

SENATE No. 552

The Commonwealth of Massachusetts

PRESENTED BY:

Michael J. Rodrigues

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act modernizing the credit union laws.

PETITION OF:

NAME:

DISTRICT/ADDRESS:

Michael J. Rodrigues

First Bristol and Plymouth

Bruce E. Tarr

First Essex and Middlesex

SENATE No. 552

By Mr. Rodrigues, a petition (accompanied by bill, Senate, No. 552) of Michael J. Rodrigues and Bruce E. Tarr for legislation to modernize the credit union laws. Financial Services.

The Commonwealth of Massachusetts

**In the One Hundred and Eighty-Ninth General Court
(2015-2016)**

An Act modernizing the credit union laws.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 34 of chapter 29 of the General Laws, as appearing in the 2010
2 Official Edition, is hereby amended by inserting after the words “federal savings banks”, in line
3 3, the following words:- federal credit unions,.

4 SECTION 2. Said section 34 of said chapter 29, as so appearing, is further hereby
5 amended by inserting after the words “and cooperative banks”, in line 5, the following words: - ,
6 cooperative banks and credit unions.

7 SECTION 3. Section 54 of chapter 44 of the General Laws, as so appearing, is hereby
8 amended by inserting after the word “banks,”, in line 9, the following words:- , or in paid up
9 shares or deposits of credit unions, or in paid up shares or deposits of federal credit unions doing
10 business in the commonwealth,.

11 SECTION 4. Section 55 of said chapter 44, as so appearing, is hereby amended by
12 inserting after the word “banks,” in line 26, the following words: - credit unions or federal
13 credit unions,.

14 SECTION 5. Section 55A of said chapter 44, as so appearing, is hereby amended by
15 inserting after the word “banks” in line 5 and the following words: - credit unions or federal
16 credit unions,.

17 SECTION 6. Chapter 168 of the General Laws, as appearing in the 2010 Official Edition,
18 is hereby amended by inserting after section 34G the following section:-

19 Section 34H. A savings bank as defined in section one of chapter one hundred and sixty-
20 seven may convert into a credit union pursuant to the provisions of section 80C of chapter 171.

21 SECTION 7. Chapter 170 of the General Laws, as so appearing, is hereby amended by
22 inserting after section 26H the following section:-

23 Section 26I. A cooperative bank as defined in section one of chapter one hundred and
24 sixty-seven may convert into a credit union pursuant to the provisions of section 80C of chapter
25 171.

26 SECTION 8. Section 1 of chapter 171 of the General Laws, as appearing in the 2010
27 Official Edition, is hereby amended by striking out the definition of “Central Credit Union Fund,
28 Inc.”

29 SECTION 9. Section 1 of said chapter 171, as so appearing, is hereby amended by
30 striking out, in line 11, the word “fifty”, and inserting in place thereof the following figure:- 50.

31 SECTION 10. Said section 1 of said chapter 171, as so appearing, is hereby further
32 amended by striking out, in lines 17 and 18, the words “eighty two to eighty four”, and inserting
33 in place thereof the following figures:- 82 to 84.

34 SECTION 11. Said section 1 of said chapter 171, as so appearing, is hereby further
35 amended by inserting, after the definition of “Interest”, the following definition:- “Low-income
36 credit union”, a credit union as defined in 12 C.F.R. 701.34.

37 SECTION 12. Said section 1 of said chapter 171, as so appearing, is hereby further
38 amended by striking out, in line 32, the words “two hundred and ninety four”, and inserting in
39 place thereof the following figure:- 294.

40 SECTION 13. Said section 1 of said chapter 171, as so appearing, is hereby further
41 amended by striking out, in line 33, the words “nineteen hundred and sixty one”, and inserting in
42 place thereof the following figure:- 1961.

43 SECTION 14. Said section 1 of said chapter 171, as so appearing, is hereby further
44 amended by striking out, in line 35, the word “eighteen”, and inserting in place thereof the
45 following figure:- 18.

46 SECTION 15. Said section 1 of said chapter 171, as so appearing, is hereby further
47 amended by inserting after the word “partnership”, in line 41, the following words:- , limited
48 partnership, limited liability partnership, limited liability company,.

49 SECTION 16. Section 2 of said chapter 171, as so appearing, is hereby amended by
50 inserting after the word “persons,”, in line 1, the following words:- the majority of whom.

51 SECTION 17. Said section 2 of said chapter 171, as so appearing, is hereby further
52 amended by striking out, in line 1, the word “resident”, and inserting in place thereof the
53 following word: - reside.

54 SECTION 18. Said section 2 of said chapter 171, as so appearing, is hereby further
55 amended by inserting after the word “provident”, in line 5, the following word:- , business.

56 SECTION 19. Clause (e) of section 2 of said chapter 171, as so appearing, is hereby
57 amended by striking out, in lines 23 and 24, the words “, his residence and the post office
58 address.”

59 SECTION 20. Section 3 of said chapter 171, as so appearing, is hereby amended by
60 adding the following paragraph:-

61 Notwithstanding any other provision of this chapter, a credit union may be organized or
62 designated low-income subject to the approval of the commissioner under such procedures,
63 terms and conditions as said commissioner may impose.

64 SECTION 21. Section 4 of said chapter 171, as so appearing, is hereby amended by
65 inserting after the word “incorporator”, in line 6, the following words:- or sent to each
66 incorporator electronically.

67 SECTION 22. The third paragraph of section 6 of said chapter 171, as so appearing, is
68 hereby amended by inserting, after the word “incorporation”, in line 15, the following words:-
69 unless such time is extended at the discretion of the commissioner.

70 SECTION 23. Section 5 of said chapter 171, as so appearing, is hereby amended by
71 striking lines 9 through 40 and inserting in place thereof the following words: - The articles so

72 signed shall be submitted to the commissioner together with the records of the proposed
73 corporation, who shall examine the same and who may require such amendment thereof or such
74 additional information as the commissioner may consider necessary. If the commissioner finds
75 that the articles conform to the preceding sections relative to the organization and that section 3
76 has been complied with, he shall so certify and endorse his approval thereon. The commissioner
77 shall file the articles in his office and shall issue a certificate of incorporation in the following
78 form:

79 COMMONWEALTH OF MASSACHUSETTS

80 Be it known that whereas (the names of the subscribers to the agreement of association)
81 have associated themselves with the intention of forming a corporation under the name of (the
82 name of the corporation), for the purpose (the purpose declared in the agreement of association),
83 and have complied with the statutes of the commonwealth in such case made and provided, as
84 appears from the articles of organization of said corporation, duly approved by the commissioner
85 and recorded in this office: Now, therefore, I (the name of the commissioner), Commissioner of
86 Banks of the commonwealth of Massachusetts do hereby certify that said (the names of the
87 subscribers to the agreement of association), their associates and successors, are legally
88 organized and established as, and are hereby made, an existing corporation under the name of
89 (name of the corporation), with the powers, rights and privileges, and subject to the limitations,
90 duties and restrictions, which by the law appertain thereto.

91 Witness my official signature hereunto subscribed and the great seal of the
92 commonwealth of Massachusetts hereunto affixed, this ___ day of ___ in the year ___ (the date
93 of the filing of the articles of organization).

94 SECTION 24. Section 5 of said chapter 171, as so appearing, is hereby further amended
95 by striking out, in lines 41 and 45, the words “state secretary” and inserting in place thereof the
96 following word:- commissioner.

97 SECTION 25. Section 6A of said chapter 171, as so appearing, is hereby amended by
98 striking out, in line 21, the words “banks and banking” and inserting in place thereof the
99 following words: - financial services.

100 SECTION 26. The second paragraph of section 6A of said chapter 171, as so appearing,
101 is hereby amended by striking out the last sentence.

