

ARTICLE 3. CREDIT UNIONS

Rule 1. Membership Cards

750 IAC 3-1-1 Authority to promulgate rule; purpose of rule

Authority: IC 28-1-2-8

Affected: IC 28-7-1-10

Sec. 1. In accordance with the provisions of I.C. 1971 28-1-2-7, the Department of Financial Institutions has caused to be established the following Regulation [750 IAC 3-1]. This regulation [750 IAC 3-1] has been promulgated to specify the minimum information required on membership cards in credit unions. (*Department of Financial Institutions; Credit Unions Reg No CU-1, Sec 1; filed May 31, 1977, 9:50 am: Rules and Regs. 1978, p. 323; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA*)

750 IAC 3-1-2 Contents and retention of membership card

Authority: IC 28-1-2-8

Affected: IC 28-7-1-10

Sec. 2. Membership cards shall be kept on file and maintained in the credit union's main office for inspection by examiners and shall contain at least the following information:

(a) Account number, name, address, date of birth, signature of member, and the date signed,

(b) A statement that the member is eligible for membership in the credit union by reason of employment, membership, affiliation, association, and/or other relationship with the organization, institution, corporation, or entity included in the credit union's field of membership, and

(c) Date, signature and title of person authorized to record approval by the board, membership officer or executive committee.

(*Department of Financial Institutions; Credit Unions Reg No CU-1, Sec 2; filed May 31, 1977, 9:50 am: Rules and Regs. 1978, p. 323; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA*)

750 IAC 3-1-3 Termination of illegal members; effect on loans

Authority: IC 28-1-2-8

Affected: IC 28-7-1; IC 28-7-1-10

Sec. 3. Any person, firm, corporation, or organization which becomes a member of a credit union contrary to the provisions of I.C. 28-7-1-10 or the by-laws of such credit union, as evidenced by the membership card or otherwise, shall be deemed by the Department to be an illegal member. The membership of any illegal member, as determined by the Department, shall be terminated and all such accounts shall be purged from the active share accounts of the credit union within the period of time specified in writing by the Department. Provided however, any loan agreement between a terminated member and the credit union shall be unaffected by such termination and, in the event that a loan involving an illegal member is secured by shares, the share account shall, to the extent encumbered by the loan, remain valid until unencumbered. (*Department of Financial Institutions; Credit Unions Reg No CU-1, Sec 3; filed May 31, 1977, 9:50 am: Rules and Regs. 1978, p. 323; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA*)

Rule 2. Losses

750 IAC 3-2-1 Notice to department of loss

Authority: IC 28-7-1-1

Affected: IC 28-7-1-24

Sec. 1. The Department of Financial Institutions of the State of Indiana, by virtue of the power and authority conferred upon it by law, and upon unanimous vote of the Members of the Department of Financial Institutions, does hereby rule that each credit union shall notify the Department of Financial Institutions of any loss or losses sustained by such credit union by an act or acts of fraud, dishonesty, forgery, theft, embezzlement, wrongful abstraction or wilful misapplication of any of its officers or employees.

Such notification will be made in writing not later than the next business day following discovery of such loss and subsequent

notification of all actions related to such loss taken by the institution will be made. The Department of Financial Institutions will be notified by the credit union at the conclusion of all actions related to said loss as to the manner in which loss was resolved. *(Department of Financial Institutions; Credit Unions Reg No 1, Sec II; filed Nov 20, 1959, 2:15 pm: Rules and Regs. 1960, p. 58; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939)*

Rule 3. Reserve Requirements

750 IAC 3-3-1 Purpose and applicability of rule

Authority: IC 28-1-2-7

Affected: IC 28-7-1-24

Sec. 1. In accordance with the provisions of I.C. 28-7-1-24(e), the Department of Financial Institutions has caused to be established the following regulation. This regulation [750 IAC 3-3] has been promulgated to revise the formula defined in I.C. 28-7-1-24(a) with respect to reserves to be maintained by credit unions whose share accounts are insured by an agency of the Federal government, the State of Indiana or any insuring entity which is approved by the Department to insure credit union shares and whose assets are \$500,000 or more and which have been in operation for more than four (4) years. *(Department of Financial Institutions; Reg No CU-2, Sec 1; filed Jan 29, 1979, 2:54 pm: 2 IR 311; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA) NOTE: IAC citation in Indiana Register is incorrectly cited as 750 IAC 3-2-1.*

