificate
41 of organization and shall agree to comply with the requirements of the
42 certificate and with all of the laws and rules applicable to credit
43 unions. The certificate shall state:

44 1. The credit union's name and the location of the proposed
45 principal place of business.

1 2. That the existence of the credit union is perpetual.
2 3. The names and addresses of the incorporators and the number of
3 shares subscribed to by each.
4 4. The purpose for which the credit union is formed.
5 C. The incorporators shall prepare, adopt and execute bylaws
6 consistent with this chapter for the general governance of the credit
7 union. The bylaws, among other things, shall provide:
8 1. The proposed field of membership that shall ~~be limited to~~
9 **CONSIST OF ONE OR MORE** groups having a common bond of interest, occupation
10 or association or to groups within a well-defined neighborhood, community
11 or rural district consistent with the purposes of the credit union.
12 2. The par value of shares.
13 3. The number of directors of the credit union, which shall not be
14 fewer than five, all of whom shall be members, together with the titles of
15 the officers and the number of members of the supervisory committee, which
16 shall not be fewer than three.
17 4. The conditions under which shares may be issued, transferred or
18 withdrawn, loans may be made and repaid and monies may be otherwise
19 invested.
20 5. The number of members of the credit committee, which shall not
21 be fewer than three, or the authorization of a credit manager.
22 D. The incorporators shall select at least five persons who are
23 eligible for membership and who agree to become members and serve on the
24 board of directors, and at least three persons who are eligible for
25 membership and who agree to become members and serve on the supervisory
26 committee. The persons selected to serve on the board of directors and
27 the supervisory committee shall execute an agreement to serve in those
28 capacities until the first annual meeting or until the election of their
29 respective successors, whichever is later.
30 E. The incorporators shall forward to the deputy director such
31 application as is required by the deputy director, along with the
32 application fee provided for in section 6-126, the certificate of
33 organization, the bylaws and the agreements to serve and any additional
34 information ~~which~~ **THAT** the deputy director may request.
35 F. The incorporators shall not transact any business in the name of
36 the credit union until the certificate of incorporation has been issued by
37 the corporation commission and the application and the bylaws have been
38 approved by the deputy director.
39 Sec. 3. Section 6-510, Arizona Revised Statutes, is amended to
40 read:
41 6-510. Principal place of business; branch office
42 A. A credit union may change its principal place of business or
43 branch within this state with the prior approval of the deputy director
44 and the payment of the fee provided in section 6-126.

1 B. A credit union may establish a branch office with the prior
2 approval of the deputy director.

3 ~~C. A credit union may establish or maintain automated teller
4 machines at locations other than its places of business. The credit union
5 must send a notification letter to the deputy director at least thirty
6 days before the automated teller machine is established pursuant to this
7 subsection. A credit union may join through contractual agreement with
8 one or more other credit unions or other financial organizations in the
9 operation of automated teller machine networks.~~

10 ~~D.~~ C. A credit union organized under this chapter may conduct
11 business in other states or territories of the United States where it is
12 allowed to do so on approval of the deputy director, if it is reasonably
13 necessary to service its members.

14 Sec. 4. Repeal

15 Section 6-512, Arizona Revised Statutes, is repealed.

16 Sec. 5. Section 6-516, Arizona Revised Statutes, is amended to
17 read:

18 6-516. General powers

19 A. In addition to the powers prescribed elsewhere in this chapter
20 and except as prohibited by law, a credit union may:

21 1. Enter into contracts of any nature.

22 2. Sue or be sued.

23 3. Adopt, use and display a corporate seal.

24 4. Acquire, lease, hold, assign, pledge, hypothecate, sell,
25 discount or otherwise dispose of property or assets, either in whole or in
26 part, necessary or incidental to its operations.

27 5. Borrow money from any source, except that a credit union shall
28 obtain the prior written approval of the deputy director to borrow in
29 excess of an aggregate of fifty percent of its capital.

30 6. Purchase ALL OR A PORTION OF the assets AND ASSUME ALL OR A
31 PORTION OF THE LIABILITIES of ~~another~~ A credit union CHARTERED UNDER THE
32 LAWS OF ANY STATE, A FEDERAL CREDIT UNION, A BANK OR AN OUT-OF-STATE BANK.

