

# THE FEDERAL CREDIT UNION ACT

REVISED JUNE 2007

NATIONAL CREDIT UNION ADMINISTRATION  
ALEXANDRIA, VIRGINIA 22314

# FOREWORD

This publication contains the provisions of the Federal Credit Union Act of June 26, 1934, as amended. In the left margin of this publication, opposite each section, is printed the section number of such provision in Title 12 of the United States Code and supplements thereto. The number in the right-hand margin is the section of the Federal Credit Union Act, as amended, of which the provision is a part, unless another statute is cited.

The symbol "12 U.S.C." refers to Title 12 of the United States Code and supplements thereto. The symbol "FCU Act" refers to the Federal Credit Union Act, as amended.

Amendments to this publication will be provided from time to time as the FCU Act is amended.

The administration of the Federal Credit Union Act was originally vested in the Farm Credit Administration and in the Governor thereof. (Act of June 26, 1934, 48 Stat. 1216.) Executive Order No. 9148, dated April 27, 1942 (7 F.R. 3145), transferred the functions, powers and duties of the Farm Credit Administration and of the Governor under the Federal Credit Union Act, as amended, to the Federal Deposit Insurance Corporation. This transfer became effective on May 16, 1942, and was to expire at the termination of Title I of the First War Powers Act, 1941 (Public Law 354, 77th Cong.). Reorganization Plan No. 1, effective July 1, 1947 (61 Stat. 952, 12 F.R. 4534), made the transfer permanent. Effective July 29, 1948, the powers, duties and functions transferred to the Federal Deposit Insurance Corporation were transferred to the Federal Security Agency. (Act of June 29, 1948, 62 Stat. 1091.) Reorganization Plan No. 1 of 1953, effective April 11, 1953, abolished the Federal Security Agency and transferred the Bureau of Federal Credit Unions, together with other agencies of the Federal Security Agency, to the Department of Health, Education, and Welfare. (67 Stat. 631, 18 F.R. 2053.)

Public Law 86-354 (73 Stat. 628, et seq.) approved on September 22, 1959, amended the Federal Credit Union Act. (June 26, 1934, 48 Stat. 1216; 12 U.S.C. Sec. 1751-1772) and reenacted the entire act. Public Law 88-150 (Oct. 17, 1963, 77 Stat. 270) amended sections 11 and 13. Public Law 88-353 (July 2, 1964, 78 Stat. 269) amended sections 8, 12, 14, and 15, and made section 1014 of Title 18 of the United States Code applicable to Federal credit unions.

Public Law 90-188 (December 13, 1967, 81 Stat. 567) amended sections 15 and 18 of the Federal Credit Union Act.

Public Law 89-429 (May 24, 1966, § 7, 80 Stat. 167) and Public Law 90-44 (July 3, 1967, §§ 2, 3, 81 Stat. 110) amended section 8 of the Act. In addition, Public Law 89-287 (October 22, 1965, § 16, 79 Stat. 1048, 20 U.S.C. § 995) and Public Law 89-329 (November 8, 1965, § 434, 79 Stat. 1247, 20 U.S.C. § 1084) made the provisions of the National Vocational Student Loan Insurance Act of 1965 and the insured student loan provisions (Part B, Title IV) of the Higher Education Act of 1965 applicable to Federal credit unions. Public Law 90-575 (October 16, 1968, § 116, 82 Stat. 1024) repealed the National Vocational Student Loan Insurance Act of 1965 and merged the program into the Higher Education Act. The law also amended section 434 of the Higher Education Act to permit continued participation by Federal credit unions in both programs under the same restrictions as previously authorized.

Public Law 90-375 (July 5, 1968, 82 Stat. 284) amended sections 8, 14, 15, 16, and 21 of the Federal Credit Union Act and added a new section 28. Public Law 90-448 (August 1, 1968, § 807, 82 Stat. 545) amended section 8.

Public Law 91-206 (March 10, 1970, 84 Stat. 49) amended sections 2, 3, and 21 of the Federal Credit Union Act. It created the National Credit Union Administration as an independent agency and transferred all of the functions of the Bureau of Federal Credit Unions to the new Administration.

Public Law 91-468 (October 19, 1970, 84 Stat. 994) redesignated sections 2-28 as sections 101-127, respectively; amended sections 101, 107, and 116; and enacted Title II—Share Insurance.

Public Law 92-221 (December 23, 1971, 85 Stat. 796) amended section 201(c)(2); added a new section 201(c)(3); and amended section 208(a)(2).

Public Law 93-383 (August 22, 1974, 88 Stat. 739) amended sections 107(6), (8)(e), and (9), 113, 115, 117, 126, 202(h), 206 (a), (c), and (d), and 208(a)(1).

Public Law 93-495 (October 29, 1974, 88 Stat. 1500) amended sections 107(7), 111, and 207(c).

Public Law 93-569 (December 31, 1974, 88 Stat. 1866) amended section 107(5).

Public Law 93-604 (January 2, 1975, 88 Stat. 1964) amended section 209(b)(2).

Public Law 94-273 (April 21, 1976, 90 Stat. 375) amended section 203(d)(2).

Public Law 95-22 (April 19, 1977, 91 Stat. 49) amended sections 101, 107 (5), (6), (7), (8), (13), and (14), 113, 114, 116, 117, 120, 201(c)(3), 206 (g)(1) and (g)(2).

Public Law 95-147 (October 28, 1977, 91 Stat. 1227) added a new section 210 and redesignated section 210 as section 211.

Public Law 95-630 (November 10, 1978, 92 Stat. 3641) amended sections 101, 102, 105, 106, 107, 201, 202, 206(e), 206(f) (1) and (2), 206(g) (3) and (4), 206(h), 206(i) (1) and (2), 208; renumbered sections 101 and 206(j); added new sections 206(j)(1), and 207(c)(3); and enacted Title III, the Central Liquidity Facility, sections 301-310. In addition to creating the National Credit Union Central Liquidity Facility, the law restructured this Agency from an Administrator to a three-person Board.

Public Law 96-153 (December 21, 1979, 93 Stat. 1120) amended sections 107(6) and 207 of the Federal Credit Union Act to permit the acceptance of share purchases and insurance coverage of such purchases by offices, employees or agents of Indian tribes having official custody of tribal funds.

Public Law 96-221 (March 31, 1980, 94 Stat. 132) amended sections 101, 107, 117, 205, 207, 302, 304, 305, 307, and 308. These amendments included increased maximum loan rates for Federal credit unions, permanent share draft authority for all federally-insured credit unions, increased share insurance coverage from \$40,000 to \$100,000 per member, a six-year phase out of controls on Federal credit union dividend rates, a Federal override of certain state usury ceilings for federally-insured state credit unions, and settlement and share draft processing authority for the Central Liquidity Facility.

Public Law 97-320 (October 15, 1982, 96 Stat. 1469) amended sections 101, 102, 103, 105, 107, 110, 111, 112, 113, 114, 117, 118, 120, 124, 125, 202, 203, 205, 206 and 307 of the Federal Credit Union Act and added a new section 311. (Note: The amendments to sections 205 and 206 are terminated on October 14, 1985.)

Public Law 97-457 (January 12, 1983, 96 Stat. 2507) amended sections 107, 113, 124, and 202. These were technical corrections to Public Law 97-320.

Public Law 98-369 (July 18, 1984, 98 Stat. 1203) amended sections 201(b)(8), 202 (b), (c), (c)(3); repealed section 202(c)(4); amended sections 202 (d), (e), (f), (g), (h)(1), (h)(2), and (h)(3), 203(b), 206(d)(1), and 303 of the Federal Credit Union Act and added a new section 312. These amendments included share insurance capitalization and CLF tax exemption.

Public Law 100-86 (August 10, 1987, 101 Stat. 652) (CEBA) amended sections 107(5)(A)(ii), 107(6), 112, 113(1), 118, 120(i)(2), 128, 129, 206 (g), (h), (h)(1), (h)(2)(b), and 207(a)(1).

Public Law 101-73, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) (August 9, 1989) amended sections 120, 202, 203, 204, 205, 206, and 207 and added sections 212, 213 and 214.

Public Law 101-647, the Crime Control Act of 1990 (November 29, 1990) amended sections 206(j)(1) and 206(s), and added sections 206 (t) and (u), and 207(b)(2) (G), (H) and (I), 207(b)(16), and 207 (q) and (r).

Public Law 102-242, the Federal Deposit Insurance Corporation Improvement Act (FDICIA), (December 19, 1991) amended section 202(d) and 213.

Public Law 102-550, the Housing Community Development Act, (October 28, 1992) added section 131 and amended sections 202, 206 and 213.

Public Law 103-60, the National Defense Authorization Act (November 30, 1993) amended section 124.

Public Law 103-322, the Violent Crime Control and Law Enforcement Act of 1994 (September 13, 1994) amended Section 205(d).

Public Law 103-325, the Riegle Community Development and Regulatory Improvement Act of 1994 (September 23, 1994) added new sections 107(15)(C), 130 and 204(e) and deleted section 120(k).

Public Law 104-208, Economic Growth and Regulatory Reduction Act of 1996 (September 30, 1996) amended section 107(5)(A)(iv) and (v) and added a new subsection (e) to section 201.

Public Law 105-164, Examination Parity and Year 2000 Readiness for Financial Institutions Act (March 20, 1998) added new section 206A. This section ceases to be effective as of 12/31/2001 (see section 206A(f)).

Public Law 105-219, Credit Union Membership Access Act (August 7, 1998) amended sections 102a(b), 109, 202(a)(6), 202(b), 202(c), 202(h), 205(b), 206(h), 206(k), and 207(a); repealed section 116; and added new sections 107A and 216.

Public Law 108-458 (December 17, 2004) added Section 206(w).

Public Law 109-8 (April 20, 2005) amended Section 207(c).

Public Law 109-173 (February 15, 2006) amended Section 205(a), 207(k).

Public Law 109-351 – Financial Services Regulatory Relief Act (October 13, 2006) amended various sections.

# FEDERAL CREDIT UNION ACT

## TABLE OF CONTENTS

Sec.

1751. Short title.

### TITLE I—GENERAL PROVISIONS

1752. Definitions.

1752a. National Credit Union Administration.

(a) Establishment; management under National Credit Union Administration Board.

(b) Membership of Board; designation of Chairman.

(c) Term of office.

(d) Management of Administration vested in Board; adoption of rules; quorum; report to President and Congress.

(e) Functions of Chairman.

(f) Audit by General Accounting Office.

1753. Federal credit union organization.

1754. Approval of organization certificate.

1755. Fees.

(a) Payment by Federal credit unions to Administration.

(b) Determination of amount, assessment periods, and payment dates.

(c) Supervision charge exception; waiver of payment.

(d) Payment into Treasury of United States.

(e) Investment by Treasury.

1756. Reports and examinations.

1757. Powers.

1757a. Limitation on member business loans.

1758. Bylaws.

1759. Membership.

(a) General.

(b) Membership field.

(c) Exceptions.

(d) Multiple common-bond credit union group requirements.

(e) Additional membership eligibility provisions.

(f) Criteria for expansion of multiple common-bond credit unions.

(g) Regulations required for community credit unions.

1760. Members' meetings.

1761. Management; board of directors; credit committee; supervisory committee; compensation.

1761a. Executive officers; general manager.

1761b. Board of directors; meetings; powers and duties; executive committee; membership officers; membership application.

1761c. Credit committee; meetings; powers and duties; loans and lines of credit; security.

1761d. Supervisory committee; powers and duties; suspension of members; passbook.

1763. Dividends.

1764. Expulsion and withdrawal.

1765. Minors.

1766. Powers of Board and Administration personnel.

1767. Fiscal agents and depositories.

1768. Taxation.

1769. Separability of provisions; right to alter, amend, or repeal chapter.

1770. Allotment of space in Federal buildings.

1771. Conversion from Federal to State credit union and from State to Federal credit union.

1772. Territorial application of chapter.

- 1772a. Gifts; acceptance of conditional gifts; deposit.
- 1772b. Apportionment.
- 1772c. Trust Fund.
- 1772c-1. Community development revolving loan fund for credit unions.
- 1772d. Forfeiture of organization certificate for money laundering or cash transaction reporting offenses.

## **TITLE II—SHARE INSURANCE**

- 1781. Insurance of member accounts.
  - (a) Eligibility.
  - (b) Application; agreement.
  - (c) Approval of application.
  - (d) Certificate of insurance.
  - (e) Prohibition on certain associations.
- 1782a. Administration of insurance fund.
  - (a) Reports of condition.
  - (b) Certified statements.
  - (c) Deposit with National Credit Union Share Insurance Fund; amount, return, distribution, etc.
  - (d) Remedy for failure to report; penalty for failure to file certified statement or pay premium; dispute as to deposit of premium charge; prohibition on distribution of assets or dividends while in default.
  - (e) Recovery of unpaid deposit or premium; limitations.
  - (f) Penalty for failure to comply with section; court determination of failure; remedies not exclusive.
  - (g) Records.
  - (h) Definitions.
- 1783. National Credit Union Share Insurance Fund.
  - (a) Creation; use of fund.
  - (b) Deposit of deposits and premium charges; reporting requirements.
  - (c) Investment authorization.
  - (d) Loans to fund; limitation and terms; interest accrual; determination of interest rate.
  - (e) Excess funds credited against loans.
  - (f) Authorization for fund to borrow from Central Liquidity Facility.
- 1784. Examination of insured credit unions.
  - (a) Examiners and claim agents; powers; report by examiner; jurisdiction of court.
  - (b) Power of Board; jurisdiction of court.
  - (c) Court orders enforcing subpoenas; immunity.
  - (d) Administration acceptance of State board reports; reports of Board furnished to State board.
  - (e) Flood insurance compliance by insured credit unions.
- 1785. Requirements governing insured credit unions.
  - (a) Insurance logo.
  - (b) Restrictions.
  - (c) Considerations for waiver of enforcement of restrictions.
  - (d) Prohibitions.
  - (e) Security standards; reports; penalty.
  - (f) Share draft accounts; maintenance, loans, etc.
  - (g) Interest rates.
  - (h) Emergency merger.
  - (i) Emergency purchase of assets; conversion to insured deposits.
  - (j) Privileges not affected by disclosure to banking agency or supervisor.
- 1786. Termination of insured credit union status; cease and desist orders; removal or suspension from office; procedure.
  - (a) Termination of insurance.

- (b) Unsound condition of credit union; notice to correct condition; hearing; judicial review.
  - (c) Notice to members of termination of insured status.
  - (d) Continuation of insurance for one year; approval of conversion of status; procedure subsequent to approval; reduction of premium charges.
  - (e) Opinion of Board as to unsound condition of credit union; notice of charges; hearing; order to cease and desist; judicial review.
  - (f) Temporary cease and desist order; injunctive procedure.
  - (g) Removal and prohibition authority.
  - (h) Board's self-appointment as conservator; consultation with state authority.
  - (i) Suspension, removal, and prohibition from participation orders in the case of certain criminal offenses.
  - (j) Jurisdiction of hearing; procedure; judicial review.
  - (k) Jurisdiction and enforcement; penalty.
  - (l) Criminal penalty for violation of certain orders.
  - (m) Definitions.
  - (n) Notice or order to State board supervising State-chartered credit union.
  - (o) Notice of proceedings to State board supervising State-chartered credit union; effect of corrective action by State board; attack on validity of notice or order.
  - (p) Proceedings, powers of Board; court enforcement of subpoenas; witness fees; expenses and attorneys' fees.
  - (q) Compliance with monetary transaction recordkeeping and report requirements.
  - (r) Institution-affiliated party defined.
  - (s) Public disclosure of agency action.
  - (t) Regulation of certain forms of benefits to institution-affiliated parties.
  - (u) Foreign investigations.
  - (v) Termination of insurance for money laundering or cash transaction reporting offenses.
  - (w) One-year restrictions on federal examiners of insured credit unions.
1787. Payment of insurance.
- (a) Liquidation by Board; show cause order; notice to claimants; subrogation; dividend payments; bond; appointment of agent; fees to be fixed by Board.
  - (b) Powers and duties of Board as conservator or liquidating agent.
  - (c) Provisions relating to contracts entered into before appointment of conservator or liquidating agent.
  - (d) Payment of insured deposits.
  - (e) Subrogation of Board.
  - (f) Valuation of claims in default.
  - (g) Limitation on court action.
  - (h) Liability of directors and officers.
  - (i) Damages.
  - (j) Board as liquidating agent of State-chartered credit union.
  - (k) Payment of insured accounts; extent of insurance coverage; proof of claims; insurance of public funds; insurance regarding pension and profit-sharing plans.
  - (l) Payment; discharge of liability.
  - (m) Undisclosed names.
  - (n) Withholding of payment due to liability of credit union member.
  - (o) Unclaimed insured accounts; limitations.
  - (p) Sale of assets; security for loans; approval of court; agreements affecting interest of Board in any asset acquired by it.
  - (q) Prohibition on certain acquisitions of assets.
  - (r) Foreign investigations.
1788. Special assistance to avoid liquidation.

- (a) Loans; purchase of assets; establishing accounts; agreements affecting interest of Board in any asset acquired by it.
- (b) Protection of Fund.
- (c) Money paid into Fund.
- 1789. Administrative provisions.
- 1789a. Credit unions as depositories of public money; fiscal agents; duties.
- 1790. Nondiscriminatory provisions.
- 1790a. Board disapproval of directors, committee members, and senior executive officers of insured credit unions.
  - (a) Prior notice required.
  - (b) Disapproval by the Board.
  - (c) Exception in extraordinary circumstances.
  - (d) Additional information.
  - (e) Standard for disapproval.
  - (f) Definition regulations.
- 1790b. Credit union employee protection remedy.
  - (a) Prohibition against discrimination against whistleblowers.
  - (b) Enforcement.
  - (c) Remedies.
  - (d) Limitations.
- 1790c. Reward for information leading to recovery or civil penalties.
- 1790d. Prompt corrective action.

### TITLE III—CENTRAL LIQUIDITY FACILITY

- 1795. Congressional findings.
- 1795a. Definitions.
- 1795b. National Credit Union Administration Central Liquidity Facility; establishment; management; jurisdiction.
- 1795c. Membership.
  - (a) Credit unions serving natural persons.
  - (b) Credit unions serving other credit unions.
  - (c) Stock subscription requirements.
  - (d) Functions of Agent members of Facility.
  - (e) Withdrawal from or termination of membership.
- 1795d. Capital stock.
  - (a) Opening of books; minimum subscription.
  - (b) Requirements.
  - (c) Redemption of stock.
  - (d) Use of subscription amount.
  - (e) Restriction on advances to credit unions.
- 1795e. Extensions of credit.
- 1795f. Powers of Board.
  - (a) General authorities.
  - (b) Collection and settlement of checks, share drafts, etc.; charges; rules and regulations.
- 1795g. Depositories, custodians, and fiscal agents.
- 1795h. Audit of financial transactions.
- 1795i. Annual report.
- 1795j. Agent of Federal Reserve System.
- 1795k. State and local tax exemption.
  - (a) Franchise, activities, etc., of Central Liquidity Facility; exception.
  - (b) Notes, bonds, debentures and other obligations of Central Liquidity Facility; exceptions.
  - (c) Definition; tax status.

# FEDERAL CREDIT UNIONS

## Chapter 14 of Title 12 of the United States Code, as revised June 2007

### § 1751

**Short Title.**—This chapter may be cited as the “Federal Credit Union Act.” \* See note.

## Title I—General Provisions

### § 1752

**Definitions.**—As used in this chapter—

(1) the term “Federal credit union” means a cooperative association organized in accordance with the provisions of this chapter for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes;

(2) the term “Chairman” means the Chairman of the National Credit Union Administration Board;

(3) the term “Administration” means the National Credit Union Administration;

(4) the term “Board” means the National Credit Union Administration Board;

(5) the terms “member account” and “account” mean a share, share certificate, or share draft account of a member of a credit union of a type approved by the Board which evidences money or its equivalent received or held by a credit union in the usual course of business and for which it has given or is obligated to give credit to the account of the member, and, in the case of a credit union serving predominantly low-income members (as defined by the Board), such terms (when referring to the account of a nonmember

### § 101

served by such credit union) mean a share, share certificate, or share draft account of such nonmember which is of a type approved by the Board and evidences money or its equivalent received or held by such credit union in the usual course of business and for which it has given or is obligated to give credit to the account of such nonmember, and such terms mean share, share certificate, or share draft accounts of nonmember credit unions and nonmember units of Federal, State, or local governments and political subdivisions thereof enumerated in section 207 of this Act, and such terms mean custodial accounts established for loans sold in whole or in part pursuant to section 107(13) of this Act: Provided, That for purposes of insured State credit unions, reference in this paragraph to “share,” “share certificate” or “share draft” accounts includes, as determined by the Board, the equivalent of such accounts under State law;

(6) the terms “State credit union” and “State-chartered credit union” mean a credit union organized and operated according to the laws of any State, the District of Columbia, the several territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, which laws provide for the organization of credit unions similar in principle and objectives to Federal credit unions;

\* Note: The Congress finds the following: (1) The American credit union movement began as a cooperative effort to serve the productive and provident credit needs of individuals of modest means. (2) Credit unions continue to fulfill this public purpose, and current members and membership groups should not face divestiture from the financial services institution of their choice as a result of recent court action. (3) To promote thrift and credit extension, a meaningful affinity and bond among members, manifested by a commonality of routine interaction, shared and related work experiences, interests, or activities, or the maintenance of an otherwise well-understood sense of cohesion or identity is essential to the fulfillment of the public mission of credit unions. (4) Credit unions, unlike many other participants in the financial services market, are exempt from Federal and most State taxes because they are member-owned, democratically operated, not-for-profit organizations generally managed by volunteer boards of directors and because they have the specified mission of meeting the credit and savings needs of consumers, especially persons of modest means. (5) Improved credit union safety and soundness provisions will enhance the public benefit that citizens receive from these cooperative financial services institutions.

(7) the term “insured credit union” means any credit union the member accounts of which are insured in accordance with the provisions of subchapter II of this chapter, and the term “noninsured credit union” means any credit union the member accounts of which are not so insured;

(8) the term “Fund” means the National Credit Union Share Insurance Fund; and

(9) the term “branch” includes any branch credit union, branch office, branch agency, additional office, or any branch place of business located in any State of the United States, the District of Columbia, the several territories, including the trust territories, and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, at which member accounts are established or money lent. The term “branch” also includes a suboffice, operated by a Federal credit union or by a credit union authorized by the Department of Defense, located on an American military installation in a foreign country or in the trust territories of the United States.

## § 1752a

## § 102

### **National Credit Union Administration.—**

(a) There is hereby established in the executive branch of the Government an independent agency to be known as the National Credit Union Administration. The Administration shall be under the management of a National Credit Union Administration Board.

### **(b) Membership and Appointment of Board.—**

(1) In general.—The Board shall consist of three members, who are broadly representative of the public interest, appointed by the President, by and with the advice and consent of the Senate. In appointing the members of the Board, the President shall designate the Chairman. Not more than two members of the Board shall be members of the same political party.

### **(2) Appointment criteria.—**

(A) **Experience in financial services.**— In considering appointments to the Board under paragraph (1), the President shall give consideration to individuals who, by virtue of their education, training, or experience relating to a broad range of financial services, financial services regulation, or financial policy, are especially qualified to serve on the Board.

(B) **Limit on appointment of credit union officers.**—Not more than one member of the Board may be appointed to the Board from among individuals who, at the time of the appointment, are, or have recently been, involved with any insured credit union as a committee member, director, officer, employee, or other institution-affiliated party.

(c) The term of office of each member of the Board shall be six years except that the terms of the two members, other than the Chairman, initially appointed shall expire one upon the expiration of two years after the date of appointment, and the other upon the expiration of four years after the date of appointment. Board members shall not be appointed to succeed themselves except the initial members appointed for less than a six-year term may be reappointed for a full six-year term and future members appointed to fill unexpired terms may be reappointed for a full six-year term. Any Board member may continue to serve as such after the expiration of said member’s term until a successor has qualified.

(d) The management of the Administration shall be vested in the Board. The Board shall adopt such rules as it sees fit for the transaction of its business and shall keep permanent and complete records and minutes of its acts and proceedings. A majority of the Board shall constitute a quorum. Not later than April 1 of each calendar year, and at such other times as the Congress shall determine, the Board shall make a report to the President and to the Congress. Such a report shall summarize the operations of the Administration and set forth such information as is necessary for the Congress to review the financial program approved by the Board.

(e) The Chairman of the Board shall be the spokesman for the Board and shall represent

the Board and the National Credit Union Administration in its official relations with other branches of the Government. The Chairman shall determine each Board member's area of responsibility and shall review such assignments biannually. It shall be the Chairman's responsibility to direct the implementation of the adopted policies and regulations of the Board.

(f) The financial transactions of the Administration shall be subject to audit by the General Accountability Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the Administration are kept.

## § 1753

## § 103

**Federal credit union organization.**— Any seven or more natural persons who desire to form a Federal credit union shall each subscribe either individually or collectively before some officer competent to administer oaths an organization certificate in duplicate which shall specifically state—

(1) the name of the association;

(2) the location of the proposed Federal credit union and the territory in which it will operate;

(3) the names and addresses of the subscribers to the certificate and the number of shares subscribed by each;

(4) the initial par value of the shares;

(5) the proposed field of membership, specified in detail;

(6) the term of the existence of the corporation, which may be perpetual; and

(7) the fact that the certificate is made to enable such persons to avail themselves of the advantages of this chapter.

Such organization certificate may also contain any provisions approved by the Board for the management of the business of the association and for the conduct of its affairs and relative to the powers of its directors, officers, or stockholders.

## § 1754

## § 104

**Approval of organization certificate.**— The organization certificate shall be presented to the Board for approval. Before any organization certificate is approved, an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this chapter; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Board it shall be the charter of the corporation, and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor. Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all of the liabilities conferred and imposed by this chapter upon corporations organized hereunder.