102 SECTION 27. Clause (h) of section 9 of said chapter 171, as so appearing, is hereby
103 amended by inserting, after the words “credit committee”, in line 14, the following words:- , if
104 applicable, as required by the bylaws.

105 SECTION 28. Clause (i) of section 9 of said chapter 171, as so appearing, is hereby
106 amended by inserting, after the words “credit committee”, in line 16, the following words :- , if
107 applicable, as required by the bylaws.

108 SECTION 29. Section 10 of said chapter 171, as so appearing, is hereby amended by
109 striking out, in lines 7 and 8, the words “, or change in locations, or change in name”.

110 SECTION 30. Section 11 of said chapter 171, as so appearing, is hereby amended by
111 striking out the second and third paragraphs and inserting in place thereof the following 2
112 paragraphs:-

113 A member shall not have more than 1 vote. An organization member or persons who are
114 parties to a joint account may cast 1 vote on the share or deposit account at any of its meetings

115 by a duly delegated agent or a party to the joint account. A minor shall not have the right to
116 vote. A member may vote in person, by mail, or by electronic means. Each credit union shall
117 set forth in its by-laws the method of voting to be used. The voting methods shall be subject to
118 conditions and limitations as the commissioner may establish.

119 The members at each annual meeting shall elect directors, vote on any proposed
120 amendment to the by-laws and act on such matters as required under law.

121 SECTION 31. The first paragraph of section 12 of said chapter 171, as so appearing, is
122 hereby amended by inserting, after the words “nine directors.” in line 2, the following words: - A
123 credit union shall have the authority in its bylaws to limit the number of employees serving as
124 directors.

125 SECTION 32. Section 13 of said chapter 171, as so appearing, is hereby amended by
126 striking out the first paragraph and inserting in place thereof the following 2 paragraphs:-

127 The board of directors shall have the general direction of the affairs of the corporation
128 and shall meet as often as may be necessary, but not less than once each month. A quorum shall
129 consist of not less than a majority of the directors. If less than a quorum is present, a majority of
130 those present may adjourn the meeting until the next regular meeting or another time prior
131 thereto. It shall act upon all applications for membership and determine the rate of interest to be
132 paid on deposits. These duties may be delegated by the directors. The board may also declare
133 dividends as provided in section 29 and shall fill vacancies in the board of directors and
134 committees until the next annual election. These duties may not be delegated. The
135 establishment of deposit accounts or the discontinuance thereof may be authorized by the board
136 of directors of the credit union. It shall make recommendations to the members of the credit

137 union relative to the need of amendments to the by-laws, and other matters upon which, in its
138 opinion, the members should act at any regular or special meeting. The board of directors may
139 borrow money for and on behalf of the credit union as authorized by section seventy-three. It
140 may, by a two-thirds vote, remove from office for cause any officer or any member of any
141 committee. It may also elect an honorary president, who shall be a member of said credit union.
142 Said honorary president shall not be compensated in any way by the credit union. The board
143 may appoint associate directors who shall not be compensated or vote.

144 Unless the articles of organization or bylaws provide that action required or permitted by
145 this chapter or other provisions of the General Laws to be taken by the directors may be taken
146 only at a meeting, the action may be taken without a meeting if the action is taken by the
147 unanimous consent of the members of the board of directors. The action shall be evidenced by 1
148 or more consents describing the action taken, in writing, signed by each director, or delivered to
149 the credit union by electronic transmission, to the address specified by the credit union for the
150 purpose or, if no address has been specified, to the principal office of the credit union, addressed
151 to the secretary or other officer or agent having custody of the records of proceedings of
152 directors, and included in the minutes or filed with the corporate records reflecting the action
153 taken. Action taken under this section is effective when the last director signs or delivers the
154 consent, unless the consent specifies a different effective date. A consent signed or delivered
155 under this section has the effect of a meeting vote and may be described as such in any
156 document. The provisions of this section shall also apply to committees of the board and the
157 members thereof.

158 SECTION 33. Section 14 of said chapter 171, as so appearing, is hereby amended by
159 striking out the first paragraph and inserting in place thereof the following paragraph:-

160 The board of directors may expel from a credit union any member who has not carried
161 out his engagements with it, who has been convicted of a criminal offense, or who neglects or
162 refuses to comply with the provisions of this chapter or of the by-laws of the credit union, or who
163 habitually neglects to pay his debts, or who has deceived the corporation or any committee
164 thereof with regard to the use of borrowed money; provided, however, that no member shall be
165 so expelled until he has been informed in writing of the charges against him, after reasonable
166 notice and an opportunity to be heard thereon. Notwithstanding these provisions, a director who
167 becomes insolvent or bankrupt shall be withdrawn from the board automatically, with no
168 requirement for notice and an opportunity to be heard. The board of directors may suspend from
169 a credit union any member who has been convicted of a criminal offense.

170 SECTION 34. Section 15 of said chapter 171, as so appearing, is hereby amended by
171 striking out, in line 13, the words “from their own number.”

172 SECTION 35. Said section 15 of said chapter 171, as so appearing, is hereby further
173 amended by inserting after the words “credit committee”, in line 17, the following words:- , if
174 applicable, as required by the bylaws.

175 SECTION 36. Said section 15 of said chapter 171, as so appearing, is hereby further
176 amended by striking out the last paragraph and inserting in place thereof the following
177 paragraph:-

178 The board of directors may appoint an executive committee or a membership officer from
179 among the board or other employees, other than the treasurer, an assistant treasurer or a loan
180 officer and authorize such committee or officer to approve applications for membership under
181 such conditions as the board may prescribe.

182 SECTION 37. Section 16 of said chapter 171, as so appearing, is hereby amended by
183 inserting, after the word “month,” in line 3, the following word:- and,.

184 SECTION 38. Section 16 of said chapter 171, as so appearing, is hereby amended by
185 striking out, in lines 3 and 4, the words “and shall examine carefully the cash and accounts of the
186 credit union monthly”.

187 SECTION 39. The last paragraph of section 16 said chapter 171, as so appearing, is
188 hereby amended by striking out the last sentence.

189 SECTION 40. Section 17 of said chapter 171, as so appearing, is hereby amended by
190 striking out the first paragraph and inserting in place thereof the following paragraph:-

191 The credit committee, if applicable, shall hold meetings at least once in each month, act
192 on all applications for loans and approve, in writing, all personal loans granted and the security,
193 if any, pledged therefor, except as hereinafter provided. The credit committee shall submit to the
194 board of directors all applications for loans to be secured by mortgages of real estate, with their
195 recommendations thereon. The credit committee may delegate its duties to employees.

196 SECTION 41. The last paragraph of section 17 of said chapter 171, as so appearing, is
197 hereby amended by striking out the third sentence.

198 SECTION 42. Section 18 of said chapter 171, as so appearing, is hereby amended by
199 adding the following 2 sentences:- The investment committee shall hold meetings at least once in
200 each month. The investment committee may delegate its duties to employees.

201 SECTION 43. Section 19 of said chapter 171, as so appearing, is hereby amended by
202 striking out, in line 10, the following words:- state or.

203 SECTION 44. Said section 19 of said chapter 171, as so appearing, is hereby further
204 amended by inserting, after the word “affiliate”, in line 12, the following words:- a mortgage
205 company owned by a bank,.

206 SECTION 45. Section 20 of said chapter 171, as so appearing, is hereby amended by
207 striking out the third sentence.

208 SECTION 46. Said section 20 of said chapter 171, as so appearing, is hereby further
209 amended by inserting, after the word “board”, in line 21, the following words:- or unless such
210 loans are made in compliance with National Credit Union Administration regulations governing
211 such loans.

212 SECTION 47. Section 21 of said chapter 171, as so appearing, is hereby amended by
213 striking out, in line 8, the words “such bonds” and inserting in place thereof the following
214 words:- bonds upon which changes are made.