33 7. Offer financial services incidental to the business PURPOSES of
34 a credit union, including electronic fund transfers, safe deposit boxes
35 and leasing and correspondent arrangements with other financial
36 institutions.

37 8. Hold membership in other credit unions organized under this
38 chapter or other laws, ~~in the Arizona credit union league~~ or in other
39 associations and organizations ~~controlled by or fostering the interests of~~
40 ~~credit unions.~~

41 9. Engage in activities and programs offered by any governmental
42 unit that are incidental or reasonably related to credit union activities.

43 10. Act as A fiscal agent for and receive payments on share and
44 deposit accounts from a governmental unit.

1 11. Make contributions to any nonprofit civic, charitable or service
2 organizations.

3 B. A credit union may exercise all incidental powers that are
4 convenient, suitable or necessary to enable it to promote or carry out its
5 purposes.

6 C. A credit union shall not delegate the management of a credit
7 union or the exercise of any power set forth in this section to any person
8 who is not an officer, director or employee of the credit union without
9 the prior written approval of the deputy director. The deputy director
10 may examine the books, records and business affairs of any person or
11 entity to whom the credit union proposes to delegate any such authority.

12 Sec. 6. Section 6-522, Arizona Revised Statutes, is amended to
13 read:

14 6-522. Organization members

15 A. THE FOLLOWING MAY BE INCLUDED IN THE FIELD OF MEMBERSHIP OF A
16 CREDIT UNION:

17 1. An organization comprised primarily of individuals who are
18 eligible for membership in the credit union. ~~, and a corporation~~

19 2. AN ORGANIZATION FOR WHICH a majority of ~~whose stockholders~~
20 OWNERS, by number, are ~~such~~ individuals, ~~may be included in the field of~~
21 ~~membership. Additionally,~~ WHO ARE ELIGIBLE FOR MEMBERSHIP IN THE CREDIT
22 UNION.

23 3. IF APPLICABLE, AN ORGANIZATION THAT IS LOCATED WITHIN THE CREDIT
24 UNION'S MEMBERSHIP AREA.

25 B. An organization, one of whose principal functions is to provide
26 services to persons who are eligible for membership in the credit union,
27 may be admitted to membership.

28 ~~B.~~ C. A credit union or corporate credit union may accept as a
29 member any other credit union organized under this chapter or any other
30 credit union law.

31 Sec. 7. Section 6-523, Arizona Revised Statutes, is amended to
32 read:

33 6-523. Membership applications

34 A. The board of directors shall act on applications for membership
35 or appoint one or more membership officers to approve applications for
36 membership. A CREDIT UNION MAY DENY MEMBERSHIP BASED ON POLICIES
37 ESTABLISHED BY THE BOARD OF DIRECTORS. A person denied membership by a
38 membership officer may appeal the denial to the board of directors **WITHIN**
39 **THIRTY DAYS AFTER THE DENIAL.**

40 B. A credit union may impose ~~one-time~~ **ONETIME** or periodic
41 membership fees under the conditions the bylaws provide.

1 Sec. 8. Section 6-524, Arizona Revised Statutes, is amended to
2 read:

3 6-524. Termination of membership

4 A. A member may withdraw from a credit union at any time on giving
5 notice of withdrawal as required in the bylaws. The credit union may
6 require up to sixty days' notice of the intention to withdraw shares or
7 deposits, but the notice does not entitle the member to any preferred or
8 prior claim in the event of liquidation.

