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SENATE BILL 546

46TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2003

INTRODUCED BY

Bernadette M. Sanchez

AN ACT

RELATING TO CREDIT UNIONS; CLARIFYING PROVISIONS FOR
OUT-OF-STATE CREDIT UNIONS TO CONDUCT BUSINESS IN NEW MEXICO;
MODIFYING LOAN POLICIES; AMENDING, REPEALING AND ENACTING
SECTIONS OF THE CREDIT UNION ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 58-11-2 NMSA 1978 (being Laws 1987,
Chapter 311, Section 2, as amended) is amended to read:

"58-11-2. DEFINITIONS. -- As used in the Credit Union Act:

A. "board member" means a member of the board of
directors of a credit union;

B. "capital" means share accounts, membership
shares, reserves and undivided earnings;

C. "credit union" means a cooperative, nonprofit,
financial institution organized under or subject to the Credit

1 Union Act for the purposes of encouraging thrift among its
2 members, creating a source of credit at fair and reasonable
3 rates of interest and providing an opportunity for its members
4 to use and control their own money on a democratic basis in
5 order to improve their economic and social condition;

6 D. "deposit account" means a balance held by a
7 credit union and established by a person in accordance with
8 standards specified by the credit union, including balances
9 designated as deposits, deposit certificates, checking accounts
10 or other names. Ownership of a deposit account does not confer
11 membership or voting rights and does not represent an interest
12 in the capital of the credit union upon dissolution or
13 conversion to another type of institution;

14 E. "director" means the director of the financial
15 institutions division of the regulation and licensing
16 department;

17 F. "division" means the financial institutions
18 division of the regulation and licensing department;

19 G. "executive officer" means any person who is
20 responsible for the management of the credit union as provided
21 in the bylaws of the credit union and includes the chief
22 executive officer, the president, a vice president, the credit
23 union manager, an assistant manager or a person who is assigned
24 and performs the management duties appropriate to those
25 offices;

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1 H. "governmental unit" means any board, agency,
2 department, authority, instrumentality or other unit or
3 organization of the United States, this state or any political
4 subdivision thereof;

5 I. "immediate family" means those persons related
6 by blood or marriage as well as stepchildren, foster children
7 and adopted children or persons who live in the same residence
8 and maintain a single economic unit;

9 J. "insolvent" means the condition that results
10 when the cash value of assets is less than the liabilities and
11 members' share and deposit accounts;

12 K. "insuring organization" means the national
13 credit union administration or any other insurer [~~which~~] that
14 has been approved by the director to provide aid and financial
15 assistance to credit unions that are in the process of
16 liquidation or are incurring financial difficulty, in order
17 that the share and deposit accounts in credit unions shall be
18 protected or guaranteed against loss without limit or up to a
19 specified level for each account;

20 L. "membership share" means a balance held by a
21 credit union and established by a member in accordance with
22 standards specified by the credit union. [~~Each member may own~~
23 ~~only one membership share.~~] Ownership of a membership share
24 represents an interest in the capital of the credit union upon
25 dissolution or conversion to another type of institution;

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1 M "organization" means any corporation,
2 association, partnership, society, firm, syndicate, trust or
3 other legal entity;

4 N. "person" means any individual, organization or
5 governmental unit;

6 O. "primary share account" means a share account
7 that a credit union's bylaws designate as conferring voting
8 rights;

9 [~~0.~~] P. "risk assets" means all assets of the
10 credit union except those exempted by the director by
11 regulation;

12 [~~P.~~] Q. "service facility" means any building,
13 machine or device, whether mechanical, electronic or otherwise,
14 that is operated or maintained, in whole or in part, to provide
15 services to members; and

16 [~~Q.~~] R. "share account" means a balance held by a
17 credit union and established by a member in accordance with
18 standards specified by the credit union, including balances
19 designated as shares, share certificates, share draft accounts
20 or other similar names. Ownership of a share account confers
21 membership [~~and voting rights~~] and represents an interest in
22 the capital of the credit union upon dissolution or conversion
23 to another type of institution."