215 SECTION 48. Section 26 of said chapter 171, as so appearing, is hereby amended by
216 striking out the first and second paragraphs and inserting in place thereof the following 2
217 paragraphs:-

218 Each credit union shall, annually, within 30 days after the last business day of December,
219 make a report to the commissioner in such form as the commissioner may prescribe showing
220 accurately its condition at the close of business on that day, and containing such other
221 information as the commissioner may require. A statement of condition of a credit union shall
222 be available for examination for reasonable purposes by members at the principal office during
223 business hours.

224 Each such credit union shall prepare an annual report, in accordance with generally
225 accepted accounting principles, which presents fairly its condition as of the last business day of
226 its fiscal year. A copy of a statement of condition shall be made available to a member upon
227 request.

228 SECTION 49. Said chapter 171 is hereby amended by striking out section 29 and
229 inserting in place thereof the following section:-

230 Section 29. The capital of a credit union shall be unlimited in amount and shall consistent
231 of shares and deposits. Share shall be a par value of not less than 1 dollar but not more than 25
232 dollars each and shall be subscribed and paid for in such manner as the by-laws of the credit
233 union shall prescribe.

234 Dividends may be paid at various rates based on the type and amount of an account or on
235 the terms and conditions applicable to said accounts.

236 The board of directors of a credit union may receive payments on uninsured non-share
237 accounts subject to such terms, rates, and conditions as may be established by the board of
238 directors, within limitations prescribed by the commissioner. With respect to any insured credit
239 union other than a low-income credit union, uninsured non-share accounts shall (i) not alter the
240 cooperative nature of the credit union; (ii) be subordinate to all other claims against the credit
241 union, including the claims of creditors, shareholders, and the National Credit Union Share
242 Insurance Fund; (iii) be available to be applied to cover operating losses of the credit union in
243 excess of its retained earnings and, to the extent so applied, will not be replenished; (iv) if they
244 have a stated maturity, have an initial maturity of at least 5 years; (v) if they have a stated
245 maturity, the net worth value of such accounts may be discounted at the discretion of the

246 commissioner when the remaining maturity is less than 5 years; (vi) are subject to disclosure and
247 consumer protection requirements as determined by the board; (vii) are offered by a credit union
248 that is determined by the commissioner to be sufficiently capitalized and well-managed; (viii) are
249 subject to such rules and regulations as the commissioner may establish; and (ix) are authorized
250 by the National Credit Union Administration.

251 A share or deposit authorized by section 30 except club deposits, if the directors so
252 determine, and if the share and deposit liabilities are insured in full under federal or state law, or
253 both, may be received as a special notice account subject to this section.

254 1. Special Notice Account Agreements — Any such shares or deposits shall be
255 received subject to a written agreement between the credit union and the shareholder or depositor
256 or joint shareholders or joint depositors which agreement shall contain the following
257 provisions:—

258 (a) Except as hereinafter provided relative to dividends or interest on such shares and
259 deposits, neither the whole nor any part of such shares or deposits may be withdrawn other than
260 pursuant to the terms of a withdrawal notice of ninety days or more signed by such shareholder
261 or depositor or any joint shareholder or depositor and received by such credit union. Such notice
262 shall state that such shareholder or depositor or such joint shareholders or depositors propose to
263 withdraw such shares and deposits in whole or in specified part during a withdrawal period
264 commencing upon a day specified, which day shall be not less than ninety days following the
265 receipt by the credit union of such withdrawal notice and terminating upon the expiration of the
266 ninth day following or, if such ninth day shall be a Saturday, Sunday or legal holiday, upon the
267 expiration of the business day next succeeding such ninth day.

268 (b) Any ordinary, extra or additional dividend or interest on such shares or deposits
269 may be withdrawn pursuant to a permanent dividend or interest order signed by such shareholder
270 or depositor or any joint shareholder or depositor and received by such credit union prior to the
271 day upon which such dividend or interest becomes payable or pursuant to a demand made by
272 such shareholder or depositor or any joint shareholders or depositors within one year after the
273 day upon which such dividend or interest became payable. If not so withdrawn, no such
274 dividend or interest shall be withdrawn except as hereinbefore provided in subparagraph (a).

275 2. Withdrawals — No such credit union shall permit the whole or any part of such
276 shares or deposits or any ordinary, extra or additional interest or dividend declared thereon to be
277 withdrawn, in whole or in part, except in accordance with the terms of such agreement.

278 3. Passbooks — Each passbook representing shares or deposits received under this
279 section shall contain the title “Special Notice Account.”

280 Notwithstanding any other provisions of law, any credit union or federal credit union may
281 accept public funds pursuant to section 34 of chapter 29 and sections 54, 55 and 55A of chapter
282 44 as provided for therein; provided, however, that the total of such public funds received shall
283 not exceed, at any time, 25 percent of the assets of the credit union or federal credit union.

284 SECTION 50. Section 30 of said chapter 171, as so appearing, is hereby amended by
285 inserting after the words “National Credit Union Administration”, the following words:- and to
286 members of low-income credit unions.

287 SECTION 51. Said chapter 171 is hereby amended by striking out section 32A, as so
288 appearing, and inserting in place thereof the following section:-

289 Section 32A. Notwithstanding any other law, a credit union has authority to accept a
290 prepaid funeral trust account, as defined in 239 C.M.R. 4.01.

291 SECTION 52. Section 33 of said chapter 171, as so appearing, is hereby repealed.

292 SECTION 53. Section 34 of said chapter 171, as so appearing, is hereby repealed.

293 SECTION 54. Section 35 of said chapter 171, as so appearing, is hereby amended by
294 striking out, in lines 4 through 8, the words “; provided, however, that the deposit accounts of
295 any one such person, partnership or corporation shall not, except by the accumulation of interest,
296 be permitted to exceed at any one time, seventy-five thousand dollars or one and one half percent
297 of the deposits or shares of the credit union, whichever is greater.”

298 SECTION 55. The last paragraph of section 39 of said chapter 171, as so appearing, is
299 hereby amended by adding the following sentence:- The surviving owner or owners of a joint
300 account may continue credit union membership; provided, however, that the surviving owner or
301 owners shall be eligible for membership and shall meet all requirements as set forth in the by-
302 laws.

303 SECTION 56. Section 41 of said chapter 171, as so appearing, is hereby amended by
304 striking out, in lines 2 and 3, the words “in the discretion of the directors”, and inserting in place
305 thereof the following words:- subject to the policy of the credit union.

306 SECTION 57. Section 42 of said chapter 171, as so appearing, is hereby amended by
307 striking out, in line 6, the words “the treasurer or other”.

308 SECTION 58. Section 44 of said chapter 171, as so appearing, is hereby repealed.

309 SECTION 59. Section 45 of said chapter 171, as so appearing, is hereby repealed.

310 SECTION 60. Section 48 of said chapter 171, as so appearing, is hereby amended by
311 adding the following paragraph:-

312 Notwithstanding any other law, a credit union has the authority to impress and enforce a
313 lien, as defined in 12 C.F.R. 701.39, upon the shares and dividends of any member, to the extent
314 of any loan made to him and any dues or charges payable by him.

315 SECTION 61. Section 49 of said chapter 171, as so appearing, is hereby amended by
316 striking out, in lines 5 and 6, the words “certified mail, return receipt requested” and inserting in
317 place thereof the following words:- first class mail, or electronic mail.

318 SECTION 62. Section 50 of said chapter 171, as so appearing, is hereby amended by
319 striking out, in line 4, the words “the treasurer” and inserting in place thereof the following
320 words:- a duly authorized officer of the corporation.