9 B. A member may be expelled by a two-thirds vote of the members
10 present at any regular meeting or a special meeting of the membership, but
11 only after the member has had an opportunity to be heard at the meeting,
12 or the board of directors **OR THE MANAGEMENT, IF THE BOARD DELEGATED SUCH**
13 **AUTHORITY**, may expel a member pursuant to a written policy adopted by ~~it~~
14 **THE BOARD**. The board shall give all members written notice of the terms
15 of any such policy. ~~A person being considered for expulsion by the board~~
16 ~~has the right to a hearing before the board. Not less than ten days~~
17 ~~before the consideration of any expulsion of a member, whether by action~~
18 ~~of the membership or of the board, the affected member shall be provided~~
19 ~~with a written notice of the potential expulsion and a list of the reasons~~
20 ~~for the expulsion.~~ **A PERSON WHO HAS BEEN EXPELLED MUST BE INFORMED OF THE**
21 **REASONS FOR THE EXPULSION AND MAY SEEK RECONSIDERATION BY SUBMITTING A**
22 **WRITTEN REQUEST FOR RECONSIDERATION TO THE BOARD WITHIN THIRTY DAYS AFTER**
23 **THE NOTICE OF EXPULSION IS ISSUED.**

24 C. As monies become available and after deducting all amounts due
25 from the member to the credit union, the credit union shall pay to the
26 withdrawing or expelled member the amounts paid on shares and deposits by
27 the withdrawing or expelled member, with any dividends or earnings
28 accredited. Withdrawing or expelled members have no further rights in the
29 credit union but are not released, by the withdrawal or expulsion, from
30 any remaining liability to the credit union.

31 Sec. 9. Section 6-531, Arizona Revised Statutes, is amended to
32 read:

33 6-531. Authority and responsibility of directors; voting

34 A. The board of directors has the authority and responsibility for
35 directing the business affairs, monies and records of the credit union.

36 B. Except as provided in section 6-543, directors may not vote by
37 proxy, absentee ballot or mail ballot but may vote by telephone conference
38 **OR ELECTRONIC MEETING** if all directors ~~present~~ **PARTICIPATING** can speak to
39 and be heard by the other directors during the telephone conference **OR**
40 **ELECTRONIC MEETING**.

41 C. The board of directors shall meet at least ~~ten times during each~~
42 ~~calendar year in ten different~~ **ONCE EVERY TWO** months. **THE DEPUTY DIRECTOR**
43 **MAY DIRECT A CREDIT UNION'S BOARD OF DIRECTORS TO MEET MORE FREQUENTLY TO**
44 **ADDRESS SPECIFIC MATTERS.**

1 Sec. 10. Section 6-537, Arizona Revised Statutes, is amended to
2 read:

3 6-537. Certain duties of directors; insurance

4 A. In addition to the duties prescribed in this chapter, the board
5 of directors shall:

6 1. Purchase adequate fidelity coverage for the credit union
7 covering the president and other officials and employees handling or
8 having custody of monies or property of the credit union.

9 2. Authorize the employment and compensation of the president, who
10 may hire other persons as are necessary to carry out the business of the
11 credit union.

12 3. Approve an operating budget for the credit union.

13 4. Authorize the conveyance of property.

14 ~~5. Borrow or lend money to carry on the functions of the credit
15 union.~~

16 ~~6.~~ 5. Appoint special committees.

17 B. The board of directors shall perform other duties as the members
18 from time to time may direct and perform or authorize any action not
19 inconsistent with law or not specifically reserved by the bylaws to the
20 members.

21 C. The board of directors shall purchase and maintain insurance for
22 the credit union on behalf of a person who is or was a director, officer,
23 employee or agent of the credit union, or who is or was serving at the
24 request of the credit union as a director, officer, employee or agent of
25 another corporation, partnership, joint venture, trust or other
26 enterprise, against any liability asserted against the person and incurred
27 by the person in any such capacity or arising out of the person's status
28 as such, whether or not the credit union would have the power to indemnify
29 the person against the liability.

30 Sec. 11. Section 6-542, Arizona Revised Statutes, is amended to
31 read:

32 6-542. Suspension and removal of officials

33 UNLESS THE BYLAWS PROVIDE OTHERWISE, A DIRECTOR, OFFICER OR MEMBER
34 OF A COMMITTEE MAY BE REMOVED AS FOLLOWS:

35 ~~A.~~ 1. ~~Both~~ EITHER the supervisory committee ~~and~~ OR the board may
36 suspend for cause by a ~~two-thirds~~ MAJORITY vote of their entire membership
37 any director, officer or member of a committee and shall immediately
38 notify such person in writing of the suspension and the reasons for the
39 suspension.

