

SENATE BILL 776

Unofficial Copy
II

2002 Regular Session
(2lr0583)

ENROLLED BILL

-- Finance/Commerce and Government Matters --

Introduced by **Senator Astle (Co-Chairman, Task Force to Study the
Modernization of Credit Union Law) and Senator Hafer**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Credit Unions - Credit Union Insurance Corporation - Credit Union Share**
3 **Guaranty Corporations**

4 FOR the purpose of repealing a certain qualification for a member of a supervisory
5 committee or a credit committee of a State-chartered credit union; prohibiting
6 the Credit Union Insurance Corporation (CUIC) from accepting applications for
7 new membership after a certain date; requiring a member of CUIC to obtain
8 primary share guaranty insurance from certain persons other than CUIC within
9 a certain period of time after a certain date; requiring CUIC to complete a
10 certain dissolution process within a certain period of time after a certain date;
11 ~~requiring CUIC to transfer certain assets to a certain corporation under certain~~
12 ~~circumstances requiring that certain assets of CUIC be considered general funds~~
13 ~~of the State and deposited with the State Treasurer under certain circumstances~~
14 requiring CUIC to transfer certain assets to a certain corporation under certain
15 circumstances; prohibiting a person from conducting business as a credit union
16 share guaranty corporation unless the person has a certificate of authority from

1 the Commissioner of Financial Regulation; providing for the qualifications,
2 application process, and approval or denial of an application for a certificate;
3 authorizing the Commissioner to suspend or revoke a certificate and take
4 certain other enforcement actions under certain circumstances; requiring and
5 authorizing the Commissioner to examine the business of each credit union
6 share guaranty corporation under certain circumstances; requiring a credit
7 union share guaranty corporation to pay certain expenses and assessments, file
8 a certain annual report, have a certain contract with each participating credit
9 union, and establish and maintain a certain guaranty fund and certain reserves;
10 authorizing a credit union share guaranty corporation to terminate the
11 participation of a participating credit union under certain circumstances;
12 providing certain penalties; providing that the regulation of credit union share
13 guaranty corporations does not create any liability on the State for the payment
14 of funds under certain circumstances; exempting certain credit union share
15 guaranty corporations from State and local taxation; requiring the
16 Commissioner to submit an annual report to certain committees of the General
17 Assembly on the status of the phase-out and dissolution of CUIC, subject to a
18 certain termination provision; defining certain terms; repealing certain obsolete
19 references; making stylistic changes; and generally relating to credit unions, the
20 Credit Union Insurance Corporation, and the regulation of credit union share
21 guaranty corporations.

22 BY repealing and reenacting, with amendments,
23 Article - Financial Institutions
24 Section 6-401(d)(5), 6-602(e)(2); 7-101 to be under the amended title "Title
25 7. Credit Union Share Insurance", the new subtitle "Subtitle 1. Credit
26 Union Insurance Corporation", and the new part "Part I. Definitions"; and
27 7-102, 7-103, 7-104, 7-106, 7-107, and 7-109 to be under the new part
28 "Part II. Establishment; Powers; Membership"
29 Annotated Code of Maryland
30 (1998 Replacement Volume and 2001 Supplement)

31 BY repealing and reenacting, without amendments,
32 Article - Financial Institutions
33 Section 7-105, 7-108, and 7-110 through 7-117, inclusive
34 Annotated Code of Maryland
35 (1998 Replacement Volume and 2001 Supplement)

36 BY adding to
37 Article - Financial Institutions
38 Section 7-118 through 7-121, inclusive, to be under the new part "Part
39 III. Phase-Out; Dissolution"; and 7-201 through 7-224, inclusive, to be
40 under the new subtitle "Subtitle 2. Credit Union Share Guaranty
41 Corporations"
42 Annotated Code of Maryland
43 (1998 Replacement Volume and 2001 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - Financial Institutions**

4 6-401.

5 (d) (5) Each member of the supervisory committee:

6 (i) Shall be bonded;

7 (ii) [Shall be a citizen of the United States;

8 (iii)] May not have been convicted of any criminal offense involving
9 dishonesty or breach of trust;

10 [(iv)] (III) May not have habitually neglected to pay any debts;

11 [(v)] (IV) May not become insolvent or bankrupt while serving on
12 the supervisory committee; and

13 [(vi)] (V) May not have been removed by the Commissioner or any
14 state or federal regulatory agency as an officer, official, or employee of a financial
15 institution.

16 6-602.

17 (e) (2) Each member of the credit committee:

18 (i) Shall be a member of the credit union for the period of time
19 required under the bylaws;

20 (ii) Shall be bonded;

21 (iii) [Shall be a citizen of the United States;

22 (iv)] May not have defaulted on the payment of any monetary
23 obligation to the credit union;

24 [(v)] (IV) May not have been convicted of any criminal offense
25 involving dishonesty or breach of trust;

26 [(vi)] (V) May not have habitually neglected to pay any debts;

27 [(vii)] (VI) May not have been insolvent or bankrupt within 5 years
28 of becoming a member and may not become insolvent or bankrupt while serving as a
29 member; and

30 [(viii)] (VII) May not have been removed by the Commissioner or any
31 state or federal regulatory agency as an officer, official, or employee of a financial
32 institution.

1 Title 7. Credit Union SHARE Insurance [Corporation].

2 SUBTITLE 1. CREDIT UNION INSURANCE CORPORATION.

3 PART I. DEFINITIONS.

4 7-101.

5 (a) In this [title] SUBTITLE the following words have the meanings indicated.

6 (b) "Corporation" means the Credit Union Insurance Corporation.

7 (c) "Credit union" means:

8 (1) Any credit union that is incorporated under the laws of this State;
9 and

10 (2) Any other credit union that is authorized to do business in this State
11 and has its principal office in this State.

12 PART II. ESTABLISHMENT; POWERS; MEMBERSHIP.

13 7-102.

14 (a) There is a Credit Union Insurance Corporation, established as a nonprofit,
15 nonstock corporation, the members of which are credit unions that are accepted for
16 membership under this [title] PART.

17 (b) (1) The Corporation is not and may not be deemed a department, unit,
18 agency, or instrumentality of the State for any purpose.

19 (2) All debts, claims, obligations, and liabilities of the Corporation,
20 whenever incurred, shall be the debts, claims, obligations, and liabilities of the
21 Corporation only and not of the State, its agencies, instrumentalities, officers, or
22 employees.

23 (3) The Corporation moneys may not be considered part of the General
24 Fund of the State.

25 (4) The debts, claims, obligations, and liabilities of the Corporation may
26 not be considered to be a debt of the State or a pledge of its credit.

27 7-103.

28 The purposes of the Corporation are to:

29 (1) Insure and guarantee the share and deposit accounts of member
30 credit unions;

- 1 (2) Improve and stimulate the ability of credit unions to provide low-cost
2 consumer loans;
- 3 (3) Promote the elasticity and flexibility of the resources of credit unions;
- 4 (4) Make loans for liquidity purposes to credit unions;
- 5 (5) Discount notes of credit unions;
- 6 (6) Provide a State service of lending among credit unions;
- 7 (7) Help rehabilitate and stabilize credit unions;
- 8 (8) Help liquidate credit unions in an orderly manner when necessary;
- 9 (9) Help strengthen and develop credit unions serving low-income
10 individuals; and
- 11 (10) Cooperate with and assist credit unions, organizations of credit
12 unions, the Commissioner, the National Credit Union Administration, [the Central
13 Credit Union of Maryland,] and others in improving the general welfare of the people
14 through credit unions.

15 7-104.

16 (a) The Corporation exercises its powers and performs its duties subject to the
17 authority of the Commissioner.

18 (b) Except as otherwise provided in this [title] SUBTITLE, the Corporation has
19 all of the powers, privileges, and immunities granted to Maryland corporations under
20 the Maryland General Corporation Law.

21 (c) [The] SUBJECT TO THE PROVISIONS OF PART III OF THIS SUBTITLE, THE
22 Corporation has perpetual existence.

23 (d) The Corporation may:

24 (1) Lend money to any credit union;

25 (2) Guarantee, endorse, or act as surety on the obligations of or
26 otherwise assist financially any credit union; and

27 (3) Establish and regulate the terms and conditions of any charges for
28 any loans or financial assistance to credit unions.

29 (e) (1) The Corporation may buy, lease, or otherwise acquire and sell,
30 mortgage, lease, or otherwise dispose of real or personal property on the terms that its
31 Board of Directors considers advisable.

32 (2) The Corporation may acquire any real or personal property in
33 satisfaction of debts or enforcement of obligations and may dispose of that property.

1 (f) The Corporation may:

2 (1) Assist in the merger, stabilization, consolidation, or liquidation of
3 credit unions; and

4 (2) Take possession of and operate the business and assets of any credit
5 union if ordered to do so by the Commissioner under § 6-905 of this article.

6 (g) The Corporation may become a member of the National Association of
7 Share Insurance Corporations or any comparable organization.