321 SECTION 63. Section 53 of said chapter 171, as so appearing, is hereby amended by
322 striking out the definition of “Account”, and inserting in place thereof the following definition:-
323 “Account”, a share, share certificate, or share draft account of a member of a credit union of a
324 type approved by the board of the credit union which evidences money or its equivalent received
325 or held by a credit union in the usual course of business and for which it has given or is obligated
326 to give credit to the account of the member, and, in the case of a credit union serving
327 predominantly low-income members (as defined by said board), such terms (when referring to
328 the account of a nonmember served by such credit union) mean a share, share certificate, or share
329 draft account of such nonmember which is of a type approved by the board and evidences money
330 or its equivalent received or held by such credit union in the usual course of business and for
331 which it has given or is obligated to give credit to the account of such nonmember, and such

332 terms mean share, share certificate, or share draft account of nonmember credit unions and
333 nonmember units of federal, State, or local governments and political subdivisions thereof, and
334 such terms mean custodial accounts established for loans sold in whole or in part; provided, that
335 for purposes of insured State credit unions, reference in this paragraph to “share”, “share
336 certificate”, or “share draft”, accounts includes, as determined by the Board, the equivalent of
337 such accounts under State law.

338 SECTION 64. Section 54 of said chapter 171, as so appearing, is hereby repealed.

339 SECTION 65. Section 55 of said chapter 171, as so appearing, is hereby repealed.

340 SECTION 66. Section 56 of said chapter 171, as so appearing, is hereby repealed.

341 SECTION 67. Section 57 of said chapter 171, as so appearing, is hereby amended by
342 striking out, in lines 5 and 6, the words “and shall state the purpose for which the loan is desired
343 and the security, if any, offered” and inserting in place thereof the following words:- or by
344 electronic means.

345 SECTION 68. Said section 57 of said chapter 171, as so appearing, is hereby further
346 amended by striking out the third and fourth paragraphs.

347 SECTION 69. Section 58 of said chapter 171, as so appearing, is hereby amended by
348 striking out the last paragraph.

349 SECTION 70. Section 59 of said chapter 171, as so appearing, is hereby repealed.

350 SECTION 71. Section 59A of said chapter 171, as so appearing, is hereby repealed.

351 SECTION 72. Section 60 of said chapter 171, as so appearing, is hereby repealed.

352 SECTION 73. Section 61 of said chapter 171, as so appearing, is hereby repealed.

353 SECTION 74. Section 62 of said chapter 171, as so appearing, is hereby repealed.

354 SECTION 75. Section 64 of said chapter 171, as so appearing, is hereby repealed.

355 SECTION 76. Subsection (b) of section 65A of said chapter 171, as so appearing, is
356 hereby amended by adding the following clause:-

357 (7) mortgage loans as participation loans with a bank, credit union service organization,
358 federally-chartered or federally-insured credit union or financial institution, insurance company,
359 or any state or federal government agency and its subdivisions.

360 SECTION 77. Section 65B of said chapter 171, as so appearing, is hereby amended by
361 striking out subsection (b).

362 SECTION 78. Subsection (5) of section 65D of said chapter 171, as so appearing, is
363 hereby amended by striking out, in line 17, the words “not less than 30 days before the
364 adjustment” and inserting in place thereof the following words:- between 210 and 240 days prior
365 to the first payment due after the rate first adjusts. Subsequent notification and explanation shall
366 occur between 60 and 120 days before payment at a new level is due when a rate adjustment
367 causes the payment to change.

368 SECTION 79. Said section 65E of said chapter 171, as so appearing, is hereby further
369 amended by striking out clause (3) and inserting in place thereof the following clause:-

370 (3) to buy, sell or make loans and mortgage loans as participation loans with a bank,
371 credit union service organization, federally-chartered or federally-insured credit union or

372 financial institution, insurance company, or any state or federal government agency and its
373 subdivisions, and to service any loans sold by it.

374 SECTION 80. Section 66 of said chapter 171, as so appearing, is hereby amended by
375 striking out clauses (2) and (3).

376 SECTION 81. Section 67 of said chapter 171, as so appearing, is hereby amended by
377 striking out clause (a).

378 SECTION 82. Said section 67 of said chapter 171, as so appearing, is hereby further
379 amended by striking out, in line 13, the figure "1961." and inserting in place thereof the
380 following figure:- 1961;.

381 SECTION 83. The first paragraph of said section 67 of said chapter 171, as so appearing,
382 is hereby amended by striking out clause (o) and inserting in place thereof the following clause:-

383 (o) in any obligations, bank stocks, bank holding company stocks, insurance stocks or
384 preferred stocks of public utility companies which appear on the list of legal investments
385 prepared pursuant to said section 15A of said chapter 167; provided, however, that:

386 (i) not more than 10 per cent of the assets of a credit union shall be invested in bank
387 stocks or bank holding company stocks or insurance stocks or preferred stocks of public utility
388 companies or in all 4 of such types of stocks appearing on the list and not more than \$15,000 or 2
389 per cent of the assets of a credit union, whichever is greater, shall be invested in the stock of any
390 1 such bank, bank holding company, insurance company or preferred stock of public utility
391 companies;

392 (ii) not more than 20 per cent of the assets of a credit union shall be invested in railroad
393 obligations appearing on the list and not more than 1.5 per cent of the shares and deposits of any
394 such credit union shall be invested in the obligations of any 1 operating railroad corporation;

395 (iii) not more than 20 per cent of the assets of a credit union shall be invested in the
396 obligations of telephone companies appearing on the list and not more than 4 per cent of the
397 shares and deposits of such credit union shall be invested in the obligations of any 1 such
398 company;

399 (iv) not more than 25 per cent of the assets of a credit union shall be invested in
400 obligations of public utility companies appearing on the list and not more than 4 per cent of the
401 deposits of such credit union shall be invested in the obligations of any 1 such company; and

402 (v) not more than 10 per cent of the assets of a credit union shall be invested in interest
403 bearing obligations authorized for investment under section 15B of chapter 167 and appearing on
404 the list of legal investments prepared pursuant to said section 15A of said chapter 167 and not
405 more than 1/2 of 1 per cent of the shares and deposits of such credit union shall be so invested in
406 the obligations of any one obligor, but the foregoing limitations shall not apply to obligations of
407 telephone companies, of companies engaged primarily in the distribution and sale of electricity
408 or gas, or both, or of railroad companies other than terminal companies;

409 SECTION 84. Said section 67 of said chapter 171, as so appearing, is hereby further
410 amended by striking out, in line 82, the word "funds." and inserting in place thereof the
411 following word:- funds;.

412 SECTION 85. Said section 67 of said chapter 171, as so appearing, is hereby further
413 amended by striking out, in lines 103 and 104, the words “clause (i) of this paragraph” and
414 inserting in place thereof the following word:- subclause (i).

415 SECTION 86. Said section 67 of said chapter 171, as so appearing, is hereby further
416 amended by striking out, in line 113, the word “commonwealth.” and inserting in place thereof
417 the following word:- commonwealth;

418 SECTION 87. Said section 67 of said chapter 171, as so appearing, is hereby further
419 amended by striking out, in line 133, the word “and”.

420 SECTION 88. Said section 67 of said chapter 171, as so appearing, is hereby further
421 amended by striking out, in line 134, the word “Boston.” and inserting in place thereof the
422 following words:- Boston; and.

423 SECTION 89. Said section 67 of said chapter 171, as so appearing, is hereby further
424 amended by striking out, in line 135, the word “paragraph” and inserting in place thereof the
425 following word:- clause.

426 SECTION 90. Said section 67 of said chapter 171, as so appearing, is hereby further
427 amended by striking out, in line 139, the word “paragraphs” and inserting in place thereof the
428 following word:- clauses.