## § 1755

## § 105

**Fees.**—(a) In accordance with rules prescribed by the Board, each Federal credit union shall pay to the Administration an annual operating fee which may be composed of one or more charges identified as to the function or functions for which assessed.

(b) The fee assessed under this section shall be determined according to a schedule, or schedules, or other method determined by the Board to be appropriate, which gives due consideration to the expenses of the Administration in carrying out its responsibilities under this Act and to the ability of Federal credit unions to pay the fee. The Board shall, among other things, determine the periods for which the fee shall be assessed and the date or dates for the payment of the fee or increments thereof.

(c) If the annual operating fee is composed of separate charges, no supervision charge shall be payable by a Federal credit union, and the Board may waive payment of any or all other charges comprising the fee, with respect to the year in which its charter is issued, or in which final distribution is made in its liquidation or the charter canceled.

(d) All operating fees shall be deposited with the Treasurer of the United States for the account of the Administration and may be expended by the Board to defray the expenses incurred in carrying out the provisions of this Act including the examination and supervision of Federal credit unions.

(e)(1) Upon request of the Board, the Secretary of the Treasury shall invest and reinvest such portions of the annual operating fees deposited under subsection (d) as the Board determines are not needed for current operations.

(2) Such investments may be made only in interest bearing securities of the United States with maturities requested by the Board bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities.

(3) All income derived from such investments and reinvestments shall be deposited to the account of the Administration described in subsection (d).

## § 1756

## § 106

**Reports and examinations.**—Federal credit unions shall be under the supervision of the Board, and shall make financial reports to it as and when it may require, but at least annually. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to, any person designated by the Board.

## § 1757

## § 107

**Powers.**—A Federal credit union shall have succession in its corporate name during its existence and shall have power—

(1) to make contracts;

(2) to sue and be sued;

(3) to adopt and use a common seal and alter the same at pleasure;

(4) to purchase, hold, and dispose of property necessary or incidental to its operations;

(5) to make loans, the maturities of which shall not exceed fifteen years except as otherwise provided herein, and extend lines of credit to its members, to other credit unions, and to credit union organizations and to participate with other credit unions, credit union organizations, or financial organizations in making loans to credit union members in accordance with the following:

(A) Loans to members shall be made in conformity with criteria established by the board of directors: Provided, That—

(i) a residential real estate loan on a one-to-four-family dwelling, including an individual cooperative unit, that is or will be the principal residence of a credit union member, which is secured by a first lien upon such dwelling, and may have a maturity not exceeding thirty years or such other limits as shall be set by the National Credit Union Administration Board (except that a loan on an individual cooperative unit shall be adequately secured as defined by the Board), subject to the rules and regulations of the Board;

(ii) a loan to finance the purchase of a mobile home, which shall be secured by a first lien on such mobile home, to be used by the credit union member as his residence, a loan for the repair, alteration, or improvement of a residential dwelling which is the residence of a credit union member, or a second mortgage loan secured by a residential dwelling which is the residence of a credit union member, shall

have a maturity not to exceed 15 years or any longer term which the Board may allow.

(iii) a loan secured by the insurance or guarantee of, or with advance commitment to purchase the loan by, the Federal Government, a State government or any agency of either may be made for the maturity and under the terms and conditions specified in the law under which such insurance, guarantee, or commitment is provided;

(iv) a loan or aggregate of loans to a director or member of the supervisory or credit committee of the credit union making the loan which exceeds \$20,000 plus pledged shares, be approved by the board of directors;

(v) loans to other members for which directors or members of the supervisory or credit committee act as guarantor or endorser be approved by the board of directors when such loans standing alone or when added to any outstanding loan or loans of the guarantor or endorser exceeds \$20,000;

(vi) the rate of interest may not exceed 15 per centum per annum on the unpaid balance inclusive of all finance charges, except that the Board may establish—

(I) after consultation with the appropriate committees of the Congress, the Department of Treasury, and the Federal financial institution regulatory agencies, an interest rate ceiling exceeding such 15 per centum per annum rate, for periods not to exceed 18 months, if it determines that money market interest rates have risen over the preceding six-month period and that prevailing interest rate levels threaten the safety and soundness of individual credit unions as evidenced by adverse trends in liquidity, capital, earnings, and growth; and

(II) a higher interest rate ceiling for Agent members of the Central Liquidity Facility in carrying out the provisions of title III for such periods as the Board may authorize,

(vii) the taking, receiving, reserving, or charging of a rate of interest greater than is allowed by this paragraph, when knowingly

done, shall be deemed a forfeiture of the entire interest which the note, bill, or other evidence of debt carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person by whom it has been paid, or his legal representatives, may recover back from the credit union taking or receiving the same, in an action in the nature of an action of debt, the entire amount of interest paid; but such action must be commenced within two years from the time the usurious collection was made;

(viii) a borrower may repay his loan, prior to maturity in whole or in part on any business day without penalty, except that on a first or second mortgage loan a Federal credit union may require that any partial prepayments (I) be made on the date monthly installments are due and (II) be in the amount of that part of one or more monthly installments which would be applicable to principal;

(ix) loans shall be paid or amortized in accordance with rules and regulations prescribed by the Board after taking into account the needs or conditions of the borrowers, the amounts and duration of the loans, the interests of the members and the credit unions, and such other factors as the Board deems relevant;

(x) loans must be approved by the credit committee or a loan officer, but no loan may be made to any member if, upon the making of that loan, the member would be indebted to the Federal credit union upon loans made to him in an aggregate amount which would exceed 10 per centum of the credit union's unimpaired capital and surplus.

(B) A self-replenishing line of credit to a borrower may be established to a stated maximum amount on certain terms and conditions which may be different from the terms and conditions established for another borrower.

(C) Loans to other credit unions shall be approved by the board of directors.

(D) Loans to credit union organizations shall be approved by the board of directors and shall not exceed 1 per centum of the paid-in and unimpaired capital and surplus of the credit union. A credit union organization

means any organization as determined by the Board, which is established primarily to serve the needs of its member credit unions, and whose business relates to the daily operations of the credit unions they serve.

(E) Participation loans with other credit unions, credit union organizations, or financial organizations shall be in accordance with written policies of the board of directors. Provided, That a credit union which originates a loan for which participation arrangements are made in accordance with this subsection shall retain an interest of at least 10 per centum of the face amount of the loan;

(6) To receive from its members, from other credit unions, from an officer, employee, or agent of those nonmember units of Federal, Indian Tribal, State, or local governments and political subdivisions thereof enumerated in section 207 of this Act and in the manner so prescribed, from the Central Liquidity Facility, and from nonmembers in the case of credit unions serving predominantly low-income members (as defined by the Board) payments, representing equity, on—(A) shares which may be issued at varying dividend rates; (B) share certificates which may be issued at varying dividend rates and maturities; and (C) share draft accounts authorized under Section 205(f); subject to such terms, rates, and conditions as may be established by the board of directors, within limitations prescribed by the Board;

(7) To invest its funds (A) in loans exclusively to members; (B) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby; (C) in accordance with rules and regulations prescribed by the Board, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus; (D) in shares or accounts of savings and loan associations or mutual savings banks, the accounts of which are insured by the Federal Deposit Insurance Corporation; (E) in obligations issued by banks for cooperatives, Federal land banks, Federal intermediate credit banks, Federal home loan banks, the Federal Housing Finance Board, or any corporation designated in 31 USC 9101(3) as a wholly owned Government corporation; or in obligations,

participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or the Government National Mortgage Association; or in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to Section 305 or Section 306 of the Federal Home Loan Mortgage Corporation Act; or in obligations or other instruments or securities of the Student Loan Marketing Association; or in obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any other agency of the United States and a Federal credit union may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act; (F) in participation certificates evidencing beneficial interests in obligations, or in the right to receive interest and principal collections therefrom, which obligations have been subjected by one or more Government agencies to a trust or trusts for which any executive department, agency, or instrumentality of the United States (or the head thereof) has been named to act as trustee; (G) in shares or deposits of any central credit union in which such investments are specifically authorized by the board of directors of the Federal credit union making the investment; (H) in shares, share certificates, or share deposits of federally insured credit unions; (I) in the shares, stocks, or obligations of any other organization, providing services which are associated with the routine operations of credit unions, up to 1 per centum of the total paid in and unimpaired capital and surplus of the credit union with the approval of the Board: Provided, however, That such authority does not include the power to acquire control directly or indirectly, of another financial institution, nor invest in shares, stocks or obligations of an insurance company, trade association, liquidity facility or any other similar organization, corporation, or association, except as otherwise expressly provided by this Act; (J) in the capital stock of the National Credit Union Central Liquidity Facility; and (K) investments in obligations of, or issued by, any State or political subdivision thereof (including any agency, corporation, or instrumentality of a State or political

subdivision), except that no credit union may invest more than 10 per centum of its unimpaired capital and surplus in the obligations of any one issuer (exclusive of general obligations of the issuer);

(8) to make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business, or in banks or institutions the accounts of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, and for Federal credit unions or credit unions authorized by the Department of Defense operating suboffices on American military installations in foreign countries or trust territories of the United States to maintain demand deposit accounts in banks located in those countries or trust territories, subject to such regulations as may be issued by the Board and provided such banks are correspondents of banks described in this paragraph;

(9) to borrow in accordance with such rules and regulations as may be prescribed by the Board, from any source, in an aggregate amount not exceeding, except as authorized by the Board in carrying out the provisions of title III, 50 per centum of its paid-in and unimpaired capital and surplus: *Provided*, That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible obligations up to the amount of its paid-in and unimpaired capital;

(10) to levy late charges, in accordance with the bylaws, for failure of members to meet promptly their obligations to the Federal credit union;

(11) to impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or charges payable by him;

(12) in accordance with regulations prescribed by the Board –

(A) to sell, to persons in the field of membership, negotiable checks (including travelers checks), money orders, and other similar money transfer instruments (including

international and domestic electronic fund transfers); and

(B) to cash checks and money orders and receive international and domestic electronic fund transfers for persons in the field of membership for a fee;

(13) in accordance with rules and regulations prescribed by the Board, to purchase, sell, pledge, or discount or otherwise receive or dispose of, in whole or in part, any eligible obligations (as defined by the Board) of its members and to purchase from any liquidating credit union notes made by individual members of the liquidating credit union at such prices as may be agreed upon by the board of directors of the liquidating credit union and the board of directors of the purchasing credit union, but no purchase may be made under authority of this paragraph if, upon the making of that purchase, the aggregate of the unpaid balances of notes purchased under authority of this paragraph would exceed 5 per centum of the unimpaired capital and surplus of the credit union;

(14) to sell all or a part of its assets to another credit union, to purchase all or part of the assets of another credit union and to assume the liabilities of the selling credit union and those of its members subject to regulations of the Board;

(15) to invest in securities that—

(A) are offered and sold pursuant to section 4(5) of the Securities Act of 1933 (15 U.S.C. 77d(5)); or

(B) are mortgage related securities (as that term is defined in section 3(a)(41) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(41)), subject to such regulations as the Board may prescribe, including regulations prescribing minimum size of the issue (at the time of initial distribution) or minimum aggregate sales prices, or both;

(C) are small business related securities (as defined in section 3(a)(53) of the Securities Exchange Act of 1934), subject to such regulations as the Board may prescribe, including regulations

prescribing the minimum size of the issue (at the time of the initial distribution), the minimum aggregate sales price, or both.

(16) subject to such regulations as the Board may prescribe, to provide technical assistance to credit unions in Poland and Hungary; and

(17) to exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

## § 1757a

### Limitation on member business loans.—

(a) **In general.**—On and after the date of enactment of this section, no insured credit union may make any member business loan that would result in a total amount of such loans outstanding at that credit union at any one time equal to more than the lesser of—

(1) 1.75 times the actual net worth of the credit union; or

(2) 1.75 times the minimum net worth required under section 216(c)(1)(A) for a credit union to be well capitalized.

(b) **Exceptions.**—Subsection (a) does not apply in the case of—

(1) an insured credit union chartered for the purpose of making, or that has a history of primarily making, member business loans to its members, as determined by the Board; or

(2) an insured credit union that—

(A) serves predominantly low-income members, as defined by the Board; or

(B) is a community development financial institution, as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994.

(c) **Definitions.**—As used in this section—

(1) the term ‘member business loan’—

(A) means any loan, line of credit, or letter of credit, the proceeds of which will be used for a commercial, corporate or other business investment property or venture, or agricultural purpose; and

(B) does not include an extension of credit—

(i) that is fully secured by a lien on a 1- to 4-family dwelling that is the primary residence of a member;

(ii) that is fully secured by shares in the credit union making the extension of credit or deposits in other financial institutions;

(iii) that is described in subparagraph (A), if it was made to a borrower or an associated member that has a total of all such extensions of credit in an amount equal to less than \$50,000;

(iv) the repayment of which is fully insured or fully guaranteed by, or where there is an advance commitment to purchase in full by, any agency of the Federal Government or of a State, or any political subdivision thereof; or

(v) that is granted by a corporate credit union (as that term is defined by the Board) to another credit union.

(2) the term ‘net worth’—

(A) with respect to any insured credit union, means the credit union’s retained earnings balance, as determined under generally accepted accounting principles; and

(B) with respect to a credit union that serves predominantly low-income members, as defined by the Board, includes secondary capital accounts that are—

(i) uninsured; and

(ii) subordinate to all other claims against the credit union, including the claims of creditors, shareholders, and the Fund; and

(3) the term ‘associated member’ means any member having a shared ownership, investment, or other pecuniary interest in a business or commercial endeavor with the borrower.

(d) **Effect on Existing Loans.**—An insured credit union that has, on the date of enactment of this section, a total amount of outstanding member business loans that exceeds the amount permitted under subsection (a) shall, not later than 3 years after that date of enactment, reduce the total amount of outstanding member business loans to an amount that is not greater than the amount permitted under subsection (a).

(e) **Consultation and Cooperation With State Credit Union Supervisors.**—In implementing this section, the Board shall consult and seek to work cooperatively with State officials having jurisdiction over State-chartered insured credit unions.

## § 1758

**Bylaws.**—In order to simplify the organization of Federal credit unions the Board shall from time to time cause to be prepared a form of organization certificate and a form of bylaws, consistent with this chapter, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Board for its approval.

## § 1759

**Membership.**—(a) **In general.**—Subject to subsection (b), Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Board, as may be elected to membership and as such shall each subscribe to at least one share of its stock and pay the initial installment thereon and a uniform entrance fee if required by the board of directors. Shares may be issued in joint tenancy with right of survivorship with any persons designated by the credit union

member, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless he is within the field of membership and is a qualified member.

(b) **Membership field.**—Subject to the other provisions of this section, the membership of any Federal credit union shall be limited to the membership described in one of the following categories:

(1) **Single common-bond credit union.**— One group that has a common bond of occupation or association.

(2) **Multiple common-bond credit union.**—More than one group—

(A) each of which has (within the group) a common bond of occupation or association; and

(B) the number of members, each of which (at the time the group is first included within the field of membership of a credit union described in this paragraph) does not exceed any numerical limitation applicable under subsection (d).

(3) **Community credit union.**— Persons or organizations within a well-defined local community, neighborhood, or rural district.

(c) **Exceptions.**—

(1) **Grandfathered members and groups.**—

(A) **In general.**—Notwithstanding subsection (b)—

(i) any person or organization that is a member of any Federal credit union as of the date of enactment of the Credit Union Membership Access Act may remain a member of the credit union after that date of enactment; and

(ii) a member of any group whose members constituted a portion of the membership of any Federal credit union as of that date of enactment shall continue to be eligible to become a member of that credit

union, by virtue of membership in that group, after that date of enactment.

(B) **Successors.**—If the common bond of any group referred to in subparagraph (A) is defined by any particular organization or business entity, subparagraph (A) shall continue to apply with respect to any successor to the organization or entity.

(2) **Exception for underserved areas.**— Notwithstanding subsection (b), in the case of a Federal credit union, the field of membership category of which is described in subsection (b)(2), the Board may allow the membership of the credit union to include any person or organization within a local community, neighborhood, or rural district if—

(A) the Board determines that the local community, neighborhood, or rural district—

(i) is an ‘investment area’, as defined in section 103(16) of the Community Development Banking and Financial Institutions Act of 1994, and meets such additional requirements as the Board may impose; and

(ii) is underserved, based on data of the Board and the Federal banking agencies (as defined in section 3 of the Federal Deposit Insurance Act), by other depository institutions (as defined in section 19(b)(1)(A) of the Federal Reserve Act); and

(B) the credit union establishes and maintains an office or facility in the local community, neighborhood, or rural district at which credit union services are available.

(d) **Multiple Common-Bond Credit Union Group Requirements.**—

(1) **Numerical limitation.**—Except as provided in paragraph (2), only a group with fewer than 3,000 members shall be eligible to be included in the field of membership category of a credit union described in subsection (b)(2).

(2) **Exceptions.**—In the case of any Federal credit union, the field of membership

category of which is described in subsection (b)(2), the numerical limitation in paragraph (1) of this subsection shall not apply with respect to—

(A) any group that the Board determines, in writing and in accordance with the guidelines and regulations issued under paragraph (3), could not feasibly or reasonably establish a new single common-bond credit union, the field of membership category of which is described in subsection (b)(1) because—

(i) the group lacks sufficient volunteer and other resources to support the efficient and effective operation of a credit union;

(ii) the group does not meet the criteria that the Board has determined to be important for the likelihood of success in establishing and managing a new credit union, including demographic characteristics such as geographical location of members, diversity of ages and income levels, and other factors that may affect the financial viability and stability of a credit union; or

(iii) the group would be unlikely to operate a safe and sound credit union;

(B) any group transferred from another credit union—

(i) in connection with a merger or consolidation recommended by the Board or any appropriate State credit union supervisor based on safety and soundness concerns with respect to that other credit union; or

(ii) by the Board in the Board’s capacity as conservator or liquidating agent with respect to that other credit union; or

(C) any group transferred in connection with a voluntary merger, having received conditional approval by the Administration of the merger application prior to October 25, 1996, but not having consummated the merger prior to October 25, 1996, if the merger is consummated not later than 180 days after the date of enactment of the Credit Union Membership Access Act.

(3) **Regulations and guidelines.**—The Board shall issue guidelines or regulations, after notice and opportunity for comment, setting forth the criteria that the Board will apply in determining under this subsection whether or not an additional group may be included within the field of membership category of an existing credit union described in subsection (b)(2).

**(e) Additional Membership Eligibility Provisions.**—

(1) **Membership eligibility limited to immediate family or household members.**— No individual shall be eligible for membership in a credit union on the basis of the relationship of the individual to another person who is eligible for membership in the credit union, unless the individual is a member of the immediate family or household (as those terms are defined by the Board, by regulation) of the other person.

(2) **Retention of membership.**— Except as provided in section 118, once a person becomes a member of a credit union in accordance with this title, that person or organization may remain a member of that credit union until the person or organization chooses to withdraw from the membership of the credit union.

**(f) Criteria for Approval of Expansion of Multiple Common-Bond Credit Unions.**—

(1) **In general.**—The Board shall—

(A) encourage the formation of separately chartered credit unions instead of approving an application to include an additional group within the field of membership of an existing credit union whenever practicable and consistent with reasonable standards for the safe and sound operation of the credit union; and

(B) if the formation of a separate credit union by the group is not practicable or consistent with the standards referred to in subparagraph (A), require the inclusion of the group in the field of membership of a credit union that is within reasonable proximity to the location of the group whenever practicable

and consistent with reasonable standards for the safe and sound operation of the credit union.

(2) **Approval criteria.**—The Board may not approve any application by a Federal credit union, the field of membership category of which is described in subsection (b)(2) to include any additional group within the field of membership of the credit union (or an application by a Federal credit union described in subsection (b)(1) to include an additional group and become a credit union described in subsection (b)(2)), unless the Board determines, in writing, that—

(A) the credit union has not engaged in any unsafe or unsound practice (as defined in section 206(b)) that is material during the 1-year period preceding the date of filing of the application;

(B) the credit union is adequately capitalized;

(C) the credit union has the administrative capability to serve the proposed membership group and the financial resources to meet the need for additional staff and assets to serve the new membership group;

(D) any potential harm that the expansion of the field of membership of the credit union may have on any other insured credit union and its members is clearly outweighed in the public interest by the probable beneficial effect of the expansion in meeting the convenience and needs of the members of the group proposed to be included in the field of membership; and

(E) the credit union has met such additional requirements as the Board may prescribe, by regulation.

**(g) Regulations Required for Community Credit Unions.**—

(1) **Definition of well-defined local community, neighborhood, or rural district.**—The Board shall prescribe, by regulation, a definition for the term ‘well-defined local community, neighborhood, or rural district’ for purposes of—

(A) making any determination with regard to the field of membership of a credit union described in subsection (b)(3); and

(B) establishing the criteria applicable with respect to any such determination.

(2) **Scope of application.**—The definition prescribed by the Board under paragraph (1) shall apply with respect to any application to form a new credit union, or to alter or expand the field of membership of an existing credit union, that is filed with the Board after the date of enactment of the Credit Union Membership Access Act.

## § 1760

## § 110

**Members' meetings.**—The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held, no member shall have more than one vote.

## § 1761

## § 111

**Management; board of directors; credit committee; supervisory committee; compensation.**—(a) The management of a Federal credit union shall be by a board of directors, a supervisory committee, and where the bylaws so provide, a credit committee. The board shall consist of an odd number of directors, at least five in number, to be elected annually by and from the members as the bylaws provide. Any vacancy occurring on the board shall be filled until the next annual election by appointment by the remainder of the directors.

(b) The supervisory committee shall be appointed by the board of directors and shall consist of not less than three members nor more than five members, one of whom may be a director other than the compensated officer of the board. A record of the names and

addresses of the executive officers, members of the supervisory committee, credit committee, and loan officers, shall be filed with the Administration within ten days after their election or appointment.

(c) No member of the board or of any other committee shall, as such, be compensated, except that reasonable health, accident, similar insurance protection, and the reimbursement of reasonable expenses incurred in the execution of the duties of the position shall not be considered compensation.

## § 1761a

## § 112

**Executive officers; general manager.**—At their first meeting after the annual meeting of the members, the directors shall elect from their number the board officers specified in the bylaws. Only one board officer may be compensated as an officer of the board and the bylaws shall specify such position as well as the specific duties of each of the board officers. The board shall elect from their number a financial officer who shall give adequate fidelity coverage in accordance with section 113(2) of this Act.

## § 1761b

## § 113

**Board of directors; meetings; powers and duties; executive committee; membership officers; membership applications.**—The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the Federal credit union. Minutes of all meetings shall be kept. Among other things, the board of directors shall—

(1) act upon applications for membership or appoint membership officers from among the members of the credit union, other than the board member paid as an officer, the financial board officer, any assistant to the paid officer of the board or to the financial officer, or any loan officer;

(2) provide adequate fidelity coverage for officers and employees having custody of or handling funds according to regulations issued by the Board;

(3) fill vacancies on the board of directors until successors elected at the next annual meeting have qualified;

(4) if the bylaws provide for an elected credit committee, fill vacancies on the credit committee until successors elected at the next annual meeting have qualified;

(5) appoint the members of the supervisory committee and, if the bylaws so provide, appoint the members of the credit committee;

(6) have charge of investments including the right to designate an investment committee of not less than two to act on its behalf;

(7) determine the maximum number of shares, share certificates, and share draft accounts, and the classes of shares, share certificates, and share draft accounts;

(8) subject to any limitations of this subchapter, determine the interest rates on loans, the security, and the maximum amount which may be loaned and provided in lines of credit;

(9) authorize interest refunds to members of record at the close of business on the last day of any dividend period from income earned and received in proportion to the interest paid by them during that dividend period;

(10) if the bylaws so provide, appoint one or more loan officers and delegate to these officers the power to approve or disapprove loans, lines of credit, or advances from lines of credit;

(11) establish the par value of the share;

(12) subject to the limitations of this title and the bylaws of the credit union, provide for the hiring and compensation of officers and employees;

(13) if the bylaws so provide, appoint an executive committee of not less than three directors to act on its behalf and any other committees to which it can delegate specific functions;

(14) prescribe conditions and limitations for any committee which it appoints;

(15) review at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting together with such other related information as it or the bylaws require;

(16) provide for the furnishing of the written reasons for any denial of a membership application to the applicant upon the written request of the applicant;

(17) in the absence of a credit committee, and upon the written request of a member, review a loan application denied by a loan officer;

(18) declare the dividend rate to be paid on shares, share certificates, and share draft accounts pursuant to the terms and conditions of section 117;

(19) establish and maintain a system of internal controls consistent with the regulations of the Board;

(20) establish lending policies; and

(21) do all other things that are necessary and proper to carry out all the purpose and powers of the Federal credit union, subject to regulations issued by the Board.

## § 1761c

## § 114

### **Credit committee; meetings; powers and duties; loans and lines of credit; security.—**

(a) If the bylaws provide for a credit committee, then pursuant to the provisions of the bylaws, the board of directors may appoint or the members may elect a credit committee which shall consist of an odd number of members of the credit union, but which shall not include more than one loan officer. The method used shall be set forth in the bylaws. The credit committee shall hold such meetings as the business of the Federal credit union may require, not less frequently than once a

month, to consider applications for loans or lines of credit. Reasonable notice of such meetings shall be given to all members of the committee. Except for those loans or lines of credit required to be approved by the board of directors in section 107(5) of this Act, approval of an application shall be by majority of the committee who are present at the meeting at which it is considered provided that a majority of the full committee is present. The credit committee may appoint and delegate to loan officers the authority to approve applications.