8 (h) The Corporation may invest any of its funds in:

9 (1) Cash or deposits in checking or savings accounts with or certificates
10 of deposit of:

11 (i) Any bank that is a member of the Federal Deposit Insurance
12 Corporation; and

13 (ii) Any savings and loan association [that is a member of the
14 Federal Savings and Loan Insurance Corporation, the State of Maryland Deposit
15 Insurance Fund Corporation, or a similar insurance program] WHOSE DEPOSITS ARE
16 INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION;

17 (2) Cash or deposits in share or deposit accounts with or certificates of
18 deposit or notes of any credit union that is a member of the Corporation, the National
19 Credit Union Administration Share Insurance Program, or a similar insurance
20 program;

21 (3) Obligations of:

22 (i) The United States or any state or any political subdivision of
23 any state;

24 (ii) Any commission, instrumentality, agency, or authority of the
25 United States or any state; and

26 (iii) Any corporation that is incorporated under the laws of the
27 United States or of any state;

28 (4) Readily marketable, dividend-paying shares of any corporation that
29 is incorporated under the laws of the United States or of any state, except that it may
30 not invest more than 10 percent of its total assets in these shares nor more than 3
31 percent of its total assets in the shares of any one corporation; and

32 (5) Any other investments, including common trust investments, that
33 are permitted by law or authorized by the Commissioner for credit unions.

34 (i) The Corporation may:

1 (1) Borrow money and otherwise incur obligations for any of its
2 purposes;

3 (2) Issue its secured or unsecured bonds, debentures, notes, or other
4 evidences of obligation; and

5 (3) Secure these obligations by mortgage, pledge, or other lien on all or
6 any part of its property, rights, and privileges.

7 7-105.

8 (a) The Corporation shall insure and guarantee the share and deposit
9 accounts of each member on the same basis, and to the same extent and amount as
10 provided by the National Credit Union Administration Share Insurance Program.

11 (b) The Corporation may make contracts for reinsurance.

12 7-106.

13 (a) (1) [Any] SUBJECT TO THE PROVISIONS OF PART III OF THIS SUBTITLE,
14 ANY credit union may apply to the Corporation to become a member of the
15 Corporation.

16 (2) The Corporation shall refer each application that it receives to the
17 Commissioner.

18 (b) (1) On receipt of an application for membership, the Commissioner shall
19 examine the affairs of the credit union.

20 (2) If the Commissioner finds that the credit union qualifies for
21 membership under § 7-107 of this title, the Commissioner shall certify that fact to the
22 Corporation.

23 (c) The Corporation may not extend benefits to any credit union until the
24 Corporation receives the certification of the Commissioner.

25 7-107.

26 (a) (1) A credit union becomes a member of the Corporation when:

27 (i) The financial affairs, solvency, and management of a credit
28 union have been certified by the Commissioner as approved for insurance of its share
29 and deposit accounts; and

30 (ii) The application of the credit union is accepted by the Board of
31 Directors of the Corporation.

32 (2) The Board of Directors of the Corporation may deny the application of
33 a credit union only for good cause shown.

1 (b) Subject to the bylaws, rules, and regulations of the Corporation and except
2 as provided in subsection (c) of this section AND PART III OF THIS SUBTITLE,
3 membership in the Corporation continues as long as the Corporation exists.

4 (c) (1) If the Board of Directors of the Corporation finds that unsafe or
5 unsound practices or mismanagement of a member threatens loss to the Corporation
6 or appears to affect adversely the solvency of the member, the Board may:

7 (i) Order the member to correct the situation; or

8 (ii) With the approval of the Commissioner and after giving the
9 member notice and an opportunity for a hearing, revoke the membership of the credit
10 union.

11 (2) A credit union that is organized under federal law or the laws of any
12 other state may withdraw from the Corporation by:

13 (i) Giving written notice at least 1 year in advance; and

14 (ii) Complying with the bylaws, rules, and regulations of the
15 Corporation.

16 (d) Each member of the Corporation shall make the investments and pay the
17 assessments, premiums, and other charges required for participation in the
18 Corporation.

19 7-108.

20 (a) In the election of directors and in voting on any other matter at a meeting
21 of the members of the Corporation, each member has one vote, to be cast by its
22 delegate.

23 (b) A delegate may not vote on behalf of more than one member.

24 (c) A majority of the votes cast is sufficient to elect directors or decide any
25 questions voted on by the members.

26 7-109.

27 (a) The powers of the Corporation shall be exercised by its Board of Directors.

28 (b) The Board of Directors consists of 11 directors elected by the members of
29 the Corporation.

30 (c) Each director shall be a resident [and registered voter] of this State.

31 (d) (1) Each director serves for a term of 4 years and until a successor is
32 chosen and qualifies.

33 (2) The terms of the directors shall be staggered as required by the terms
34 provided for directors on July 1, 1988.

1 (3) If a vacancy occurs as to an elected director, the Board of Directors
2 shall elect a successor to fill the vacancy until the next annual meeting of the
3 members of the Corporation. At the annual meeting, the members of the Corporation
4 shall elect a successor to serve for the rest of the term and until a successor is elected
5 and qualifies.

6 (e) A majority of the full authorized membership of the Board of Directors is a
7 quorum.

8 (f) Each director is entitled to reasonable compensation, as set by the Board of
9 Directors with the approval of the Commissioner.

10 7-110.

11 (a) (1) The Board of Directors of the Corporation:

12 (i) Shall elect one of its members as chairman of the Board; and

13 (ii) May appoint any officers and employees that it considers
14 advisable.

15 (2) The manner of election of the chairman and appointment of officers
16 and their terms of office shall be as the bylaws provide.

17 (b) In accordance with the bylaws of the Corporation, the Board of Directors
18 shall set the amount of the fidelity bonds of the officers and employees of the
19 Corporation.

20 7-111.

21 (a) The Board of Directors of the Corporation shall adopt bylaws for the
22 Corporation and rules and regulations to carry out the provisions of this title.

23 (b) (1) A bylaw, rule, or regulation becomes effective only after it is
24 submitted to and approved by the Commissioner.

25 (2) A bylaw, rule, or regulation is considered approved if the
26 Commissioner does not notify the Corporation of disapproval and the reasons for it
27 within 30 days after submission of the bylaw, rule, or regulation.

28 (3) The Commissioner may disapprove a bylaw, rule, or regulation only if
29 the Commissioner has reason to believe that:

30 (i) It is contrary to the principles or purposes of this title; or

31 (ii) It does not serve the best interests of the public.

32 7-112.

33 The Corporation may require independent audits and investigations of any
34 member to determine the member's financial condition as it relates to insurance of

1 share and deposit accounts. These audits and investigations shall be made at the
2 expense of the credit union.

3 7-113.

4 (a) This section applies notwithstanding any other provisions of law.

5 (b) (1) The Corporation and the Commissioner may exchange information
6 about credit unions.

7 (2) The Commissioner shall make available to the Corporation all
8 examinations of credit unions that are members of the Corporation.

9 (c) If a credit union is not incorporated under the laws of this State, the credit
10 union may not be accepted as a member of the Corporation unless it submits a written
11 statement from the agency that regulates it stating that the agency will cooperate
12 with the Commissioner in carrying out the provisions of this title.

13 7-114.

14 The net earnings of the Corporation shall be accumulated and may not be
15 returned to its members.

16 7-115.

17 The Corporation, its members, and persons who have share and deposit
18 accounts in credit unions are not subject to the provisions of the Insurance Article as
19 a result of any of the activities of the Corporation under this title.

20 7-116.

21 The Corporation is exempt from all taxes imposed by this State or any its
22 political subdivisions under Title 9 of Article 24 of the Code, Title 6, Subtitle 1 of the
23 Insurance Article, the Tax - General Article, or the Tax - Property Article.

24 7-117.

25 This title does not, and the Corporation may not, pledge the faith or credit of this
26 State.

27

PART III. PHASE-OUT; DISSOLUTION.

28 7-118.

29 (A) THE CORPORATION MAY NOT ACCEPT AN APPLICATION FROM A CREDIT
30 UNION FOR NEW MEMBERSHIP ON OR AFTER THE DATE THAT THE COMMISSIONER
31 ISSUES THE FIRST CERTIFICATE OF AUTHORITY UNDER § 7-203 OF THIS TITLE.

32 (B) THE COMMISSIONER SHALL NOTIFY THE CORPORATION OF THE DATE
33 THAT THE COMMISSIONER ISSUES THE FIRST CERTIFICATE OF AUTHORITY UNDER §
34 7-203 OF THIS TITLE.

1 7-119.

2 (A) A CREDIT UNION THAT IS A MEMBER OF THE CORPORATION SHALL
3 OBTAIN PRIMARY SHARE GUARANTY INSURANCE WITH:

4 (1) THE NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE
5 PROGRAM; OR

6 (2) A CREDIT UNION SHARE GUARANTY CORPORATION REGULATED
7 UNDER SUBTITLE 2 OF THIS TITLE THAT IS APPROVED BY THE COMMISSIONER TO
8 PROVIDE PRIMARY SHARE GUARANTY INSURANCE AT LEAST TO THE SAME EXTENT
9 AND AMOUNT AS PROVIDED BY THE NATIONAL CREDIT UNION ADMINISTRATION
10 SHARE INSURANCE PROGRAM.

11 (B) A CREDIT UNION THAT IS A MEMBER OF THE CORPORATION SHALL
12 COMPLY WITH THE PROVISIONS OF SUBSECTION (A) OF THIS SECTION WITHIN 2
13 YEARS AFTER THE DATE THAT THE COMMISSIONER ISSUES THE FIRST CERTIFICATE
14 OF AUTHORITY UNDER § 7-203 OF THIS TITLE.