429 SECTION 91. Said section 67 of said chapter 171, as so appearing, is hereby further
430 amended by adding the following 4 clauses:-

431 (w) in any capital stock of a corporation organized for the purpose of acquiring and
432 managing interests in real property and acquiring, constructing, rehabilitating, leasing, financing

433 and disposing of housing facilities, or in any other interest in real or personal property or
434 activities incidental thereto, debt security, equity security, loan or community benefits; provided,
435 however, that (a) not more than 7 percent of the deposits of a credit union shall be invested
436 pursuant to the provisions of this paragraph; and provided, further, that any amount in excess of
437 3 percent of said 7 percent shall be invested by such credit union in the following manner: (i) in
438 the capital stock of a corporation organized for the purpose of acquiring, constructing,
439 rehabilitating, leasing, financing and disposing of housing facilities; (ii) for the purpose of micro-
440 lending in the area of small business, including the fishing industry, and farm loans; and (iii) for
441 the purpose of providing technical assistance to nonprofit housing corporations, small businesses
442 and farms for the purpose of establishing credit worthiness; (b) no investment shall be made by
443 such corporation in the equity securities of any one issuer pursuant to this paragraph if the
444 aggregate amount invested by it in the equity securities of such issuer pursuant to this paragraph
445 together with the amount invested in such securities pursuant to any other provision of law
446 exceeds, or by the making of such investment will exceed, 2 percent of the deposits of such
447 corporation, and no investment shall be made by such credit union in a loan to, or the debt
448 securities of, any one issuer pursuant to this paragraph, if the aggregate amount invested by it
449 pursuant to this paragraph together with the amount invested in a loan to, or in the debt
450 securities, of such issuer pursuant to any other provision of law exceeds 2 percent of the deposits
451 of such credit union; (c) any loan made or debt security purchased pursuant to this paragraph
452 shall be secured over the term of the loan or the debt security; (d) this paragraph shall not be
453 deemed to alter any provision of this chapter or other provision of law limiting the aggregate
454 amount that may be invested in any class of loan or investment, except for (ii) and (iii), above,
455 which shall be in addition to any such provision of this chapter or other provision of law; and (e)

456 investments authorized solely by this paragraph shall not be deemed investments in which credit
457 unions may legally invest for the purposes of any other provision of law which restricts
458 investments to those in which credit unions may legally invest.

459 (x) to engage in an activity and to acquire and retain the shares of any company engaged
460 in any activity that the commissioner determines to be financial in nature or incidental to the
461 financial activity that is complementary to a financial activity and does not pose a substantial risk
462 to the safety and soundness of the credit union, subject to the approval of the commissioner and
463 under limitations or conditions he may impose. In determining whether an activity is financial in
464 nature or incidental or complementary thereto, the commissioner shall consider, but shall not be
465 limited to, those activities considered to be financial in nature or incidental to the financial
466 activity or an activity that is complementary to a financial activity under section 103, section 121
467 and section 122 of Public Law 106-102, entitled the “Gramm-Leach-Bliley Act of 1999”.
468 Notwithstanding any general or special law to the contrary, this chapter does not authorize a
469 credit union or a subsidiary or affiliate of a credit union to sell title insurance.

470 (y) to participate in the redevelopment access to capital program created under section 60
471 of chapter 23A and to make the loans and create the reserve and take other actions necessary or
472 appropriate for participating in the program.

473 (z) to exercise any power and engage in any activity that is permissible for an out-of-state
474 credit union, by providing 30 days written notice in advance to the commissioner; provided,
475 however, that the activity is not otherwise prohibited under the laws of the commonwealth;
476 provided, further, that the activity shall be subject to the same limitations and restrictions that are
477 applicable to the federal or out-of-state credit union. In the event that federal or out-of-state

478 credit unions lose the authority to exercise any power or engage in any activity based upon which
479 comparable authority was granted to state chartered credit unions pursuant to this paragraph,
480 unless such authority is authorized by another law of the commonwealth, or a rule, regulation or
481 policy adopted pursuant to such other law of the commonwealth, or by a judicial decision, the
482 authority shall be revoked for state chartered credit unions pursuant to this paragraph. At the
483 time the notice is filed or at any time the notice is pending, a credit union may request that the
484 commissioner waive and the commissioner may waive the remaining notice period.

485 SECTION 92. Section 67A of said chapter 171, as so appearing, is hereby amended by
486 striking out, in line 5, the figure “(1)”.

487 SECTION 93. Said section 67A of said chapter 171, as so appearing, is hereby amended
488 by striking out, in line 9, the figure “(2)”.

489 SECTION 94. Said section 67A of said chapter 171, as so appearing, is hereby amended
490 by striking out, in line 13, the figure “(3)”.

491 SECTION 95. Section 69 of said chapter 171, as so appearing, is hereby amended by
492 striking out the last paragraph.

493 SECTION 96. Section 70 of said chapter 171, as so appearing, is hereby repealed.

494 SECTION 97. Said chapter 171 is hereby further amended by striking out section 71, as
495 so appearing, and inserting in place thereof the following section:-

496 Section 71. At least 5 per cent of the total assets of a credit union shall be carried as cash
497 on hand or in the following investments which shall be absolute property and shall be under the
498 control of the credit union or be held by book entry procedure when required.

- 499 (a) shares in a federally-insured corporate credit union;
- 500 (b) deposits in savings banks incorporated in the commonwealth;
- 501 (c) paid-up shares and accounts of and in cooperative banks incorporated in the
502 commonwealth;
- 503 (d) shares of savings and loan associations incorporated in the commonwealth;
- 504 (e) balances due from banks and trust companies or banking companies which are
505 members of the Federal Deposit Insurance Corporation;
- 506 (f) shares of federal savings and loan associations having a usual place of business within
507 the commonwealth;
- 508 (g) bonds or notes of the United States or of any state or subdivision thereof with a
509 maturity of up to 5 years;
- 510 (h) bonds or notes of other federal agencies which are on the list of legal investments
511 prepared pursuant to section 15A of chapter 167 with a maturity of up to 3 years;
- 512 (i) repurchase agreements secured by United States government obligations up to 1 year
513 maturity; provided, however, that repurchase agreements greater than 1 year maturity shall
514 contain provisions authorizing early withdrawal of such obligations;
- 515 (j) in a common trust unit plan organized for the purchase of bonds or notes of the United
516 States or of any subdivision thereof which are on the list of legal investments prepared pursuant
517 to said section 15A of said chapter 167 and which has as its custodian a banking institution
518 authorized to accept deposits from a credit union or from a savings bank;

519 (k) securities of government sponsored enterprises;

520 (l) federal funds;

521 (m) in any bonds or notes which are on the list of legal investments prepared pursuant to
522 said section 15A of said chapter 167 with a maturity of up to 3 years; provided, however, that
523 such bonds or notes are rated as A, AA, or AAA; and

524 (n) certificates of deposit of up to 1 year maturity which otherwise meet the criteria in
525 clauses (a) to (h), inclusive, or clause (q) of the first paragraph of section 67.

526 SECTION 98. Section 72 of said chapter 171, as so appearing, is hereby repealed.

527 SECTION 99. Said chapter 171 is hereby further amended by striking out section 73, as
528 so appearing, and inserting in place thereof the following section:-

529 Section 73. The board of directors may borrow money for and in behalf of the credit
530 union.

531 Said board may, if the credit union has a deposit or share account therein, borrow money
532 for and on behalf of the credit union from a savings bank, cooperative bank, federal savings and
533 loan association, national bank or trust company, entities determined by the commissioner or any
534 federally-insured corporate credit unions; provided, however, that money borrowed from such
535 institution is in an amount not exceeding said deposit or share account and is for a time not
536 extending beyond the end of a 1 year period from the date on which the loan is made.

537 SECTION 100. Section 74 of said chapter 171, as so appearing, is hereby amended by
538 inserting, after the word "obtained;" in line 8, the following word:- and.

539 SECTION 101. Said section 74 of said chapter 171, as so appearing, is hereby further
540 amended by striking out clause (d).