750 IAC 3-3-2 Risk assets defined

Authority: IC 28-1-2-7

Affected: IC 28-7-1-9

Sec. 2. For the purpose of this regulation [750 IAC 3-3], the term:

(a) Risk Assets shall mean all assets except the following:

- (1) Cash on hand.
- (2) Deposits and/or shares in Federally or State insured banks, savings and loan associations, and credit unions.
- (3) Investments which are direct or indirect obligations of the U.S. Government or its agencies.
- (4) Loans to other credit unions.
- (5) Student loans insured under the Higher Education Act (20 U.S.C. 1071 et. seq.) or similar State insurance programs.
- (6) Loans insured under the National Housing Act (12 U.S.C. 1703) by the Federal Housing Authority.
- (7) Common trust investments authorized by the Indiana Credit Union Act [IC 28-7-1-9(c)(3)].
- (8) Prepaid expenses.
- (9) Accrued interest on nonrisk investments.
- (10) Furniture and equipment.
- (11) Land and buildings.
- (12) Loans fully secured by a pledge of shares in the lending credit union, equal to and maintained to at least the amount of loan outstanding.
- (13) Loans which are purchased from liquidating credit unions and guaranteed by an insuring agency of the Federal government, the State of Indiana or any agency approved by the Department to insure credit union share accounts.

(Department of Financial Institutions; Reg No CU-2, Sec 2; filed Jan 29, 1979, 2:54 pm: 2 IR 311; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA) NOTE: IAC citation in Indiana Register is incorrectly cited as 750 IAC 3-2-2.

750 IAC 3-3-3 Reserve for risk assets

Authority: IC 28-1-2-7

Affected: IC 28-7-1-9; IC 28-7-1-24

Sec. 3. At the end of each accounting period, the gross income shall be determined. Based on this amount, there shall be set aside, as a regular reserve, ten percent (10%) of gross income until the reserve shall equal four percent (4%) of total risk assets, then five percent (5%) of gross income until the reserve shall equal six per cent (6%) of total risk assets. *(Department of Financial*

Institutions; Reg No CU-2, Sec 3; filed Jan 29, 1979, 2:45 pm: 2 IR 312; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA) NOTE: IAC citation in Indiana Register is incorrectly cited as 750 IAC 3-2-3.

750 IAC 3-3-4 Incorporation of statutory provision

Authority: IC 28-1-2-7

Affected: IC 28-7-1-24

Sec. 4. Except for the method of calculating the regular reserve formula, all other provisions of I.C. 28-7-1-24 as it pertains to entrance fees and charges, requirement of a special reserve for delinquent loans, and waiver of such special reserve shall become a part of this regulation [750 IAC 3-3]. (*Department of Financial Institutions; Reg No CU-2, Sec 4; filed Jan 29, 1979, 2:54 pm: 2 IR 312; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA*) NOTE: IAC citation in Indiana Register is incorrectly cited as 750 IAC 3-2-4.

750 IAC 3-3-5 Basis of formula for reserve for risk assets

Authority: IC 28-1-2-7

Affected: IC 28-7-1-24

Sec. 5. The formula described in Section 3 [750 IAC 3-3-3] of this regulation is based upon a similar formula for regular reserves established in the Federal Credit Union Act (12 U.S.C. 1762), as amended, and is based on a study performed for Congress by the National Credit Union Administration, the Federal insuring agency for credit unions. As such, this formula is deemed prudent by the Department and can reasonably be expected to protect the members of the credit unions to which this regulation [750 IAC 3-3] pertains. (*Department of Financial Institutions; Reg No CU-2, Sec 5; filed Jan 29, 1979, 2:54 pm: 2 IR 312; readopted filed Nov 5, 2001, 2:59 p.m.: 25 IR 939; readopted filed Nov 28, 2007, 2:57 p.m.: 20071226-IR-750070649RFA*) NOTE: IAC citation in Indiana Register is incorrectly cited as 750 IAC 3-2-5.

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