15 7-120.

16 (A) (1) IN THIS SECTION, "ASSETS" MEANS:

17 (I) ALL NET EARNINGS OF THE CORPORATION ACCUMULATED
18 UNDER § 7-114 OF THIS SUBTITLE; AND

19 (II) ALL REAL OR TANGIBLE OR INTANGIBLE PERSONAL PROPERTY
20 OF THE CORPORATION.

21 (2) IN THIS SECTION, "ASSETS" DOES NOT INCLUDE MEMBER DEPOSITS.

22 (B) WITHIN 2 YEARS AFTER THE DATE THAT THE CORPORATION NO LONGER
23 HAS ANY MEMBERS, THE CORPORATION SHALL COMPLETE THE DISSOLUTION OF
24 THE CORPORATION IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION.

25 (C) (1) WHEN THE CORPORATION NO LONGER HAS ANY MEMBERS, THE
26 CORPORATION SHALL FILE ARTICLES OF DISSOLUTION WITH THE COMMISSIONER
27 AND THE STATE DEPARTMENT OF ASSESSMENTS AND TAXATION.

28 (2) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, THE
29 CORPORATION IS DISSOLVED WHEN THE COMMISSIONER ACCEPTS THE
30 CORPORATION'S ARTICLES OF DISSOLUTION.

31 (D) (1) THE CORPORATION CONTINUES TO EXIST FOR THE PURPOSE OF
32 COLLECTING MONEY OWING TO THE CORPORATION, PAYING, SATISFYING, AND
33 DISCHARGING ANY EXISTING DEBTS OR OBLIGATIONS, COLLECTING AND
34 DISTRIBUTING THE CORPORATION'S ASSETS, AND DOING ALL OTHER ACTS
35 REQUIRED TO LIQUIDATE AND WIND UP THE BUSINESS AND AFFAIRS OF THE
36 CORPORATION.

1 (2) AFTER PAYING, SATISFYING, AND DISCHARGING ANY EXISTING
2 DEBTS OR OBLIGATIONS, ~~THE CORPORATION SHALL TRANSFER ITS REMAINING~~
3 ~~ASSETS TO A CORPORATION THAT SATISFIES THE REQUIREMENTS OF SUBSECTION~~
4 ~~(E) OF THIS SECTION THE REMAINING ASSETS SHALL BE CONSIDERED GENERAL~~
5 ~~FUNDS OF THE STATE AND SHALL BE DEPOSITED BY THE CORPORATION WITH THE~~
6 ~~STATE TREASURER THE CORPORATION SHALL TRANSFER ITS REMAINING ASSETS TO~~
7 ~~A CORPORATION THAT SATISFIES THE REQUIREMENTS OF SUBSECTION (E) OF THIS~~
8 ~~SECTION.~~

9 ~~(E) THE CORPORATION RECEIVING THE ASSETS UNDER PARAGRAPH (D)(2) OF~~
10 ~~THIS SECTION SHALL:~~

11 ~~(1) BE A NONPROFIT CORPORATION THAT IS EXEMPT FROM FEDERAL~~
12 ~~TAXATION UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE;~~

13 ~~(2) HAVE BEEN ORGANIZED:~~

14 ~~(I) FOR EDUCATIONAL AND CHARITABLE PURPOSES; AND~~

15 ~~(II) TO PROMOTE AND PUBLICIZE THE INTEREST AND WELFARE OF~~
16 ~~CREDIT UNIONS AND THEIR MEMBERS IN THIS STATE; AND~~

17 ~~(3) HAVE BEEN IN EXISTENCE AND OPERATING UNDER A CHARTER~~
18 ~~THAT INCLUDES THE FOLLOWING PURPOSES FOR AT LEAST 10 YEARS:~~

19 ~~(I) PROMOTING THE IDEALS OF THE CREDIT UNION MOVEMENT,~~
20 ~~INCLUDING THE COOPERATIVE NONPROFIT ASPECT, DEMOCRATIC ASPECT, THE~~
21 ~~COMMON BOND, VOLUNTEERISM, PERSONALIZED SERVICE, COOPERATIVE SPIRIT,~~
22 ~~AND THE ENCOURAGEMENT OF THRIFT AND THE CREATION OF A SOURCE OF CREDIT~~
23 ~~AT FAIR AND REASONABLE RATES;~~

24 ~~(II) HELPING TO STRENGTHEN AND DEVELOP CREDIT UNIONS~~
25 ~~SERVING LOW INCOME INDIVIDUALS;~~

26 ~~(III) IMPROVING AND STIMULATING THE ABILITY OF CREDIT~~
27 ~~UNIONS TO PROVIDE LOW COST CONSUMER LOANS;~~

28 ~~(IV) PROMOTING THE ELASTICITY AND FLEXIBILITY OF THE~~
29 ~~RESOURCES OF CREDIT UNIONS;~~

30 ~~(V) CONDUCTING OR FUNDING RESEARCH ON ALL ASPECTS OF~~
31 ~~CREDIT UNION OPERATIONS AND THE CREDIT UNION MOVEMENT IN GENERAL;~~

32 ~~(VI) COOPERATING AND ASSISTING CREDIT UNIONS AND LOCAL~~
33 ~~AND NATIONAL ORGANIZATIONS AND CREDIT UNIONS TO IMPROVE THE GENERAL~~
34 ~~WELFARE OF THE PEOPLE THROUGH CREDIT UNIONS;~~

35 ~~(VII) PROVIDING SCHOLARSHIPS AND AWARDS TO PROFESSIONALS~~
36 ~~AND VOLUNTEERS IN THE CREDIT UNION MOVEMENT; AND~~

1 (VIII) ~~FURTHERING THE CREDIT UNION MOVEMENT AND~~
2 ~~PERFORMING ALL NECESSARY AND PROPERLY RELATED SERVICES AND ACTIVITIES.~~

3 (E) ~~THE CORPORATION RECEIVING THE ASSETS UNDER PARAGRAPH (D)(2) OF~~
4 ~~THIS SECTION SHALL:~~

5 (1) ~~BE A NONPROFIT CORPORATION THAT IS EXEMPT FROM FEDERAL~~
6 ~~TAXATION UNDER § 501(C)(3) OF THE INTERNAL REVENUE CODE;~~

7 (2) ~~HAVE BEEN ORGANIZED:~~

8 (I) ~~FOR EDUCATIONAL AND CHARITABLE PURPOSES; AND~~

9 (II) ~~TO PROMOTE AND PUBLICIZE THE INTEREST AND WELFARE OF~~
10 ~~CREDIT UNIONS AND THEIR MEMBERS IN THIS STATE; AND~~

11 (3) ~~HAVE BEEN IN EXISTENCE AND OPERATING UNDER A CHARTER~~
12 ~~THAT INCLUDES THE FOLLOWING PURPOSES FOR AT LEAST 10 YEARS:~~

13 (I) ~~PROMOTING THE IDEALS OF THE CREDIT UNION MOVEMENT,~~
14 ~~INCLUDING THE COOPERATIVE NONPROFIT ASPECT, DEMOCRATIC ASPECT, THE~~
15 ~~COMMON BOND, VOLUNTEERISM, PERSONALIZED SERVICE, COOPERATIVE SPIRIT,~~
16 ~~AND THE ENCOURAGEMENT OF THRIFT AND THE CREATION OF A SOURCE OF~~
17 ~~CREDIT AT FAIR AND REASONABLE RATES;~~

18 (II) ~~HELPING TO STRENGTHEN AND DEVELOP CREDITS UNIONS~~
19 ~~SERVING LOW-INCOME INDIVIDUALS;~~

20 (III) ~~IMPROVING AND STIMULATING THE ABILITY OF CREDIT~~
21 ~~UNIONS TO PROVIDE LOW-COST CONSUMER LOANS;~~

22 (IV) ~~PROMOTING THE ELASTICITY AND FLEXIBILITY OF THE~~
23 ~~RESOURCES OF CREDIT UNIONS;~~

24 (V) ~~CONDUCTING OR FUNDING RESEARCH ON ALL ASPECTS OF~~
25 ~~CREDIT UNION OPERATIONS AND THE CREDIT UNION MOVEMENT IN GENERAL;~~

26 (VI) ~~COOPERATING AND ASSISTING CREDIT UNIONS AND LOCAL~~
27 ~~AND NATIONAL ORGANIZATIONS AND CREDIT UNIONS TO IMPROVE THE GENERAL~~
28 ~~WELFARE OF THE PEOPLE THROUGH CREDIT UNIONS;~~

29 (VII) ~~PROVIDING SCHOLARSHIPS AND AWARDS TO PROFESSIONALS~~
30 ~~AND VOLUNTEERS IN THE CREDIT UNION MOVEMENT; AND~~

31 (VIII) ~~FURTHERING THE CREDIT UNION MOVEMENT AND~~
32 ~~PERFORMING ALL NECESSARY AND PROPERLY RELATED SERVICES AND ACTIVITIES.~~

33 (F) ~~(E)~~ (F) THE CORPORATION SHALL PROMPTLY NOTIFY THE
34 COMMISSIONER FOLLOWING THE COMPLETION OF THE LIQUIDATION AND THE
35 WINDING UP OF THE BUSINESS AND AFFAIRS OF THE CORPORATION.