24 Section 2. Section 58-11-6 NMSA 1978 (being Laws 1987,
25 Chapter 311, Section 6) is amended to read:

. 143819. 3

1 "58-11-6. RECORDS. --

2 A. A credit union shall maintain all books,
3 records, accounting systems and procedures in accordance with
4 the rules, regulations and orders the director from time to
5 time establishes or issues. In establishing and issuing such
6 rules, regulations and orders, the director shall consider the
7 relative size of a credit union and its reasonable capability
8 of compliance.

9 B. A credit union is not liable for destroying
10 records after the expiration of the record retention time
11 prescribed by regulation, except for any records involved in an
12 official investigation or examination about which the credit
13 union has received notice.

14 C. A photostatic, photographic or xerographic
15 reproduction of any credit union ~~[records]~~ record or any credit
16 union record retrieved in perceptible form from an electronic
17 record maintained pursuant to the provisions of the Uniform
18 Electronic Transactions Act shall be admissible as evidence of
19 transaction with the credit union. "

20 Section 3. Section 58-11-7 NMSA 1978 (being Laws 1987,
21 Chapter 311, Section 7, as amended) is amended to read:

22 "58-11-7. REPORTS. --

23 A. Credit unions shall report to the director
24 ~~[semi-annually]~~ quarterly on or before ~~[July 30 and]~~ January 30,
25 April 30, July 30 and October 30. Reports shall be on forms

. 143819. 3

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1 supplied by the director. The director may require additional
2 reports.

3 B. A charge of twenty-five dollars (\$25.00) shall
4 be levied for each day a credit union fails to provide a
5 required report, unless that charge is by the director excused
6 for cause. "

7 Section 4. Section 58-11-16 NMSA 1978 (being Laws 1987,
8 Chapter 311, Section 16, as amended) is amended to read:

9 "58-11-16. OUT-OF-STATE CREDIT UNIONS-- APPROVAL TO
10 CONDUCT BUSINESS-- DIRECTOR'S DUTIES AND POWERS. --

11 [A] A. An out-of-state credit union organized
12 [~~under~~] pursuant to the laws of another state or territory of
13 the United States may conduct business as a credit union in
14 this state with the approval of the director.

15 B. Before granting [~~the~~] approval [~~the supervisory~~
16 ~~authority of such credit union shall certify~~] for an out-of-
17 state credit union to conduct business in New Mexico, the
18 director shall determine that the out-of-state credit union:

19 [A.] (1) is [~~a credit union~~] organized [~~under~~]
20 pursuant to laws similar to those provided in the Credit Union
21 Act;

22 [B.] (2) is financially solvent;

23 (3) is examined and supervised by a regulatory
24 agency of the state or territory in which it is organized;

25 [C. ~~has account~~] (4) meets share and deposit

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1 insurance [~~approved for credit unions incorporated under or~~
2 ~~subject to the Credit Union Act~~] requirements comparable to
3 those provided in Section 58-11-48 NMSA 1978; and

4 ~~[D.—needs]~~ (5) establishes a need to conduct
5 business in this state to adequately serve its members in this
6 state.

7 C. The director may:

8 (1) revoke the approval granted to an out-of-
9 state credit union to conduct business in New Mexico if the
10 director determines that:

11 (a) the credit union no longer meets the
12 requirements as provided in Subsection B of this section;

13 (b) the credit union has violated a law
14 of this state or a rule issued by the director;

15 (c) the credit union has engaged in a
16 pattern of unsafe or unsound credit union practices;

17 (d) permitting the credit union to
18 continue to conduct business in New Mexico is likely to have a
19 substantial adverse impact on financial, economic or other
20 interests of the residents of the state; or

21 (e) the credit union is prohibited from
22 conducting business in the state or territory in which it is
23 organized;

24 (2) cooperate with credit union regulators in
25 other states or territories and share with those regulators

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1 pertinent information received pursuant to the provisions of
2 the Credit Union Act;

3 (3) adopt rules for the periodic examination
4 and investigation of the affairs of an out-of-state credit
5 union conducting business in New Mexico. The costs associated
6 with the examination or investigation shall be borne by the
7 out-of-state credit union that is the subject of the
8 examination or investigation; or