40 ~~B.~~ 2. A suspended director, officer or committee member may
41 request a special meeting of the members to consider that suspension
42 WITHIN TEN DAYS AFTER THE DATE THE DIRECTOR, OFFICER OR COMMITTEE MEMBER
43 WAS NOTIFIED OF THE SUSPENSION. The board shall call a special meeting
44 for that purpose not fewer than seven days ~~nor~~ OR more than ~~twenty-one~~
45 THIRTY days after ~~that suspension~~ RECEIVING THE REQUEST FOR A MEETING, and

1 that suspension shall be upheld or overturned by a majority of the members
2 present. The suspended person is entitled to appear and be heard at the
3 special meeting.

4 ~~3.~~ 3. In the absence of a request for a hearing **WITHIN TEN DAYS**
5 **AFTER THE DATE THE DIRECTOR, OFFICER OR COMMITTEE MEMBER WAS NOTIFIED OF**
6 **THE SUSPENSION**, the suspension is deemed a removal from office. **IF A**
7 **HEARING IS REQUESTED**, approval of the suspension by the membership
8 constitutes removal from office.

9 ~~4.~~ 4. Notwithstanding any other provision of this section, the
10 members of a credit union may suspend or remove any director or committee
11 member at any annual or special meeting of the members.

12 Sec. 12. Section 6-551, Arizona Revised Statutes, is amended to
13 read:

14 **6-551. Share accounts**

15 A. Share accounts shall be subscribed to and paid for in such
16 manner as the ~~bylaws prescribe~~ **BOARD OF DIRECTORS PRESCRIBES**. A credit
17 union may require its members to subscribe to and make payments on
18 membership shares. Membership shares may not be pledged as security on
19 any loan.

20 B. The par value of any membership shares may differ from the par
21 value of other shares.

22 C. A credit union may limit the amount in share accounts and
23 deposit accounts and any such limit must apply to all account holders.

24 Sec. 13. Section 6-556, Arizona Revised Statutes, is amended to
25 read:

26 **6-556. Multiple party accounts**

27 A. A credit union may enter into multiple party accounts, ~~as~~
28 ~~provided in~~ **WHICH ARE SUBJECT TO** title 14, chapter 6, ~~article 1.~~ ~~No~~ **A**
29 multiple party owner, unless ~~he~~ **THE MULTIPLE PARTY OWNER** is a member of
30 the credit union in ~~his~~ **THE OWNER'S** own right, may **NOT** vote at member
31 meetings, obtain loans from the credit union or hold office in the credit
32 union ~~or is~~ **AND IS NOT** required to pay a membership fee.

33 B. Payment of part or all of a multiple party account to any of the
34 multiple party owners shall discharge, to the extent of the payment, the
35 liability of the credit union to all such parties unless the account
36 agreement contains a prohibition or limitation on the payment.

37 C. A member may designate any person to own a share or deposit
38 account with the member under any form of joint ownership ~~permitted~~
39 **ALLOWED** by law.

40 D. A member may own a share or deposit account in trust for a
41 beneficiary, or a nonmember may own a share or deposit account in trust
42 for a beneficiary who is a member. A beneficiary may be a minor.

43 E. A member may designate any person or persons as payees on a
44 payable-on-death account.

1 Sec. 14. Section 6-561, Arizona Revised Statutes, is amended to
2 read:

3 6-561. Purpose and conditions of loans; prepayment penalties

4 A. A credit union may make loans, including lines of credit, to
5 members for the purposes and on the conditions as ~~the bylaws provide~~
6 **PRESCRIBED BY THE BOARD OF DIRECTORS**. The board of directors shall
7 establish written policies with respect to ~~the~~ granting ~~of~~ loans,
8 including the terms, conditions and acceptable forms of security.

9 B. ~~No~~ A person, except another credit union, may **NOT** become
10 indebted, directly or indirectly, to the credit union for more than ten
11 ~~per cent~~ **PERCENT** of the credit union's capital or ~~two hundred dollars~~
12 **\$200**, whichever is greater. This limit does not apply to loans ~~which~~ **THAT**
13 are fully secured by assignment of share or deposit accounts in the credit
14 union.