1 7-121.

2 THE COMMISSIONER MAY REQUIRE THE CORPORATION TO PROVIDE ANY
3 INFORMATION THAT THE COMMISSIONER DEEMS NECESSARY TO DETERMINE
4 WHETHER THE PHASE-OUT AND DISSOLUTION OF THE CORPORATION ARE IN
5 ACCORDANCE WITH THE PROVISIONS OF THIS PART.

6 SUBTITLE 2. CREDIT UNION SHARE GUARANTY CORPORATIONS.

7 7-201.

8 (A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS
9 INDICATED.

10 (B) UNLESS THE CONTEXT REQUIRES OTHERWISE, "CREDIT UNION" HAS THE
11 MEANING STATED IN § 6-101(D) OF THIS ARTICLE.

12 (C) "CREDIT UNION SHARE GUARANTY CORPORATION" MEANS A
13 CORPORATION THAT IS:

14 (1) ENGAGED IN THE BUSINESS OF PROVIDING PRIMARY SHARE
15 GUARANTY INSURANCE FOR THE SHARE AND DEPOSIT ACCOUNTS OF A CREDIT
16 UNION; AND

17 (2) REGULATED UNDER THIS SUBTITLE.

18 (D) "PARTICIPATING CREDIT UNION" MEANS A CREDIT UNION THAT HAS
19 APPLIED FOR AND BEEN ADMITTED TO PARTICIPATION IN A CREDIT UNION SHARE
20 GUARANTY CORPORATION AND WHOSE PARTICIPATION HAS NOT TERMINATED.

21 7-202.

22 THE PROVISIONS OF THIS SUBTITLE DO NOT APPLY TO THE CREDIT UNION
23 INSURANCE CORPORATION ESTABLISHED UNDER SUBTITLE 1 OF THIS TITLE.

24 7-203.

25 (A) A PERSON MAY NOT CONDUCT BUSINESS AS A CREDIT UNION SHARE
26 GUARANTY CORPORATION UNLESS THE PERSON HAS A CERTIFICATE OF AUTHORITY
27 ISSUED BY THE COMMISSIONER UNDER THIS SUBTITLE.

28 (B) A CERTIFICATE OF AUTHORITY ISSUED BY THE COMMISSIONER UNDER
29 THIS SUBTITLE IS NOT TRANSFERRABLE.

30 7-204.

31 (A) A CREDIT UNION SHARE GUARANTY CORPORATION SHALL INSURE AND
32 GUARANTEE THE SHARE AND DEPOSIT ACCOUNTS OF EACH PARTICIPATING CREDIT
33 UNION TO AT LEAST THE SAME EXTENT AND AMOUNT AS PROVIDED BY THE
34 NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE PROGRAM.

1 (B) A CREDIT UNION SHARE GUARANTY CORPORATION MAY MAKE
2 CONTRACTS FOR REINSURANCE.

3 7-205.

4 (A) TO QUALIFY FOR A CERTIFICATE OF AUTHORITY UNDER THIS SUBTITLE,
5 AN APPLICANT SHALL SATISFY THE COMMISSIONER THAT THE APPLICANT:

6 (1) IS TRUSTWORTHY AND REPUTABLE;

7 (2) HAS A GOOD BUSINESS REPUTATION;

8 (3) IF DOMICILED OUTSIDE THE STATE, IS CURRENTLY LICENSED AND
9 AUTHORIZED TO ENGAGE IN THE CREDIT UNION SHARE GUARANTY BUSINESS IN ITS
10 STATE OF DOMICILE;

11 (4) HAS AND WILL MAINTAIN RETAINED EARNINGS OR EQUITY CAPITAL
12 OF AT LEAST \$5,000,000, COMPUTED IN ACCORDANCE WITH GENERALLY ACCEPTED
13 ACCOUNTING PRINCIPLES;

14 (5) IS IN COMPLIANCE WITH:

15 (I) ITS CHARTER AND THIS SUBTITLE; AND

16 (II) IF DOMICILED OUTSIDE THE STATE, ALL LAWS AND
17 REGULATIONS APPLICABLE TO CREDIT UNION SHARE GUARANTY CORPORATIONS IN
18 ITS STATE OF DOMICILE;

19 (6) WILL CONDUCT THE CREDIT UNION SHARE GUARANTY BUSINESS IN
20 THE STATE IN A MANNER THAT WILL ADEQUATELY PROTECT THE SHARE AND
21 DEPOSIT ACCOUNTS OF ITS PARTICIPATING CREDIT UNIONS; AND

22 (7) WILL MAINTAIN RESERVES FOR GUARANTY LOSSES IN COMPLIANCE
23 WITH § 7-217 OF THIS SUBTITLE.

24 (B) A PERSON MAY NOT BE AUTHORIZED TO ENGAGE IN THE CREDIT UNION
25 SHARE GUARANTY BUSINESS IN THE STATE IF THE PERSON HAS OR USES A NAME
26 THAT IS SO SIMILAR TO THE NAME OF A CREDIT UNION SHARE GUARANTY
27 CORPORATION ALREADY ISSUED A CERTIFICATE OF AUTHORITY UNDER THIS
28 SUBTITLE AS TO TEND TO CAUSE UNCERTAINTY OR CONFUSION OR TO DECEIVE OR
29 MISLEAD.

30 7-206.

31 (A) (1) TO APPLY FOR A CERTIFICATE OF AUTHORITY, AN APPLICANT SHALL
32 SIGN AND SUBMIT TO THE COMMISSIONER AN APPLICATION MADE UNDER OATH ON
33 THE FORM THAT THE COMMISSIONER REQUIRES.

34 (2) THE APPLICATION SHALL INCLUDE:

1 (I) THE APPLICANT'S CORPORATE NAME, BUSINESS ADDRESS, AND
2 ANY TRADE NAMES UNDER WHICH THE APPLICANT CONDUCTS BUSINESS;

3 (II) THE NAME AND BUSINESS ADDRESS OF EACH OF THE
4 APPLICANT'S OFFICERS AND DIRECTORS;

5 (III) THE ADDRESS AT WHICH THE BUSINESS IS TO BE CONDUCTED;

6 (IV) THE NAME AND ADDRESS OF THE APPLICANT'S PROPOSED
7 RESIDENT AGENT IN THE STATE; AND

8 (V) ANY OTHER INFORMATION THAT THE COMMISSIONER
9 REASONABLY REQUIRES.

10 (B) WITH THE APPLICATION, THE APPLICANT SHALL SUBMIT:

11 (1) A CERTIFIED COPY OF ITS ARTICLES OF INCORPORATION WITH ALL
12 AMENDMENTS;

13 (2) A CERTIFIED COPY OF ITS BYLAWS WITH ALL AMENDMENTS;

14 (3) A COPY OF THE APPLICANT'S ANNUAL FINANCIAL STATEMENTS AS
15 OF THE IMMEDIATELY PRECEDING DECEMBER 31, PREPARED IN ACCORDANCE WITH
16 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND AUDITED AND CERTIFIED BY
17 AN INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT;

18 (4) IF DOMICILED OUTSIDE THE STATE, A COPY OF THE APPLICANT'S
19 MOST RECENT REPORT OF EXAMINATION, IF ANY, MADE BY THE RESPONSIBLE
20 SUPERVISORY OFFICIAL IN ITS STATE OF DOMICILE;

21 (5) IF DOMICILED OUTSIDE THE STATE, CERTIFICATION BY THE
22 RESPONSIBLE SUPERVISORY OFFICIAL IN ITS STATE OF DOMICILE SHOWING THAT
23 THE APPLICANT IS AUTHORIZED TO ENGAGE IN THE CREDIT UNION SHARE
24 GUARANTY BUSINESS IN THAT STATE;

25 (6) A COPY OF THE APPLICANT'S CURRENT STANDARD WRITTEN
26 CONTRACT WITH PARTICIPATING CREDIT UNIONS CONTAINING THE RIGHTS AND
27 OBLIGATIONS OF THE PARTIES; AND

28 (7) ANY OTHER INFORMATION AND DOCUMENTS THAT THE
29 COMMISSIONER REASONABLY REQUIRES.

30 (C) WITH THE APPLICATION, THE APPLICANT SHALL PAY TO THE
31 COMMISSIONER A NONREFUNDABLE APPLICATION FEE OF \$5,000.

32 7-207.

33 (A) WHEN AN APPLICANT FOR A CERTIFICATE OF AUTHORITY FILES THE
34 APPLICATION AND PAYS THE APPLICATION FEE REQUIRED UNDER § 7-206 OF THIS
35 SUBTITLE, THE COMMISSIONER SHALL CONDUCT AN INVESTIGATION TO DETERMINE
36 IF THE APPLICANT MEETS THE REQUIREMENTS OF § 7-205 OF THIS SUBTITLE.

1 (B) UNLESS THE COMMISSIONER NOTIFIES THE APPLICANT THAT A
2 DIFFERENT TIME PERIOD IS NECESSARY, THE COMMISSIONER SHALL APPROVE OR
3 DENY EACH APPLICATION FOR A CERTIFICATE OF AUTHORITY WITHIN 120 DAYS
4 AFTER THE COMPLETE APPLICATION IS FILED AND THE APPLICATION FEE IS PAID.