9 (4) enter into agreements with the regulators
10 of out-of-state credit unions to identify laws and rules
11 applicable to branches of out-of-state credit unions conducting
12 business in New Mexico, or enter into agreements with credit
13 union regulators in other states or territories to identify
14 laws and rules applicable to credit unions organized in New
15 Mexico pursuant to the Credit Union Act that are conducting
16 business in out-of-state locations. The agreements provided
17 for in this section may include, but are not limited to,
18 agreements concerning corporate governance and operational
19 matters, and the rules regarding the manner in which
20 examination, supervision and application processes shall be
21 coordinated with the regulators.

22 D. An out-of-state credit union conducting business
23 in New Mexico shall:

24 (1) comply with the provisions of the Credit
25 Union Act, rules issued pursuant to that act and all other

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1 applicable state laws; and

2 (2) designate and maintain an agent for
3 service of process in New Mexico."

4 Section 5. Section 58-11-18 NMSA 1978 (being Laws 1987,
5 Chapter 311, Section 18, as amended) is amended to read:

6 "58-11-18. POWERS OF CREDIT UNIONS. --In addition to the
7 powers authorized elsewhere in the Credit Union Act, a credit
8 union may:

9 A. enter into contracts of any nature;
10 B. sue and be sued;
11 C. adopt, use and display a corporate seal;
12 D. acquire, lease, hold, assign, pledge,
13 hypothecate, sell and discount or otherwise dispose of property
14 or assets, either in whole or in part, necessary or incidental
15 to its operations;

16 E. lend funds to members;
17 F. borrow from any source; provided that a credit
18 union shall have prior approval of the director before
19 borrowing in excess of an aggregate of fifty percent of its
20 capital;

21 G. purchase the assets of another credit union,
22 subject to the approval of the director;

23 H. offer various financial services approved by the
24 director;

25 I. hold membership in other credit unions organized

. 143819. 3

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1 under the Credit Union Act, the Federal Credit Union Act or
2 other acts and in associations and organizations controlled by
3 or fostering the interests of credit unions, including a
4 central liquidity facility organized under state or federal
5 law;

6 J. engage in activities and programs as requested
7 by any governmental unit;

8 K. act as fiscal agent and receive payments on
9 deposit accounts from a governmental unit; [~~and~~]

10 L. sell or offer to sell insurance to the same
11 extent allowed by law to other state chartered lending
12 institutions; and

13 M provide services to persons within the credit
14 union's field of membership, including electronic funds
15 transfers and the sale and negotiation of instruments,
16 including money orders, traveler's checks and stored value
17 cards. "

18 Section 6. Section 58-11-27 NMSA 1978 (being Laws 1987,
19 Chapter 311, Section 27, as amended) is amended to read:

20 "58-11-27. DIRECTION OF AFFAIRS. --

21 A. A credit union shall be directed by a board of
22 directors, consisting of an odd number of members, as provided
23 in the bylaws, but not less than five in number, to be elected
24 annually by and from the members. The election shall be held
25 at the annual meeting or in such other manner as the bylaws

. 143819. 3

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1 provide. All members of the board shall hold office for such
2 terms as the bylaws provide.

3 B. ~~[The members shall elect as prescribed in the~~
4 ~~bylaws]~~ A supervisory committee ~~[of not less than three members~~
5 ~~at each annual election for the terms the bylaws provide]~~ shall
6 consist of an odd number of members, as provided in the bylaws,
7 but not less than three or more than seven in number. The
8 bylaws shall specify the length of the terms of the committee
9 members and whether membership of the supervisory committee
10 shall be by annual election or appointment by the board of
11 directors.

12 C. The board of directors may delegate any or all
13 of its authority to extend credit, including the determination
14 of interest rates, to one or more committees or an executive
15 officer, provided ~~[that]~~ such person is not a member of the
16 board. A committee may consist of one or more members."