(b) If the bylaws provide for a credit committee, all applications not approved by the loan officer shall be reviewed by the credit committee, and the approval of a majority of the members who are present at the meeting when such review is undertaken shall be required to reverse the loan officer's decision provided a majority of the full committee is present. If there is not a credit committee, a member shall have the right upon written request of review by the board of directors of a loan application which has been denied. No individual shall have authority to disburse funds of the Federal credit union with respect to any loan or line of credit for which the application has been approved by him in his capacity as a loan officer.

## **§ 1761d** **§ 115**

**Supervisory committee; powers and duties; suspension of members; passbook.**— The supervisory committee shall make or cause to be made an annual audit and shall submit a report of that audit to the board of directors and a summary of the report to the members at the next annual meeting of the credit union; shall make or cause to be made such supplementary audits as it deems necessary or as may be ordered by the Board, and submit reports of the supplementary audits to the board of directors; may by a unanimous vote suspend any officer of the credit union or any member of the credit committee or of the board of directors, until the next members' meeting, which shall be held not less than seven nor more than fourteen days after any such suspension, at which meeting any such suspension shall be acted upon by the members; and may call by a majority vote a

special meeting of the members to consider any violation of this chapter, the charter, or the bylaws, or any practice of the credit union deemed by the supervisory committee to be unsafe or unauthorized. Any member of the supervisory committee may be suspended by a majority vote of the board of directors. The members shall decide, at a meeting held not less than seven nor more than fourteen days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee. The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once every two years. As used in this section, the term "passbook" shall include any book, statement of account, or other record approved by the Board for use by Federal credit unions.

## **§ 1762** **§ 116**

Repealed by P.L. 105–219, see section 216.

## **§ 1763** **§ 117**

**Dividends.**—At such intervals as the board of directors may authorize, and after provision for required reserves, the board of directors may declare a dividend to be paid at different rates on different types of shares, at different rates and maturity dates in the case of share certificates, and at different rates on different types of share draft accounts. Dividends credited may be accrued on various types of shares, share certificates, and share draft accounts as authorized by the board of directors. If the par value of a share exceeds \$5, dividends shall be paid on all funds in the regular share account once a full share has been purchased.

## **§ 1764** **§ 118**

**Expulsion and withdrawal.**—(a) Except as provided in subsection (b) of this section, a member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after opportunity has been given him to be heard.

(b) The board of directors of a Federal credit union may, by majority vote of a quorum of directors, adopt and enforce a policy with respect to expulsion from membership based on nonparticipation by a member in the affairs of the credit union. In establishing its policy, the board should consider a member's failure to vote in annual credit union elections or failure to purchase shares from, obtain a loan from, or lend to the Federal credit union. If such a policy is adopted, written notice of the policy as adopted and the effective date of such policy shall be mailed to each member of the credit union at the member's current address appearing on the records of the credit union not less than 30 days prior to the effective date of such policy. In addition, each new member shall be provided written notice of any such policy prior to or upon applying for membership.

(c) Withdrawal or expulsion of a member pursuant to either subsection (a) or (b) of this section shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in a manner specified in the bylaws.

## § 1765

## § 119

**Minors.**—Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. When shares are issued in trust, the name of the beneficiary shall be disclosed to the Federal credit union.

## § 1766

## § 120

**Powers of the Board and Administration personnel.**—(a) The Board may prescribe rules and regulations for the administration of this chapter (including, but not by way of limitation, the merger, consolidation, and dissolution of corporations organized under this chapter). Any central credit union chartered by the Board shall be subject to such rules, regulations, and orders as the Board deems appropriate and, except as otherwise specifically provided in such rules, regulations, or orders, shall be vested with or subject to the same rights, privileges, duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to all Federal credit unions under this Act.

(b)(1) The Board may suspend or revoke the charter of any Federal credit union, or place the same in involuntary liquidation and appoint a liquidating agent therefor, upon its finding that the organization is bankrupt or insolvent, or has violated any of the provisions of its charter, its bylaws, this chapter, or any regulations issued thereunder.

(2) The Board, through such persons as it shall designate, may examine any Federal credit union in voluntary liquidation and, upon its finding that such voluntary liquidation is not being conducted in an orderly or efficient manner or in the best interests of its members, may terminate such voluntary liquidation and place such organization in involuntary liquidation and appoint a liquidating agent therefor.

(3) Such liquidating agent shall have power and authority, subject to the control and supervision of the Board and under such rules and regulations as the Board may prescribe, (A) to receive and take possession of the books, records, assets, and property of every description of the Federal credit union in liquidation, to sell, enforce collection of, and liquidate all such assets and property, to compound all bad or doubtful debts, and to sue in its own name or in the name of the Federal credit union in liquidation, and defend such actions as may be brought against it as liquidating agent or against the Federal credit union; (B) to receive, examine, and pass upon all claims against the Federal credit union in liquidation, including claims of members on member accounts; (C) to make distribution and payment to creditors and members as their interests may appear; and (D) to execute such documents and papers and to do such other acts and things which it may deem necessary or desirable to discharge its duties hereunder.

(4) Subject to the control and supervision of the Board and under such rules and regulations as the Board may prescribe, the liquidating agent of a Federal credit union in involuntary liquidation shall (A) cause notice to be given to creditors and members to present their claims and make legal proof thereof, which notice shall be published once a week in each of three successive weeks in a newspaper of general circulation in each

county in which the Federal credit union in liquidation maintained an office or branch for the transaction of business on the date it ceased unrestricted operations; except that whenever the aggregate book value of the assets and property of a Federal credit union in involuntary liquidation is less than \$1,000, unless the Board shall find that its books and records do not contain a true and accurate record of its liabilities, it shall declare such Federal credit union in liquidation to be a "no publication" liquidation, and publication of notice to creditors and members shall not be required in such case; (B) from time to time make a ratable dividend on all such claims as may have been proved to its satisfaction or adjudicated in a court of competent jurisdiction and, after the assets of such organizations have been liquidated, make further dividends on all claims previously proved or adjudicated, and it may accept in lieu of a formal proof of claim on behalf of any creditor or member the statement of any amount due to such creditor or member as shown on the books and records of the credit union; but all claims not filed before payment of the final dividend shall be barred and claims rejected or disallowed by the liquidating agent shall be likewise barred unless suit be instituted thereon within three months after notice of rejection or disallowance; and (C) in a "no publication" liquidation, determine from all sources available to it, and within the limits of available funds of the Federal credit union, the amounts due to creditors and members, and after sixty days shall have elapsed from the date of its appointment distribute the funds of the Federal credit union to creditors and members ratably and as their interests may appear.

(5) Upon certification by the liquidating agent in the case of an involuntary liquidation, and upon such proof as shall be satisfactory to the Board in the case of a voluntary liquidation, that distribution has been made and that liquidation has been completed, as provided herein, the Board shall cancel the charter of such Federal credit union; but the corporate existence of the Federal credit union shall continue for a period of three years from the date of such cancellation of its charter, during which period the liquidating agent, or its duly

appointed successor, or such persons as the Board shall designate, may act on behalf of the Federal credit union for the purpose of paying, satisfying, and discharging any existing liabilities or obligations, collecting and distributing its assets, and doing all other acts required to adjust and wind up its business and affairs, and it may sue and be sued in its corporate name.

(c) After the expiration of five years from the date of cancellation of the charter of a Federal credit union the Board may, in its discretion, destroy any or all books and records of such Federal credit union in its possession or under its control.

(d) The Board is authorized and empowered to execute any and all functions and perform any and all duties vested in it hereby, through such persons as it shall designate or employ; and it may delegate to any person or persons, including any institution operating under the general supervision of the Administration, the performance and discharge of any authority, power, or function vested in it by this chapter.

(e) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Board.

(f)(1) The Board is authorized to make investigations and to conduct researches and studies of the problems of persons of small means in obtaining credit at reasonable rates of interest, and of the methods and benefits of cooperative saving and lending among such persons. It is further authorized to make reports of such investigations and to publish and disseminate the same.

(2)(A) The Board is authorized to conduct directly, or to make grants to or contracts with colleges or universities, State or local educational agencies, or other appropriate public or private nonprofit organizations to conduct programs for the training of persons engaged, or preparing to engage, in the operation of credit unions, and in related consumer counseling programs, serving the poor. It is authorized to establish a program of experimental, developmental, demonstration, and pilot projects, either directly or by grants to public or private non-

profit organizations, including credit unions, or by contracts with such organizations or other private organizations, designed to promote more effective operation of credit unions, and related consumer counseling programs, serving the poor.

(B) In carrying out its authority under this paragraph, the Board shall consult with officials of the Office of Economic Opportunity and other appropriate Federal agencies responsible for the administration of projects or programs concerned with problems of the poor. The development and operation of programs and projects under this paragraph shall involve maximum feasible participation of residents of the areas and members of the groups served by such programs and projects, with community action agencies established under the provisions of the Economic Opportunity Act of 1964 serving, to the extent feasible, as the means through which such participation is achieved.

(C) In order to carry out the purposes of this paragraph, there is authorized to be appropriated, as a supplement to any funds that may be expended by the Board pursuant to sections 105 and 106 of this Act for such purposes, not to exceed \$300,000 for the fiscal year ending June 30, 1970, and not to exceed \$1,000,000 for the fiscal year ending June 30, 1971.

(g) Any officer or employee of the Administration is authorized, when designated for the purpose by the Board, to administer oaths and affirmations and to take affidavits and depositions touching upon any matter within the jurisdiction of the Administration.

(h) The Board is authorized, empowered, and directed to require that every person appointed or elected by any Federal credit union to any position requiring the receipt, payment, or custody of money or other personal property owned by a Federal credit union, or in its custody or control as collateral or otherwise, give bond in a corporate surety company holding a certificate of authority from the Secretary of the Treasury under chapter 93 of title 31, United States Code, as an acceptable surety on Federal Bonds. Any such bond or bonds shall be in a form

approved by the Board or with a view to providing surety coverage to the Federal credit union with reference to loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction, or misapplication on the part of the person, directly or through connivance with others, and such other surety coverages as the Board may determine to be reasonably appropriate or as elsewhere required by this chapter. Any such bond or bonds shall be in such an amount in relation to the money or other personal property involved or in relation to the assets of the Federal credit union as the Board may from time to time prescribe by regulation for the purpose of requiring reasonable coverage. In lieu of individual bonds the Board may approve the use of a form of schedule or blanket bond which covers all of the officers and employees of a Federal credit union whose duties include the receipt, payment, or custody of money or other personal property for or on behalf of the Federal credit union. The Board may also approve the use of a form of excess coverage bond whereby a Federal credit union may obtain an amount of coverage in excess of the basic surety coverage.

(i) in addition to the authority conferred upon it by other sections of this Act, the Board is authorized in carrying out its functions under this Act—

(1) to appoint such personnel as may be necessary to enable the Administration to carry out its functions;

(2) to expend such funds, enter into such contracts with public and private organizations and persons, make such payments in advance or by way of reimbursement, acquire and dispose of, by lease or purchase, real or personal property, without regard to the provisions of any other law applicable to executive or independent agencies of the United States, and perform such other functions or acts as it may deem necessary or appropriate to carry out the provisions of this Act, in accordance with the rules and regulations or policies established by the Board not inconsistent with this Act.

(3) to pay stipends, including allowances for travel to and from the place of residence, to

any individual to study in a program assisted under this Act upon a determination by the Board that assistance to such individual in such studies will be in furtherance of the purposes of this Act.

(j) **Staff.**—

(1) **Appointment and compensation.**— The Board shall fix the compensation and number of, and appoint and direct, employees of the Board. Rates of basic pay for employees of the Board may be set and adjusted by the Board without regard to the provisions of chapter 51 or subchapter III of chapter 53 of title 5, United States Code.

(2) **Additional compensation and benefits.**—The Board may provide additional compensation and benefits to employees of the Board if the same type of compensation or benefits are then being provided by any other Federal bank regulatory agency or, if not then being provided, could be provided by such an agency under applicable provisions of law, rule, or regulation. In setting and adjusting the total amount of compensation and benefits for employees of the Board, the Board shall seek to maintain comparability with other Federal bank regulatory agencies.

(3) **Funding.**—The salaries and expenses of the Board and employees of the Board shall be paid from fees and assessments (including income earned on insurance deposits) levied on insured credit unions under this Act.

**§ 1767**

**§ 121**

**Fiscal agents and depositories.**—(a) Each Federal credit union organized under this chapter, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States, including the issue, sale, redemption, or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes

the Board shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this chapter, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

(b) Any Federal credit union, upon the deposit with it of any funds by the Federal Government, an Indian tribe, or any State or local government or political subdivision thereof as otherwise authorized by this Act, is authorized to pledge any of its assets securing the payment of the funds so deposited.

**§ 1768**

**§ 122**

**Taxation.**—The Federal credit unions organized hereunder, their property, their franchises, capital, reserves, surpluses, and other funds, and their income shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such Federal credit unions shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. Nothing herein contained shall prevent holdings in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders thereof in assessing taxes imposed by authority of the State or political subdivision thereof in which the Federal credit union is located; but the duty or burden of collecting or enforcing the payment of such a tax shall not be imposed upon any such Federal credit union and the tax shall not exceed the rate of taxes imposed upon holdings in domestic credit unions.

**§ 1769**

**§ 123**

**Separability of provisions; right to alter, amend, or repeal chapter.**—(a) If any provision of this chapter, or the application thereof to any person or

circumstance, is held invalid, the remainder of the chapter, and the application of such provision to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this chapter or any part thereof, or any charter issued pursuant to the provisions of this chapter, is expressly reserved.

## § 1770

## § 124

**Allotment of space in Federal buildings or Federal land.**—Notwithstanding any other provision of law, upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this chapter, which application shall be addressed to the officer or agency of the United States charged with the allotment of space on lands reserved for the use of, and under the exclusive or concurrent jurisdiction of, the United States or in the Federal buildings in the community or district in which such credit union does business, such officer or agency may in his or its discretion lease land or allot space to such credit union without charge for rent or services if at least 95 percent of the membership of the credit union to be served by the allotment of space or the facility built on the lease land is composed of persons who either are presently Federal employees or were Federal employees at the time of admission into the credit union, and members of their families, and if space is available. For the purpose of this section, the term “services” includes, but is not limited to, the providing of lighting, heating, cooling, electricity, office furniture, office machines and equipment, telephone service (including installation of lines and equipment and other expenses associated with telephone service), and security systems (including installation of and other expenses associated with security systems). Where there is an agreement for the payment of costs associated with the provision of space or services, nothing in title 31, United States Code, or any other provision of law, shall be construed to prohibit or restrict payment by reimbursement to the miscellaneous receipts or other appropriate account of the Treasury.

## § 1771

## § 125

**Conversion from Federal to State credit union and from State to Federal credit union.**—(a) A Federal credit union may be converted into a State credit union under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, by complying with the following requirements:

(1) The proposition for such conversion shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the directors of the Federal credit union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members of the credit union who vote on the proposal. The written notice of the proposition shall in bold face type state that the issue will be decided by a majority of the members who vote.

(2) A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, shall be filed with the Administration within ten days after the vote is taken.

(3) Promptly after the vote is taken and in no event later than ninety days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the applicable State law to make it a State credit union, and within ten days after receipt of the State credit union charter there shall be filed with the Administration a copy of the charter thus issued. Upon such filing the credit union shall cease to be a Federal credit union.

(4) Upon ceasing to be a Federal credit union, such credit union shall no longer be

subject to any of the provisions of this chapter. The successor State credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the Federal credit union to the same extent as though the conversion had not taken place.

(b)(1) A State credit union, organized under the laws of any State, the District of Columbia, the several Territories and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, may be converted into a Federal credit union by (A) complying with all State requirements requisite to enabling it to convert to a Federal credit union or to cease being a State credit union, (B) filing with the Administration proof of such compliance, satisfactory to the Board, and (C) filing with the Administration an organization certificate as required by this chapter.

(2) When the Board has been satisfied that all of such requirements, and all other requirements of this chapter, have been complied with, the Board shall approve the organization certificate. Upon such approval, the State credit union shall become a Federal credit union as of the date it ceases to be a State credit union. The Federal credit union shall be vested with all of the assets and shall continue responsible for all of the obligations of the State credit union to the same extent as though the conversion had not taken place.

## § 1772 § 126

**Territorial application of chapter.**—The provisions of this chapter shall apply to the several States, the District of Columbia, the several Territories, including the trust territories, and possessions of the United States, the Panama Canal Zone, and the Commonwealth of Puerto Rico.

## § 1772a § 127

**Gifts; acceptance of conditional gifts; deposit.**—The Board is authorized to accept gifts of money made unconditionally by will or otherwise for the carrying out of any of the functions under this chapter. A conditional gift of money made by will or otherwise for such purposes may be accepted and used in accordance with its conditions, but no such

gift shall be accepted which is conditioned upon any expenditure not to be met therefrom or from income thereof unless the Board determines that supplementation of such gift from the fees it may expend pursuant to sections 1755 and 1756 of this title or from any funds appropriated pursuant to section 1766(f)(2)(C) of this title for the purpose of making such expenditure will not adversely affect the sound administration of this chapter. Any such gift shall be deposited in the Treasury of the United States for the account of the Administration and may be expended in accordance with section 1755 or as provided in the preceding sentence.

## § 1772b § 128

**Apportionment.**—Notwithstanding any other provision of law, funds received by the Board pursuant to any method provided by this Act, and interest, dividend, or other income thereon, shall not be subject to apportionment for the purpose of chapter 15 of title 31, United States Code, or under any other authority.

## § 1772c § 129

**Trust Fund.**—Notwithstanding any other provision of law, all moneys of the Board shall be treated as trust funds for the purpose of section 256(a)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985. This section is effective for fiscal year 1986 and every fiscal year thereafter.

## § 1772c-1 § 130

**Community Development Revolving Loan Fund for Credit Unions.**

(a) **In General.**—The Board may exercise the authority granted to it by the Community Development Credit Union Revolving Loan Fund Transfer Act, including any additional appropriation made or earnings accrued, subject only to this section and to regulations prescribed by the Board.

(b) **Investment.**—The Board may invest any idle Fund moneys in United States Treasury securities. Any interest accrued such securities shall become a part of the Fund.

(c) **Loans.**—The Board may require that any loans made from the Fund be matched by increased shares in the borrower credit union.

(d) **Interest.**—Interest earned by the Fund may be allocated by the Board for technical assistance to community development credit unions, subject to an appropriations Act.

(e) **Definitions.**—As used in this section, the term ‘Fund’ means the Community Development Credit Union Revolving Loan Fund.

## § 1772d

## § 131

### **Forfeiture of Organization Certificate for Money Laundering or Case Transaction Reporting Offenses.—**

#### **(a) Forfeiture of Franchise for Money Laundering or Cash Transaction Reporting Offenses.—**

##### **(1) Conviction of Title 18 offenses.—**

(A) **Duty to notify.**—If a credit union has been convicted of any criminal offense under section 1956 or 1957 of Title 18, United States Code, the Attorney General shall provide to the Board a written notification of the conviction and shall include a certified copy of the order of conviction from the court rendering the decision.

(B) **Notice of termination: pretermination hearing.**—After receiving writing notification from the Attorney General of such a conviction, the Board shall issue to such credit union a notice of its intention to terminate all rights, privileges, and franchises of the credit union and schedule a pretermination hearing.

(2) **Conviction of Title 31 offenses.**—If a credit union is convicted of any criminal offense, under section 5322 or 5324 of title 31, United States Code, after receiving written notification from the Attorney General, the Board may issue to such credit union a notice of its intention to terminate all rights, privileges, and franchises of the credit union and schedule a pretermination hearing.

(3) **Judicial review.**—Section 206(j) shall apply to any proceeding under this section.

(b) **Factors to be considered.**—In determining whether a franchise shall be forfeited under subsection (a), the Board shall take into account the following factors:

(1) The extent to which directors, committee members, or senior executive officers (as defined by the Board in regulations which the Board shall prescribe) of the credit union knew of, or were involved in, the commission of the money laundering offense of which the credit union was found guilty.

(2) The extent to which the offense occurred despite the existence of policies and procedures within the credit union which were designed to prevent the occurrence of any such offense.

(3) The extent to which the credit union has fully cooperated with law enforcement authorities with respect to the investigation of the money laundering offense of which the credit union was found guilty.

(4) The extent to which the credit union has implemented additional internal controls (since the commission of the offense of which the credit union was found guilty) to prevent the occurrence of any other money laundering offense.

(5) The extent to which the interest of the local community in having adequate deposit and credit services available would be threatened by the forfeiture of the franchise.

(c) **Successor liability.**—This section shall not apply to a successor to the interests of, or a person who acquires, a credit union that violated a provision of law described in subsection (a), if the successor succeeds to the interests of the violator, or the acquisition is made, in good faith and not for purposes of evading this section or regulations prescribed under this section.

## Title II—Share Insurance

### § 1781

### § 201

#### Insurance of member accounts.—

(a) The Board, as hereinafter provided, shall insure the member accounts of all Federal credit unions and it may insure the member accounts of (1) credit unions organized and operated according to the laws of any State, the District of Columbia, the several territories, including the trust territories, and possessions of the United States, the Panama Canal Zone, or the Commonwealth of Puerto Rico, and (2) credit unions organized and operating under the jurisdiction of the Department of Defense if such credit unions are operating in compliance with the requirements of title I of this Act and regulations issued thereunder.

(b) Application for insurance of member accounts shall be made immediately by each Federal credit union and may be made at any time by a State credit union or a credit union operating under the jurisdiction of the Department of Defense. Applications for such insurance shall be in such form as the Board shall provide and shall contain an agreement by the applicant—

(1) to pay the reasonable cost of such examinations as the Board may deem necessary in connection with determining the eligibility of the applicant for insurance: *Provided*, That examinations required under title I of this Act shall be so conducted that the information derived therefrom may be utilized for share insurance purposes, and examinations conducted by State regulatory agencies shall be utilized by the Board for such purposes to the maximum extent feasible;

(2) to permit and pay the reasonable cost of such examinations as in the judgment of the Board may from time to time be necessary for the protection of the fund and of other insured credit unions;

(3) to permit the Board to have access to any information or report with respect to any examination made by or for any public regulatory authority, including any commission, board, or authority having supervision of a State-chartered credit union, and furnish such additional information with respect thereto as the Board may require;

(4) to provide protection and indemnity against burglary, defalcation, and other similar insurable losses, of the type, in the form, and in an amount at least equal to that required by the laws under which the credit union is organized and operates;

(5) to maintain such regular reserves as may be required by the laws of the State, district, territory, or other jurisdiction pursuant to which it is organized and operated, in the case of a state-chartered credit union, or as may be required by this Act, in the case of a Federal credit union;

(6) to maintain such special reserves as the Board, by regulation or in special cases, may require for protecting the interest of members or to assure that all insured credit unions maintain regular reserves which are not less than those required under title I of this Act;

(7) not to issue or have outstanding any account or security the form of which, by regulation or in special cases, has not been approved by the Board except for accounts authorized by State law for State credit unions;

(8) to pay and maintain its deposit and to pay the premium charges for insurance imposed by this title; and

(9) to comply with the requirements of this title and of regulations prescribed by the Board pursuant thereto.

(c)(1) Before approving the application of any credit union for insurance of its member accounts, the Board shall consider—

(A) the history, financial condition, and management policies of the applicant;

(B) the economic advisability of insuring the applicant without undue risk of the fund;

(C) the general character and the fitness of the applicant's management;

(D) the convenience and needs of the members to be served by the applicant; and

(E) whether the applicant is a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes.

(2) The Board shall disapprove the application of any credit union for insurance of its member accounts if it finds that its reserves are inadequate, that its financial condition and policies are unsafe or unsound, that its management is unfit, that insurance of its member accounts would otherwise involve undue risk to the fund, or that its powers and purposes are inconsistent with the promotion of thrift among its members and the creation of a source of credit for provident or productive purposes.

(d) Upon the approval of any application for insurance, the Board shall notify the applicant and shall issue to it a certificate evidencing the fact that it is, as of the date of issuance of the certificate, an insured credit union under the provisions of this title.

(e) **Prohibition on certain associations.—**

(1) **In general.**—No insured credit union may be sponsored by or accept financial support, directly or indirectly, from any Government-sponsored enterprise, if the credit union includes the customers of the Government-sponsored enterprise in the field of membership of the credit union.

(2) **Routine business financing.**—Paragraph (1) shall not apply with respect to advances or other forms of financial assistance generally provided by a Government-

sponsored enterprise in the ordinary course of business of the enterprise.

(3) **Government-sponsored enterprise defined.**—For purposes of this subsection, the term 'Government-sponsored enterprise' has the meaning given to such term in section 1404(e)(1)(A) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

(4) **Employee credit union.**—No provision of this subsection shall be construed as prohibiting any employee of a Government-sponsored enterprise from becoming a member of a credit union whose field of membership is the employees of such enterprise.

## § 1782

## § 202

### **Administration of insurance fund.—**

(a)(1) Each insured credit union shall make reports of condition to the Board upon dates which shall be selected by it. Such reports of condition shall be in such form and shall contain such information as the Board may require. The reporting dates selected for reports of condition shall be the same for all insured credit unions except that when any of said reporting dates is a nonbusiness day for any credit union the preceding business day shall be its reporting date. The total amount of the member accounts of each insured credit union as of each reporting date shall be reported in such reports of condition in accordance with regulations prescribed by the Board. Each report of condition shall contain a declaration by the president, by a vice president, by the treasurer, or by any other officer designated by the board of directors of the reporting credit union to make such declaration, that the report is true and correct to the best of such officer's knowledge and belief. Unless such requirement is waived by the Board, the correctness of each report of condition shall be attested by the signatures of three of the officers of the reporting credit union with the declaration that the report has been examined by them and to the best of their knowledge and belief is true and correct.

(2) The Board may call for such other reports as it may from time to time require.