15 C. An application for a loan shall state the security and other
16 information required by the credit committee or credit manager. Each loan
17 shall be evidenced by a written document.

18 D. A member may repay a loan or outstanding balance on a line of
19 credit ~~prior to~~ **BEFORE** maturity in whole or in part on any business day
20 without penalty. Except as provided in this subsection, prepayment
21 penalties may be charged on ~~member business loans as defined by the~~
22 ~~national credit union administration in 12 Code of Federal Regulations~~
23 ~~section 723.1~~ **LOANS THAT ARE NOT MADE FOR PERSONAL, FAMILY OR HOUSEHOLD**
24 **PURPOSES**.

25 Sec. 15. Section 6-563, Arizona Revised Statutes, is amended to
26 read:

27 6-563. Other loan programs

28 A. A credit union may participate in loans to its members jointly
29 with other credit unions, credit union organizations or other
30 organizations pursuant to written policies established by the board of
31 directors. A credit union ~~which~~ **THAT** originates such a loan shall retain
32 an interest of at least ~~ten per cent~~ **FIVE PERCENT** of the outstanding
33 principal balance of the loan. Before participating in a loan
34 transaction, each credit union shall perform its own independent
35 evaluation of the creditworthiness of the borrower.

36 B. In making loans to its members, a credit union may participate
37 in any guaranteed loan program of the federal or state government under
38 the terms and conditions specified in the law or rules under which such a
39 program is provided.

40 C. A credit union may finance for any person the sale of the credit
41 union's property, including property obtained as a result of defaults in
42 obligations owed to it, under the terms, conditions and rates provided by
43 this chapter.

1 Sec. 16. Section 6-564, Arizona Revised Statutes, is amended to
2 read:

3 6-564. Loans to officials

4 A. A credit union may make loans to an officer, director or member
5 of its supervisory and credit committees if both of the following
6 conditions are met:

7 1. The loan complies with all requirements of this chapter and is
8 not on terms more favorable than those extended to other borrowers.

9 2. The aggregate of loans to all such officials, ~~excepting~~ EXCEPT
10 those fully secured by share or deposit accounts, ~~does not exceed~~ IS NOT
11 MORE THAN twenty percent of the credit union's capital.

12 B. A credit union may allow officers, directors and members of its
13 supervisory and credit committees to act as comakers, guarantors or
14 endorsers of loans to other members, subject to the requirements of
15 subsection A of this section.

16 ~~C. All applications for loans in the aggregate of \$20,000 or a
17 greater amount as determined by the deputy director on which an official
18 will be either a direct obligor or an endorser, cosigner or guarantor
19 shall be initially acted on by the board of directors as provided in the
20 bylaws.~~

21 C. ANY LOAN THAT WOULD RESULT IN AN OFFICIAL BECOMING OBLIGATED AS
22 A DIRECT OBLIGOR, ENDORSER, COSIGNER OR GUARANTOR IN AN AGGREGATE AMOUNT
23 OF MORE THAN ONE PERCENT OF THE CREDIT UNION'S NET WORTH MUST BE APPROVED
24 BY THE BOARD OF DIRECTORS. AT THE SAME TIME A CREDIT UNION SUBMITS EACH
25 REPORT OF CONDITION, THE CREDIT UNION SHALL PROVIDE TO THE DEPUTY DIRECTOR
26 A LIST OF THE CREDIT OBLIGATIONS OF EACH OFFICIAL IF THE AGGREGATE
27 OBLIGATIONS OF AN OFFICIAL TO THE CREDIT UNION ARE MORE THAN THE LESSER OF
28 \$50,000 OR ONE PERCENT OF THE CREDIT UNION'S NET WORTH. FOR THE PURPOSES
29 OF THIS SUBSECTION, "NET WORTH" HAS THE SAME MEANING PRESCRIBED IN 12 CODE
30 OF FEDERAL REGULATIONS PART 702.