17 Section 7. Section 58-11-30 NMSA 1978 (being Laws 1987,
18 Chapter 311, Section 30, as amended) is amended to read:

19 "58-11-30. COMPENSATION OF OFFICIALS. --No board or
20 committee member may be compensated for services performed in
21 the regular course of duties pertaining to that board or
22 committee position. Notwithstanding any provision of the
23 Credit Union Act to the contrary, board or committee members
24 may be compensated for those services provided to the credit
25 union while temporarily serving in an additional capacity other

. 143819. 3

1 than as a board or committee member. Reasonable life, [health]
2 accident and similar insurance protection shall not be
3 considered compensation to a board or committee member. Board
4 and committee members may be reimbursed for reasonable and
5 necessary expenses incidental to the performance of official
6 business of the credit union, provided [that] such expenses are
7 documented. "

8 Section 8. Section 58-11-36 NMSA 1978 (being Laws 1987,
9 Chapter 311, Section 36, as amended) is amended to read:

10 "58-11-36. DUTIES OF BOARD MEMBERS. --

11 A. The board of directors shall:

12 (1) act upon applications for membership or to
13 appoint one or more membership officers to approve applications
14 for membership under such conditions as the board prescribes.

15 A record of the actions taken by a membership officer shall be
16 made available in writing to the board of directors for
17 inspection. A person denied membership may appeal the denial
18 to the board, and the person shall be informed of that right of
19 appeal in writing by the credit union;

20 (2) authorize and require the purchase of
21 adequate fidelity coverage as it determines to be necessary for
22 the board members, committee members, executive officers or
23 employees of the credit union, with documentation made
24 available to the director about who is covered;

25 (3) authorize and determine from time to time

. 143819. 3

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1 the interest rates that shall be charged on extensions of
2 credit to members and authorize any interest refunds on
3 extensions of credit under the conditions the board prescribes;
4 provided that the board may delegate that authority to the
5 chief executive officer and a committee with the requirement
6 that any exercise of that authority shall be reported to the
7 board at the next monthly board meeting;

8 (4) establish written policies with respect to
9 the terms and conditions for granting loans and the extension
10 of credit, including the maximum amount that may be provided to
11 any one member;

12 (5) declare dividends on share accounts and
13 membership shares in the manner and form as provided in the
14 bylaws, which dividends shall not exceed the credit union's net
15 earnings, including undivided earnings; provided that the board
16 may delegate that authority, except with regard to an account
17 that the credit union designates as a member's primary share
18 account, to the chief executive officer and a committee, with
19 the requirement that any exercise of that authority shall be
20 reported to the board of directors at the next board meeting;

21 (6) have charge of the investment of funds,
22 except that the board may designate an investment committee or
23 investment officer under written investment policies
24 established by the board;

25 (7) authorize the employment of persons to

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1 carry on the business of the credit union and establish the
2 compensation of the executive officer;

3 (8) approve an annual operating budget for the
4 credit union;

5 (9) authorize the conveyance of property;

6 (10) authorize the designation of depositories
7 for the operating funds of the credit union;

8 (11) appoint any committees deemed necessary;
9 and

10 (12) perform such other duties as the members
11 from time to time direct and perform or authorize any action
12 not inconsistent with the Credit Union Act and not specifically
13 reserved by the bylaws to the members.

14 B. Any member of the supervisory committee or of
15 any other committee established for the purposes of extending
16 credit may be temporarily suspended or removed by the board of
17 directors, by a two-thirds vote of the board of directors at a
18 meeting in which a quorum is present, for failure to perform
19 those duties in accordance with the Credit Union Act, the
20 articles of organization or the bylaws and for no other reason.
21 The suspension or removal of a supervisory committee member
22 shall be acted upon by the members at a meeting to be held not
23 less than seven or more than twenty-one days after such
24 suspension or removal. "

25 Section 9. Section 58-11-49 NMSA 1978 (being Laws 1987,

. 143819. 3

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1 Chapter 311, Section 49, as amended) is amended to read:

2 "58-11-49. LOAN POLICIES. --

3 A. A credit union may extend credit to members for
4 such purposes and upon such conditions as the bylaws may
5 provide.