5 (C) THE COMMISSIONER SHALL ISSUE A CERTIFICATE OF AUTHORITY TO ANY
6 APPLICANT WHO MEETS THE REQUIREMENTS OF THIS SUBTITLE.

7 7-208.

8 (A) IF AN APPLICATION FOR A CERTIFICATE OF AUTHORITY IS DENIED, THE
9 NOTIFICATION OF THE DENIAL SHALL:

10 (1) BE IN WRITING; AND

11 (2) STATE THE APPLICANT'S RIGHT TO A HEARING HELD IN
12 ACCORDANCE WITH THE ADMINISTRATIVE PROCEDURE ACT.

13 (B) AN APPLICANT WHO SEEKS A HEARING ON AN APPLICATION DENIAL
14 SHALL FILE A WRITTEN REQUEST FOR A HEARING WITHIN 30 DAYS FOLLOWING
15 RECEIPT OF THE NOTICE OF THE APPLICANT'S RIGHT TO A HEARING.

16 7-209.

17 (A) THE COMMISSIONER MAY SUSPEND OR REVOKE THE CERTIFICATE OF
18 AUTHORITY OF A CREDIT UNION SHARE GUARANTY CORPORATION IF THE CREDIT
19 UNION SHARE GUARANTY CORPORATION OR A DIRECTOR OR OFFICER OF THE
20 CREDIT UNION SHARE GUARANTY CORPORATION:

21 (1) MAKES A MATERIAL MISSTATEMENT IN AN APPLICATION FOR A
22 CERTIFICATE OF AUTHORITY;

23 (2) IS CONVICTED UNDER THE LAWS OF THE UNITED STATES OR ANY
24 STATE OF:

25 (I) A FELONY; OR

26 (II) A MISDEMEANOR THAT IS DIRECTLY RELATED TO THE
27 ACTIVITIES AUTHORIZED BY THE CERTIFICATE OF AUTHORITY;

28 (3) IN CONNECTION WITH ANY CREDIT UNION SHARE GUARANTY
29 TRANSACTION:

30 (I) COMMITS A FRAUD;

31 (II) ENGAGES IN AN ILLEGAL OR DISHONEST ACTIVITY; OR

32 (III) MISREPRESENTS OR FAILS TO DISCLOSE A MATERIAL FACT TO
33 A PERSON ENTITLED TO THAT INFORMATION;

1 (4) VIOLATES ANY PROVISION OF THIS SUBTITLE, ANY RULE OR
2 REGULATION ADOPTED UNDER THIS SUBTITLE, OR ANY OTHER LAW REGULATING
3 CREDIT UNION SHARE GUARANTY BUSINESS IN THE STATE, OR FAILS TO COMPLY
4 WITH AN ORDER OF THE COMMISSIONER;

5 (5) IS FOUND BY THE COMMISSIONER TO BE IN UNSOUND CONDITION
6 OR IN A CONDITION THAT RENDERES FURTHER TRANSACTION OF CREDIT UNION
7 SHARE GUARANTY BUSINESS HAZARDOUS TO PARTICIPATING CREDIT UNIONS, THE
8 MEMBERS OF THE PARTICIPATING CREDIT UNIONS, OR THE PUBLIC;

9 (6) REFUSES OR DELAYS PAYMENT OF AMOUNTS DUE CLAIMANTS
10 WITHOUT JUST CAUSE;

11 (7) REFUSES TO BE EXAMINED OR TO PRODUCE RECORDS OR FILES FOR
12 EXAMINATION BY THE COMMISSIONER WHEN REQUIRED;

13 (8) REFUSES TO PROVIDE ADDITIONAL INFORMATION REASONABLY
14 REQUESTED BY THE COMMISSIONER; OR

15 (9) OTHERWISE DEMONSTRATES UNWORTHINESS, BAD FAITH,
16 DISHONESTY, OR ANY OTHER QUALITY THAT INDICATES THAT THE BUSINESS OF THE
17 CREDIT UNION SHARE GUARANTY CORPORATION HAS NOT BEEN OR WILL NOT BE
18 CONDUCTED HONESTLY, FAIRLY, AND EQUITABLY.

19 (B) IN DETERMINING WHETHER THE CERTIFICATE OF AUTHORITY OF A
20 CREDIT UNION SHARE GUARANTY CORPORATION SHOULD BE SUSPENDED OR
21 REVOKED FOR A CONVICTION LISTED IN SUBSECTION (A)(2) OF THIS SECTION, THE
22 COMMISSIONER SHALL CONSIDER:

23 (1) THE NATURE OF THE CRIME;

24 (2) THE RELATIONSHIP OF THE CRIME TO THE ACTIVITIES AUTHORIZED
25 BY THE CERTIFICATE OF AUTHORITY;

26 (3) THE RELEVANCE OF THE CONVICTION TO THE FITNESS AND
27 QUALIFICATION OF THE CREDIT UNION SHARE GUARANTY CORPORATION TO
28 ENGAGE IN THE CREDIT UNION SHARE GUARANTY BUSINESS;

29 (4) THE LENGTH OF TIME SINCE THE CONVICTION; AND

30 (5) THE BEHAVIOR AND ACTIVITIES OF THE CREDIT UNION SHARE
31 GUARANTY CORPORATION SINCE THE CONVICTION.

32 (C) (1) THE COMMISSIONER MAY ENFORCE THE PROVISIONS OF THIS
33 SUBTITLE AND ANY RULE OR REGULATION ADOPTED UNDER THIS SUBTITLE BY:

34 (I) ISSUING AN ORDER TO THE CREDIT UNION SHARE GUARANTY
35 CORPORATION OR ENTERING INTO AN AGREEMENT UNDER WHICH THE CREDIT
36 UNION SHARE GUARANTY CORPORATION AGREES:

1 1. TO CEASE AND DESIST FROM THE VIOLATION AND ANY
2 FURTHER SIMILAR VIOLATIONS; AND

3 2. TO TAKE AFFIRMATIVE ACTION TO CORRECT THE
4 VIOLATION, INCLUDING THE RESTITUTION OF MONEY OR PROPERTY TO ANY PERSON
5 AGGRIEVED BY THE VIOLATION; AND

6 (II) IMPOSING A CIVIL PENALTY NOT EXCEEDING \$1,000 FOR EACH
7 VIOLATION.

8 (2) IF A VIOLATOR FAILS TO COMPLY WITH AN ORDER OR AGREEMENT
9 UNDER THIS SUBSECTION, THE COMMISSIONER MAY IMPOSE A CIVIL PENALTY NOT
10 EXCEEDING \$1,000 FOR EACH VIOLATION FROM WHICH THE VIOLATOR FAILED TO
11 CEASE AND DESIST OR FOR WHICH THE VIOLATOR FAILED TO TAKE AFFIRMATIVE
12 CORRECTIVE ACTION.

13 (D) THE COMMISSIONER MAY FILE A PETITION IN THE CIRCUIT COURT FOR A
14 COUNTY SEEKING ENFORCEMENT OF AN ORDER ISSUED UNDER THIS SECTION.

15 (E) IN DETERMINING THE AMOUNT OF FINANCIAL PENALTY TO BE IMPOSED
16 UNDER SUBSECTION (C) OF THIS SECTION, THE COMMISSIONER SHALL CONSIDER:

17 (1) THE SERIOUSNESS OF THE VIOLATION;

18 (2) THE GOOD FAITH OF THE VIOLATOR;

19 (3) THE VIOLATOR'S HISTORY OF PREVIOUS VIOLATIONS;

20 (4) THE DELETERIOUS EFFECT OF THE VIOLATION ON THE PUBLIC AND
21 HOLDERS OF CREDIT UNION SHARE OR DEPOSIT ACCOUNTS;

22 (5) THE ASSETS OF THE VIOLATOR; AND

23 (6) ANY OTHER FACTORS RELEVANT TO THE DETERMINATION OF THE
24 FINANCIAL PENALTY.

25 (F) (1) BEFORE THE COMMISSIONER TAKES ANY ACTION UNDER
26 SUBSECTION (A) OR (C) OF THIS SECTION, THE COMMISSIONER SHALL GIVE THE
27 CREDIT UNION SHARE GUARANTY CORPORATION AN OPPORTUNITY FOR A HEARING.

28 (2) A HEARING UNDER THIS SUBTITLE SHALL BE HELD IN ACCORDANCE
29 WITH THE ADMINISTRATIVE PROCEDURE ACT.

30 (3) THE HEARING NOTICE SHALL BE SENT BY CERTIFIED MAIL, RETURN
31 RECEIPT REQUESTED, TO THE CREDIT UNION SHARE GUARANTY CORPORATION TO
32 THE PRINCIPAL PLACE OF BUSINESS OF THE CREDIT UNION SHARE GUARANTY
33 CORPORATION AT LEAST 30 DAYS BEFORE THE HEARING.

34 7-210.

35 (A) (1) THE COMMISSIONER:

1 (I) SHALL EXAMINE THE BUSINESS OF EACH CREDIT UNION
2 SHARE GUARANTY CORPORATION AT LEAST ONCE EVERY 24 MONTHS; AND

3 (II) MAY EXAMINE THE BUSINESS OF EACH CREDIT UNION SHARE
4 GUARANTY CORPORATION AT ANY TIME THAT THE COMMISSIONER REASONABLY
5 CONSIDERS NECESSARY.