(3) The Board may require reports of condition to be published in such manner, not inconsistent with any applicable law, as it may direct. Any insured credit union which maintains procedures reasonably adapted to avoid any inadvertent error and, unintentionally and as a result of such an error, fails to submit or publish any report required under this subsection or section 106, within the period of time specified by the Board, or submits or publishes any false or misleading report or information, or inadvertently transmits or publishes any report which is minimally late, shall be subject to a penalty of not more than \$2,000 for each day during which such failure continues or such false or misleading information is not corrected. The insured credit union shall have the burden of proving that an error was inadvertent and that a report was inadvertently transmitted or published late. Any insured credit union which fails to submit or publish any report required under this subsection or section 106, within the period of time specified by the Board, or submits or publishes any false or misleading report or information, in a manner not described in the 2nd preceding sentence shall be subject to a penalty of not more than \$20,000 for each day during which such failure continues or such false or misleading information is not corrected. Notwithstanding the preceding sentence, if any insured credit union knowingly or with reckless disregard for the accuracy of any information or report described in such sentence submits or publishes any false or misleading report or information, the Board may assess a penalty of not more than \$1,000,000 or 1 percent of total assets of such credit union, whichever is less, per day for each day during which such failure continues or such false or misleading information is not corrected. Any penalty imposed under any of the 4 preceding sentences shall be assessed and collected by the Board in the manner provided in section 206(k)(2) (for penalties imposed under such section) and any such assessment (including the determination of the amount of the penalty) shall be subject to the provisions of such section. Any insured credit union against which any penalty is assessed under this subsection shall be afforded an agency hearing if such insured credit union submits a request for such hearing within 20 days after the

issuance of the notice of assessment. Section 206(j) shall apply to any proceeding under this subsection.

(4) The Board may accept any report of condition made to any commission, board, or authority having supervision of a State-chartered credit union and may furnish to any such commission, board, or authority reports of condition made to the Board.

(5) Reports required under title I of this Act shall be so prepared that they can be used for share insurance purposes. To the maximum extent feasible, the Board shall use for insurance purposes reports submitted to State regulatory agencies by State-chartered credit unions.

**(6) Audit requirement.—**

(A) **In general.**—Before the end of the 120-day period beginning on the date of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 and notwithstanding any other provision of Federal or State law, the Board shall prescribe, by regulation, audit standards which require an outside, independent audit of any insured credit union by a certified public accountant for any fiscal year (of such credit union)—

(i) for which such credit union has not conducted an annual supervisory committee audit;

(ii) for which such credit union has not received a complete and satisfactory supervisory committee audit; or

(iii) during which such credit union has experienced persistent and serious record-keeping deficiencies, as determined by the Board.

(B) **Unsafe or unsound practice.**—The Board may treat the failure of any insured credit union to obtain an outside, independent audit for any fiscal year for which such audit is required under subparagraph (A) or (D) as an unsafe or unsound practice within the meaning of section 206(b).

**(C) Accounting principles.—**

(i) **In general.**—Accounting principles applicable to reports or statements required to be filed with the Board by each insured credit union shall be uniform and consistent with generally accepted accounting principles.

(ii) **Board determination.**—If the Board determines that the application of any generally accepted accounting principle to any insured credit union is not appropriate, the Board may prescribe an accounting principle for application to the credit union that is no less stringent than generally accepted accounting principles.

(iii) **De minimus exception.**—This subparagraph shall not apply to any insured credit union, the total assets of which are less than \$10,000,000, unless prescribed by the Board or an appropriate State credit union supervisor.

**(D) Large credit union audit requirement.—**

(i) **In general.**—Each insured credit union having total assets of \$500,000,000 or more shall have an annual independent audit of the financial statements of the credit union, performed in accordance with generally accepted auditing standards by an independent certified public accountant or public accountant licensed by the appropriate State or jurisdiction to perform those services.

(ii) **Voluntary audits.**—If a Federal credit union that is not required to conduct an audit under clause (i), and that has total assets of more than \$10,000,000 conducts such an audit for any purpose, using an independent auditor who is compensated for his or her audit services with respect to that audit, the audit shall be performed consistent with the accountancy laws of the appropriate State or jurisdiction, including licensing requirements.

**(7) Report to independent auditor.—**

(A) **In general.**—Each insured credit union which has engaged the services of an independent auditor to audit such depository

institution within the past 2 years shall transmit to such auditor a copy of the most recent report of condition made by such credit union (pursuant to this Act or any other provision of law) and a copy of the most recent report of examination received by such credit union.

(B) **Additional information.**—In addition to the copies of the reports required to be provided to an auditor under subparagraph (A), each insured credit union shall provide such auditor with—

(i) a copy of any supervisory memorandum of understanding with such credit union and any written agreement between the Board or a State regulatory agency and the credit union which is in effect during the period covered by the audit; and

(ii) a report of any action initiated or taken by the Board during such period under subsection (e), (f), (g), (i), (l), or (q) of section 206, or any similar action taken by a State regulatory agency under State law, or any other civil money penalty assessed by the Board under this Act with respect to—

(I) the credit union; or

(II) any institution-affiliated party.

(8) **Data sharing with other Agencies and persons**—In addition to reports of examination, reports of condition, and other reports required to be regularly provided to the Board (with respect to all insured credit unions, including a credit union for which the Corporation\* has been appointed conservator or liquidating agent) or an appropriate State commission, board, or authority having supervision of a State-chartered credit union, the Board may, in the discretion of the Board, furnish any report of examination or other confidential supervisory information concerning any credit union or

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\* This provision is based on a similar provision amending the Federal Deposit Insurance Act. The word ‘Corporation’ should probably be changed to ‘Board’ as it appears throughout this provision.

other entity examined by the Board under authority of any Federal law, to –

(A) any other Federal or State agency or authority with supervisory or regulatory authority over the credit union or other entity;

(B) any officer, director, or receiver of such credit union or entity; and

(C) any other person that the Board determines to be appropriate.

**(b) Certified Statement.—**

**(1) Statement required.—**

(A) **In general.**—For each calendar year, in the case of an insured credit union with total assets of not more than \$50,000,000, and for each semi-annual period in the case of an insured credit union with total assets of \$50,000,000 or more, an insured credit union shall file with the Board, at such time as the Board prescribes, a certified statement showing the total amount of insured shares in the credit union at the close of the relevant period and both the amount of its deposit or adjustment of deposit and the amount of the insurance charge due to the Fund for that period, both as computed under subsection (c).

(B) **Exception for newly insured credit union.**—Subparagraph (A) shall not apply with respect to a credit union that became insured during the reporting period.

(2) **Form.**—The certified statements required to be filed with the Board pursuant to this subsection shall be in such form and shall set forth such supporting information as the Board shall require.

(3) **Certification.**—The president of the credit union or any officer designated by the board of directors shall certify, with respect to each statement required to be filed with the Board pursuant to this subsection, that to the best of his or her knowledge and belief the statement is true, correct, complete, and in accordance with this title and the regulations issued under this title.

(c)(1)(A)(i) Each insured credit union shall pay to and maintain with the National Credit Union Share Insurance Fund a deposit in an amount equaling 1 per centum of the credit union's insured shares.

(ii) The Board may, in its discretion, authorize insured credit unions to initially fund such deposit over a period of time in excess of one year if necessary to avoid adverse effects on the condition of insured credit unions.

(iii) **Periodic adjustment.**—The amount of each insured credit union's deposit shall be adjusted as follows, in accordance with procedures determined by the Board, to reflect changes in the credit union's insured shares.

(I) annually, in the case of an insured credit union with total assets of not more than \$50,000,000; and

(II) semi-annually, in the case of an insured credit union with total assets of \$50,000,000 or more.

(B)(i) The deposit shall be returned to an insured credit union in the event that its insurance coverage is terminated, it converts to insurance coverage from another source, or in the event the operations of the fund are transferred from the National Credit Union Administration Board;

(ii) The deposit shall be returned in accordance with procedures and valuation methods determined by the Board, but in no event shall the deposit be returned any later than one year after the final date on which no shares of the credit union are insured by the Board.

(iii) The deposit shall not be returned in the event of liquidation on account of bankruptcy or insolvency.

(iv) The deposit funds may be used by the fund if necessary to meet its expenses, in which case the amount so used shall be expensed and shall be replenished by insured credit unions in accordance with procedures established by the Board.

**(2) Insurance premium charges.—**

**(A) In general.**—Each insured credit union shall, at such times as the Board prescribes (but not more than twice in any calendar year), pay to the Fund a premium charge for insurance in an amount stated as a percentage of insured shares (which shall be the same for all insured credit unions).

**(B) Relation of premium charge to equity ratio of Fund.**—The Board may assess a premium charge only if—

(i) the Fund's equity ratio is less than 1.3 percent; and

(ii) the premium charge does not exceed the amount necessary to restore the equity ratio to 1.3 percent.

**(C) Premium charge required if equity ratio falls below 1.2 percent.**—If the Fund's equity ratio is less than 1.2 percent, the Board shall, subject to subparagraph (B), assess a premium charge in such an amount as the Board determines to be necessary to restore the equity ratio to, and maintain that ratio at, 1.2 percent.

**(3) Distributions from Fund required.—**

**(A) In general.**—The Board shall effect a pro rata distribution to insured credit unions after each calendar year if, as of the end of that calendar year—

(i) any loans to the Fund from the Federal Government, and any interest on those loans, have been repaid;

(ii) the Fund's equity ratio exceeds the normal operating level; and

(iii) the Fund's available assets ratio exceeds 1.0 percent.

**(B) Amount of distribution.**—The Board shall distribute under subparagraph (A) the maximum possible amount that—

(i) does not reduce the Fund's equity ratio below the normal operating level; and

(ii) does not reduce the Fund's available assets ratio below 1.0 percent.

**(C) Calculation based on certified statements.**—In calculating the Fund's equity ratio and available assets ratio for purposes of this paragraph, the Board shall determine the aggregate amount of the insured shares in all insured credit unions from insured credit unions certified statements under subsection (b) for the final reporting period of the calendar year referred to in subparagraph (A).

**(4) Timeliness and accuracy of data.**—In calculating the available assets ratio and equity ratio of the Fund, the Board shall use the most current and accurate data reasonably available.

(d)(1) Any insured credit union which fails to make any report of condition under subsection (a) of this section or to file any certified statement required to be filed by it in connection with determining the amount of its deposit or any premium charge for insurance may be compelled to make such report or to file such statement by mandatory injunction or other appropriate remedy in a suit brought for such purpose by the Board against the credit union and any officer or officers thereof. Any such suit may be brought in any court of the United States of competent jurisdiction in the district or territory in which the principal office of the credit union is located.

**(2) Penalty for failure to make accurate certified statement or to pay deposit or premium.—**

**(A) First tier.**—Any insured credit union which—

(i) maintains procedures reasonably adapted to avoid any inadvertent error and, unintentionally and as a result of such an error, fails to submit any certified statement under subsection (b)(1) within the period of time required or submits a false or misleading certified statement under such subsection; or

(ii) submits the statement at a time which is minimally after the time required, shall be subject to a penalty of not

more than \$2,000 for each day during which such failure continues or such false and misleading information is not corrected. The insured credit union shall have the burden of proving that an error was inadvertent or that a statement was inadvertently submitted late.

(B) **Second tier.**—An insured credit union which—

(i) fails to submit any certified statement under subsection (b)(1) within the period of time required or submits a false or misleading certified statement in a manner not described in subparagraph (A); or

(ii) fails or refuses to pay any deposit or premium for insurance required under this title, shall be subject to a penalty of not more than \$20,000 for each day during which such failure continues, such false and misleading information is not corrected, or such deposit or premium is not paid.

(C) **Third tier.**—Notwithstanding subparagraphs (A) and (B), if any insured credit union knowingly or with reckless disregard for the accuracy of any certified statement under subsection (b)(1) or submits a false or misleading certified statement under such subsection, the Board may assess a penalty of not more than \$1,000,000 or not more than 1 percent of the total assets of the institution, whichever is less, per day for each day during which the failure continues or the false or misleading information in such statement is not corrected.

(D) **Assessment procedure.**—Any penalty imposed under this paragraph shall be assessed and collected by the Board in the manner provided in section 206(k)(2) (for penalties imposed under such section) and any such assessment (including the determination of the amount of the penalty) shall be subject to the provisions of such section.

(E) **Hearing.**—Any insured credit union against which any penalty is assessed under this paragraph shall be afforded an agency hearing if the credit union submits a request for such hearing within 20 days after the issuance of the notice of the assessment. Section 206(j) shall apply to any proceeding under this subparagraph.

(F) **Special rule for disputed payments.**—No penalty may be assessed for the failure of any insured credit union to pay any deposit or premium for insurance if—

(i) the failure is due to a dispute between the credit union and the Board over the amount of the deposit or premium which is due from the credit union; and

(ii) the credit union deposits security satisfactory to the Board for payment of the deposit or insurance premium upon final determination of the dispute.

(3) No insured credit union shall pay any dividends on its insured shares or distribute any of its assets while it remains in default in the payment of its deposit or any premium charge for insurance due to the fund. Any director or officer of any insured credit union who knowingly participates in the declaration or payment of any such dividend or in any such distribution shall, upon conviction, be fined not more than \$1,000 or imprisoned not more than one year, or both. The provisions of this paragraph shall not be applicable in any case in which the default is due to a dispute between the credit union and the Board over the amount of its deposit or the premium charge due to the fund if the credit union deposits security satisfactory to the Board for payment of its deposit or the premium charge upon final determination of the issue.

(e) The Board, in a suit brought at law or in equity in any court of competent jurisdiction, shall be entitled to recover from any insured credit union the amount of any unpaid deposit or premium charge for insurance lawfully payable by the credit union to the fund, whether or not such credit union shall have made any report of condition under subsection (a) of this section or filed any certified statement required under subsection (b) of this section and whether or not suit shall have been brought to compel the credit union to make any such report or to file any such statement. No action or proceeding shall be brought for the recovery of any deposit or premium charge due to the fund, or for the recovery of any amount paid to the fund in excess of the amount due it, unless such action or proceeding shall have been brought within

five years after the right accrued for which the claim is made. Where the insured credit union has made or filed with the Board a false or fraudulent certified statement with the intent to evade, in whole or in part, the payment of its deposit or any premium charge, the claim shall not be deemed to have accrued until the discovery by the Board of the fact that the certified statement is false or fraudulent.

(f) Should any Federal credit union fail to make any report of condition under subsection (a) of this section or to file any certified statement required to be filed under subsection (b) of this section or to pay its deposit or any premium charge for insurance required to be paid under any provision of this title, and should the credit union fail to correct such failure within thirty days after written notice has been given by the Board to an officer of the credit union citing this subsection and stating that the credit union has failed to make any such report or file any such statement or pay any such deposit or premium charge as required by law, all the rights, privileges, and franchises of the credit union granted to it under title I of this Act shall be thereby forfeited. Whether or not the penalty provided in this subsection has been incurred shall be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which the principal office of such credit union is located, under direction of and by the Board in its own name, before the credit union shall be declared dissolved. The remedies provided in this subsection and in subsections (d) and (e) of this section shall not be construed as limiting any other remedies against any insured credit union but shall be in addition thereto.

(g) Each insured credit union shall maintain such records as will readily permit verification of the correctness of its reports of condition, certified statements, deposits and premium charges for insurance. However, no insured credit union shall be required to retain such records for such purpose for a period in excess of five years from the date of the making of any such report, the filing of any such statement, or the payment of any deposit or adjustment thereof or any premium charge, except that when there is a dispute between the insured credit union and the

Board over the amount of any deposit or adjustment thereof or any premium charge, for insurance the credit union shall retain such records until final determination of the issue.

(h) **Definitions.**—For purposes of this section, the following definitions shall apply:

(1) **Available assets ratio.**—The term ‘available assets ratio’, when applied to the Fund, means the ratio of—

(A) the amount determined by subtracting—

(i) direct liabilities of the Fund and contingent liabilities for which no provision for losses has been made, from

(ii) the sum of cash and the market value of unencumbered investments authorized under section 203(c), to

(B) the aggregate amount of the insured shares in all insured credit unions.

(2) **Equity ratio.**—The term ‘equity ratio’, when applied to the Fund, means the ratio of—

(A) the amount of Fund capitalization, including insured credit unions’ 1 percent capitalization deposits and the retained earnings balance of the Fund (net of direct liabilities of the Fund and contingent liabilities for which no provision for losses has been made); to

(B) the aggregate amount of the insured shares in all insured credit unions.

(3) **Insured shares.**—The term ‘insured shares’, when applied to this section, includes share, share draft, share certificate, and other similar accounts as determined by the Board, but does not include amounts exceeding the insured account limit set forth in section 207(k)(1).

(4) **Normal operating level.**—The term ‘normal operating level’, when applied to the Fund, means an equity ratio specified by the Board, which shall be not less than 1.2 percent and not more than 1.5 percent.

## § 1783

## § 203

**National Credit Union Share Insurance Fund.**—(a) There is hereby created in the Treasury of the United States a National Credit Union Share Insurance Fund which shall be used by the Board as a revolving fund for carrying out the purposes of this title. Money in the fund shall be available upon requisition by the Board, without fiscal year limitation, for making payments of insurance under section 207 of this title, for providing assistance and making expenditures under section 208 of this title in connection with the liquidation or threatened liquidation of insured credit unions, and for such administrative and other expenses incurred in carrying out the purposes of this title as it may determine to be proper.

(b) All deposits and premium charges for insurance paid pursuant to the provisions of section 202 of this title and all fees for examination and all penalties collected by the Board under any provision of this title shall be deposited in the National Credit Union Share Insurance Fund. The Board shall report annually to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives with respect to the operating level of the fund. Such report shall also include the results of an independent audit of the fund.

(c) The Board may authorize the Secretary of the Treasury to invest and reinvest such portions of the fund as the Board may determine are not needed for current operations in any interest-bearing securities of the United States or in any securities guaranteed as to both principal and interest by the United States or in bonds or other obligations which are lawful investments for fiduciary, trust, and public funds of the United States, and the income therefrom shall constitute a part of the fund.

(d)(1) If, in the judgment of the Board, a loan to the fund is required at any time for carrying out the purposes of this title, the Secretary of the Treasury shall make the loan, but loans under this paragraph shall not exceed in the aggregate \$100,000,000

outstanding at any one time. Except as otherwise provided in this subsection and in subsection (e) of this section, each loan under this paragraph shall be made on such terms as may be fixed by agreement between the Board and the Secretary of the Treasury.

(2) Interest shall accrue to the Treasury on the amount of any outstanding loans made to the fund pursuant to paragraph (1) of this subsection on the basis of the average daily amount of such outstanding loans determined at the close of each fiscal year with respect to such year, and the Board shall pay the interest so accruing into the Treasury as miscellaneous receipts annually from the fund. The Secretary of the Treasury shall determine the applicable interest rate in advance by calculating the average yield to maturity (on the basis of daily closing market bid quotations during the month of September of the preceding fiscal year) on outstanding marketable public debt obligations of the United States having a maturity date of five or less years from the first day of such month of September and by adjusting such yield to the nearest one-eighth of 1 per centum.

(3) For the purpose of making loans under paragraph (1) of this subsection, the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds of the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under the Second Liberty Bond Act, as amended, are hereby extended to include such loans. All loans and repayments under this section shall be treated as public debt transactions of the United States.

(e) So long as any loans to the fund are outstanding, the Board shall from time to time, not less often than annually, determine whether the balance in the fund is in excess of the amount which, in its judgment, is needed to meet the requirements of the fund and shall pay such excess to the Secretary of the Treasury, to be credited against the loans to the fund.

(f) In addition to the authority to borrow from the Secretary of the Treasury provided in subsection (d), if in the judgment of the Board, a loan to the fund is required at any time for

carrying out the purposes of this title, the fund is authorized to borrow from the National Credit Union Administration Central Liquidity Facility.

## § 1784

**Examination of insured credit unions.**—(a) The Board shall appoint examiners who shall have power, on its behalf, to examine any insured credit union, any credit union making application for insurance of its member accounts, or any closed insured credit union whenever in the judgment of the Board an examination is necessary to determine the condition of any such credit union for insurance purposes. Each examiner shall have power to make a thorough examination of all of the affairs of the credit union and shall make a full and detailed report of the condition of the credit union to the Board. The Board in like manner shall appoint claim agents who shall have power to investigate and examine all claims for insured member accounts. Each claim agent shall have power to administer oaths and affirmations, to examine and to take and preserve testimony under oath as to any matter in respect to claims for insured accounts, and to issue subpoenas and subpoenas duces tecum and, for the enforcement thereof, to apply to the United States district court for the judicial district or the United States court in any territory in which the principal office of the credit union is located or in which the witness resides or carries on business. Such courts shall have jurisdiction and power to order and require compliance with any such subpoena.

(b) In connection with examinations of insured credit unions, or with other types of investigations to determine compliance with applicable law and regulations, the Board, or its designated representatives, shall have power to administer oaths and affirmations, to examine and to take and preserve testimony under oath as to any matter in respect of the affairs of any such credit union, and to issue subpoenas and subpoenas duces tecum and to exercise such other powers as are set forth in section 206(p), and, for the enforcement thereof, to apply to the United States district court for the judicial district or the United

States court in any territory in which the principal office of the credit union is located or in which the witness resides or carries on business. Such courts shall have jurisdiction and power to order and require compliance with any such subpoena.

(c) In cases of refusal to obey a subpoena issued to, or contumacy by, any person, the Board may invoke the aid of any court of the United States within the jurisdiction of which such hearing, examination, or investigation is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, records, or other papers. Such court may issue an order requiring such person to appear before the Board, or before a person designated by it, there to produce records, if so ordered, or to give testimony touching the matter in question. Any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or carries on business or wherever he may be found. No person shall be excused from attending and testifying or from producing books, records, or other papers in obedience to a subpoena issued under the authority of this title on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to penalty or forfeiture, but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled to testify or produce evidence, documentary or otherwise, after having claimed his privilege against self-incrimination, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

(d) The Administration may accept any report of examination made by or to any commission, board, or authority having supervision of a State-chartered credit union and may furnish to any such commission, board, or authority reports of examination made on behalf of the Board.

**(e) Flood Insurance Compliance by Insured Credit Unions.—**

(1) **Examination.**—The Board shall, during each examination conducted under this section, determine whether the insured credit union is complying with the requirements of the national flood insurance program.

**(2) Report.—**

(A) **Requirement.**—Not later than 1 year after the date of enactment of the Riegle Community Development and Regulatory Improvement Act of 1944 and biennially thereafter for the next 4 years, the Board shall submit a report to the Congress on compliance by insured credit unions with the requirements of the national flood insurance program.

(B) **Contents.**—The report shall include a description of the methods used to determine compliance, the number of insured credit unions examined during the reporting year, a listing and total number of insured credit unions found not to be in compliance, actions taken to correct incidents of noncompliance, and an analysis of compliance, including a discussion of any trends, patterns, and problems, and recommendations regarding reasonable actions to improve the efficiency of the examinations processes.

(f) **Access to Liquidity.**—The Board shall—

(1) periodically assess the potential liquidity needs of each insured credit union, and the options that the credit union has available for meeting those needs; and

(2) periodically assess the potential liquidity needs of insured credit unions as a group, and the options that insured credit unions have available for meeting those needs.

(g) **Sharing Information With Federal Reserve Banks.**—The Board shall, for the purpose of facilitating insured credit unions' access to liquidity, make available to the Federal reserve banks (subject to appropriate assurances of confidentiality) information relevant to making advances to such credit

unions, including the Board's reports of examination.

**§ 1785**

**§ 205**

**Requirements governing insured credit unions.—**

**(a) Insurance logo. –**

**(1) Insured credit unions. –**

(A) **In general.** – Each insured credit union shall display at each place of business maintained by that credit union a sign or signs relating to the insurance of the share accounts of the institution, in accordance with regulations to be prescribed by the Board.

(B) **Statement to be included. –** Each sign required under subparagraph (A) shall include a statement that insured share accounts are backed by the full faith and credit of the United States Government.

(2) **Regulations.** – The Board shall prescribe regulations to carry out this subsection, including regulations governing the substance of signs required by paragraph (1) and the manner of display or use of such signs.

(3) **Penalties.** – For each day that an insured credit union continues to violate this subsection or any regulation issued under this subsection, it shall be subject to a penalty of not more than \$100, which the Board may recover for its use.

(b)(1) Except as provided in paragraph (2), no insured credit union shall, without the prior approval of the Board;

(A) merge or consolidate with any non-insured credit union or institution;

(B) assume liability to pay any member accounts in, or similar liabilities of, any non-insured credit union or institution;

(C) transfer assets to any noninsured credit union or institution in consideration of the assumption of liabilities for any portion of

the member accounts in such insured credit union; or

(D) convert into a noninsured credit union or institution.

**(2) Conversion of insured credit unions to mutual savings banks.—**

(A) **In general.**—Notwithstanding paragraph (1), an insured credit union may convert to a mutual savings bank or savings association (if the savings association is in mutual form), as those terms are defined in section 3 of the Federal Deposit Insurance Act, without the prior approval of the Board, subject to the requirements and procedures set forth in the laws and regulations governing mutual savings banks and savings associations.

(B) **Conversion proposal.**—A proposal for a conversion described in subparagraph (A) shall first be approved, and a date set for a vote thereon by the members (either at a meeting to be held on that date or by written ballot to be filed on or before that date), by a majority of the directors of the insured credit union. Approval of the proposal for conversion shall be by the affirmative vote of a majority of the members of the insured credit union who vote on the proposal.

(C) **Notice of proposal to members.**— An insured credit union that proposes to convert to a mutual savings bank or savings association under subparagraph (A) shall submit notice to each of its members who is eligible to vote on the matter of its intent to convert—

(i) 90 days before the date of the member vote on the conversion;

(ii) 60 days before the date of the member vote on the conversion; and

(iii) 30 days before the date of the member vote on the conversion.

(D) **Notice of proposal to Board.**— The Board may require an insured credit union that proposes to convert to a mutual savings bank or savings association under subparagraph (A) to submit a notice to the

Board of its intent to convert during the 90-day period preceding the date of the completion of the conversion.