541 SECTION 102. Said chapter 171 is hereby further amended by striking out section 75, as
542 so appearing, and inserting in place thereof the following section:-

543 Section 75. A well capitalized or adequately capitalized credit union, as defined by 12
544 C.F.R. 702.102, may invest, in the aggregate, in any fixed assets in an amount not to exceed 5
545 percent of the credit union's shares and retained earnings without advance regulatory approval.
546 Included in such investments is the purchase, erection, or preparation of rental property in a
547 reasonable amount; provided, however, that said rental property is necessary to complete said
548 purchase, erection or preparation. The commissioner may waive these requirements.

549 A credit union may invest an amount to be approved by the commissioner, subject to
550 such regulations, if any, as he may deem necessary, in a corporation or association formed for
551 the purpose of furnishing to such credit union, or to other credit unions or banks as hereinafter
552 provided, statistical or bookkeeping services or information of the kind generally required by a
553 credit union. A credit union may also, in participation with any other credit union, bank or
554 national banking association, invest its shares or deposits in such corporation or association,
555 subject however to the same approval and regulation, if any, as above provided. The provisions
556 of section 2 of chapter 167 shall apply to such corporations or associations. Nothing contained
557 herein shall be construed to preclude a credit union from renting or subscribing for the services
558 of such corporations or associations or any other corporation or association rendering such
559 services.

560 A credit union may purchase by itself or with other credit unions or banks, group life
561 insurance on the lives of debtors who request such insurance. The premium for such insurance,
562 or the premium on an individual life insurance policy held to cover the indebtedness, may be
563 added to the payments required of those who elect to become insured. In the event of the death
564 of any debtor so insured, the insurance proceeds shall be applied to reduce or extinguish the
565 unpaid indebtedness to the extent of such payment.

566 No director, officer or employee of such credit union shall benefit financially, directly or
567 indirectly from the sale of such insurance.

568 A credit union may purchase by itself or with a group of credit unions or banks, group
569 accident and health insurance covering debtors of such credit union or group of credit unions if
570 the debtors request such insurance. Such insurance shall cover all or part of the indebtedness of
571 such debtors. The premium for such insurance or the premium on an individual accident and
572 health insurance policy held to cover the indebtedness, may be added to the payments required of
573 any such debtor who elects to become insured. No director, officer or employee of such credit
574 union shall benefit financially, directly or indirectly, from the sale of such insurance.

575 A credit union may engage directly in the business of selling, issuing or registering
576 checks, traveler's checks or money orders and may cash any check or money order whatsoever
577 and may make charges for any of the foregoing.

578 A credit union may establish and maintain safe deposit vaults and rent boxes or storage
579 space therein under conditions prescribed by the commissioner.

580 For the purposes of this section "safe deposit box" shall mean a box or safe in the vaults
581 of any credit union; "lessee" shall mean the person in whose name a safe deposit box stands on

582 the books of a credit union; and “rent” shall mean the amount due to a credit union for the rental
583 or use of a safe deposit box.

584 A credit union which leases a safe deposit box for rent shall advise the lessee in writing
585 that insurance coverage for the contents of such safe deposit box is not provided by such credit
586 union, but that the lessee may, at his own expense, insure said contents with an insurance
587 company of his own selection. The commissioner shall establish such rules and regulations as he
588 deems necessary to carry out the provisions of this paragraph.

589 If the rent for a safe deposit box has not been paid for one year after being due, the credit
590 union may mail, postage prepaid, to the lessee at his address shown on its books, a notice stating
591 that if the rent for such safe deposit box is not paid within 60 days from the date of such notice,
592 the credit union may cause such safe deposit box to be opened and the contents to be disposed of
593 in accordance with the provisions of this section. Upon the expiration of 60 days from the date
594 of such notice, if the lessee has failed to pay the rent for such safe deposit box in full to the date
595 of such notice, all rights of the lessee in the safe deposit box and of access thereto shall cease and
596 such credit union may, at any time thereafter in the presence of one of its officers and of a notary
597 public not in the general employ of such credit union, cause such safe deposit box to be opened
598 and such notary public shall remove the contents thereof, list the same and seal such contents in a
599 package, marking thereon the name of the lessee and his address as shown on the books of the
600 credit union. An affidavit setting forth the facts concerning the entry and listing the contents of
601 the safe deposit box shall be signed by the officer and the notary public and shall be retained by
602 the credit union. Such affidavit shall be prima facie evidence of the facts set forth therein in all
603 proceedings at law and equity wherein evidence of such facts would be admissible.

604 The package containing the contents of any safe deposit box opened as aforesaid shall be
605 retained on special deposit by the credit union subject to payment of rent due for such safe
606 deposit box, all expenses incurred in connection with opening such safe deposit box and charges
607 for the safekeeping of such package. If such package remains unclaimed for seven years and the
608 amounts due as above provided remain unpaid, the credit union may mail, postage prepaid, to the
609 person to whom, and at the address at which, the notice provided for above was mailed, a notice
610 stating that if such amounts shall not be paid within 60 days from the date of such notice, the
611 credit union will turn over the contents, less the rental charge, to the state treasurer as unclaimed
612 and abandoned property, to be held by him subject to the provisions of chapter two hundred A.
613 The credit union may sell, assign or deliver so much of the contents of such package, at either
614 public or private sale, as will enable it to realize such amount as will compensate such credit
615 union for said charges.

616 The affidavit required by this paragraph shall be in substantially the following form:—

617 COMMONWEALTH OF MASSACHUSETTS

618 County of

619 We, ___ an authorized official of ___ and ___ a notary public not in the general employ
620 of said credit union, hereby certify that on the ___ day ___ (insert year), we were present and
621 witnessed the forcible opening of Safe No. ___ leased in the name of ___ in the vaults of the ___
622 office of said credit union; that the contents of said safe were removed, examined, listed and then
623 enclosed in a package and sealed in our presence. We further certify that the following is a true
624 and complete list of all the contents removed from said safe.

625 (Allow space here for listing of contents.)

626

627

Signature of officer. Title.

628

629

Name of Credit Union

630

631

Signature of notary public not in the general employ of said credit union.

632

SECTION 103. Section 75B of said chapter 171, as so appearing, is hereby amended by

633

striking out, in line 175, the words “state secretary” and inserting in place thereof the following

634

word:- commissioner.

635

SECTION 104. Section 76 of said chapter 171, as so appearing, is hereby amended by

636

striking out, in line 7, the words “, with the approval of the commissioner”.

637

SECTION 105. Section 78 of said chapter 171, as so appearing, is hereby amended by

638

striking out, in lines 16 and 17, the words “state secretary” and inserting in place thereof the

639

following word:- commissioner.

640

SECTION 106. Said section 78 of said chapter 171, as so appearing, is hereby further

641

amended by striking out, in line 40, the words “in accordance with section six”.

642

SECTION 107. Said section 78 of said chapter 171, as so appearing, is hereby further

643

amended by adding the following paragraph:-

644 A credit union may consolidate with and into a federal credit union and a federal credit
645 union may consolidate with and into a credit union. In any such consolidation the credit union
646 shall comply with the applicable provisions of this section. A federal credit union in such a
647 transaction shall comply with applicable federal law.

648 SECTION 108. Said chapter 171 is hereby further amended by striking out section 78A,
649 as so appearing, and inserting in place thereof the following section:-

650 Section 78A. Any one or more credit unions may merge or consolidate with one or more
651 savings banks, as defined in section 1 of chapter 168, into a single savings bank or credit union
652 pursuant to the provisions of section 34F of said chapter 168.

653 SECTION 109. Said chapter 171 is hereby further amended by striking out section 78B,
654 as so appearing, and inserting in place thereof the following section:-

655 Section 78B. Any one or more credit unions may merge or consolidate with 1 or more
656 cooperative banks, as defined in section 1 of chapter 170, into a single cooperative bank or credit
657 union pursuant to the provisions of section 26F of said chapter 170.