6 B. The interest rates on extensions of credit shall
7 be authorized and determined by the board of directors or any
8 person or committee to which it has delegated that authority.

9 C. A credit union may assess charges to members, in
10 accordance with the bylaws, for failure to meet their
11 obligations to the credit union in a timely manner.

12 D. Except as provided in Subsection H of this
13 section, every application for an extension of credit and every
14 approved extension of credit shall be made in writing or in
15 such other manner as permitted or required by law in a standard
16 format consistent with the extension of credit policies
17 approved by the board of directors.

18 E. No loan shall be made to any member in an
19 aggregate amount in excess of ten percent of the credit union's
20 total assets as determined by the director.

21 F. Security, within the meaning of the Credit Union
22 Act, may include, without limitation because of enumeration,
23 the endorsement of a note by a surety or guarantor, assignment
24 of an interest in real or personal property or any other
25 collateral deemed acceptable by the board of directors. The

. 143819. 3

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1 types of security acceptable shall be determined by the written
2 policies established by the board of directors pursuant to
3 Section 58-11-36 NMSA 1978.

4 G. A member may receive an extension of credit in
5 installments or in one sum and may pay the whole or any part on
6 any day on which the office of the credit union is open for
7 business.

8 H. Upon written application by a member, the board
9 of directors or any person or committee to which it has
10 delegated authority to extend credit may approve a
11 self-replenishing line of credit, and advances may be granted
12 to the member within the limit of such line of credit.
13 Whenever a line of credit has been approved, no additional
14 credit application is required as long as the aggregate
15 indebtedness does not exceed the approved limit; provided,
16 however, each line of credit shall be reviewed in accordance
17 with the credit union's policy governing extensions of credit.

18 I. A credit union may participate in extensions of
19 credit to credit union members jointly with other credit unions
20 or other financial organizations pursuant to written policies
21 established by the board of directors. [~~A credit union which~~
22 ~~originates such an extension shall retain an interest of at~~
23 ~~least ten percent of the face amount of the extension of~~
24 ~~credit.~~]

25 J. A credit union may:

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1 (1) participate in any guaranteed loan program
2 of the federal government or of this state under the terms and
3 conditions specified by the law under which such a program is
4 provided; and

5 (2) purchase the conditional sales contracts,
6 notes and similar instruments of its members and other persons
7 within its field of membership.

8 K. A credit union may make an extension of credit
9 to any of its executive officers, board members and members of
10 its supervisory and other committees; provided that:

11 (1) the extension of credit complies with all
12 lawful requirements under the Credit Union Act with respect to
13 loans to other members, is not on terms more favorable than
14 those extended to other borrowers and is in compliance with
15 loan policies established by the board for other borrowers;

16 (2) the following provisions have been met:

17 (a) the extension of credit is approved
18 by the board of directors or any person or committee to which
19 it has delegated authority to extend credit; and

20 (b) the applicant takes no part in the
21 consideration of his application and does not attend any
22 committee or board meeting while his application is under
23 consideration; and

24 (3) if the aggregate extension of credit to
25 the applicant, including the extension applied for and

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1 excluding share or deposit secured loans, exceeds [~~twenty~~
2 ~~thousand dollars (\$20,000)~~] the limits set for the total asset
3 size of the credit union as provided in this paragraph, the
4 extension of credit [~~must be approved by~~] shall be submitted to
5 the board of directors [after submission by the applicant of]
6 for approval. The board shall require, at a minimum, a
7 completed loan application [including] and a detailed current
8 financial statement of the applicant; provided that submission
9 to the board of directors of an application of an executive
10 officer shall only be required for an applicant serving the
11 credit union as chief executive officer, chief operating
12 officer, chief financial officer or chief lending supervisor.
13 The set limits for the total asset size of the credit union are
14 as follows:

<u>Credit Union Total Assets</u>	<u>Aggregate Credit Exceeding</u>
<u>less than \$5,000,000</u>	<u>\$20,000</u>
<u>\$5,000,000 - \$10,000,000</u>	<u>\$30,000</u>
<u>\$10,000,001 - \$50,000,000</u>	<u>\$40,000</u>
<u>\$50,000,001 or greater</u>	<u>\$50,000.</u>