(E) **Inapplicability of Act upon conversion.**—Upon completion of a conversion described in subparagraph (A), the credit union shall no longer be subject to any of the provisions of this Act.

(F) **Limit on compensation of officials.**—

(i) **In general.**—No director or senior management official of an insured credit union may receive any economic benefit in connection with a conversion of the credit union as described in subparagraph (A), other than—

(I) director fees; and

(II) compensation and other benefits paid to directors or senior management officials of the converted institution in the ordinary course of business.

(ii) **Senior management official.**— For purposes of this subparagraph, the term ‘senior management official’ means a chief executive officer, an assistant chief executive officer, a chief financial officer, and any other senior executive officer (as defined by the appropriate Federal banking agency pursuant to section 32 (f) of the Federal Deposit Insurance Act).

(G) **Consistent rules.**—

(i) **In general.**—Not later than 6 months after the date of enactment of the Credit Union Membership Access Act, the Administration shall promulgate final rules applicable to charter conversions described in this paragraph that are consistent with rules promulgated by other financial regulators, including the Office of Thrift Supervision and the Office of the Comptroller of the Currency. The rules required by this clause shall provide that charter conversion by an insured credit union shall be subject to regulation that is no more or less restrictive than that applicable to charter conversions by other financial institutions.

(ii) **Oversight of member vote.**—The member vote concerning charter conversion under this paragraph shall be administered by the Administration, and shall be verified by the Federal or State regulatory agency that would have jurisdiction over the institution after the conversion. If either the Administration or that regulatory agency disapproves of the methods by which the member vote was taken or procedures applicable to the member vote, the member vote shall be taken again, as directed by the Administration or the agency.

(3) Except with the prior written approval of the Board, no insured credit union shall merge or consolidate with any other insured credit union or, either directly or indirectly, acquire the assets of, or assume liability to pay any member accounts in, any other insured credit union.

(c) In granting or withholding approval or consent under subsection (b) of this section, the Board shall consider—

(1) the history, financial condition, and management policies of the credit union;

(2) the adequacy of the credit union's reserves;

(3) the economic advisability of the transaction;

(4) the general character and fitness of the credit union's management;

(5) the convenience and needs of the members to be served by the credit union; and

(6) whether the credit union is a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes.

(d) **Prohibition.**—

(1) **In General.**—Except with the prior written consent of the Board—

(A) any person who has been convicted of any criminal offense involving dishonesty or a breach of trust or has agreed

to enter into a pretrial diversion or similar program in connection with a prosecution for such offense, may not—

(i) become, or continue as, an institution-affiliated party with respect to any insured credit union; or

(ii) otherwise participate, directly or indirectly, in the conduct of the affairs of any insured credit union; and

(B) any insured credit union may not permit any person referred to in subparagraph (A) to engage in any conduct or continue any relationship prohibited under such subparagraph.

(2) **Minimum 10-year prohibition period for certain offenses.**—

(A) **In general.**—If the offense referred to in paragraph (1)(A) in connection with any person referred to in such paragraph is—

(i) an offense under—

(I) section 215, 656, 657, 1005, 1006, 1007, 1008, 1014, 1032, 1344, 1517, 1956, or 1957 of title 18, United States Code; or

(II) section 1341 or 1343 of such title which affects any financial institution (as defined in section 20 of such title); or

(ii) the offense of conspiring to commit any such offense, the Board may not consent to any exception to the application paragraph (1) to such person during the 10-year period beginning on the date the conviction or the agreement of the person becomes final.

(B) **Exception by order of sentencing court.**—

(i) **In general.**—On motion of the Board, the court in which the conviction or the agreement of a person referred to in subparagraph (A) has been entered may grant an exception to the application of paragraph (1) to such person if granting the exception is in the interest of justice.

(ii) **Period for filing.**—A motion may be filed under clause (i) at any time during the 10-year period described in subparagraph (A) with regard to the person on whose behalf such motion is made.

(3) **Penalty.**—Whoever knowingly violates paragraph (1) or (2) shall be fined not more than \$1,000,000 for each day such prohibition is violated or imprisoned for not more than 5 years, or both.

(e)(1) The Board shall promulgate rules establishing minimum standards with which each insured credit union must comply with respect to the installation, maintenance, and operation of security devices and procedures, reasonable in cost, to discourage robberies, burglaries, and larcenies and to assist in the identification and apprehension of persons who commit such acts.

(2) The rules shall establish the time limits within which insured credit unions shall comply with the standards and shall require the submission of periodic reports with respect to the installation, maintenance, and operation of security devices and procedures.

(3) An insured credit union which violates a rule promulgated pursuant to this subsection shall be subject to a civil penalty which shall not exceed \$100 for each day of the violation.

(f)(1) Every insured credit union is authorized to maintain, and make loans with respect to, share draft accounts in accordance with rules and regulations prescribed by the Board. Except as provided in paragraph (2), an insured credit union may pay dividends on share draft accounts and may permit the owners of such share draft accounts to make withdrawals by negotiable or transferable instruments or other orders for the purpose of making transfers to third parties.

(2) Paragraph (1) shall apply only with respect to share draft accounts in which the entire beneficial interest is held by one or more individuals or members or by an organization which is operated primarily for religious, philanthropic, charitable, educational, or other similar purposes and

which is not operated for profit, and with respect to deposits of public funds by an officer, employee, or agent of the United States, any State, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof.

(g)(1) If the applicable rate prescribed in this subsection exceeds the rate an insured credit union would be permitted to charge in the absence of this subsection, such credit union may, notwithstanding any State constitution or statute which is hereby preempted for the purposes of this subsection, take, receive, reserve, and charge on any loan, interest at a rate of not more than 1 per centum in excess of the discount rate on ninety-day commercial paper in effect at the Federal Reserve bank in the Federal Reserve district where such insured credit union is located or at the rate allowed by the laws of the State, territory, or district where such credit union is located, whichever may be greater.

(2) If the rate prescribed in paragraph (1) exceeds the rate such credit union would be permitted to charge in the absence of this subsection, and such State fixed rate is thereby preempted by the rate described in paragraph (1), the taking, receiving, reserving, or charging a greater rate than is allowed by paragraph (1), when knowingly done, shall be deemed a forfeiture of the entire interest which the loan carries with it, or which has been agreed to be paid thereon. If such greater rate of interest has been paid, the person who paid it may recover, in a civil action commenced in a court of appropriate jurisdiction not later than two years after the date of such payment, an amount equal to twice the amount of interest paid from the credit union taking or receiving such interest.

(h) Notwithstanding any other provision of law, the Board may authorize a merger or consolidation of an insured credit union which is insolvent or is in danger of insolvency with any other insured credit union or may authorize an insured credit union to purchase any of the assets of, or assume any of the liabilities of, any other insured credit union

which is insolvent or in danger of insolvency if the Board is satisfied that—

(1) an emergency requiring expeditious action exists with respect to such other insured credit union;

(2) other alternatives are not reasonably available; and

(3) the public interest would best be served by approval of such merger, consolidation, purchase, or assumption.

(i)(1) Notwithstanding any other provision of this Act or of State law, the Board may authorize an institution whose deposits or accounts are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to purchase any of the assets of or assume any of the liabilities of an insured credit union which is insolvent or in danger of insolvency, except that prior to exercising this authority the Board must attempt to effect the merger or consolidation of an insured credit union which is insolvent or in danger of insolvency with another insured credit union, as provided in subsection (h).

(2) For purposes of the authority contained in paragraph (1), insured accounts of the credit union may upon consummation of the purchase and assumption be converted to insured deposits or other comparable accounts in the acquiring institution, and the Board and the National Credit Union Share Insurance Fund shall be absolved of any liability to the credit union's members with respect to those accounts.

**(j) Privileges not affected by disclosure to banking agency or supervisor. –**

(1) **In general.** – The submission by any person of any information to the Administration, any State credit union supervisor, or foreign banking authority for any purpose in the course of any supervisory or regulatory process of such Board, supervisor, or authority shall not be construed as waiving, destroying, or otherwise affecting any privilege such person may claim with respect to such information under Federal or

State law as to any person or entity other than such Board, supervisor, or authority.

(2) **Rule of construction.** – No provision of paragraph (1) may be construed as implying or establishing that –

(A) any person waives any privilege applicable to information that is submitted or transferred under any circumstance to which paragraph (1) does not apply; or

(B) any person would waive any privilege applicable to any information by submitting the information to the Administration, any State credit union supervisor, or foreign banking authority, but for this subsection.

**§ 1786**

**§ 206**

**Termination of insured credit union status; cease-and-desist orders; removal or suspension from office; procedure.—**

(a)(1) Any insured credit union other than a Federal credit union may, upon not less than ninety days' written notice to the Board and upon the affirmative vote of a majority of its members within one year prior to the giving of such notice, terminate its status as an insured credit union.

(2) Any insured credit union, other than a Federal credit union, which has obtained a new certificate of insurance from a corporation authorized and duly licensed to insure member accounts may upon not less than ninety days' written notice to the Board convert from status as an insured credit union under this Act: *Provided*, That at the time of giving notice to the Board the provisions of paragraph (b)(1) of this section are not being invoked against the credit union.

(b)(1) Whenever, in the opinion of the Board, any insured credit union is engaging or has engaged in unsafe or unsound practices in conducting the business of such credit union, or is in an unsafe or unsound condition to continue operations as an insured credit union, or is violating or has violated an applicable law, rule, regulation, order, or any condition imposed in writing by the Board in connection with any action on any application,

notice, or other request by the credit union or institution affiliated party, or is violating or has violated any written agreement entered into with the Board, the Board shall serve upon the credit union a statement with respect to such practices or conditions or violations for the purpose of securing the correction thereof. In the case of an insured State-chartered credit union, the Board shall send a copy of such statement to the commission, board, or authority, if any, having supervision of such credit union. Unless such correction shall be made within one hundred and twenty days after service of such statement, or within shorter period of not less than twenty days after such service as the Board shall require in any case where it determines that the insurance risk with respect to such credit union could be unduly jeopardized by further delay in the correction of such practices or conditions or violations, or as the commission, board, or authority having supervision of such credit union, if any, shall require in the case of an insured State-chartered credit union, the Board, if it shall determine to proceed further, shall give to the credit union not less than thirty days written notice of its intention to terminate the status of the credit union as an insured credit union. Such notice shall contain a statement of the facts constituting the alleged unsafe and unsound practices or conditions or violations and shall fix a time and place for a hearing thereon. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after service of such notice unless an earlier or a later date is set by the Board at the request of the credit union. Unless the credit union shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured credit union. In the event of such consent, or if upon the record made at any such hearing the Board shall find that any unsafe or unsound practice or condition or violation specified in the notice has been established and has not been corrected within the time above-prescribed in which to make such correction, the Board may issue and serve upon the credit union an order terminating its status as an insured credit union on a date subsequent to the date of such finding and subsequent to the expiration of the time specified in the notice.

(2) Any credit union whose insured status has been terminated by order of the Board under this subsection shall have the right of judicial review of such order only to the same extent as provided for the review of orders under subsection (j) of this section.

(c) In the event of the termination of a credit union's status as an insured credit union as provided under subsection (a)(1) or (b) of this section, the credit union shall give prompt and reasonable notice to all of its members whose accounts are insured that it has ceased to be an insured credit union. It may include in such notice a statement of the fact that member accounts insured on the effective date of such termination, to the extent not withdrawn, remain insured for one year from the date of such termination, but it shall not further represent itself in any manner as an insured credit union. In the event of failure to give the notice as herein provided to members whose accounts are insured, the Board is authorized to give reasonable notice.

(d)(1) After the termination of the insured status of any credit union as provided under subsection (a)(1) or (b) of this section, insurance of its member accounts to the extent that they were insured on the effective date of such termination, less any amounts thereafter withdrawn which reduce the accounts below the amount covered by insurance on the effective date of such termination, shall continue for a period of one year, but no shares issued by the credit union or deposits made after the date of such termination shall be insured by the Board. The credit union shall continue to maintain its deposits with and pay premiums to the Board during such period as in the case of an insured credit union and the Board shall have the right to examine such credit union from time to time during the period during which such insurance continues. Such credit union shall, in all other respects, be subject to the duties and obligations of an insured credit union for the period of one year from the date of such termination. In the event that such credit union shall be closed for liquidation within such period of one year, the Board shall have the same powers and rights with respect to such credit union as in the case of an insured credit union. Notwithstanding the above,

when an insured credit union's insured status is terminated and the credit union subsequently obtains comparable insurance coverage from another source, insurance of its accounts by the fund may cease immediately upon the effective date of such comparable coverage by mutual consent of the credit union and the Board.

(2) No credit union shall convert from status as an insured credit union under this Act as provided under subsection (a)(2) of this section until the proposition for such conversion has been approved by a majority of all the directors of the credit union, and by affirmative vote of a majority of the members of the credit union who vote on the proposition in a vote in which at least 20 per centum of the total membership of the credit union participates. Following approval by the directors, written notice of the proposition and of the date set for the membership vote shall be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. The membership shall be given the opportunity to vote by mail ballot. If the proposition is approved by the membership, prompt and reasonable notice of insurance conversion shall be given to all members.

(3) In the event of a conversion of a credit union from status as an insured credit union under this Act as provided under subsection (a)(2) of this section, premium charges payable under section 202(c) of this Act shall be reduced by an amount proportionate to the number of calendar months for which the converting credit union will no longer be insured under this Act. As long as a converting credit union remains insured under this Act, it shall remain subject to all of the provisions of title II of this Act.

**(e) Opinion of Board as to unsound condition of credit union; notice of charges; hearing; order to cease and desist; judicial review; affirmative action; limitation of activities. –**

(1) If, in the opinion of the Board, any insured credit union, credit union which has insured accounts, or any institution-affiliated

party is engaging or has engaged, or the Board has reasonable cause to believe that the credit union or any institution-affiliated party is about to engage, in an unsafe or unsound practice in conducting the business of such credit union, or is violating or has violated, or the Board has reasonable cause to believe that the credit union or any institution-affiliated party is about to violate, a law, rule, or regulation, or any condition imposed in writing by the Board in connection with the granting of any application or other request by the credit union or any written agreement entered into with the Board, the Board may issue and serve upon the credit union or such party notice of charges in respect thereof. The notice shall contain a statement of the facts constituting the alleged violation or violations or the unsafe or unsound practice or practices, and shall fix a time and place at which a hearing will be held to determine whether an order to cease and desist therefrom should issue against the credit union or the institution-affiliated party. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days after service of such notice unless an earlier or a later date is set by the Board at the request of any party so served. Unless the party or parties so served shall appear at the hearing by a duly authorized representative, they shall be deemed to have consented to the issuance of the cease-and-desist order. In the event of such consent, or if upon the record made at any such hearing, the Board shall find that any violation or unsafe or unsound practice specified in the notice of charges has been established, the Board may issue and serve upon the credit union or the institution-affiliated party an order to cease and desist from any such violation or practice. Such order may, by provisions which may be mandatory or otherwise, require the credit union or its institution-affiliated parties to cease and desist from the same, and, further, to take affirmative action to correct the conditions resulting from any such violation or practice.

(2) A cease-and-desist order shall become effective at the expiration of thirty days after the service of such order upon the credit union or other person concerned (except in the case of a cease-and-desist order issued upon consent, which shall become effective at

the time specified therein), and shall remain effective and enforceable as provided therein, except to such extent as it is stayed, modified, terminated, or set aside by action of the Board or a reviewing court.

**(3) Affirmative action to correct conditions resulting from violations or practices.**—The authority to issue an order under this subsection and subsection (f) which requires an insured credit union or any institution-affiliated party to take affirmative action to correct any conditions resulting from any violation or practice with respect to which such order is issued includes the authority to require such insured credit union or such party to—

(A) make restitution or provide reimbursement, indemnification, or guarantee against loss if—

(i) such credit union or such party was unjustly enriched in connection with such violation or practice; or

(ii) the violation or practice involved a reckless disregard for the law or any applicable regulations or prior order of the Board;

(B) restrict the growth of the institution;

(C) rescind agreements or contracts;

(D) dispose of any loan or asset involved;

(E) employ qualified officers or employees (who may be subject to approval by the Board at the direction of such Board); and

(F) take such other action as the Board determines to be appropriate.

**(4) Authority to limit activities.**—The authority to issue an order under this subsection or subsection (f) includes the authority to place limitations on the activities or functions of an insured credit union or any institution-affiliated party.

**(f) Temporary cease and desist order; injunctive procedure –**

(1) Whenever the Board shall determine that the violation or threatened violation or the unsafe or unsound practice or practices, specified in the notice of charges served upon the credit union or any institution-affiliated party pursuant to paragraph (1) of subsection (e) of this section, or the continuation thereof, is likely to cause insolvency or significant dissipation of assets or earnings of the credit union, or is likely to weaken the condition of the credit union or otherwise prejudice the interests of its insured members prior to the completion of the proceedings conducted pursuant to paragraph (1) of subsection (e) of this section, the Board may issue a temporary order requiring the credit union or such party to cease and desist from any such violation or practice and to take affirmative action to prevent such insolvency, dissipation, condition, or prejudice pending completion of such proceedings. Such order may include any requirement authorized under subsection (e)(3). Such order shall become effective upon service upon the credit union or such party participating in the conduct of the affairs of such credit union and, unless set aside, limited, or suspended by a court in proceedings authorized by paragraph (2) of this subsection, shall remain effective and enforceable pending the completion of the administrative proceedings pursuant to such notice and until such time as the Board shall dismiss the charges specified in such notice, or if a cease-and-desist order is issued against the credit union or such party until the effective date of such order.

(2) Within ten days after the credit union concerned or any institution-affiliated party has been served with a temporary cease-and-desist order, the credit union or such party may apply to the United States district court for the judicial district in which the home office of the credit union is located, or the United States District Court for the District of Columbia, for an injunction setting aside, limiting, or suspending the enforcement, operation, or effectiveness of such order pending the completion of the administrative proceedings pursuant to the notice of charges served upon the credit union or such party under paragraph (1) of subsection (e) of this section, and such court shall have jurisdiction to issue such injunction.

**(3) Incomplete or inaccurate records.—**

**(A) Temporary order.—**If a notice of charges served under subsection (e)(1) specifies, on the basis of particular facts and circumstances, that an insured credit union's books and records are so incomplete or inaccurate that the Board is unable, through the normal supervisory process, to determine the financial condition of that insured credit union or the details or purpose of any transaction or transactions that may have a material effect on the financial condition of that insured credit union, the Board may issue a temporary order requiring—

(i) the cessation of any activity or practice which gave rise, whether in whole or in part, to the incomplete or inaccurate state of the books or records; or

(ii) affirmative action to restore such books or records to a complete and accurate state, until the completion of the proceedings under subsection (e)(1).

**(B) Effective period.—**Any temporary order issued under subparagraph (A)—

(i) shall become effective upon service; and

(ii) unless set aside, limited, or suspended by a court in proceedings under paragraph (2), shall remain in effect and enforceable until the earlier of—

(I) the completion of the proceeding initiated under subsection (e)(1) in connection with the notice of charges; or

(II) the date the Board determines, by examination or otherwise, that the insured credit union's books and records are accurate and reflect the financial condition of the credit union.

(4) In the case of violation or threatened violation of, or failure to obey, a temporary cease-and-desist order, the Board may apply to the United States district court, or the United States court of any territory, within the jurisdiction of which the principal office of

the credit union is located for an injunction to enforce such order, and, if the court shall determine that there has been such violation or threatened violation or failure to obey, it shall be the duty of the court to issue such injunction.

**(g) Removal and Prohibition Authority.—**

**(1) Authority to issue order.—**Whenever the Board determines that—

(A) any institution-affiliated party has, directly or indirectly—

(i) violated—

(I) any law or regulation;

(II) any cease-and-desist order which has become final;

(III) any condition imposed in writing by the Board in connection with any action on any application notice, or request by such credit union or institution-affiliated party; or

(IV) any written agreement between such credit union and the Board;

(ii) engaged or participated in any unsafe or unsound practice in connection with any insured credit union or business institution; or

(iii) committed or engaged in any act, omission, or practice which constitutes a breach of such party's fiduciary duty;

(B) by reason of the violation, practice, or breach described in any clause of subparagraph (A)—

(i) such insured credit union or business institution has suffered or will probably suffer financial loss or other damage;

(ii) the interests of the insured credit union's members have been or could be prejudiced; or

(iii) such party has received financial gain or other benefit by reason of such violation, practice or breach; and

(C) such violation, practice, or breach—

(i) involves personal dishonesty on the part of such party; or

(ii) demonstrates such party's unfitness to serve as a director or officer of, or to otherwise participate in the conduct of the affairs of, an insured credit union, the Board may serve upon such party a written notice of the Board's intention to remove such party from office or to prohibit any further participation, by such party, in any manner in the conduct of the affairs of any insured credit union.

**(2) Specific violations.—**

(A) **In general.**—Whenever the Board determines that—

(i) an institution-affiliated party has committed a violation of any provision of subchapter II of chapter 53 of Title 31, United States Code, unless such violation was inadvertent or unintentional;

(ii) an officer or director of an insured credit union has knowledge that an institution-affiliated party of the insured credit union has violated any such provision or any provision of law referred to in subsection (i)(1)(A)(ii); or

(iii) an officer or director of an insured credit union has committed any violation of the Depository Institution Management Interlocks Act, the Board may serve upon such party, officer, or director a written notice of the Board's intention to remove such officer or director from office.

(B) **Factors to be considered.**—In determining whether an officer or director should be removed as a result of the application of subparagraph (A)(ii), the Board shall consider whether the officer or director took appropriate action to stop, or to prevent the recurrence of, a violation described in such subparagraph.

**(3) Suspension order.—**

(A) **Suspension or prohibition authorized.**—If the Board serves written notice under paragraph (1) or (2) to any institution-affiliated party of the Board's intention to issue an order under such paragraph, the Board may suspend such party from office or prohibit such party from further participation in any manner in the conduct of the affairs of the institution, if the Board—

(i) determines that such action is necessary for the protection of the credit union or the interests of the credit union's members; and

(ii) serves such person with written notice of the suspension order.

(B) **Effective period.**—Any suspension order issued under subparagraph (A)—

(i) shall become effective upon service; and

(ii) unless a court issues a stay of such order under paragraph (6), shall remain in effect and enforceable until—

(I) the date the Board dismisses the charges contained in the notice served under paragraph (1) or (2) with respect to such party; or

(II) the effective date of an order issued by the Board to such person under paragraph (1) or (2).

(C) **Copy of order.**—If the Board issues a suspension order under subparagraph (A) to any institution-affiliated party, the Board shall serve a copy of such order on any insured credit union with which such party is associated at the time such order is issued.

(4) A notice of intention to remove a director, committee member, officer, or other person from office or to prohibit his participation in the conduct of the affairs of an insured credit union, shall contain a statement of the facts constituting grounds therefor, and shall fix a time and place at which a hearing will be held thereon. Such hearing shall be fixed for a date not earlier than thirty days nor later than sixty days

after the date of service of such notice, unless an earlier or a later date is set by the Board at the request of (A) such director, committee member, or officer or other person, and for good cause shown, or (B) the Attorney General of the United States. Unless such director, committee member, officer, or other person shall appear at the hearing in person or by a duly authorized representative, he shall be deemed to have consented to the issuance of an order of such removal or prohibition. In the event of such consent, or if upon the record made at any such hearing the Board shall find that any of the grounds specified in such notice have been established, the Board may issue such orders of suspension or removal from office, or prohibition from participation in the conduct of the affairs of the credit union, as it may deem appropriate. Any such order shall become effective at the expiration of thirty days after service upon such credit union and the director, committee member, officer, or other person concerned (except in the case of an order issued upon consent, which shall become effective at the time specified therein). Such order shall remain effective and enforceable except to such extent as it is stayed, modified, terminated, or set aside by action of the Board or a reviewing court.

**(5) Prohibition of certain specific activities.**—Any person subject to an order issued under this subsection shall not—

(A) participate in any manner in the conduct of the affairs of any institution or agency specified in paragraph (7)(A);

(B) solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in subparagraph (A);

(C) violate any voting agreement previously approved by the appropriate Federal banking agency; or

(D) vote for a director, or serve or act as an institution-affiliated party.

(6) Within ten days after any director, officer, committee member, or other person has been suspended from office and/or

prohibited from participation in the conduct of the affairs of an insured credit union under paragraph (3) of this subsection, such director, officer, committee member, or other person may apply to the United States district court for the judicial district in which the principal office of the credit union is located, or the United States District Court for the District of Columbia, for a stay of such suspension and/or prohibition pending the completion of the administrative proceedings pursuant to the notice served upon such director, officer, committee member, or other person under paragraph (1) or (2) of this subsection, and such court shall have jurisdiction to stay such suspension and/or prohibition.

**(7) Industrywide prohibition.**—

(A) **In general.**—Except as provided in subparagraph (B), any person who, pursuant to an order issued under this subsection or subsection (i), has been removed or suspended from office in an insured credit union or prohibited from participating in the conduct of the affairs of an insured credit union may not, while such order is in effect, continue or commence to hold any office in, or participate in any manner in the conduct of the affairs of—

(i) any insured depository institution;

(ii) any institution treated as an insured bank under paragraph (3) or (4) of section 8(b) of the Federal Deposit Insurance Act, or as a savings association under section 8(b)(8) of such Act;

(iii) any insured credit union;

(iv) any institution chartered under the Farm Credit Act of 1971;

(v) any appropriate Federal depository institution regulatory agency;

(vi) the Federal Housing Finance Board and any Federal home loan bank; and

(vii) the Resolution Trust Corporation.