658 SECTION 110. Said chapter 171 is hereby further amended by striking out section 79 as
659 so appearing, and inserting in place thereof the following section:-

660 Section 79. If the commissioner has taken possession of a credit union as provided for in
661 sections 22 to 26, inclusive, of chapter 167 or a credit union is in the possession of the
662 Massachusetts Share Insurance Corporation and it is determined by the commissioner and the
663 insurer that it is in the best interests of the depositors, shareholders and insurer, a merger as

664 provided for in section 78 may be effected without regard to geographical limitations within the
665 commonwealth.

666 SECTION 111. Section 80 of said chapter 171, as so appearing, is hereby amended by
667 striking out, in line 13, the words “state secretary” and inserting in place thereof the following
668 word:- commissioner.

669 SECTION 112. Said section 80 of said chapter 171, as so appearing, is hereby further
670 amended by adding the following paragraphs:-

671 A credit union may consolidate with and into a foreign credit union and a foreign credit
672 union may consolidate with and into a credit union. In any such consolidation the credit union
673 shall comply with the applicable provisions of this section.

674 With the approval of the Commissioner, any credit union may acquire loans or assume an
675 assignment of deposits, shares, or liabilities from:

676 (i) Any other federally insured credit union or bank, mortgage bank, consumer finance
677 company, insurance company, loan broker, or other loan seller or liability trader; or

678 (ii) Any successor in interest to any institution identified in paragraph (a)(1) of this
679 section.

680 Approval is not required for:

681 (i) Purchases of student loans or mortgage loans to facilitate the packaging of a pool of
682 loans to be sold or pledged on the secondary market or purchases of member loans under this
683 chapter;

684 (ii) Assumption of deposits, shares or liabilities as rollovers or transfers of member
685 retirement accounts or in which a federally-insured credit union perfects a security interest in
686 connection with an extension of credit to any member.

687 (iii) Purchases of assets, including loans or mortgage loans, or assumptions of deposits,
688 shares, or liabilities by any federally-insured credit union from another federally-insured credit
689 union, except a purchase or assumption as a part of a merger or

690 (iv) Purchases of loan or mortgage loan participations under this chapter.

691 SECTION 113. Section 80A of said chapter 171, as so appearing, is hereby amended by
692 striking out, in line 140, the words “secretary of state” and inserting in place thereof the
693 following word:- commissioner.

694 SECTION 114. Chapter 171 of the General Laws, as so appearing, is hereby amended by
695 inserting after section 80B the following section:-

696 Section 80C. (a) A savings bank governed by the provisions of chapter 168 or a
697 cooperative bank governed by the provisions of chapter 170 may convert into a credit union
698 subject to the provisions of this section. Any such conversion shall comply with all applicable
699 federal laws and regulations.

700 (b) A savings or cooperative bank that is at least adequately capitalized and has received
701 at least a satisfactory rating in its most recent examination for compliance at the Community
702 Reinvestment Act may submit a detailed plan of conversion approved by 2/3 vote of the entire
703 board of directors to the commissioner. The commissioner may require changes and additions to
704 the plan, including but not limited to, changes to any notices, disclosures, or communications,

705 except as required by federal law or regulation. The commissioner may prescribe regulations for
706 any savings or cooperative banks to convert to a credit union charter. Unless waived by the
707 commissioner, the converting savings or cooperative bank shall prepare and submit to the
708 commissioner a conversion plan which shall include, but not be limited to:

709 (1) A 3-year business plan which shall include performance financial statements
710 for the credit union;

711 (2) An estimated budget for conversion expenses;

712 (3) Financial statements for the most recently completed quarter;

713 (4) The manner in which the converting bank will comply with membership requirements
714 and divest itself of customers who do not meet credit union field-of-membership limitations;

715 (5) The manner in which the converting bank will convert its board to a voluntary non-
716 paid structure and divest its board of stock options, if any;

717 (6) The manner in which the converting bank will divest its capital stock, if any;

718 (7) The manner in which the converting bank will divest impermissible
719 investments;

720 (8) The manner in which the converting bank will comply with branching, share
721 and deposit limitations;

722 (9) The manner in which the converting bank will comply with organizational
723 member and member business loan requirements under relevant state and federal provisions;

724 (10) A copy of materials forwarded to corporations or shareholders relative to
725 voting on the plan of conversion;

726 (11) The proposed amended and restated articles of organization and bylaws of the
727 converting bank;

728 (12) If applicable, the procedures and timing for conversion from federal deposit
729 insurance to federal share insurance;

730 (13) If applicable, the procedures and timing for changes in relevant state excess deposit
731 insurers; and

732 (14) Any other relevant information that the commissioner may reasonably require.

733 (c) The converting bank shall perform a complete policy review to address appraisal
734 restrictions, lending restrictions, investment restrictions, and corporate structure restrictions, in
735 order to ensure compliance with the provisions of this chapter and any relevant state or federal
736 credit union regulations.

737 (d) Upon approval of a plan of charter conversion by the board of directors of the
738 converting savings or cooperative bank, the conversion plan and certified copy of the resolution
739 of the board of directors approving the conversion plan shall be submitted to the commissioner.
740 Included with the plan shall be an information statement to be sent to incorporators or shareholders
741 which shall fully and fairly disclose all significant terms and steps to be taken for the conversion
742 and shall include but not be limited to:

743 (1) a statement as to why the board is considering the conversion.

744 (2) a statement of the major positive and negative business effects of the proposed
745 conversion.

746 (3) the impact on the corporators or shareholders financial and other interests in the
747 proposed credit union.

748 (4) a disclosure of any conversion related economic benefit a director or senior
749 management official may receive including receipt of or an increase in compensation.

750 (e) The commissioner may require changes to the plan of conversion and information
751 statement. The commissioner may also require any equitable disclosure he determines
752 applicable to the transaction. The commissioner may specify the form, type, timing and other
753 material aspects of the plan of reorganization and information statement to be sent to corporators
754 and shareholders.

755 (f) The commissioner shall review the contents of the plan before the board presents the
756 conversion plan for a vote. The commissioner shall approve the contents of the conversion plan
757 and information statement only if the commissioner is satisfied of all of the following:

758 (1) The plan discloses information concerning the advantages and disadvantages
759 of the proposed conversion.

760 (2) The information statement discloses the impact on the corporators or shareholders
761 financial and other interests in the credit union.

762 (3) The conversion would not be made to circumvent a pending supervisory action that is
763 initiated by the commissioner or other regulatory agency because of a concern over the safety
764 and soundness of the savings or cooperative bank.

765 (g) Upon approval of the contents of the conversion plan and information statement by
766 the commissioner, the savings or cooperative bank shall call a special meeting of the corporators
767 or shareholders to vote on the conversion plan. At least thirty days before the meeting, the
768 savings or cooperative bank shall mail a notice of the meeting, the conversion plan and
769 information statement to all corporators and shareholders.

770 (h) The plan of conversion shall be approved by a majority vote of the shareholders or
771 corporators voting. A shareholder or corporator may vote on the proposal to convert in person at
772 the special meeting held on the date set for the vote or by ballot. The vote on the conversion
773 proposal shall be by secret ballot and conducted by an independent entity. The independent
774 entity shall be a company with experience in conducting corporate elections. A director of
775 officer of the savings or cooperative bank, or an immediate family member of a director or
776 officer, shall not have an ownership interest in, or be employed by the entity.

777 (i) An officer or director thereof shall not directly or indirectly give or offer or provide a
778 chance to win a lottery or anything of substantial value, as determined by the commissioner, to
779 the corporators or shareholders of the bank for an action related to the conversion to a credit
780 union or as an inducement to vote on the plan of conversion.

781 (j) The provisions on notice to corporators or shareholders and voting procedures in this
782 section shall govern the process for converting to a credit union notwithstanding other provisions
783 of this chapter or a by-law of the converting savings or cooperative bank to the contrary.

