

CF 7r1322

By: Delegates Poole and Opara

Introduced and read first time: January 29, 1997

Assigned to: Commerce and Government Matters

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 19, 1997

CHAPTER ____

1 AN ACT concerning

2 Credit Unions - Loans to Members, Reserve Fund, and Power to Borrow and Risk Assets

3 FOR the purpose of altering the circumstances under which a credit union may make an
 4 unsecured loan to a member; ~~providing certain exceptions to the requirement that~~
 5 repealing certain requirements relating to an application for a loan from a credit
 6 union to a member ~~must state the purpose for which the loan is requested~~; altering
 7 the definition of "risk assets" ~~by excluding certain additional assets of a credit union~~
 8 ~~from the definition~~; ~~providing certain exceptions to the limitation on a credit~~
 9 ~~union's authority to borrow money for longer than a certain time period~~; ~~defining a~~
 10 ~~certain term~~; and generally relating to credit unions.

11 BY repealing and reenacting, with amendments,

12 Article - Financial Institutions

13 ~~Section 6-505, 6-508, 6-602(a), and 6-604~~ Section 6-505 and 6-602(a)

14 Annotated Code of Maryland

15 (1992 Replacement Volume and 1996 Supplement)

16 BY repealing17 Article - Financial Institutions18 Section 6-50819 Annotated Code of Maryland20 (1992 Replacement Volume and 1996 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

22 MARYLAND, That the Laws of Maryland read as follows:

2

1 **Article - Financial Institutions**

2 6-505.

3 (a) A loan by a credit union to a member shall be secured as required by the
4 credit union, subject to the provisions of this section.

5 (b) [(1)] A credit union may make a loan [of \$400 or less] to a member without
6 security[.

7 (2) With the approval of the Commissioner, a credit union may make loans
8 of \$20,000 or less to members without security] IF:

9 (1) THE COMMISSIONER HAS APPROVED A POLICY FOR THE CREDIT
10 UNION THAT COVERS ALL UNSECURED LENDING; AND

11 (2) THE LOAN IS MADE IN ACCORDANCE WITH THE APPROVED POLICY.

12 (c) A credit union may accept as security for a loan:

13 (1) An endorsed note;

14 (2) A note secured by a recorded first or second lien on real property;

15 (3) An assignment of shares or deposits in the credit union; or

16 (4) Any other kind of security that is approved by the Commissioner.

17 ~~6-508.~~

18 ~~Each application for a loan to a member shall be in writing and state:~~

19 ~~(1) The purpose for which the loan is requested, EXCEPT ON~~
20 ~~APPLICATIONS THAT ARE PREPRINTED FOR SPECIFIC LOANS OR APPLICATIONS FOR~~
21 ~~OPEN-END CREDIT; and~~

22 ~~(2) The security, if any, that is offered.~~

23 6-602.

24 (a) ~~(1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS~~
25 ~~INDICATED.~~

26 ~~(2) "CORPORATE CREDIT UNION" MEANS A CREDIT UNION THAT:~~

27 ~~(I) IS OPERATED PRIMARILY FOR THE PURPOSE OF SERVING~~
28 ~~OTHER CREDIT UNIONS;~~

29 ~~(II) IS DESIGNATED BY THE NATIONAL CREDIT UNION~~
30 ~~ADMINISTRATION AS A CORPORATE CREDIT UNION; AND~~

31 ~~(III) LIMITS NATURAL PERSON MEMBERS TO THE MINIMUM~~
32 ~~REQUIRED BY STATE OR FEDERAL LAW TO CHARTER AND OPERATE THE CREDIT~~
33 ~~UNION.~~

34 ~~(3) [In this section, "risk assets"] "RISK ASSETS" means all assets of a~~
35 ~~credit union except:~~

3

1 ~~{(1)} (I) Cash;~~

2 ~~{(2)} (II) Deposits and shares in federally or State insured banks and savings~~
3 ~~and loan associations;~~

4 ~~{(3)} (III) Assets that are insured or fully guaranteed by or due from the~~
5 ~~United States, its agencies, the Federal National Mortgage Association, or the~~
6 ~~Government National Mortgage Association;~~

7 ~~{(4)} (IV) Student loans insured under Title IV, Part B of the Higher~~
8 ~~Education Act of 1965 or a similar State program;~~

9 ~~{(5)} (V) Loans insured under Title I of the National Housing Act by the~~
10 ~~Federal Housing Administration;~~

11 ~~{(6)} (VI) Common trust investments authorized by the Commissioner;~~

12 ~~{(7)} (VII) Prepaid expenses;~~

13 ~~{(8)} (VIII) Accrued interest on any of the investments listed in this~~
14 ~~[subsection] PARAGRAPH;~~