**(B) Exception if agency provides written consent.**—If, on or after the date an order is issued under this subsection which removes or suspends from office any institution-affiliated party or prohibits such party from participating in the conduct of the affairs of an insured credit union, such party receives the written consent of—

(i) the Board; and

(ii) the appropriate Federal financial institutions regulatory agency of the institution described in any clause of subparagraph (A) with respect to which such party proposes to become an institution-affiliated party, subparagraph (A) shall, to the extent of such consent, cease to apply to such party with respect to the institution described in each written consent. If any person receives such a written consent from the Board, the Board shall publicly disclose such consent. If the agency referred to in clause (ii) grants such a written consent, such agency shall report such action to the Board and publicly disclose such consent.

**(C) Violation of paragraph treated as violation of order.**—Any violation of subparagraph (A) by any person who is subject to an order described in such subparagraph shall be treated as a violation of the order.

**(D) Appropriate federal financial institutions regulatory agency defined.**—For purposes of this paragraph the term “appropriate Federal financial institutions regulatory agency” means—

(i) the appropriate Federal banking agency, as provided in section 3(q) of the Federal Deposit Insurance Act;

(ii) the Farm Credit Administration, in the case of an institution chartered under the Farm Credit Act of 1971;

(iii) the National Credit Union Administration Board, in the case of an insured credit union (as defined in section 101(7) of the Federal Credit Union Act);

(iv) the Secretary of the Treasury, in the case of the Federal Housing Finance Board and any Federal home loan bank; and

(v) the Oversight Board, in the case of the Resolution Trust Corporation.

**(E) Consultation between agencies.**—The agencies referred to in clauses (i) and (ii) of subparagraph (B) shall consult with each other before providing any written consent described in subparagraph (B).

**(F) Applicability.**—This paragraph shall only apply to a person who is an individual, unless the Board specifically finds that it should apply to a corporation, firm, or other business enterprise.

(h)(1) The Board may, ex parte without notice, appoint itself or another (including, in the case of a State-chartered insured credit union, the State official having jurisdiction over the credit union) as conservator and immediately take possession and control of the business and assets of any insured credit union in any case in which—

(A) the Board determines that such action is necessary to conserve the assets of any insured credit union or to protect the Fund or the interests of the members of such insured credit union;

(B) an insured credit union, by a resolution of its board of directors, consents to such an action by the Board;

(C) the Attorney General notifies the Board in writing that an insured credit union has been found guilty of a criminal offense under section 1956 or 1957 of Title 18, United States Code, or section 5322 of Title 31, United States Code.

(D) there is a willful violation of a cease-and-desist order which has become final;

(E) there is concealment of books, papers, records, or assets of the credit union or refusal to submit books, papers, records, or affairs of the credit union for inspection to any examiner or to any lawful agent of the Board;

(F) the credit union is significantly undercapitalized, as defined in section 216, and has no reasonable prospect of becoming adequately capitalized, as defined in section 216; or

(G) the credit union is critically undercapitalized, as defined in section 216; and

(2)(A) Except as provided in subparagraph (C) in the case of a State-chartered insured credit union, the authority conferred by paragraph (1) shall not be exercised without the written approval of the State official having jurisdiction over the State-chartered credit union that the grounds specified for such exercise exist.

(B) If such approval has not been received by the Board within 30 days of receipt of notice by the State that the Board has determined such grounds exist, and the Board has responded in writing to the State's written reasons, if any, for withholding approval, then the Board may proceed without State approval only by a unanimous vote of the Board.

(C) In the case of a State-chartered insured credit union, the authority conferred by subparagraphs (F) and (G) of paragraph (1) may not be exercised unless the Board has complied with section 216(l).

(3) Not later than ten days after the date on which the Board takes possession and control of the business and assets of an insured credit union pursuant to paragraph (1), such insured credit union may apply to the United States district court for the judicial district in which the principal office of such insured credit union is located or the United States District Court for the District of Columbia, for an order requiring the Board to show cause why it should not be enjoined from continuing such possession and control. Except as provided in this paragraph, no court may take any action, except at the request of the Board by regulation or order, to restrain or affect the exercise of powers or functions of the Board as conservator.

(4) Except as provided in paragraph (3), in the case of a Federal credit union, the

Board may maintain possession and control of the business and assets of such credit union and may operate such credit union until such time—

(A) as the Board shall permit such credit union to continue business subject to such terms and conditions as may be imposed by the Board; or

(B) as such credit union is liquidated in accordance with the provisions of section 207.

(5) Except as provided in paragraph (3), in the case of an insured State-chartered credit union, the Board may maintain possession and control of the business and assets of such credit union and may operate such credit union until such time—

(A) as the Board shall permit such credit union to continue business, subject to such terms and conditions as may be imposed by the Board;

(B) as the Board shall permit the transfer of possession and control of such credit union to any commission, board, or authority which has supervisory authority over such credit union and which is authorized by State law to operate such credit union; or

(C) as such credit union is liquidated in accordance with the provisions of section 207.

(6) The Board may appoint such agents as it considers necessary in order to assist the Board in carrying out its duties as a conservator under this subsection.

(7) All expenses incurred by the Board in exercising its authority under this subsection with respect to any credit union shall be paid out of the assets of such credit union.

(8) The conservator shall have all the powers of the members, the directors, the officers, and the committees of the credit union and shall be authorized to operate the credit union in its own name or to conserve its

assets in the manner and to the extent authorized by the Board.

(9) The authority granted by this subsection is in addition to all other authority granted to the Board under this Act.

**(i) Suspension, removal, and prohibition from participation orders in the case of certain criminal offenses. —**

**(1) Suspension or prohibition authorized.—**

(A) **In general.**—Whenever any institution-affiliated party is charged in any information, indictment, or complaint, with the commission of or participation in—

(i) a crime involving dishonesty or breach of trust which is punishable by imprisonment for a term exceeding one year under State or Federal law, or

(ii) a criminal violation of section 1956, 1957, or 1960 of Title 18, United States Code, or section 5322 or 5324 of Title 31, United States Code, the Board may, if continued service or participation by such party may pose a threat to the interests of the credit union's members or may threaten to impair public confidence in any credit union, by written notice served upon such party, suspend such party from office or prohibit such party from further participation in any manner in the conduct of the affairs of any credit union.

**(B) Provisions applicable to notice.—**

(i) **Copy.**—A copy of any notice under subparagraph (A) shall also be served upon the credit union of which the subject of the order is, or most recently was, an institution-affiliated party.

(ii) **Effective period.**—A suspension or prohibition under subparagraph (A) shall remain in effect until the information, indictment, or complaint referred to in such subparagraph is finally disposed of or until terminated by the Board.

**(C) Removal or prohibition.—**

(i) **In general.**—If a judgment of conviction or an agreement to enter a pre-trial diversion or other similar program is entered against an institution-affiliated party in connection with a crime described in subparagraph (A)(i), at such time as such judgment is not subject to further appellate review, the Board may, if continued service or participation by such party may pose a threat to the interests of any credit union's members or may threaten to impair public confidence in any credit union, issue and serve upon such party an order removing such party from office or prohibiting such party from further participation in any manner in the conduct of the affairs of any credit union without the prior written consent of the Board.

(ii) **Required for certain offenses.**— In the case of a judgment of conviction or agreement against an institution-affiliated party in connection with a violation described in subparagraph (A)(ii), the Board shall issue and serve upon such party an order removing such party from office or prohibiting such party from further participation in any manner in the conduct of the affairs of the credit union without the prior written consent of the Board.

**(D) Provisions applicable to order.—**

(i) **Copy.**—A copy of any order under subparagraph (C) shall also be served upon the credit union of which the subject of the order is, or most recently was, an institution-affiliated party; whereupon such party (if a director or an officer) shall cease to be a director or officer of such credit union.

(ii) **Effect of acquittal.**—A finding of not guilty or other disposition of the charge shall not preclude the Board from instituting proceedings after such finding or disposition to remove such party from office or to prohibit further participation in credit union affairs, pursuant to paragraph (1), (2), or (3) of subsection (g) of this section.

(iii) **Effective period.**—Any notice of suspension or order of removal issued under this paragraph shall remain effective and outstanding until the completion of any

hearing or appeal authorized under paragraph (3) unless terminated by the Board.

**(E) Continuation of authority.** – The Board may issue an order under this paragraph with respect to an individual who is an institution-affiliated party at a credit union at the time of an offense described in subparagraph (A) without regard to –

(i) whether such individual is an institution-affiliated party at any credit union at the time the order is considered or issued by the Board; or

(ii) whether the credit union at which the individual was an institution-affiliated party at the time of the offense remains in existence at the time the order is considered or issued by the Board.

(2) If at any time, because of the suspension of one or more directors pursuant to this section, there shall be on the board of directors of a Federal credit union less than a quorum of directors not so suspended, all powers and functions vested in or exercisable by such board shall vest in and be exercisable by the director or directors on the board not so suspended, until such time as there shall be a quorum of the board of directors. In the event all of the directors of a Federal credit union are suspended pursuant to this section, the Board shall appoint persons to serve temporarily as directors in their place and stead pending the termination of such suspensions, or until such time as those who have been suspended cease to be directors of the credit union and their respective successors have been elected by the members at an annual or special meeting and have taken office. Directors appointed temporarily by the Board shall, within thirty days following their appointment, call a special meeting for the election of new directors, unless during the thirty-day period (A) the regular annual meeting is scheduled, or (B) the suspensions giving rise to the appointment of temporary directors are terminated.

(3) Within thirty days from service of any notice of suspension or order of removal issued pursuant to paragraph (1) of this subsection, the institution-affiliated party

concerned may request in writing an opportunity to appear before the Board to show that the continued service to or participation in the conduct of the affairs of the credit union by such party does not, or is not likely to, pose a threat to the interests of the credit union's members or threaten to impair public confidence in the credit union. Upon receipt of any such request, the Board shall fix a time (not more than thirty days after receipt of such request, unless extended at the request of such party and place at which such party may appear, personally or through counsel, before the Board or its designee to submit written materials (or, at the discretion of the Board, oral testimony) and oral argument. Within sixty days of such hearing, the Board shall notify such party whether the suspension or prohibition from participation in any manner in the conduct of the affairs of the credit union will be continued, terminated or otherwise modified, or whether the order removing such party from office or prohibiting such party from further participation in any manner in the conduct of the affairs of the credit union will be rescinded or otherwise modified. Such notification shall contain a statement of the basis for the Board's decision, if adverse to such party. The Board is authorized to prescribe such rules as may be necessary to effectuate the purposes of this subsection.

(j)(1) Any hearing provided for in this section (other than the hearing provided for in subsection (i)(3) of this section) shall be held in the Federal judicial district or in the territory in which the principal office of the credit union is located, unless the party afforded the hearing consents to another place, and shall be conducted in accordance with the provisions of chapter 5 of title 5 of the United States Code. After such hearing, and within ninety days after the Board has notified the parties that the case has been submitted to it for final decision, it shall render its decision (which shall include findings of fact upon which its decision is predicated) and shall issue and serve upon each party to the proceeding an order or orders consistent with the provisions of this section. Judicial review of any such order shall be exclusively as provided in this subsection (j). Unless a petition for review is timely filed in a court of appeals of the United States, as

provided in paragraph (2) of this subsection, and thereafter until the record in the proceeding has been filed as so provided, the Board may at any time, upon such notice and in such manner as it may deem proper, modify, terminate, or set aside any such order. Upon such filing of the record, the Board may modify, terminate, or set aside any such order with permission of the court.

(2) Any party to any proceeding under paragraph (1) may obtain a review of any order served pursuant to paragraph (1) of this subsection (other than an order issued with the consent of the credit union or the institution-affiliated party concerned or an order issued under subsection (i)(1) of this section) by filing in the court of appeals of the United States for the circuit in which the principal office of the credit union is located, or in the United States Court of Appeals for the District of Columbia Circuit, within thirty days after the date of service of such order, a written petition praying that the order of the Board be modified, terminated, or set aside. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Board, and thereupon the Board shall file in the court the record in the proceeding, as provided in section 2112 of title 28, United States Code. Upon the filing of such petition, such court shall have jurisdiction which upon the filing of the record shall, except as provided in the last sentence of said paragraph (1), be exclusive, to affirm, modify, terminate, or set aside, in whole or in part, the order of the Board. Review of such proceedings shall be had as provided in chapter 7 of title 5, United States Code. The judgment and decree of the court shall be final, except that the same shall be subject to review by the Supreme Court upon certiorari, as provided in section 1254 of title 28, United States Code.

(3) The commencement of proceedings for judicial review under paragraph (2) of this subsection shall not, unless specifically ordered by the court, operate as a stay of any order issued by the Board.

(k)(1) The Board may in its discretion apply to the United States district court, or the United States court of any territory within the jurisdiction of which the principal office of the credit union is located, for the enforcement of

any effective and outstanding notice or order issued under this section or section 216, and such courts shall have jurisdiction and power to order and require compliance therewith. However, except as otherwise provided in this section or section 216, no court shall have jurisdiction to affect by injunction or otherwise the issuance or enforcement of any notice or order under this section or section 216 or to review, modify, suspend, terminate, or set aside any such notice or order.

(2) **Civil money penalty.**—

(A) **First tier.**—Any insured credit union which, and any institution-affiliated party who—

(i) violates any law or regulation;

(ii) violates any final order or temporary order issued pursuant to subsection (e), (f), (g), (i), or (q) or any final order under section 216;

(iii) violates any condition imposed in writing by the Board in connection with any action on any application, notice, or other request by the credit union or institution-affiliated party; or

(iv) violates any written agreement between such credit union and such agency, shall forfeit and pay a civil penalty of not more than \$5,000 for each day during which such violation continues.

(B) **Second tier.**—Notwithstanding subparagraph (A), any insured credit union which, and any institution-affiliated party who—

(i)(I) commits any violation described in any clause of subparagraph (A);

(II) recklessly engages in an unsafe or unsound practice in conducting the affairs of such credit union; or

(III) breaches any fiduciary duty;

(ii) which violation, practice, or breach—

(I) is part of a pattern of misconduct;

(II) causes or is likely to cause more than a minimal loss to such credit union; or

(III) results in pecuniary gain or other benefit to such party, shall forfeit and pay a civil penalty of not more than \$25,000 for each day during which such violation, practice, or breach continues.

(C) **Third tier.**—Notwithstanding subparagraphs (A) and (B), any insured credit union which, and any institution-affiliated party who—

(i) knowingly—

(I) commits any violation described in any clause of subparagraph (A);

(II) engages in any unsafe or unsound practice in conducting the affairs of such credit union; or

(III) breaches any fiduciary duty; and

(ii) knowingly or recklessly causes a substantial loss to such credit union or a substantial pecuniary gain or other benefit to such party by reason of such violation, practice, or breach, shall forfeit and pay a civil penalty in an amount not to exceed the applicable maximum amount determined under subparagraph (D) for each day during which such violation, practice, or breach continues.

(D) **Maximum amounts of penalties for any violation described in subparagraph (C).**—The maximum daily amount of any civil penalty which may be assessed pursuant to subparagraph (C) for any violation, practice, or breach described in such subparagraph is—

(i) in the case of any person other than an insured credit union, an amount to not exceed \$1,000,000; and

(ii) in the case of any insured credit union, an amount not to exceed the lesser of—

(I) \$1,000,000; or

(II) 1 percent of the total assets of such credit union.

(E) **Assessment.**—

(i) **Written notice.**—Any penalty imposed under subparagraph (A), (B), or (C) may be assessed and collected by the Board by written notice.

(ii) **Finality of assessment.**—If, with respect to any assessment under clause (i), a hearing is not requested pursuant to subparagraph (H) within the period of time allowed under such subparagraph, the assessment shall constitute a final and unappealable order.

(F) **Authority to modify or remit penalty.**—The Board may compromise, modify, or remit any penalty which such agency may assess or had already assessed under subparagraph (A), (B), or (C).

(G) **Mitigating factors.**—In determining the amount of any penalty imposed under subparagraph (A), (B), or (C), the Board shall take into account the appropriateness of the penalty with respect to—

(i) the size of financial resources and good faith of the insured credit union or the person charged;

(ii) the gravity of the violation;

(iii) the history of previous violations; and

(iv) such other matters as justice may require.

(H) **Hearing.**—The insured credit union or other person against whom any penalty is assessed under this paragraph shall be afforded an agency hearing if such institution or person submits a request for

such hearing within 20 days after the issuance of the notice of assessment.

**(I) Collection.—**

(i) **Referral.**—If any insured credit union or other person fails to pay an assessment after any penalty assessed under this paragraph has become final, the Board shall recover the amount assessed by action in the appropriate United States district court.

(ii) **Appropriateness of penalty not reviewable.**—In any civil action under clause (i), the validity and appropriateness of the penalty shall not be subject to review.

**(J) Disbursement.**—All penalties collected under authority of this paragraph shall be deposited into the Treasury.

**(K) Violate defined.**—For purposes of this section, the term “violate” includes any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

**(L) Regulations.**—The Board shall prescribe regulations establishing such procedures as may be necessary to carry out this paragraph.

**(3) Notice under this section after separation from service.**—The resignation, termination of employment or participation, or separation of an institution-affiliated party (including a separation caused by the closing of an insured credit union) shall not affect the jurisdiction and authority of the Board to issue any notice or order and proceed under this section against any such party, if such notice or order is served before the end of the 6-year period beginning on the date such party ceased to be such a party with respect to such credit union (whether such date occurs before, on, or after the date of the enactment of this paragraph).

**(1) Criminal Penalty for Violation of Certain Orders.**—Whoever—

(1) under this Act, is suspended or removed from, or prohibited from

participating in the affairs of any credit union described in section 206(g)(5); and

(2) knowingly participates, directly or indirectly, in any manner (including by engaging in an activity specifically prohibited in such an order or in subsection (g)(5)) in the conduct of the affairs of such a credit union; shall be fined not more than \$1,000,000, imprisoned for not more than 5 years, or both.

(m) As used in this section (1) the terms “cease-and-desist order which has become final” and “order which has become final” means a cease-and-desist order, or an order issued by the Board with the consent of the credit union or the director, officer, committee member, or other person concerned, or with respect to which no petition for review of the action of the Board has been filed and perfected in a court of appeals as specified in paragraph (2) of subsection (j) of this section, or with respect to which the action of the court in which said petition is so filed is not subject to further review by the Supreme Court of the United States in proceedings provided for in said paragraph, or an order issued under subsection (i) of this section, and (2) the term “violation” includes without limitation any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding or abetting a violation.

(n) Any service required or authorized to be made by the Board under this section may be made by registered mail or in such other manner reasonably calculated to give actual notice as the Board may by regulation or otherwise provide. Copies of any notice or order served by the Board upon any State-chartered credit union or any director, officer, or committee member thereof or other person participating in the conduct of its affairs, pursuant to the provisions of this section, shall also be sent to the commission, board, or authority, if any, having supervision of such credit union.

(o) In connection with any proceeding under subsection (e), (f)(1), or (g) of this section involving an insured State-chartered credit union or any institution-affiliated party, the Board shall provide the commission, board, or authority, if any, having supervision of such credit union, with notice of its intent

to institute such a proceeding and the grounds thereof. Unless within such time as the Board deems appropriate in the light of the circumstances of the case (which time must be specified in the notice prescribed in the preceding sentence) satisfactory corrective action is effectuated by action of such commission, board, or authority, the Board may proceed as provided in this section. No credit union or other party who is the subject of any notice or order issued by the Board under this section shall have standing to raise the requirements of this subsection as ground for attacking the validity of any such notice or order.

(p) In the course of or in connection with any proceeding under this section or in connection with any claim for insured deposits or by examination or investigation under section 204(b), the Board, in conducting the proceeding, examination, or investigation or considering the claim for insured deposits, or any designated representative thereof, including any person designated to conduct any hearing under this section, shall have the power to administer oaths and affirmations, to take or cause to be taken depositions, and to issue, revoke, quash, or modify subpoenas and subpoenas duces tecum, and the Board is empowered to make rules and regulations with respect to any such proceedings, claims, examinations, or investigations. The attendance of witnesses and the production of documents provided for in this subsection may be required from any place in any State or in any territory or other place subject to the jurisdiction of the United States at any designated place where such proceeding is being conducted. Any party to proceedings under this section may apply to the United States District Court for the District of Columbia, or the United States district court for the judicial district or the United States court in any territory in which such proceeding is being conducted, or where the witness resides or carries on business, for enforcement of any subpoena or subpoena duces tecum issued pursuant to this subsection, and such courts shall have jurisdiction and power to order and require compliance therewith. Witnesses subpoenaed under this section shall be paid the same fees and mileage that are paid witnesses in the district courts of the United States. Any court having jurisdiction of any

proceeding instituted under this section by an insured credit union or a director, officer, or committee member thereof may allow to any such party such reasonable expenses and attorneys' fees as it deems just and proper and such expenses and fees shall be paid by the credit union or from its assets.

**(q) Compliance with Monetary Transaction Recordkeeping and Report Requirements.—**

(1) **Compliance procedures required.**— The Board shall prescribe regulations requiring insured credit unions to establish and maintain procedures reasonably designed to assure and monitor the compliance of such credit unions with the requirements of subchapter II of chapter 53 of title 31, United States Code.

**(2) Examinations of credit unions to include review of compliance procedures.—**

(A) **In general.**—Each examination of an insured credit union by the Board shall include a review of the procedures required to be established and maintained under paragraph (1).

(B) **Exam report requirement.**— The report of examination shall describe any problem with the procedures maintained by the credit union.

**(3) Order to comply with requirements.**—If Board determines that an insured credit union—

(A) has failed to establish and maintain the procedures described in paragraph (1); or

(B) has failed to correct any problem with the procedures maintained by such credit union which was previously reported to the credit union by the Board, the Board shall issue an order in the manner prescribed in subsection (e) or (f) requiring such credit union to cease and desist from its violation of this subsection or regulations prescribed under this subsection.

(r) **Institution-affiliated Party Defined.**— For purposes of this Act, the term “institutionaffiliated party” means—

(1) Any committee member, director, officer, or employee of, or agent for, an insured credit union;

(2) any consultant, joint venture partner, and any other person as determined by the Board (by regulation or on a case-by-case basis) who participates in the conduct of the affairs of an insured credit union; and

(3) any independent contractor (including any attorney, appraiser, or accountant) who knowingly or recklessly participates in—

(A) any violation of any law or regulation;

(B) any breach of fiduciary duty; or

(C) any unsafe or unsound practice,

which caused or is likely to cause more than a minimal financial loss to, or a significant adverse effect on, the insured credit union.

(s) **Public Disclosure of Agency Action.**—

(1) **In general.**—The Board shall publish and make available to the public on a monthly basis—

(A) Any written agreement or other written statement for which a violation may be enforced by the Board, unless the Board, in its discretion, determines that publication would be contrary to the public interest;

(B) any final order issued with respect to any administrative enforcement proceeding initiated by the Board under this section or any other law; and

(C) any modification to or termination of any order or agreement made public pursuant to this paragraph.

(2) **Hearings.**—All hearings on the record with respect to any notice of charges issued by the Board shall be open to the

public, unless the agency, in its discretion, determines that holding an open hearing would be contrary to the public interest.

(3) **Reports to Congress.**—A written report shall be made part of a determination not to hold a public hearing pursuant to paragraph (2) or not to publish a document pursuant to paragraph (1)(A). At the end of each calendar quarter, all such reports shall be transmitted to the Congress.

(4) **Transcript of hearing.**—A transcript that includes all testimony and other documentary evidence shall be prepared for all hearings commenced pursuant to subsection (k). A transcript of public hearings shall be made available to the public pursuant to section 552 of title 5, United States Code.

(5) **Delay of publication under exceptional circumstances.**—If the Board makes a determination in writing that the publication of a final order pursuant to paragraph (1)(B) would seriously threaten the safety and soundness of an insured depository institution, the agency may delay the publication of the document for a reasonable time.

(6) **Documents filed under seal in public enforcement hearings.**—The Board may file any document or part of a document under seal in any administrative enforcement hearing commenced by the agency if disclosure of the document would be contrary to the public interest. A written report shall be made part of any determination to withhold any part of a document from the transcript of the hearing required by paragraph (2).

(7) **Retention of documents.**—The Board shall keep and maintain a record, for a period of at least 6 years, of all documents described in paragraph (1) and all informal enforcement agreements and other supervisory actions and supporting documents issued with respect to or in connection with any administrative enforcement proceeding initiated by such agency under this section or any other laws.

(8) **Disclosures to Congress.**—No provision of this subsection may be construed to authorize the withholding, or to prohibit

the disclosure, of any information to the Congress or any committee or subcommittee of the Congress.

**(9) Preservation of records. –**

**(A) In general. –** The Board may cause any and all records, papers, or documents kept by the Administration or in the possession or custody of the Administration to be –

(i) photographed or microphotographed or otherwise reproduced upon film; or

(ii) preserved in any electronic medium or format which is capable of –

(I) being read or scanned by computer; and

(II) being reproduced from such electronic medium or format by printing or any other form of reproduction of electronically stored data.

**(B) Treatment as original records. –** Any photographs, micrographs, or photographic film or copies thereof described in subparagraph (A)(i) or reproduction of electronically stored data described in subparagraph (A)(ii) shall be deemed to be an original record for all purposes, including introduction in evidence in all State and Federal courts or administrative agencies, and shall be admissible to prove any act, transaction, occurrence, or event therein recorded.

**(C) Authority of the Administration. –** Any photographs, microphotographs, or photographic film or copies thereof described in subparagraph (A)(i) or reproduction of electronically stored data described in subparagraph (A)(ii) shall be preserved in such manner as the Administration shall prescribe, and the original records, papers, or documents may be destroyed or otherwise disposed of as the Administration may direct.

**(t) Regulation of Certain Forms of Benefits to Institution-Affiliated Parties. –**

**(1) Golden parachutes and indemnification payments. –**The Board may prohibit or limit, by regulation or order, any golden parachute payment or indemnification payment.