20 L. A credit union may permit executive officers,
21 board members and members of its committees to act as
22 co-makers, guarantors or endorsers of extensions of credit to
23 other members, subject to the requirements of Subsection K of
24 this section. "

25 Section 10. Section 58-11-51 NMSA 1978 (being Laws 1987,

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1 Chapter 311, Section 51, as amended) is amended to read:

2 "58-11-51. LIABILITY AND FIDELITY INSURANCE FOR OFFICIALS
3 AND EMPLOYEES. -- A credit union ~~may~~ shall, unless otherwise
4 specified by the director, purchase and maintain liability and
5 fidelity insurance coverage on behalf of ~~any~~ a person who is
6 or was a board member, committee member, executive officer,
7 employee or agent of the credit union or who is or was serving
8 at the request of the credit union as a director, committee
9 member, executive officer, employee or agent of another
10 corporation, partnership, joint venture, trust or other
11 enterprise against any liability asserted against that person
12 and incurred by that person in any such capacity or arising out
13 of that person's status whether or not the credit union would
14 have the power to indemnify that person against such liability;
15 provided, a credit union shall not provide for the
16 indemnification of personnel who are adjudged guilty of or
17 liable for willful misconduct, gross neglect of duty or
18 criminal acts.

19 Section 11. Section 58-11-53 NMSA 1978 (being Laws 1987,
20 Chapter 311, Section 53, as amended) is amended to read:

21 "58-11-53. MONEY-TYPE INSTRUMENTS. -- A credit union ~~may~~
22 collect, receive and disburse money in connection with the
23 providing of negotiable checks, money orders, travelers checks
24 and other money-type instruments for its members and other
25 persons within the credit union's field of membership and in

. 143819. 3

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1 connection with the providing of services through service
2 facilities, including automated terminal machines, and for such
3 other purposes as may provide benefit or convenience to its
4 members. A credit union may charge reasonable fees for those
5 services. "

6 Section 12. Section 58-11-56 NMSA 1978 (being Laws 1987,
7 Chapter 311, Section 56, as amended) is amended to read:

8 "58-11-56. INVESTMENTS. --

9 A. Funds not required to satisfy member demands for
10 extensions of credit may be invested in:

11 [~~A.-~~] (1) securities, obligations or other
12 instruments of or issued by or fully guaranteed as to principal
13 and interest by the United States or any agency of the United
14 States or in any trust investing solely, directly or
15 indirectly, in the same;

16 [~~B.-~~] (2) securities, obligations or other
17 instruments of this state or any political subdivision of this
18 state;

19 [~~C.-~~] (3) deposits or other accounts of state
20 or federally chartered financial institutions, the accounts of
21 which are insured by an agency of the United States;

22 [~~D.-~~] (4) loans or extensions of credit to or
23 shares or deposits of other credit unions, central credit
24 unions or corporate credit unions, the accounts of which are
25 insured by the national credit union administration's share

. 143819. 3

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1 insurance fund;

2 [E-] (5) deposits in, loans to or shares of
3 any federal reserve bank or of any central liquidity facility
4 established under federal law;

5 [F-] (6) shares, stocks, loans or extensions
6 of credit to or other obligations of any organization,
7 corporation or association providing services [~~which~~] that are
8 associated with the general purposes of the credit union or
9 [~~which engages~~] that engage in activities incidental to the
10 operations of a credit union. Those investments in the
11 aggregate shall not exceed five percent of the credit union's
12 capital;

13 [G-] (7) shares of a cooperative society
14 organized under the laws of this state or of the laws of the
15 United States in a total amount not exceeding ten percent of
16 the capital of the credit union, subject to prior approval by
17 the director;

18 [H-] (8) fixed assets, not to exceed six
19 percent of the credit union's capital and deposits, unless with
20 the written approval of the director. For the purpose of this
21 subsection, "fixed assets" means structures, land, computer
22 hardware and software and heating and cooling equipment that
23 are affixed to the premises; [~~and~~]