6 (2) THE COMMISSIONER MAY ENTER INTO AGREEMENTS WITH
7 THIRD-PARTIES AND DELEGATE THE AUTHORITY TO CONDUCT AN EXAMINATION
8 REQUIRED OR PERMITTED UNDER THIS SUBSECTION.

9 (3) IN LIEU OF PERFORMING AN EXAMINATION OF A CREDIT UNION
10 SHARE GUARANTY CORPORATION, THE COMMISSIONER MAY ACCEPT AN
11 EXAMINATION REPORT FROM THE RESPONSIBLE SUPERVISORY OFFICIAL OF THE
12 CREDIT UNION SHARE GUARANTY CORPORATION'S STATE OF DOMICILE.

13 (B) (1) A PERSON AGGRIEVED BY THE CONDUCT OF A CREDIT UNION SHARE
14 GUARANTY CORPORATION UNDER THIS SUBTITLE IN CONNECTION WITH THE
15 CREDIT UNION SHARE GUARANTY BUSINESS MAY FILE A WRITTEN COMPLAINT WITH
16 THE COMMISSIONER WHO MAY INVESTIGATE THE COMPLAINT.

17 (2) THE COMMISSIONER MAY MAKE ANY OTHER INVESTIGATION OF ANY
18 PERSON IF THE COMMISSIONER HAS REASONABLE CAUSE TO BELIEVE THAT THE
19 PERSON HAS VIOLATED ANY PROVISION OF THIS SUBTITLE, ANY REGULATION
20 ADOPTED UNDER THIS SUBTITLE, OR ANY OTHER LAW REGULATING CREDIT UNION
21 SHARE GUARANTY CORPORATIONS IN THE STATE.

22 (C) IN CONNECTION WITH AN EXAMINATION OR INVESTIGATION MADE
23 UNDER THIS SECTION, THE COMMISSIONER MAY:

24 (1) EXAMINE THE BOOKS AND RECORDS OF ANY CREDIT UNION SHARE
25 GUARANTY CORPORATION OR OF ANY OTHER PERSON WHO THE COMMISSIONER
26 BELIEVES HAS VIOLATED ANY PROVISION OF THIS SUBTITLE, ANY REGULATION
27 ADOPTED UNDER THIS SUBTITLE, OR ANY OTHER LAW REGULATING CREDIT UNION
28 SHARE GUARANTY CORPORATIONS IN THE STATE;

29 (2) SUBPOENA DOCUMENTS OR OTHER EVIDENCE; OR

30 (3) SUMMON AND EXAMINE UNDER OATH ANY INDIVIDUAL WHOSE
31 TESTIMONY THE COMMISSIONER REQUIRES.

32 (D) IF ANY PERSON FAILS TO COMPLY WITH A SUBPOENA OR SUMMONS
33 ISSUED BY THE COMMISSIONER UNDER THIS SECTION, THE COMMISSIONER MAY
34 FILE A PETITION FOR ENFORCEMENT IN THE APPROPRIATE CIRCUIT COURT.

35 7-211.

36 (A) A CREDIT UNION SHARE GUARANTY CORPORATION SHALL PAY ALL
37 REASONABLE EXPENSES FOR TRANSPORTATION, LODGING, AND MEALS ASSOCIATED
38 WITH:

1 (1) AN EXAMINATION REQUIRED OR PERMITTED UNDER § 7-210 OF THIS
2 SUBTITLE; AND

3 (2) ANY OTHER EXAMINATION OR INVESTIGATION CONDUCTED UNDER
4 THIS ARTICLE THAT RESULTS IN THE DISCOVERY OF A VIOLATION OF THIS SUBTITLE
5 BY THE CREDIT UNION SHARE GUARANTY CORPORATION.

6 (B) (1) A CREDIT UNION SHARE GUARANTY CORPORATION SHALL PAY AN
7 ANNUAL ASSESSMENT OF \$5,000.

8 (2) A CREDIT UNION SHARE GUARANTY CORPORATION SHALL PAY THE
9 ASSESSMENT IMPOSED UNDER PARAGRAPH (1) OF THIS SUBSECTION TO THE
10 COMMISSIONER ON OR BEFORE FEBRUARY 15 AFTER THE ASSESSMENT IS IMPOSED.

11 7-212.

12 (A) (1) ON OR BEFORE APRIL 1 OF EACH YEAR, UNLESS THE COMMISSIONER
13 EXTENDS THE TIME FOR GOOD CAUSE, EACH CREDIT UNION SHARE GUARANTY
14 CORPORATION SHALL FILE WITH THE COMMISSIONER AN ANNUAL REPORT FOR THE
15 IMMEDIATELY PRECEDING CALENDAR YEAR.

16 (2) THE ANNUAL REPORT SHALL INCLUDE:

17 (I) THE ANNUAL FINANCIAL STATEMENT OF THE CREDIT UNION
18 SHARE GUARANTY CORPORATION PREPARED IN ACCORDANCE WITH GENERALLY
19 ACCEPTED ACCOUNTING PRINCIPLES AND AUDITED AND CERTIFIED BY AN
20 INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT THAT CONTAINS:

21 1. A BALANCE SHEET;

22 2. AN INCOME STATEMENT;

23 3. A STATEMENT OF CASH FLOWS;

24 4. A STATEMENT OF CHANGES OF THE CREDIT UNION SHARE
25 GUARANTY CORPORATION'S EQUITY; AND

26 5. NOTES TO THE FINANCIAL STATEMENT;

27 (II) THE FOLLOWING INFORMATION REGARDING ALL
28 PARTICIPATING CREDIT UNIONS, AS APPROPRIATE, REGARDLESS OF THE STATE IN
29 WHICH A PARTICIPATING CREDIT UNION IS DOMICILED:

30 1. THE COMPOSITE CAMEL RATING OF EACH CREDIT UNION
31 IF THE COMPOSITE CAMEL RATING OF A CREDIT UNION IS 4 OR 5; AND

32 2. ANY CURRENT ADMINISTRATIVE ACTION OR ANY
33 CURRENT PLAN FOR CORRECTIVE ACTION CONCERNING EACH CREDIT UNION
34 INITIATED BY THE CREDIT UNION SHARE GUARANTY CORPORATION OR THE
35 RESPONSIBLE SUPERVISORY OFFICIAL IN THE CREDIT UNION'S STATE OF DOMICILE;
36 AND

1 (III) AN ANALYSIS OF THE COMPONENTS OF THE GUARANTY FUND
2 REQUIRED UNDER § 7-216 OF THIS SUBTITLE, INCLUDING ANY RESERVES FOR
3 GUARANTY LOSSES ESTABLISHED UNDER § 7-217 OF THIS SUBTITLE.

4 (3) UNLESS THE COMMISSIONER EXTENDS THE TIME FOR FILING, A
5 CREDIT UNION SHARE GUARANTY CORPORATION THAT FAILS TO FILE AN ANNUAL
6 REPORT ON OR BEFORE APRIL 10 SHALL PAY A PENALTY OF \$100 FOR EACH DAY
7 FROM APRIL 1 TO THE DAY BEFORE THE COMMISSIONER RECEIVES THE REPORT.

8 (B) AT ANY TIME, THE COMMISSIONER MAY REQUIRE A CREDIT UNION SHARE
9 GUARANTY CORPORATION TO FILE AN INTERIM REPORT CONTAINING THE
10 INFORMATION THAT THE COMMISSIONER CONSIDERS NECESSARY.

11 7-213.

12 (A) THIS SECTION APPLIES NOTWITHSTANDING ANY OTHER PROVISION OF
13 LAW.

14 (B) A CREDIT UNION SHARE GUARANTY CORPORATION AND THE
15 COMMISSIONER MAY EXCHANGE INFORMATION, INCLUDING INFORMATION
16 OBTAINED DURING AN EXAMINATION, ABOUT A PARTICIPATING CREDIT UNION OR A
17 CREDIT UNION THAT IS APPLYING FOR PARTICIPATION IN THE CREDIT UNION SHARE
18 GUARANTY CORPORATION.

19 (C) THE COMMISSIONER MAY EXCHANGE INFORMATION, INCLUDING
20 INFORMATION OBTAINED DURING AN EXAMINATION, ABOUT A CREDIT UNION SHARE
21 GUARANTY CORPORATION WITH ANY STATE OR FEDERAL AGENCY HAVING
22 SUPERVISORY AUTHORITY OVER THE CREDIT UNION SHARE GUARANTY
23 CORPORATION.

24 7-214.

25 (A) A CREDIT UNION SHARE GUARANTY CORPORATION SHALL HAVE A
26 WRITTEN CONTRACT WITH EACH PARTICIPATING CREDIT UNION THAT CLEARLY
27 ESTABLISHES THE RIGHTS AND OBLIGATIONS OF THE PARTIES.

28 (B) AT LEAST 30 DAYS BEFORE THE EFFECTIVE DATE OF ANY MATERIAL
29 AMENDMENT TO THE STANDARD WRITTEN CONTRACT THAT IS SUBMITTED UNDER §
30 7-206(B) OF THIS SUBTITLE, THE CREDIT UNION SHARE GUARANTY CORPORATION
31 SHALL FILE THE AMENDMENT WITH THE COMMISSIONER.