**(2) Factors to be taken into account. –** The Board shall prescribe, by regulation, the factors to be considered by the Board in taking any action pursuant to paragraph (1) which may include such factors as the following:

(A) Whether there is a reasonable basis to believe that the institution-affiliated party has committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the credit union that has had a material affect [sic] on the financial condition of the credit union.

(B) Whether there is a reasonable basis to believe that the institution-affiliated party is substantially responsible for the insolvency of the credit union, the appointment of a conservator or liquidating agent for the credit union, or the credit union's troubled condition (as defined in regulations prescribed by the Board pursuant to paragraph (4)(A)(ii)(III)).

(C) Whether there is a reasonable basis to believe that the institution-affiliated party has materially violated any applicable Federal or State banking law or regulation that has had a material effect on the financial condition of the credit union.

(D) Whether there is a reasonable basis to believe that the institution-affiliated party has violated or conspired to violate—

(i) section 215, 656, 657, 1005, 1006, 1007, 1014, 1032, or 1344 of title 18, United States Code; or

(ii) section 1341 or 1343 of such title affecting a financial institution.

(E) Whether the institution-affiliated party was in a position of managerial or fiduciary responsibility.

(F) The length of time the party was affiliated with the credit union and the degree to which—

(i) the payment reasonably reflects compensation earned over the period of employment; and

(ii) the compensation involved represents a reasonable payment for services rendered.

**(3) Certain payments prohibited.**—No credit union may prepay the salary or any liability or legal expense of any institution-affiliated party if such payment is made—

(A) in contemplation of the insolvency of such credit union or after the commission of an act of insolvency; and

(B) with a view to, or has the result of—

(i) preventing the proper application of the assets of the credit union; or

(ii) preferring one creditor over another.

**(4) Golden parachute payment defined.**—For purposes of this subsection—

(A) **In general.**—The term “golden parachute payment” means any payment (or any agreement to make any payment) in the nature of compensation by any credit union for the benefit of any institution-affiliated party pursuant to an obligation of such credit union that—

(i) is contingent on the termination of such party’s affiliation with the credit union; and

(ii) is received on or after the date on which—

(I) the credit union is insolvent;

(II) any conservator or liquidating agent is appointed for such credit union;

(III) the Board determines that the credit union is in a troubled condition (as defined in regulations which the Board shall prescribe);

(IV) the credit union has been assigned a composite rating by the Board of 4 or 5 under the Uniform Financial Institutions Rating System (as applicable with respect to credit unions); or

(V) the credit union is subject to a proceeding initiated by the Board to terminate or suspend deposit insurance for such credit union.

**(B) Certain payments in contemplation of an event.**—Any payment which would be a golden parachute payment but for the fact that such payment was made before the date referred to in subparagraph (A)(ii) shall be treated as a golden parachute payment if the payment was made in contemplation of the occurrence of an event described in any subclause of such subparagraph.

**(C) Certain payments not included.**—The term “golden parachute payment” shall not include—

(i) any payment made pursuant to a retirement plan which is qualified (or is intended to be qualified) under section 401 of the Internal Revenue Code of 1986 or other nondiscriminatory retirement or severance benefit plan;

(ii) any payment made pursuant to a bona fide deferred compensation plan or arrangement which the Board determines, by regulation or order, to be permissible; or

(iii) any payment made by reason of the death or disability of an institution-affiliated party.

**(5) Other definitions.**—For purposes of this subsection—

**(A) Indemnification payment.**—Subject to paragraph (6), the term “indemnification payment” means any payment (or any agreement to make any payment) by any credit union for the benefit of

any person who is or was an institution-affiliated party, to pay or reimburse such person for any liability or legal expense with regard to any administrative proceeding or civil action instituted by the Board which results in a final order under which such person—

(i) is assessed a civil money penalty;

(ii) is removed or prohibited from participating in conduct of the affairs of the credit union; or

(iii) is required to take any affirmative action described in section 206(e)(3) with respect to such credit union.

**(B) Liability or legal expense.**—The term “liability or legal expense” means—

(i) any legal or other professional expense incurred in connection with any claim, proceeding, or action;

(ii) the amount of, and any cost incurred in connection with, any settlement of any claim, proceeding, or action; and

(iii) the amount of, and any cost incurred in connection with, any judgment or penalty imposed with respect to any claim, proceeding, or action.

**(C) Payment.**—The term “payment” includes—

(i) any direct or indirect transfer of any funds or any asset; and

(ii) any segregation of any funds or assets for the purpose of making, or pursuant to an agreement to make, any payment after the date on which such funds or assets are segregated, without regard to whether the obligation to make such payment is contingent on—

(I) the determination, after such date, of the liability for the payment of such amount; or

(II) the liquidation, after such date, of the amount of such payment.

(6) Certain commercial insurance coverage not treated as covered benefit payment.—No provision of this subsection shall be construed as prohibiting any credit union from purchasing any commercial insurance policy or fidelity bond, except that, subject to any requirement described in paragraph (5)(A)(iii), such insurance policy or bond shall not cover any legal or liability expense of the credit union which is described in paragraph (5)(A).

**(u) Foreign Investigations.**—

**(1) Requesting assistance from foreign banking authorities.**—In conducting any investigation, examination, or enforcement action under this Act, the Board may—

(A) request the assistance of any foreign banking authority; and

(B) maintain an office outside the United States.

**(2) Providing assistance to foreign banking authorities.**—

(A) **In general.**—The Board may, at the request of any foreign banking authority, assist such authority if such authority states that the requesting authority is conducting an investigation to determine whether any person has violated, is violating, or is about to violate any law or regulation relating to banking matters or currency transactions administered or enforced by the requesting authority.

(B) **Investigation by Federal banking agency.**—The Board may, in the Board’s discretion, investigate and collect information and evidence pertinent to a request for assistance under subparagraph (A). Any such investigation shall comply with the laws of the United States and the policies and procedures of the Board.

(C) **Factors to consider.**—In deciding whether to provide assistance under this paragraph, the Board shall consider—

(i) whether the requesting authority has agreed to provide reciprocal assistance with respect to banking matters

within the jurisdiction of the Board or any appropriate Federal banking agency; and

(ii) whether compliance with the request would prejudice the public interest of the United States.

**(D) Treatment of foreign banking authority.**—For purposes of any Federal law or Board regulation relating to the collection or transfer of information by the Board or any appropriate Federal banking agency, the foreign banking authority shall be treated as another appropriate Federal banking agency.

**(3) Rule of construction.**—Paragraphs (1) and (2) shall not be construed to limit the authority of the Board or any other Federal agency to provide or receive assistance or information to or from any foreign authority with respect to any matter.

**(v) Termination of Insurance for Money Laundering or Cash Transaction Reporting Offenses.**—

**(1) In general.**—

**(A) Conviction of Title 18 offenses.**—

(i) **Duty to notify.**—If an insured State credit union has been convicted of any criminal offense under section 1956 or 1957 of Title 18, United States Code, the Attorney General shall provide to the Board a written notification of the conviction and shall include a certified copy of the order of conviction from the court rendering the decision.

(ii) **Notice of termination.**—After written notification from the Attorney General to the Board of such a conviction, the Board shall issue to such insured credit union a notice of its intention to terminate the insured status of the insured credit union and schedule a hearing on the matter, which shall be conducted as a termination hearing pursuant to subsection (b) of this section, except that no period for correction shall apply to a notice issued under this subparagraph.

**(B) Conviction of Title 31 offenses.**—If a credit union is convicted to any criminal offense under section 5322 or

5324 of Title 31, United States Code, after prior written notification from the Attorney General, the Board may initiate proceedings to terminate the insured status of such credit union in the manner described in subparagraph (A).

**(C) Notice to state supervisor.**—The Board shall simultaneously transmit a copy of any notice under this paragraph to the appropriate State financial institutions supervisor.

**(2) Factors to be considered.**—In determining whether to terminate insurance under paragraph (1), the Board shall take into account the following factors:

(A) The extent to which directors, committee members, or senior executive officers (as defined by the Board in regulations which the Board shall prescribe) of the credit union knew of, or were involved in, the commission of the money laundering offense of which the credit union was found guilty.

(B) The extent to which the offense occurred despite the existence of policies and procedures within the credit union which were designed to prevent the occurrence of any such offense.

(C) The extent to which the credit union has fully cooperated with law enforcement authorities with respect to the investigation of the money laundering offense of which the credit union was found guilty.

(D) The extent to which the credit union has implemented additional internal controls (since the commission of the offense of which the credit union was found guilty) to prevent the occurrence of any other money laundering offense.

(E) The extent to which the interest of the local community in having adequate deposit and credit services available would be threatened by the termination of insurance.

**(3) Notice to state credit union supervisor and public.**—When the order to terminate insured status initiated pursuant to this subsection is final, the Board shall—

(A) notify the commission, board, or authority (if any) having supervision of the credit union described in paragraph (1) at least 10 days prior to the effective date of the order of the termination of the insured status of such credit union; and

(B) publish notice of the termination of the insured status of the credit union.

**(4) Temporary insurance of previously insured deposits.**—Upon termination of the insured status of any State credit union pursuant to paragraph (1), the deposits of such credit union shall be treated in accordance with section 206(d)(2).

**(5) Successor liability.**—This subsection shall not apply to a successor to the interests of, or a person who acquires, an insured credit union that violated a provision of law described in paragraph (1), if the successor succeeds to the interests of the violator, or the acquisition is made, in good faith and not for purposes of evading this subsection or regulations prescribed under this subsection.

**(w) One-year restrictions on federal examiners of insured credit unions. –**

**(1) In general.**—In addition to other applicable restrictions set forth in title 18, United States Code, the penalties set forth in paragraph (5) of this subsection shall apply to any person who –

(A) was an officer or employee (including any special Government employee) of the Administration;

(B) served 2 or more months during the final 12 months of his or her employment with the Administration as a senior examiner (or a functionally equivalent position) of an insured credit union with continuing, broad responsibility for the examination (or inspection) of that insured credit union on behalf of the Administration; and

(C) within 1 year after the termination date of his or her service or employment with the Administration, knowingly accepts compensation as an

employee, officer, director, or consultant from such insured credit union.

**(2) Rule of construction.** – For purposes of this subsection, a person shall be deemed to act as a consultant for an insured credit union only if such person directly works on matters for, or on behalf of, such insured credit union.

**(3) Regulations.—**

**(A) In general.**—The Board shall prescribe rules or regulations to administer and carry out this subsection, including rules, regulations, or guidelines to define the scope of persons referred to in paragraph (1)(B).

**(B) Consultation.**—In prescribing rules or regulations under this paragraph, the Board shall, to the extent it deems necessary, consult with the Federal banking agencies (as defined in section 3 of the Federal Deposit Insurance Act) on regulations issued by such agencies in carrying out section 10(k) of the Federal Deposit Insurance Act.

**(4) Waiver.**—The Board may grant a waiver, on a case by case basis, of the restriction imposed by this subsection to any officer or employee (including any special Government employee) of the Administration if the Chairman certifies in writing that granting the waiver would not affect the integrity of the supervisory program of the Administration.

**(5) Penalties.—**

**(A) In general.**—In addition to any other administrative, civil, or criminal remedy or penalty that may otherwise apply, whenever the Board determines that a person subject to paragraph (1) has become associated, in the manner described in paragraph (1)(C), with an insured credit union, the Board shall impose upon such person one or more of the following penalties:

**(i) Industry-wide prohibition order.**—The Board shall serve a written notice or order in accordance with and subject to the provisions of subsection (g)(4) for written notices or orders under paragraph (1) or (2) of subsection (g), upon such person of the intention of the Board –

(I) to remove such person from office or to prohibit such person from further participation in the conduct of the affairs of the insured credit union for a period of up to 5 years; and

(II) to prohibit any further participation by such person, in any manner, in the conduct of the affairs of any insured credit union for a period of up to 5 years.

(i) **Civil monetary penalty.** — The Board may, in an administrative proceeding or civil action in an appropriate United States district court, impose on such person a civil monetary penalty of not more than \$250,000. Any administrative proceeding under this clause shall be conducted in accordance with subsection (k). In lieu of action by the Board under this clause, the Attorney General of the United States may bring a civil action under this clause in the appropriate United States district court.

(B) **Scope of prohibition order.**— Any person subject to an order issued under this subparagraph (A)(i) shall be subject to paragraphs (5) and (7) of subsection (g) in the same manner and to the same extent as a person subject to an order issued under subsection (g).

## § 1786a

## § 206A

Section 206A, addressing regulation and examination of credit union organizations and service providers, expired effective December 31, 2001.

## § 1787

## § 207

**Payment of insurance.**—(a)(1)(A) Upon its finding that a Federal credit union insured under this title is bankrupt or insolvent, the Board shall close such credit union for liquidation and appoint itself liquidating agent therefor.

(B) Not later than 10 days after the date on which the Board closes a credit union for liquidation pursuant to paragraph (1), or accepts appointment as liquidating agent pursuant to subsection (b), such insured credit

union may apply to the United States district court for the judicial district in which the principal office of such insured credit union is located or the United States District Court for the District of Columbia, for an order requiring the Board to show cause why it should not be prohibited from continuing such liquidation. Except as otherwise provided in this subparagraph, no court may take any action for or toward the removal of any liquidating agent or, except at the instance of the Board, restrain or affect the exercise of powers or functions of a liquidating agent.

(2) Notwithstanding any other provision of law, the Board as liquidating agent of a closed Federal credit union insured under this title shall not be required to furnish bond and shall have the right to appoint an agent or agents to assist it in its duties as such liquidating agent. All fees, compensation, and expenses of liquidation and administration thereof shall be fixed by the Board and may be paid by it out of funds coming into its possessions as such liquidating agent.

(3) **Liquidation to facilitate prompt corrective action.**—The Board may close any credit union for liquidation, and appoint itself or another (including, in the case of a State-chartered insured credit union, the State official having jurisdiction over the credit union) as liquidating agent of that credit union, if—

(A) the Board determines that—

(i) the credit union is significantly undercapitalized, as defined in section 216, and has no reasonable prospect of becoming adequately capitalized, as defined in section 216; or

(ii) the credit union is critically undercapitalized, as defined in section 216; and

(B) in the case of a State-chartered insured credit union, the Board has complied with section 216(l).

(b) **Powers and Duties of Board as Conservator or Liquidating Agent.**—

(1) **Rulemaking authority of Board.**— The Board may prescribe such regulations as the Board determines to be appropriate regarding the conduct of the Board as conservator or liquidating agent.

(2) **General Powers.**—

(A) **Successor to credit union.**— The Board shall, as conservator or liquidating agent, and by operation of law, succeed to—

(i) all rights, titles, powers, and privileges of the credit union, and of any member, accountholder, officer, or director of such credit union with respect to the credit union and the assets of the credit union; and

(ii) title to the books, records, and assets of any previous conservator or other legal custodian of such credit union.

(B) **Operate the credit union.**— The Board may, as conservator or liquidating agent—

(i) take over the assets of and operate the credit union with all the powers of the members or shareholders, the directors, and the officers of the credit union and shall be authorized to conduct all business of the credit union;

(ii) collect all obligations and money due the credit union;

(iii) perform all functions of the credit union in the name of the credit union which is consistent with the appointment as conservator or liquidating agent; and

(iv) preserve and conserve the assets and property of such credit union.

(C) **Functions of credit union's officers, directors, and shareholders.**— The Board may, by regulation or order, provide for the exercise of any function by any member or stockholder, director, or officer of any credit union for which the Board has been appointed conservator or liquidating agent.

(D) **Powers as conservator.**—The Board may, as conservator, take such action as may be—

(i) necessary to put the credit union in a sound and solvent condition; and

(ii) appropriate to carry on the business of the credit union and preserve and conserve the assets and property of the credit union.

(E) **Additional powers as liquidating agent.**—The Board may, as liquidating agent, place the credit union in liquidation and proceed to realize upon the assets of the credit union, having due regard to the conditions of credit in the locality.

(F) **Payment of valid obligations.**—The Board, as conservator or liquidating agent, shall pay all valid obligations of the credit union in accordance with the prescriptions and limitations of this Act.

(G) **Attachment of assets and injunctive relief.**—Subject to subparagraph (H), any court of competent jurisdiction may, at the request of the Board (in the Board's capacity as conservator or liquidating agent for any insured credit union or in the Board's corporate capacity in the exercise of any authority under section 207), issue an order in accordance with Rule 65 of the Federal Rules of Civil Procedure, including an order placing the assets of any person designated by the Board under the control of the court and appointing a trustee to hold such assets.

(H) **Standards.**—

(i) **Showing.**—Rule 65 of the Federal Rules of Civil Procedure shall apply with respect to any proceeding under subparagraph (G) without regard to the requirement of such rule that the applicant show that the injury, loss, or damage is irreparable and immediate.

(ii) **State proceeding.**—If, in the case of any proceeding in a State court, the court determines that rules of civil procedure available under the laws of such State provide substantially similar protections to such party's right to due process as Rule 65 (as modified with respect to such proceeding by clause (i)), the relief sought by the Board

pursuant to subparagraph (G) may be requested under the laws of such State.

**(I) Subpoena authority.—**

(i) **In general.**—The Board may, as conservator or liquidating agent and for purposes of carrying out any power, authority, or duty with respect to an insured credit union (including determining any claim against the credit union and determining and realizing upon any asset of any person in the course of collecting money due the credit union), exercise any power established under section 206(p), and the provisions of such section shall apply with respect to the exercise of any such power under this subparagraph in the same manner as such provisions apply under such section.

(ii) **Authority of board.**—A subpoena or subpoena duces tecum may be issued under clause (i) only by, or with the written approval of, the Board or their designees.

(iii) **Rule of construction.**—This subsection shall not be construed as limiting any rights that the Board, in any capacity, might otherwise have under section 206(p).

**(J) Incidental powers.**—The Board may, as conservator or liquidating agent—

(i) exercise all powers and authorities specifically granted to conservators or liquidating agents, respectively, under this Act and such incidental powers as shall be necessary to carry out such powers; and

(ii) take any action authorized by this Act, which the Board determines is in the best interests of the credit union, its accountholders, or the Board.

**(K) Exemption from criminal prosecution.**—The Administration shall be exempt from all prosecution by the United States or any State, county, municipality, or local authority for any criminal offense arising under Federal, State, county, municipal, or local law, which was allegedly committed by a credit union, or persons acting on behalf of a

credit union, prior to the appointment of the Administration as liquidating agent.

**(3) Authority of liquidating agent to determine claims.—**

(A) **In general.**—The Board may, as liquidating agent, determine claims in accordance with the requirements of this subsection and regulations prescribed under paragraph (4).

(B) **Notice requirements.**—The liquidating agent, in any case involving the liquidation or winding up of the affairs of a closed credit union, shall—

(i) promptly publish a notice to the credit union's creditors to present their claims, together with proof, to the liquidating agent by a date specified in the notice which shall be not less than 90 days after the publication of such notice; and

(ii) republish such notice approximately 1 month and 2 months, respectively, after the publication under clause (i).

(C) **Mailing required.**—The liquidating agent shall mail a notice similar to the notice published under subparagraph (B)(i) at the time of such publication to any creditor shown on the credit union's books—

(i) at the creditor's last address appearing in such books; or

(ii) upon discovery of the name and address of a claimant not appearing on the credit union's books within 30 days after the discovery of such name and address.

**(4) Rulemaking authority relating to determination of claims.**—The Board may prescribe regulations regarding the allowance or disallowance of claims by the liquidating agent and providing for administrative determination of claims and review of such determination.

**(5) Procedures for determination of claims.—**

(A) **Determination period.**—

(i) **In general.**—Before the end of the 180-day period beginning on the date any claim against a credit union is filed with the Board as liquidating agent, the Board shall determine whether to allow or disallow the claim and shall notify the claimant of any determination with respect to such claim.

(ii) **Extension of time.**—The period described in clause (i) may be extended by a written agreement between the claimant and the Board.

(iii) **Mailing of notice sufficient.**— The requirements of clause (i) shall be deemed to be satisfied if the notice of any determination with respect to any claim is mailed to the last address of the claimant which appears—

(I) on the credit union’s books;

(II) in the claim filed by the claimant; or

(III) in documents submitted in proof of the claim.

(iv) **Contents of notice of disallowance.**—If any claim filed under clause (i) is disallowed, the notice to the claimant shall contain—

(I) a statement of each reason for the disallowance; and

(II) the procedures available for obtaining agency review of the determination to disallow the claim or judicial determination of the claim.

(B) **Allowance of proven claims.**— The liquidating agent shall allow any claim received on or before the date specified in the notice published under paragraph (3)(B)(i) by the liquidating agent from any claimant which is approved to the satisfaction of the liquidating agent.

(C) **Disallowance of claims filed after end of filing period.**—

(i) **In general.**—Except as provided in clause (ii), claims filed after the date specified in the notice published under

paragraph (3)(B)(i) shall be disallowed and such disallowance shall be final.

(ii) **Certain exceptions.**—Clause (i) shall not apply with respect to any claim filed by any claimant after the date specified in the notice published under paragraph (3)(B)(i) and such claim may be considered by the liquidating agent if—

(I) the claimant did not receive notice of the appointment of the liquidating agent in time to file such claim before such date; and

(II) such claim is filed in time to permit payment of such claim.

(D) **Authority to disallow claims.**—The liquidating agent may disallow any portion of any claim by a creditor or claim of security, preference, or priority which is not proved to the satisfaction of the liquidating agent.

(E) **No judicial review of determination pursuant to subparagraph (D).**—No court may review the Board’s determination pursuant to subparagraph (D) to disallow a claim.

(F) **Legal effect of filing.**—

(i) **Statute of limitation tolled.**—For purposes of any applicable statute of limitations, the filing of a claim with the liquidating agent shall constitute a commencement of an action.

(ii) **No prejudice to other actions.**— Subject to paragraph (12), the filing of a claim with the liquidating agent shall not prejudice any right of the claimant to continue any action which was filed before the appointment of the liquidating agent.

(6) **Provision for agency review or judicial determination of claims.**—

(A) **In general.**—Before the end of the 60-day period beginning on the earlier of—

(i) the end of the period described in paragraph (5)(A)(i) with respect to any

claim against a credit union for which the Board is liquidating agent; or

(ii) the date of any notice of disallowance of such claim pursuant to paragraph (5)(A)(i), the claimant may request administrative review of the claim in accordance with subparagraph (A) or (B) of paragraph (7) or file suit on such claim (or continue an action commenced before the appointment of the liquidating agent) in the district or territorial court of the United States for the district within which the credit union's principal place of business is located or the United States District Court for the District of Columbia (and such court shall have jurisdiction to hear such claim).

(B) **Statute of limitations.**—If any claimant fails to—

(i) request administrative review of any claim in accordance with subparagraph (A) or (B) of paragraph (7); or

(ii) file suit on such claim (or continue an action commenced before the appointment of the liquidating agent),

before the end of the 60-day period described in subparagraph (A), the claim shall be deemed to be disallowed (other than any portion of such claim which was allowed by the liquidating agent) as of the end of such period, such disallowance shall be final, and the claimant shall have no further rights or remedies with respect to such claim.

(7) **Review of claims.**—

(A) **Administrative hearing.**—If any claimant requests review under this subparagraph in lieu of filing or continuing any action under paragraph (6) and the Board agrees to such request, the Board shall consider the claim after opportunity for hearing on the record. The final determination of the Board with respect to such claim shall be subject to judicial review under chapter 7 of title 5, United States Code.

(B) **Other review procedures.**—

(i) **In general.**—The Board shall also establish such alternative dispute resolution processes as may be appropriate for the resolution of claims filed under paragraph (5)(A)(i).

(ii) **Criteria.**—In establishing alternative dispute resolution processes, the Board shall strive for procedures which are expeditious, fair, independent, and low cost.

(iii) **Voluntary binding or non-binding procedures.**—The Board may establish both binding and nonbinding processes, which may be conducted by any government or private party, but all parties, including the claimant and the Board, must agree to the use of the process in a particular case.

(iv) **Consideration of incentives.**—The Board shall seek to develop incentives for claimants to participate in the alternative dispute resolution process.

(8) **Expedited determination of claims.**—

(A) **Establishment required.**—The Board shall establish a procedure for expedited relief outside of the routine claims process established under paragraph (5) for claimants who—

(i) allege the existence of legally valid and enforceable or perfected security interests in assets of any credit union for which the Board has been appointed liquidating agent; and

(ii) allege that irreparable injury will occur if the routine claims procedure is followed.

(B) **Determination period.**—Before the end of the 90-day period beginning on the date any claim is filed in accordance with the procedures established pursuant to subparagraph (A), the Board shall—

(i) determine—

(I) whether to allow or disallow such claim; or

(II) whether such claim should be determined pursuant to the procedures established pursuant to paragraph (5); or

(ii) notify the claimant of the determination, and if the claim is disallowed, a statement of each reason for the disallowance and the procedure for obtaining agency review or judicial determination.

**(C) Period for filing or renewing suit.**—Any claimant who files a request for expedited relief shall be permitted to file a suit, or to continue a suit filed before the appointment of the liquidating agent, seeking a determination of the claimant's rights with respect to such security interest after the earlier of—

(i) the end of the 90-day period beginning on the date of the filing of a request for expedited relief; or

(ii) the date the Board denies the claim.

**(D) Statute of limitations.**—If an action described in subparagraph (C) is not filed, or the motion to renew a previously filed suit is not made, before the end of the 30-day period beginning on the date on which such action or motion may be filed in accordance with subparagraph (B), the claim shall be deemed to be disallowed as of the end of such period (other than any portion of such claim which was allowed by the liquidating agent), such disallowance shall be final, and the claimant shall have no further rights or remedies with respect to such claim.

**(E) Legal effect of filing.**—

(i) **Statute of limitation tolled.**—For purposes of any applicable statute of limitations, the filing of a claim with the liquidating agent shall constitute a commencement of an action.