784 (k) If the commissioner disapproves the methods by which the vote was taken or the
785 procedures applicable to the vote, the commissioner may direct that a new vote be taken. If the

786 commissioner does not disapprove of the methods by which the vote was taken within 10 days
787 after the notification is given, the vote shall be considered approved.

788 (l) Certified copies of records of all proceedings held by the board of directors and
789 corporators and shareholders of the savings or cooperative bank shall be filed with the
790 commissioner.

791 (m) The commissioner may authorize a credit union resulting from a charter conversion
792 under this chapter to do the following:

793 (1) Complete any activities that the converting bank legally engaged in at the
794 effective time of the charter conversion but that otherwise are not permissible for credit unions;
795 and

796 (2) Retain for a transitional period any assets that the converting bank legally held at the
797 effective time of the charter conversion that otherwise may not be held by credit unions.

798 The terms and conditions of the completion of activities under subparagraph (1) and the
799 retention of assets under subparagraph (2) of this paragraph are subject to the discretion of the
800 commissioner. However, the transitional period during which activities may be carried out under
801 subparagraph (1) or assets may be retained under subparagraph (2) may not exceed ten (10) years
802 after the effective time of the charter conversion.

803 n) If the conversion to a credit union is approved by the board of directors and the
804 commissioner receives notification from the converting savings or cooperative bank that all
805 approvals required under state and federal law and regulations, including required approvals for
806 federal share insurance by the National Credit Union Administration have been obtained, that

807 any waiting period prescribed by federal law has expired, that membership in the Massachusetts
808 Credit Union Share Insurance Corporation and of the share insurance fund thereof has been
809 obtained and that all applicable payments thereto have been made as determined by the
810 commissioner, then a certificate to transact business shall be issued by the commissioner as
811 applicable. After receipt of the certificate to transact business, the converting savings or
812 cooperative bank shall promptly file such certificate and its articles of organization with the
813 commissioner. Upon such filing, the charter of the converting savings or cooperative bank shall
814 automatically cease, and the converting bank shall cease to be a bank and shall become a credit
815 union. Upon such conversion, the converted credit union shall possess all the rights, privileges,
816 and powers granted to it by its articles or organization and by the provisions of general statutes
817 applicable to the type of credit union charter to which it converted. All of the assets and business
818 of the converting savings or cooperative bank shall transferred to and vested in it without any
819 deed or instrument of conveyance, provided the converting bank may execute any deed or
820 instrument of conveyance as is convenient to confirm such transfer. The converted credit union
821 shall be subject to all of the duties, relations, obligations, and liabilities of the converting bank,
822 whether as debtor, depository, or otherwise, and shall be liable to pay and discharge all such
823 debts and liabilities, to perform all such duties in the same manner and to the same extent as if
824 the converted credit union had itself incurred the obligation or liability or assumed the duty or
825 relation. All rights of the credits of the converting savings or cooperative bank shall be
826 preserved unimpaired, and the converted credit union shall be entitled to receive, collect, accept,
827 hold, and enjoy any and all gifts, bequests, devises, conveyances, and appointments in favor of or
828 in the name of the converting savings or cooperative bank and whether made or created to take
829 effect prior to or after the conversion.

830 (o) A person who willfully violates the disclosure provisions of this section knowing the
831 disclosures made to be false or misleading in a material respect shall upon conviction be fined
832 not more than \$5,000 or imprisoned not more than 3 years, or both.

833 SECTION 115. Said chapter 171 is hereby further amended by striking out section 82 as
834 so appearing, and inserting in place thereof the following section:-

835 Section 82. Credit unions may form the Credit Union Employees Retirement
836 Association, in this section and in sections 83 and 84 called the association, for the purpose of
837 providing retirement or deferred compensation benefit services through plans that are qualified
838 under sections 401, 408 or 457 of the federal Internal Revenue Code to employees of credit
839 unions established under the laws of the commonwealth and which are members of the
840 association and to their customers. Any bank or credit union chartered by the commonwealth,
841 any such bank or credit union which has converted to federal charter and has its main office
842 located in the commonwealth, any bank or credit union chartered by the federal government, by
843 a state of the United States other than the commonwealth or by the District of Columbia and
844 which has its main office or a branch office located in the commonwealth or in Maine, Vermont,
845 New Hampshire, Rhode Island, or Connecticut, the Massachusetts Credit Union League, Inc.,
846 and its successors, the Massachusetts Credit Union Share Insurance Corporation, and other
847 banking or credit union institutions with their main office or any branch office located in the
848 commonwealth, as may from time to time be provided for in the by-laws of the association, and
849 the respective employees of each of the foregoing, shall be eligible for membership in the
850 association; provided, however, that no bank that was eligible to be a member of the association
851 before January 1, 2004, shall be eligible to become a member of the Cooperative Banks
852 Employees Retirement Association or the Savings Banks Employees Retirement Association

853 unless and until the Cooperative Banks Employees Retirement Association and the Savings
854 Banks Employees Retirement Association permits a member to transfer from any or all of the
855 qualified plans provided by said association, assets and liabilities, attributed to the member's
856 employees, to 1 or more qualified plans not provided by said association. For the purpose of this
857 section and sections 83 and 84, a reference to "credit union" or "credit unions" shall, unless the
858 context otherwise requires, mean and include any or all of the organizations named or referred to
859 in this paragraph, a reference to "directors of a credit union" shall, unless the context otherwise
860 requires, mean and include the governing body of each member organization, and reference to
861 "customer" shall mean any person or business who has established a contractual relationship for
862 banking business purposes with any credit union located in the commonwealth which is a
863 member of the association.

864 Eligible employees may contribute a portion of their compensation and a credit union
865 may contribute to the extent determined by its governing body; provided, however, that all such
866 contributions shall not exceed the limits of the applicable section of the federal Internal Revenue
867 Code.

868 The funds contributed by participating credit unions and their employees shall be held or
869 used by the trustees of the association for the provision of retirement and deferred compensation
870 benefits, including pre-retirement, post-retirement cost-of-living adjustment, death, and disability
871 benefits incident thereto, in all cases subject to the limits of the applicable section of the federal
872 Internal Revenue Code. Expenses necessary for the administration of the association shall be
873 paid by participating members as provided in the by-laws of the association. The association
874 shall annually provide to each member a report of assets and liabilities attributable to its
875 participants in any or all qualified plans adopted by a member.

876 A credit union providing retirement benefits to its employees through a plan offered by a
877 provider of plans other than the association, which shall be a qualified plan under 26 U.S.C.
878 section 401, 408 or 457, shall file with the commissioner such reports as the commissioner may
879 from time-to-time require.

880 SECTION 116. Said chapter 171 is hereby further amended by striking out section 83 as
881 so appearing, and inserting in place thereof the following section:-

882 Section 83. The by-laws of the association shall be submitted to the commissioner and
883 shall prescribe the manner in which, and the officers and agents by whom, the association may
884 be conducted and the manner in which its funds may be invested and paid out. Such association
885 shall be formed when its by-laws have been approved and agreed to by a majority of the
886 directors of each of 15 or more credit unions and have been approved by the commissioner. The
887 association shall provide to the commissioner such statements of the membership and financial
888 transactions association as the commissioner may from time-to-time require. The commissioner
889 may verify any such statement by an examination of the books and papers of the association.

890 The association shall not be subject to chapter 32 or chapter 175 or to such other
891 provisions of law as relate to insurance companies or other retirement associations.

892 SECTION 117. Section 84 of said chapter 171, as so appearing, is hereby amended by
893 striking out, in lines 1 and 2, the words “wages or salary” and inserting in place thereof the
894 following word:- compensation.

895 SECTION 118. Said section 84 of said chapter 171, as so appearing, is hereby further
896 amended by inserting, after the word “insolvency,” in line 5, the following words:- , insurance,
897 retirement systems and pension.