32 7-215.

33 A CREDIT UNION SHARE GUARANTY CORPORATION SHALL PROVIDE WRITTEN
34 NOTICE TO THE COMMISSIONER OF:

35 (1) THE RECEIPT FROM A CREDIT UNION OF AN APPLICATION FOR
36 PARTICIPATION IN THE CREDIT UNION SHARE GUARANTY CORPORATION;

1 (2) THE CREDIT UNION SHARE GUARANTY CORPORATION'S
2 UNDERWRITING DECISION REGARDING THE APPLICATION FOR PARTICIPATION; AND

3 (3) THE VOLUNTARY OR INVOLUNTARY TERMINATION OF THE
4 PARTICIPATION OF A CREDIT UNION IN THE CREDIT UNION SHARE GUARANTY
5 CORPORATION.

6 7-216.

7 (A) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, A
8 CREDIT UNION SHARE GUARANTY CORPORATION SHALL ESTABLISH AND MAINTAIN
9 A GUARANTY FUND OF AT LEAST 1 PERCENT OF THE AGGREGATE SHARES AND
10 DEPOSITS OF THE PARTICIPATING CREDIT UNIONS.

11 (2) A CREDIT UNION SHARE GUARANTY CORPORATION THAT IS
12 DOMICILED OUTSIDE THE STATE MAY MAINTAIN A GUARANTY FUND AT THE LEVEL
13 PERMITTED BY ITS STATE OF DOMICILE IF THE CREDIT UNION SHARE GUARANTY
14 CORPORATION:

15 (I) HAS BEEN DOMICILED IN THAT STATE FOR AT LEAST 25 YEARS
16 IMMEDIATELY PRECEDING THE DATE OF THE CREDIT UNION SHARE GUARANTY
17 CORPORATION'S COMPLETED APPLICATION FOR A CERTIFICATE OF AUTHORITY;

18 (II) HAS ENGAGED IN THE CREDIT UNION SHARE GUARANTY
19 BUSINESS FOR AT LEAST 25 YEARS IMMEDIATELY PRECEDING THE DATE OF THE
20 CREDIT UNION SHARE GUARANTY CORPORATION'S COMPLETED APPLICATION FOR A
21 CERTIFICATE OF AUTHORITY; AND

22 (III) THE BUSINESS OF THE CREDIT UNION SHARE GUARANTY
23 CORPORATION IS SUBJECT TO REGULATION BY ITS STATE OF DOMICILE.

24 (B) THE GUARANTY FUND SHALL BE COMPRISED OF THE FOLLOWING:

25 (1) THE ACCOUNT FOR EACH PARTICIPATING CREDIT UNION;

26 (2) RETAINED EARNINGS; AND

27 (3) ANY RESERVES ESTABLISHED UNDER § 7-217 OF THIS SUBTITLE.

28 (C) THE AMOUNT OF THE ACCOUNT OF EACH PARTICIPATING CREDIT UNION
29 SHALL BE CARRIED ON THE BOOKS OF THE PARTICIPATING CREDIT UNION AS AN
30 ASSET.

31 (D) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBTITLE, A CREDIT
32 UNION SHARE GUARANTY CORPORATION MAY REQUIRE A PARTICIPATING CREDIT
33 UNION TO MAKE ADDITIONAL CAPITAL CONTRIBUTIONS TO MAINTAIN THE NORMAL
34 OPERATING LEVEL DURING ANY CALENDAR YEAR IN WHICH THE FUND HAS BEEN
35 REDUCED BELOW THE MINIMUM OPERATING LEVEL AS A RESULT OF PAYMENT OF
36 ANY DEFICIENCIES IN CREDIT UNION SHARE ACCOUNTS.

1 (E) WITHIN 60 DAYS OF THE ASSESSMENT, A CREDIT UNION SHARE
2 GUARANTY CORPORATION SHALL FILE WITH THE COMMISSIONER A REPORT OF
3 EACH CAPITAL CONTRIBUTION THAT THE CREDIT UNION SHARE GUARANTY
4 CORPORATION REQUIRES UNDER SUBSECTION (D) OF THIS SECTION.

5 (F) (1) IF A PARTICIPATING CREDIT UNION FAILS TO PAY AN ANNUAL
6 CAPITAL CONTRIBUTION, PREMIUM, FEE, OR ASSESSMENT WHEN DUE, THE CREDIT
7 UNION SHARE GUARANTY CORPORATION:

8 (I) WITHIN 10 DAYS AFTER THE FAILURE, SHALL REPORT THE
9 FAILURE IN WRITING TO THE COMMISSIONER; AND

10 (II) AFTER 30 DAYS NOTICE, MAY REVOKE THE PARTICIPATING
11 CREDIT UNION'S PARTICIPATION IN THE CREDIT UNION SHARE GUARANTY
12 CORPORATION, UNLESS GOOD CAUSE IS SHOWN FOR THE FAILURE.

13 (2) THE 30-DAY NOTICE OF REVOCATION REQUIRED UNDER PARAGRAPH
14 (1)(II) OF THIS SUBSECTION DOES NOT APPLY TO THE REVOCATION OF EXCESS
15 COVERAGE.

16 (G) (1) SUBJECT TO THE PROVISIONS OF PARAGRAPH (2) OF THIS
17 SUBSECTION, A CREDIT UNION SHARE GUARANTY CORPORATION SHALL REFUND TO
18 A PARTICIPATING CREDIT UNION AN AMOUNT EQUAL TO THE BALANCE OF THE
19 PARTICIPATING CREDIT UNION'S CAPITAL CONTRIBUTION ACCOUNT, LESS ANY
20 OUTSTANDING DEBTS OWED TO THE CREDIT UNION SHARE GUARANTY
21 CORPORATION, IF THE PARTICIPATING CREDIT UNION:

22 (I) VOLUNTARILY DISSOLVES;

23 (II) OBTAINS PRIMARY SHARE GUARANTY INSURANCE FROM THE
24 NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE PROGRAM OR
25 ANOTHER CREDIT UNION SHARE GUARANTY CORPORATION REGULATED UNDER
26 THIS SUBTITLE; OR

27 (III) MERGES OR CONSOLIDATES WITH ANOTHER CREDIT UNION
28 THAT RESULTS IN THE SHARE AND DEPOSIT ACCOUNTS OF THE SURVIVING OR NEW
29 CREDIT UNION BEING INSURED BY THE NATIONAL CREDIT UNION ADMINISTRATION
30 SHARE INSURANCE PROGRAM OR ANOTHER CREDIT UNION SHARE GUARANTY
31 CORPORATION REGULATED UNDER THIS SUBTITLE.

32 (2) A CREDIT UNION SHARE GUARANTY CORPORATION SHALL MAKE A
33 REFUND UNDER PARAGRAPH (1) OF THIS SUBSECTION ONLY IF THE GUARANTY FUND
34 EQUALS OR EXCEEDS THE GUARANTY FUND'S NORMAL OPERATING LEVEL AS
35 CALCULATED WITHOUT THE ACCOUNT OF THE EXITING CREDIT UNION.

36 (H) IF TWO OR MORE PARTICIPATING CREDIT UNIONS MERGE OR
37 CONSOLIDATE AND THE SURVIVING OR NEW CREDIT UNION IS TO BE INSURED BY
38 THE CREDIT UNION SHARE GUARANTY CORPORATION, THE FUNDS IN THE CAPITAL
39 CONTRIBUTION ACCOUNT OF EACH CREDIT UNION SHALL BE TRANSFERRED TO THE

1 ACCOUNT OF THE SURVIVING OR NEW CREDIT UNION, LESS ANY OUTSTANDING
2 DEBTS OWED TO THE CREDIT UNION SHARE GUARANTY CORPORATION.

3 (I) IF A CREDIT UNION SHARE GUARANTY CORPORATION IS DISSOLVED, THE
4 NET ASSETS AFTER PAYING ALL LIABILITIES AND ALL COSTS OF DISSOLUTION
5 SHALL BE DISTRIBUTED TO THE PARTICIPATING CREDIT UNIONS IN ACCORDANCE
6 WITH THEIR SHARE AND DEPOSIT BALANCES, LESS ANY OUTSTANDING DEBTS OWED
7 TO THE CREDIT UNION SHARE GUARANTY CORPORATION.

8 7-217.

9 (A) (1) A CREDIT UNION SHARE GUARANTY CORPORATION SHALL
10 ESTABLISH RESERVES FOR GUARANTY LOSSES ON AN INCURRED BASIS IN
11 ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES DURING THE
12 PERIOD IN WHICH THE LOSSES BECOME EVIDENT.

13 (2) THE RESERVES SHALL PROVIDE FOR:

14 (I) LOSSES REPORTED TO THE CREDIT UNION SHARE GUARANTY
15 CORPORATION;

16 (II) LOSSES INCURRED BUT NOT PREVIOUSLY REPORTED; AND

17 (III) ESTIMATED LOSSES ON THE COLLECTION OF NOTES AND
18 OTHER GUARANTEES TO PARTICIPATING CREDIT UNIONS.

19 (B) THE RESERVES SHALL BE MAINTAINED UNTIL THE LOSSES FOR WHICH
20 THE RESERVES WERE ESTABLISHED HAVE BEEN SATISFIED.