24 (9) common trusts or mutual funds whose
25 investment portfolios consist of mortgages, securities and

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1 obligations and bonds of the federal national mortgage
2 association, freddie mac, the government national mortgage
3 association and other government-sponsored enterprises;

4 (10) other investments, or in amounts in
5 excess of the thresholds listed in this section, as approved by
6 the director in written application; and

7 [I. ~~investments or~~ (11) activities that the
8 director determines are a part of or incidental to the
9 operations of a credit union notwithstanding any provision to
10 the contrary in the Credit Union Act.

11 B. Credit unions with minimum undivided earnings of
12 one million dollars (\$1,000,000) and with capital in excess of
13 seven and one-half percent after required reserves may also
14 invest funds not required to satisfy member demands for
15 extensions of credit. The aggregate of a credit union's
16 investments as provided in this subsection shall not exceed ten
17 percent of the credit union's undivided earnings. Such
18 investments may only be in or through:

19 (1) common trusts or mutual funds whose
20 investment portfolios consist of the bonds or other obligations
21 of insured financial institutions organized pursuant to the
22 laws of another state or the United States, or corporations
23 organized in any state, the District of Columbia, the
24 commonwealth of Puerto Rico or the territories organized by
25 congress; provided that the investment portfolios are

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1 representative of a recognized broadly traded bond index, as
2 defined in the credit union's board-approved investment policy,
3 and provided that the portfolios shall be limited to such bonds
4 and other obligations having maturities of less than fifteen
5 years with an average weighted life not to exceed seven years
6 and being rated among the three highest ratings established by
7 one or more national rating services; and

8 (2) common trusts or mutual funds whose
9 investment portfolios consist of the stock of corporations
10 organized in any state, the District of Columbia, the
11 commonwealth of Puerto Rico or the territories organized by
12 Congress, provided that the investment portfolios of such
13 common trusts or mutual funds are representative of a
14 recognized broadly traded stock index as defined in the credit
15 union's board-approved investment policy."

16 Section 13. Section 58-11-60 NMSA 1978 (being Laws 1987,
17 Chapter 311, Section 60) is amended to read:

18 "58-11-60. CONVERSION. --

19 A. A credit union organized under the laws of this
20 state may be converted to a credit union organized under the
21 laws of any other state or under the laws of the United States,
22 subject to regulations issued by the director.

23 B. A credit union organized under the laws of the
24 United States or of any other state may convert to a credit
25 union organized under the laws of this state. To effect such a

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1 conversion, a credit union shall comply with all of the
2 requirements of the jurisdiction under which it was originally
3 organized, the requirements provided for in the Credit Union
4 Act and other requirements determined by the director, and file
5 proof of such compliance with the director.

6 C. A bank, savings and loan company or other
7 financial institution that is not a credit union may be
8 converted to a credit union organized pursuant to the Credit
9 Union Act. To effect such a conversion, the converting
10 financial institution shall file proof of compliance with all
11 of the requirements of the jurisdiction under which it was
12 originally organized, the provisions of the Credit Union Act
13 and other requirements determined by the director.

14 D. A credit union organized pursuant to the Credit
15 Union Act may be converted to a bank, savings and loan company
16 or other financial institution. To effect such a conversion,
17 the converting credit union shall comply with all the
18 requirements of the jurisdiction in which it will be organized,
19 including any rules issued by the appropriate regulating agency
20 and other requirements determined by the director."

21 Section 14. A new section of the Credit Union Act is
22 enacted to read:

23 "[NEW MATERIAL] CAPITALIZATION AND RESERVES. --

24 A. A credit union shall maintain a well-capitalized
25 status as determined by the director.

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B. A credit union shall set aside and maintain such reserves as may be required by the insurer of its share accounts and deposit accounts. "

Section 15. REPEAL. -- Sections 58-11-57 and 58-11-64 NMSA 1978 (being Laws 1987, Chapter 311, Sections 57 and 64, as amended) are repealed.

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