15 ~~{(9) Furniture and equipment; and~~

16 ~~{(10) Real property.}~~

17 ~~(IX) LOANS TO OTHER CREDIT UNIONS THAT HAVE A REMAINING~~
18 ~~MATURITY OF 5 YEARS OR LESS;~~

19 ~~(X) LOANS THAT HAVE A REMAINING MATURITY OF 3 YEARS OR~~
20 ~~LESS AND ARE FULLY INSURED OR GUARANTEED BY THE FEDERAL OR A STATE~~
21 ~~GOVERNMENT OR ANY AGENCY OF THE FEDERAL OR A STATE GOVERNMENT;~~

22 ~~(XI) DEPOSITS AND SHARES IN A CORPORATE CREDIT UNION THAT~~
23 ~~HAVE A REMAINING MATURITY OF 5 YEARS OR LESS, OTHER THAN MEMBERSHIP~~
24 ~~CAPITAL SHARE DEPOSIT ACCOUNTS AS DEFINED IN 12 C. F. R. § 704;~~

25 ~~(XII) LOANS THAT ARE FULLY SECURED BY A PLEDGE OF SHARES IN~~
26 ~~THE LENDING CREDIT UNION, EQUAL TO AND MAINTAINED AT AN AMOUNT THAT IS~~
27 ~~AT LEAST THE AMOUNT OF THE LOAN OUTSTANDING;~~

28 ~~(XIII) LOANS THAT ARE PURCHASED FROM LIQUIDATING CREDIT~~
29 ~~UNIONS AND GUARANTEED BY ANY INSURER OF SHARES OR DEPOSITS;~~

30 ~~(XIV) NATIONAL CREDIT UNION SHARE INSURANCE FUND~~
31 ~~GUARANTY ACCOUNTS ESTABLISHED WITH THE AUTHORIZATION OF THE~~
32 ~~NATIONAL CREDIT UNION ADMINISTRATION UNDER THE AUTHORITY OF § 208(A)(1)~~
33 ~~OF THE FEDERAL CREDIT UNION ACT;~~

34 ~~(XV) INVESTMENTS IN SHARES OF THE NATIONAL CREDIT UNION~~
35 ~~ADMINISTRATION CENTRAL LIQUIDITY FACILITY;~~

36 ~~(XVI) ASSETS INCLUDED IN ITEMS (IX) AND (XI) OF THIS PARAGRAPH~~
37 ~~THAT HAVE MATURITIES GREATER THAN 5 YEARS IF:~~

1 1. THE ASSET IS BEING CARRIED ON THE CREDIT UNION'S
2 RECORDS AT THE LOWER OF COST OR MARKET, OR IS BEING MARKED TO MARKET
3 VALUE MONTHLY; OR

4 2. A. THE INTEREST RATE IS RESET AT LEAST ANNUALLY;

5 B. THE INTEREST RATE OF THE INSTRUMENT IS LESS THAN
6 THE MAXIMUM ALLOWABLE INTEREST RATE FOR THE INSTRUMENT ON THE DATE
7 OF THE REQUIRED RESERVE TRANSFER; AND

8 C. THE INTEREST RATE OF THE INSTRUMENT VARIES
9 DIRECTLY, AND NOT INVERSELY, WITH THE INDEX ON WHICH IT IS BASED AND IS
10 NOT RESET AS A MULTIPLE OF THE CHANGE IN THE RELATED INDEX;

11 (XVII) INVESTMENTS IN FIXED ASSETS AS DEFINED IN THE CODE OF
12 MARYLAND REGULATIONS (COMAR) 09.03.01.18; AND

13 (XVIII) DEPOSITS IN A CREDIT UNION SHARE AND DEPOSIT INSURER
14 REPRESENTING AN INSURED CREDIT UNION'S CAPITALIZATION ACCOUNT BALANCE
15 OF 1 PERCENT OF INSURED SHARES. IN THIS SECTION, "RISK ASSETS" MEANS A
16 CREDIT UNION'S TOTAL LOANS OUTSTANDING TO ITS MEMBERS.

17 6-604.

18 (A) (1) A credit union may borrow money for not longer than 1 year from any
19 source, including another credit union, as long as the total borrowing does not exceed 50
20 percent of the paid-in and unimpaired capital and surplus of the borrowing credit union.

21 (2) The 1-year period may be extended for an additional year with the
22 approval of the Commissioner.

23 (B) NOTWITHSTANDING SUBSECTION (A) OF THIS SECTION, A CREDIT UNION
24 MAY BORROW MONEY FOR LONGER THAN 1 YEAR:

25 (1) TO PURCHASE FIXED ASSETS, WITH THE APPROVAL OF THE
26 COMMISSIONER; OR

27 (2) IF THE LOAN IS OBTAINED FROM A FEDERAL HOME LOAN BANK.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 October 1, 1997.