21 7-218.

22 (A) THE COMMISSIONER SHALL GIVE PROMPT NOTICE TO THE APPLICABLE
23 CREDIT UNION SHARE GUARANTY CORPORATION WHENEVER THE COMMISSIONER:

24 (1) TAKES POSSESSION OF THE PROPERTY AND ASSETS OF A
25 PARTICIPATING CREDIT UNION; AND

26 (2) DETERMINES TO LIQUIDATE THE PROPERTY AND ASSETS OF A
27 PARTICIPATING CREDIT UNION.

28 (B) NOTWITHSTANDING THE PROVISIONS OF §§ 5-605 AND 6-905(D) OF THIS
29 ARTICLE, THE COMMISSIONER MAY PETITION A COURT OF COMPETENT
30 JURISDICTION TO APPOINT THE APPLICABLE CREDIT UNION SHARE GUARANTY
31 CORPORATION AS RECEIVER OF THE PARTICIPATING CREDIT UNION.

32 (C) WHEN THE PROPERTY AND BUSINESS OF A PARTICIPATING CREDIT UNION
33 HAS BEEN LIQUIDATED OR IS IN THE PROCESS OF LIQUIDATION AND THE PROCEEDS
34 OF LIQUIDATION DISTRIBUTED ARE INSUFFICIENT TO PAY THE FULL GUARANTEED
35 AMOUNT OF EACH CREDIT UNION SHARE OR DEPOSIT ACCOUNT, THE CREDIT UNION
36 SHARE GUARANTY CORPORATION SHALL PAY EACH DEFICIENCY UP TO THE

1 GUARANTEED AMOUNT WITHIN 30 DAYS AFTER THE DATE THE CREDIT UNION
2 SHARE OR DEPOSIT ACCOUNT BALANCE IS VERIFIED.

3 (D) WHEN ANY PARTICIPATING CREDIT UNION SHARE OR DEPOSIT ACCOUNT
4 IS PAID, THE CREDIT UNION SHARE GUARANTY CORPORATION SHALL BE
5 SUBROGATED TO ALL RIGHTS OF THE MEMBER OR DEPOSITOR, UP TO THE AMOUNT
6 PAID BY THE CREDIT UNION SHARE GUARANTY CORPORATION TO THE MEMBER OR
7 DEPOSITOR.

8 7-219.

9 (A) A CREDIT UNION SHARE GUARANTY CORPORATION MAY TERMINATE THE
10 PARTICIPATION OF A PARTICIPATING CREDIT UNION FOR ANY OF THE FOLLOWING
11 REASONS:

12 (1) THE PARTICIPATING CREDIT UNION FAILS TO SATISFY THE RISK
13 ELIGIBILITY STANDARDS ESTABLISHED BY THE CREDIT UNION SHARE GUARANTY
14 CORPORATION AND APPLICABLE TO ALL PARTICIPATING CREDIT UNIONS;

15 (2) THE PARTICIPATING CREDIT UNION OPERATES IN AN UNSAFE AND
16 UNSOUND MANNER AS DETERMINED BY THE CREDIT UNION SHARE GUARANTY
17 CORPORATION;

18 (3) THE PARTICIPATING CREDIT UNION FAILS TO FURNISH FINANCIAL
19 STATEMENTS, DELINQUENT LOAN REPORTS, OR OTHER INFORMATION CONSIDERED
20 NECESSARY BY THE CREDIT UNION SHARE GUARANTY CORPORATION;

21 (4) THE PARTICIPATING CREDIT UNION FAILS TO REMEDY IN A TIMELY
22 MANNER A QUALIFICATION ARISING FROM AN AUDIT PERMITTED OR REQUIRED
23 UNDER THE WRITTEN CONTRACT BETWEEN THE PARTICIPATING CREDIT UNION AND
24 THE CREDIT UNION SHARE GUARANTY CORPORATION;

25 (5) THE PARTICIPATING CREDIT UNION FAILS TO PAY WHEN DUE A
26 CAPITAL CONTRIBUTION OR APPLICABLE PREMIUM, FEE, OR ASSESSMENT UNDER
27 THIS SUBTITLE;

28 (6) THE PARTICIPATING CREDIT UNION FAILS TO COMPLY WITH ANY
29 PROVISION OF THIS ARTICLE OR THE ARTICLES OF INCORPORATION OR BYLAWS OF
30 THE CREDIT UNION SHARE GUARANTY CORPORATION THAT ARE MATERIAL TO THE
31 SAFETY AND SOUNDNESS OF THE PARTICIPATING CREDIT UNION; OR

32 (7) CONTINUED PARTICIPATION BY THE PARTICIPATING CREDIT UNION
33 WOULD RESULT IN A VIOLATION OF THIS SUBTITLE OR OTHER APPLICABLE STATE
34 OR FEDERAL LAW BY THE CREDIT UNION SHARE GUARANTY CORPORATION.

35 (B) (1) AT LEAST 30 DAYS BEFORE THE EFFECTIVE DATE OF ANY
36 TERMINATION, THE CREDIT UNION SHARE GUARANTY CORPORATION SHALL SEND
37 WRITTEN NOTICE OF THE PENDING TERMINATION AND THE REASONS FOR THE
38 TERMINATION TO:

1 (I) THE PARTICIPATING CREDIT UNION WHOSE PARTICIPATION IS
2 TO BE TERMINATED; AND

3 (II) THE COMMISSIONER.

4 (2) THE 30-DAY NOTICE REQUIRED UNDER PARAGRAPH (1) OF THIS
5 SUBSECTION DOES NOT APPLY TO THE TERMINATION OF EXCESS COVERAGE.

6 7-220.

7 A PERSON WHO VIOLATES ANY PROVISION OF THIS SUBTITLE IS GUILTY OF A
8 MISDEMEANOR AND ON CONVICTION IS SUBJECT TO A FINE NOT EXCEEDING \$ 5,000
9 OR IMPRISONMENT NOT EXCEEDING 5 YEARS OR BOTH.

10 7-221.

11 NOTHING IN THIS SUBTITLE CREATES ANY LIABILITY ON THE STATE FOR THE
12 PAYMENT OF ANY FUNDS TO ANY PARTICIPATING CREDIT UNION OR OTHER PERSON
13 BY REASON OF:

14 (1) AN ACT OR OMISSION OF A CREDIT UNION SHARE GUARANTY
15 CORPORATION; OR

16 (2) A DEFICIENCY OF A PARTICIPATING CREDIT UNION IN THE EVENT A
17 CREDIT UNION SHARE GUARANTY CORPORATION IS UNABLE TO PAY THE
18 DEFICIENCY.

19 7-222.

20 A CREDIT UNION SHARE GUARANTY CORPORATION, ITS PARTICIPATING CREDIT
21 UNIONS, AND PERSONS WHO HAVE SHARE OR DEPOSIT ACCOUNTS IN THE
22 PARTICIPATING CREDIT UNIONS ARE NOT SUBJECT TO THE PROVISIONS OF THE
23 INSURANCE ARTICLE AS A RESULT OF ANY OF THE ACTIVITIES OF THE CREDIT
24 UNION SHARE GUARANTY CORPORATION UNDER THIS SUBTITLE.

25 7-223.

26 A CREDIT UNION SHARE GUARANTY CORPORATION THAT IS A NONPROFIT
27 CORPORATION EXEMPT FROM FEDERAL TAXATION UNDER § 501(C)(6) OF THE
28 INTERNAL REVENUE CODE IS EXEMPT FROM ALL TAXES IMPOSED BY THE STATE OR
29 ANY OF ITS SUBDIVISIONS UNDER:

30 (1) ARTICLE 24, TITLE 9 OF THE CODE;

31 (2) TITLE 6, SUBTITLE 1 OF THE INSURANCE ARTICLE;

32 (3) THE TAX - GENERAL ARTICLE; OR

33 (4) THE TAX - PROPERTY ARTICLE.

1 7-224.

2 THE COMMISSIONER MAY ADOPT RULES AND REGULATIONS TO CARRY OUT
3 THIS SUBTITLE.

4 SECTION 2. AND BE IT FURTHER ENACTED, That the Commissioner of
5 Financial Regulation shall report annually on or before December 15 to the Senate
6 Finance Committee and the House Commerce and Government Matters Committee,
7 in accordance with § 2-1246 of the State Government Article, on the status of the
8 phase-out and dissolution of the Credit Union Insurance Corporation, including:

9 (a) whether the phase-out and dissolution of the Corporation and the transfer
10 of the assets of the Corporation are in accordance with the provisions of this Act;

11 (b) how the nonprofit corporation receiving the assets of the Corporation
12 anticipates utilizing the assets or has been utilizing the assets; and

13 (c) when the provisions of law regarding the phase-out and dissolution of the
14 Corporation are no longer needed.

15 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take
16 effect July 1, 2002. Section 2 of this Act shall remain effective only through the date
17 of the report in which the Commissioner of Financial Regulation advises that the
18 phase-out and dissolution of the Credit Union Insurance Corporation and the
19 transfer of the assets of the Corporation are completed and, at the end of that date,
20 with no further action required by the General Assembly, Section 2 of this Act shall be
21 abrogated and of no further force and effect.