(ii) **No prejudice to other actions.**— Subject to paragraph (12), the filing of a claim with the liquidating agent shall not prejudice any right of the claimant to continue any action which was filed before the appointment of the liquidating agent.

**(9) Agreement as basis of claim.**—

(A) **Requirements.**—Except as provided in subparagraph (B), any agreement which does not meet the requirements set forth in section 208(a)(3) shall not form the basis of, or substantially comprise, a claim against the liquidating agent or the Board.

(B) **Exception to contemporaneous execution requirement.**—Notwithstanding section 208(a)(3), any agreement between a Federal home loan bank or Federal Reserve bank and any insured credit union which was executed before the extension of credit by such bank to such credit union shall be treated as having been executed contemporaneously with such extension of credit for purposes of subparagraph (A).

**(10) Payment of Claims.**—

(A) **In general.**—The liquidating agent may, in the liquidating agent's discretion and to the extent funds are available, pay creditor claims which are allowed by the liquidating agent, approved by the Board pursuant to a final determination pursuant to paragraph (7) or (8), or determined by the final judgment of any court of competent jurisdiction in such manner and amounts as are authorized under this Act.

(B) **Payment of dividends on claims.**— The liquidating agent may, in the liquidating agent's sole discretion, pay dividends on proved claims at any time, and no liability shall attach to the Board (in such Board's corporate capacity or as liquidating agent), by reason of any such payment, for failure to pay dividends to a claimant whose claim is not proved at the time of any such payment.

**(11) Distribution of assets.**—

(A) **Subrogated claims; claims of uninsured accountholders and other creditors.**—The liquidating agent shall—

(i) retain for the account of the Board such portion of the amounts realized from any liquidation as the Board may be entitled to receive in connection with the

subrogation of the claims of accountholders; and

(ii) pay to accountholders and other creditors the net amounts available for distribution to them.

**(B) Distribution to shareholders of amounts remaining after payment of all other claims and expenses.**—In any case in which funds remain after all accountholders, creditors, other claimants, and administrative expenses are paid, the liquidating agent shall distribute such funds to the credit union's shareholders or members together with the accounting report required under paragraph (14)(C).

**(12) Suspension of legal actions.—**

**(A) In general.**—After the appointment of a conservator or liquidating agent for an insured credit union, the conservator or liquidating agent may request a stay for a period not to exceed—

(i) 45 days, in the case of any conservator; and

(ii) 90 days, in the case of any liquidating agent,

in any judicial action or proceeding to which such credit union is or becomes a party.

**(B) Grant of stay by all courts required.**—Upon receipt of a request by any conservator or liquidating agent pursuant to subparagraph (A) for a stay of any judicial action or proceeding in any court with jurisdiction of such action or proceeding, the court shall grant such stay as to all parties.

**(13) Additional rights and duties.—**

**(A) Prior final adjudication.**—The Board shall abide by any final unappealable judgment of any court of competent jurisdiction which was rendered before the appointment of the Board as conservator or liquidating agent.

**(B) Rights and remedies of conservator or liquidating agent.**—In the event of any appealable judgment, the Board as conservator or liquidating agent shall—

(i) have all the rights and remedies available to the credit union (before the appointment of such conservator or liquidating agent) and the Board in its corporate capacity, including removal to Federal court and all appellate rights; and

(ii) not be required to post any bond in order to pursue such remedies.

**(C) No attachment or execution.**—No attachment or execution may issue by any court upon assets in the possession of the liquidating agent.

**(D) Limitation on judicial review.**— Except as otherwise provided in this subsection, no court shall have jurisdiction over—

(i) any claim or action for payment from, or any action seeking a determination of rights with respect to, the assets of any credit union for which the Board has been appointed liquidating agent, including assets which the Board may acquire from itself as such liquidating agent; or

(ii) any claim relating to any act or omission of such credit union or the Board as liquidating agent.

**(14) Statute of limitations for actions brought by conservator liquidating agent.—**

**(A) In general.**—Notwithstanding any provision of any contract, the applicable statute of limitations with regard to any action brought by the Board as conservator or liquidating agent shall be—

(i) in the case of any contract claim, the longer of—

(I) the 6-year period beginning on the date the claim accrues; or

(II) the period applicable under State law; and

(ii) in the case of any tort claim, the longer of—

(I) the 3-year period beginning on the date the claim accrues; or

(II) the period applicable under State law.

**(B) Determination of the date on which a claim accrues.**—For purposes of subparagraph (A), the date on which the statute of limitation begins to run on any claim described in such subparagraph shall be the later of—

(i) the date of the appointment of the Board as conservator or liquidating agent; or

(ii) the date on which the cause of action accrues.

**(15) Accounting and recordkeeping requirements.**—

**(A) In general.**—The Board as conservator or liquidating agent shall, consistent with the accounting and reporting practices and procedures established by the Board, maintain a full accounting of each conservatorship and liquidation or other disposition of credit unions in default.

**(B) Annual accounting or report.**— With respect to each conservatorship or liquidation to which the Board was appointed, the Board shall make an annual accounting or report, as appropriate, available to the Comptroller General of the United States or, in the case of a State chartered credit union, the authority which appointed the Board as conservator or liquidating agent.

**(C) Availability of reports.**—Any report prepared pursuant to subparagraph (B) shall be made available by the Board upon request to any shareholder of the credit union for which the Board was appointed conservator or liquidating agent or any other member of the public.

**(D) Recordkeeping requirement.**—

(i) **In general.**— except as provided in clause (ii), after the end of the 6-

year period beginning on the date the Board is appointed as liquidating agent of an insured credit union, the Board may destroy any records of such credit union which the Board, in the Board's discretion, determines to be unnecessary unless directed not to do so by a court of competent jurisdiction or governmental agency, or prohibited by law.

**(ii) Old records.**—

Notwithstanding clause (i) the Board may destroy records of an insured credit union which are at least 10 years old as of the date on which the Board is appointed as liquidating agent of such credit union in accordance with clause (i) at any time after such appointment is final, without regard to the 6-year period of limitation contained in clause (i).

**(16) Fraudulent Transfers.**—

**(A) In general.**—The Board, as conservator or liquidating agent for any insured credit union may avoid a transfer of any interest of an institution-affiliated party, or any person who the Board determines is a debtor of the institution, in property, or any obligation incurred by such party or person, that was made within 5 years of the date on which the Board becomes conservator or liquidating agent if such party or person voluntarily or involuntarily made such transfer or incurred such liability with the intent to hinder, delay, or defraud the insured credit union or the Board.

**(B) Right of recovery.**—To the extent a transfer is avoided under subparagraph (A), the Board may recover, for the benefit of the insured credit union, the property transferred, or, if a court so orders, the value of such property (at the time of such transfer) from—

(i) the initial transferee of such transfer or the institution-affiliated party or person for whose benefit such transfer was made; or

(ii) any immediate or mediate transferee of any such initial transferee.

**(C) Rights of transferee or obligee.**— The Board may not recover under subparagraph (B) from—

(i) any transferee that takes for value, including satisfaction or securing of a present or antecedent debt, in good faith; or

(ii) any immediate or mediate good faith transferee of such transferee.

**(D) Rights under this paragraph.**— The rights of the Board under this paragraph shall be superior to any rights of a trustee or any other party (other than any party which is a Federal agency) under title 11, United States Code.

**(c) Provisions Relating to Contracts Entered into Before Appointment of Conservator or Liquidating Agent.**—

**(1) Authority to repudiate contracts.**— In addition to any other rights a conservator or liquidating agent may have, the conservator or liquidating agent for any insured credit union may disaffirm or repudiate any contract or lease—

(A) to which such credit union is a party;

(B) the performance of which the conservator or liquidating agent, in the conservator's or liquidating agent's discretion, determines to be burdensome; and

(C) the disaffirmance or repudiation of which the conservator or liquidating agent determines, in the conservator's or liquidating agent's discretion, will promote the orderly administration of the credit union's affairs.

**(2) Timing of repudiation.**—The conservator or liquidating agent appointed for any insured credit union shall determine whether or not to exercise the rights of repudiation under this subsection within a reasonable period following such appointment.

**(3) Claims for damages for repudiation.**—

**(A) In general.**—Except as otherwise provided in subparagraph (C) and paragraphs (4), (5), and (6), the liability of the conservator or liquidating agent for the disaffirmance or repudiation of any contract pursuant to paragraph (1) shall be—

(i) limited to actual direct compensatory damages; and

(ii) determined as of—

(I) the date of the appointment of the conservator or liquidating agent; or

(II) in the case of any contract or agreement referred to in paragraph (8), the date of the disaffirmance or repudiation of such contract or agreement.

**(B) No liability for other damages.**— For purposes of subparagraph (A), the term “actual direct compensatory damages” does not include—

(i) punitive or exemplary damages;

(ii) damages for lost profits or opportunity; or

(iii) damages for pain and suffering.

**(C) Measure of damages for repudiation of financial contracts.**—In the case of any qualified financial contract or agreement to which paragraph (8) applies, compensatory damages shall be—

(i) deemed to include normal and reasonable costs of cover or other reasonable measures of damages utilized in the industries for such contract and agreement claims; and

(ii) paid in accordance with this subsection and subsection (f) except as otherwise specified provided in this section.

**(4) Leases under which the credit union is the lessee.**—

**(A) In general.**—If the conservator or liquidating agent disaffirms or repudiates a lease under which the credit union was the lessee, the conservator or liquidating agent shall not be liable for any damages (other than damages determined pursuant to subparagraph (B)) for the disaffirmance or repudiation of such lease.

**(B) Payments of rent.**— Notwithstanding subparagraph (A), the lessor under a lease to which such subparagraph applies shall—

(i) be entitled to the contractual rent accruing before the later of the date—

(I) the notice of disaffirmance or repudiation is mailed; or

(II) the disaffirmance or repudiation becomes effective, unless the lessor is in default or breach of the terms of the lease;

(ii) have no claim for damages under any acceleration clause or other penalty provision in the lease; and

(iii) have a claim for any unpaid rent, subject to all appropriate offsets and defenses, due as of the date of the appointment which shall be paid in accordance with this subsection and subsection (b).

**(5) Leases under which the credit union is the lessor.**—

**(A) In general.**—If the conservator or liquidating agent repudiates an unexpired written lease of real property of the credit union under which the credit union is the lessor and the lessee is not, as of the date of such repudiation, in default, the lessee under such lease may either—

(i) treat the lease as terminated by such repudiation; or

(ii) remain in possession of the leasehold interest for the balance of the term of the lease unless the lessee defaults under the terms of the lease after the date of such repudiation.

**(B) Provisions applicable to lessee remaining in possession.**—If any lessee under a lease described in subparagraph (A) remains in possession of a leasehold interest pursuant to clause (ii) of such subparagraph—

(i) the lessee—

(I) shall continue to pay the contractual rent pursuant to the terms of the lease after the date of the repudiation of such lease; and

(II) may offset against any rent payment which accrues after the date of the repudiation of the lease, any damages which accrue after such date due to the nonperformance of any obligation of the credit union under the lease after such date; and

(ii) the conservator or liquidating agent shall not be liable to the lessee for any damages arising after such date as a result of the repudiation other than the amount of any offset allowed under clause (i)(II).

**(6) Contracts for the sale of real property.**—

**(A) In general.**—If the conservator or liquidating agent repudiates any contract (which meets the requirements of each paragraph of section 208(a)(3)) for the sale of real property and the purchaser of such real property under such contract is in possession and is not, as of the date of such repudiation, in default, such purchaser may either—

(i) treat the contract as terminated by such repudiation; or

(ii) remain in possession of such real property.

**(B) Provisions applicable to purchaser remaining in possession.**—If any purchaser of real property under any contract described in subparagraph (A) remains in possession of such property pursuant to clause (ii) of such subparagraph—

(i) the purchaser—

(I) shall continue to make all payments due under the contract after the date of the repudiation of the contract; and

(II) may offset against any such payments, any damages which accrue after such date due to the nonperformance (after such date) of any obligation of the credit union under the contract; and

(ii) the conservator or liquidating agent shall—

(I) not be liable to the purchaser for any damages arising after such date as a result of the repudiation other than the amount of any offset allowed under clause (i)(II);

(II) deliver title to the purchaser in accordance with the provisions of the contract; and

(III) have no obligation under the contract other than the performance required under subclause (II).

**(C) Assignment and sale allowed.—**

(i) **In general.**—No provision of this paragraph shall be construed as limiting the right of the conservator or liquidating agent to assign the contract described in subparagraph (A) and sell the property subject to the contract and the provisions of this paragraph.

(ii) **No liability after assignment and sale.**—If an assignment and sale described in clause (i) is consummated, the conservator or liquidating agent shall have no further liability under the contract described in subparagraph (A) or with respect to the real property which was the subject of such contract.

**(7) Provisions applicable to service contracts.—**

**(A) Services performed before appointment.**—In the case of any contract for services between any person and any insured credit union for which the Board has been appointed conservator or liquidating agent, any claim of such person for services performed before the appointment of the conservator or the liquidating agent shall be—

(i) a claim to be paid in accordance with subsection (b); and

(ii) deemed to have arisen as of the date the conservator or liquidating agent was appointed.

**(B) Services performed after appointment and prior to repudiation.—**

If, in the case of any contract for services described in subparagraph (A), the conservator or liquidating agent accepts performance by the other person before the conservator or liquidating agent makes any determination to exercise the right of repudiation of such contract under this section—

(i) the other party shall be paid under the terms of the contract for the services performed; and

(ii) the amount of such payment shall be treated as an administrative expense of the conservatorship or liquidation.

**(C) Acceptance of performance no bar to subsequent repudiation.**—The acceptance by any conservator or liquidating agent of services referred to in subparagraph (B) in connection with a contract described in such subparagraph shall not affect the right of the conservator or liquidating agent to repudiate such contract under this section at any time after such performance.

**(8) Certain qualified financial contracts.—**

**(A) Rights of parties to contracts.**—Subject to paragraphs (9) and (10) of this subsection and notwithstanding any other provision of this chapter (other than subsection (b)(9) of this section and section 1788(a)(3) of this title), any other Federal law, or the law of any State, no person shall be stayed or prohibited from exercising—

(i) any right such person has to cause the termination, liquidation, or acceleration of any qualified financial contract with an insured credit union which arises upon the appointment of the Board as liquidating agent for such credit union at any time after such appointment;

(ii) any right under any security agreement or arrangement or other credit enhancement related to 1 or more qualified financial contracts described in clause (i);

(iii) any right to offset or net out any termination value, payment amount, or other transfer obligation arising under or in connection with 1 or more contracts and agreements described in clause (i), including any master agreement for such contracts or agreements.

**(B) Applicability of other provisions.**—Subsection (b)(12) shall apply in the case of any judicial action or proceeding brought against any liquidating agent referred to in subparagraph (A), or the credit union for which such liquidating agent was appointed, by any party to a contract or agreement described in subparagraph (A)(i) with such credit union.

**(C) Certain transfers not avoidable.**—

(i) **In general.**—Notwithstanding paragraph (11), section 5242 of the Revised Statutes of the United States [12 U.S.C.A. § 91] or any other Federal or State law relating to the avoidance of preferential or fraudulent transfers, the Board, whether acting as such or as conservator or liquidating agent of an insured credit union, may not avoid any transfer of money or other property in connection with any qualified financial contract with an insured credit union.

(ii) **Exception for certain transfers.**—Clause (i) shall not apply to any transfer of money or other property in connection with any qualified financial contract with an insured credit union if the Board determines that the transferee had actual intent to hinder, delay, or defraud such credit union, the creditors of such credit union, or any conservator or liquidating agent appointed for such credit union.

**(D) Certain contracts and agreements defined.**—

For purposes of this subsection, the following definitions shall apply:

(i) **Qualified financial contract.**— The term “qualified financial contract” means any securities contract, forward contract, repurchase agreement, and any similar agreement that the Board

determines by regulation, resolution, or order to be a qualified financial contract for purposes of this paragraph.

(ii) **Securities contract.**— The term “securities contract”—

(I) means a contract for the purchase, sale, or loan of a security, a certificate of deposit, a mortgage loan, or any interest in a mortgage loan, a group or index of securities, certificates of deposit, or mortgage loans or interests therein (including any interest therein or based on the value thereof) or any option on any of the foregoing, including any option to purchase or sell any such security, certificate of deposit, mortgage loan, interest, group or index, or option, and including any repurchase or reverse repurchase transaction on any such security, certificate of deposit, mortgage loan, interest, group or index, or option;

(II) does not include any purchase, sale, or repurchase obligation under a participation in a commercial mortgage loan unless the Board determines by regulation, resolution, or order to include any such agreement within the meaning of such term;

(III) means any option entered into on a national securities exchange relating to foreign currencies;

(IV) means the guarantee by or to any securities clearing agency of any settlement of cash, securities, certificates of deposit, mortgage loans or interests therein, group or index of securities, certificates of deposit, or mortgage loans or interests therein (including any interest therein or based on the value thereof) or option on any of the foregoing, including any option to purchase or sell any such security, certificate of deposit, mortgage loan, interest, group or index, or option;

(V) means any margin loan;

(VI) means any other agreement or transaction that is similar to any agreement or transaction referred to in this clause;

(VII) means any combination of the agreements or transactions referred to in this clause;

(VIII) means any option to enter into any agreement or transaction referred to in this clause;

(IX) means a master agreement that provides for an agreement or transaction referred to in subclause (I), (III), (IV), (V), (VI), (VII), or (VIII), together with all supplements to any such master agreement, without regard to whether the master agreement provides for an agreement or transaction that is not a securities contract under this clause, except that the master agreement shall be considered to be a securities contract under this clause only with respect to each agreement or transaction under the master agreement that is referred to in subclause (I), (III), (IV), (V), (VI), (VII), or (VIII); and

(X) means any security agreement or arrangement or other credit enhancement related to any agreement or transaction referred to in this clause, including any guarantee or reimbursement obligation in connection with any agreement or transaction referred to in this clause.

(iii) **Commodity contract.**—

The term “commodity contract” means—

(I) with respect to a futures commission merchant, a contract for the purchase or sale of a commodity for future delivery on, or subject to the rules of, a contract market or board of trade;

(II) with respect to a foreign futures commission merchant, a foreign future;

(III) with respect to a leverage transaction merchant, a leverage transaction;

(IV) with respect to a clearing organization, a contract for the purchase or sale of a commodity for future delivery on, or subject to the rules of, a contract market or board of trade that is cleared by such clearing organization, or commodity option traded on,

or subject to the rules of, a contract market or board of trade that is cleared by such clearing organization;

(V) with respect to a commodity options dealer, a commodity option;

(VI) any other agreement or transaction that is similar to any agreement or transaction referred to in this clause;

(VII) any combination of the agreements or transactions referred to in this clause;

(VIII) any option to enter into any agreement or transaction referred to in this clause;

(IX) a master agreement that provides for an agreement or transaction referred to in subclause (I), (II), (III), (IV), (V), (VI), (VII), or (VIII), together with all supplements to any such master agreement, without regard to whether the master agreement provides for an agreement or transaction that is not a commodity contract under this clause, except that the master agreement shall be considered to be a commodity contract under this clause only with respect to each agreement or transaction under the master agreement that is referred to in subclause (I), (II), (III), (IV), (V), (VI), (VII), or (VIII); or

(X) any security agreement or arrangement or other credit enhancement related to any agreement or transaction referred to in this clause, including any guarantee or reimbursement obligation in connection with any agreement or transaction referred to in this clause.

(iv) **Forward contract.**—

The term “forward contract” means—

(I) a contract (other than a commodity contract) for the purchase, sale, or transfer of a commodity or any similar good, article, service, right, or interest which is presently or in the future becomes the subject of dealing in the forward contract trade, or product or byproduct thereof, with a maturity date more than 2 days after the date the

contract is entered into, including, a repurchase transaction, reverse repurchase transaction, consignment, lease, swap, hedge transaction, deposit, loan, option, allocated transaction, unallocated transaction, or any other similar agreement;

(II) any combination of agreements or transactions referred to in subclauses (I) and (III);

(III) any option to enter into any agreement or transaction referred to in subclause (I) or (II);

(IV) a master agreement that provides for an agreement or transaction referred to in subclauses (I), (II), or (III), together with all supplements to any such master agreement, without regard to whether the master agreement provides for an agreement or transaction that is not a forward contract under this clause, except that the master agreement shall be considered to be a forward contract under this clause only with respect to each agreement or transaction under the master agreement that is referred to in subclause (I), (II), or (III); or

(V) any security agreement or arrangement or other credit enhancement related to any agreement or transaction referred to in subclause (I), (II), (III), or (IV), including any guarantee or reimbursement obligation in connection with any agreement or transaction referred to in any such subclause.

**(v) Repurchase agreement—**

The term “repurchase agreement” (which definition also applies to a reverse repurchase agreement)—

(I) means an agreement, including related terms, which provides for the transfer of one or more certificates of deposit, mortgage-related securities (as such term is defined in the Securities Exchange Act of 1934), mortgage loans, interests in mortgage-related securities or mortgage loans, eligible bankers’ acceptances, qualified foreign government securities or securities that are direct obligations of, or that are fully guaranteed by, the United States or any agency of the United States against the

transfer of funds by the transferee of such certificates of deposit, eligible bankers’ acceptances, securities, mortgage loans, or interests with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers’ acceptances, securities, mortgage loans, or interests as described above, at a date certain not later than 1 year after such transfers or on demand, against the transfer of funds, or any other similar agreement;

(II) does not include any repurchase obligation under a participation in a commercial mortgage loan unless the Board determines by regulation, resolution, or order to include any such participation within the meaning of such term;

(III) means any combination of agreements or transactions referred to in subclauses (I) and (IV);

(IV) means any option to enter into any agreement or transaction referred to in subclause (I) or (III);

(V) means a master agreement that provides for an agreement or transaction referred to in subclause (I), (III), or (IV), together with all supplements to any such master agreement, without regard to whether the master agreement provides for an agreement or transaction that is not a repurchase agreement under this clause, except that the master agreement shall be considered to be a repurchase agreement under this subclause only with respect to each agreement or transaction under the master agreement that is referred to in subclause (I), (III), or (IV); and

(VI) means any security agreement or arrangement or other credit enhancement related to any agreement or transaction referred to in subclause (I), (III), (IV), or (V), including any guarantee or reimbursement obligation in connection with any agreement or transaction referred to in any such subclause.

For purposes of this clause the term “qualified foreign government security” means a security that is a direct obligation of, or that is fully guaranteed by, the central government of a

member of the Organization for Economic Cooperation and Development (as determined by regulation or order adopted by the appropriate Federal banking authority).

**(vi) Swap agreement—**

The term “swap agreement” means—

(I) any agreement, including the terms and conditions incorporated by reference in any such agreement, which is an interest rate swap, option, future, or forward agreement, including a rate floor, rate cap, rate collar, cross-currency rate swap, and basis swap; a spot, same day tomorrow, tomorrow-next, forward, or other foreign exchange or precious metals agreement; a currency swap, option, future, or forward agreement; an equity index or equity swap, option, future, or forward agreement; a debt index or debt swap, option, future, or forward agreement; a total return, credit spread or credit swap, option, future, or forward agreement; a commodity index or commodity swap, option, future, or forward agreement; or a weather swap, weather derivative, or weather option;

(II) any agreement or transaction that is similar to any other agreement or transaction referred to in this clause and that is of a type that has been, is presently, or in the future becomes, the subject of recurrent dealings in the swap markets (including terms and conditions incorporated by reference in such agreement) and that is a forward, swap, future, or option on one or more rates, currencies, commodities, equity securities or other equity instruments, debt securities or other debt instruments, quantitative measures associated with an occurrence, extent of an occurrence, or contingency associated with a financial, commercial, or economic consequence, or economic or financial indices or measures of economic or financial risk or value;

(III) any combination of agreements or transactions referred to in this clause;

(IV) any option to enter into any agreement or transaction referred to in this clause;

(V) a master agreement that provides for an agreement or transaction referred to in subclause (I), (II), (III), or (IV), together with all supplements to any such master agreement, without regard to whether the master agreement contains an agreement or transaction that is not a swap agreement under this clause, except that the master agreement shall be considered to be a swap agreement under the clause only with respect to each agreement or transaction under the master agreement that is referred to in subclause (I), (II), (III), or (IV); and

(VI) any security agreement or arrangement or other credit enhancement related to any agreements or transactions referred to in subclause (I), (II), (III), (IV), or (V), including any guarantee or reimbursement obligation in connection with any agreement or transaction referred to in any such subclause.

Such term is applicable for purposes of this subsection only and shall not be construed or applied so as to challenge or affect the characterization, definition, or treatment of any swap agreement under any other statute, regulation, or rule, including the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Trust Indenture Act of 1939, the Investment Company Act of 1940, the Investment Advisers Act of 1940, the Securities Investors Protection Act of 1970, the Commodity Exchange Act, the Gramm-Leach-Bliley Act, and the Legal Certainty for Bank Products Act of 2000.

**(vii) Treatment of master agreement as one agreement** – Any master agreement for any contract or agreement described in any preceding clause of this subparagraph (or any master agreement for such master agreement or agreements), together with all supplements to such master agreement, shall be treated as a single agreement and a single qualified financial contract. If a master agreement contains provisions relating to agreements or transactions that are not themselves qualified financial contracts, the master agreement shall be deemed to be a qualified financial contract only with respect to those

transactions that are themselves qualified financial contracts.

(viii) **Transfer** – The term “transfer” means every mode, direct or indirect, absolute or conditional, voluntary or involuntary, of disposing of or parting with property or with an interest in property, including retention of title as a security interest and foreclosure of the depository institution’s equity of redemption.

**(E) Certain protections in event of appointment of conservator** – Notwithstanding any other provision of this chapter (other than subsections (b)(9) and (c)(10) of this section, and section 1788(a)(3) of this title), any other Federal law, or the law of any State, no person shall be stayed or prohibited from exercising –

(i) any right such person has to cause the termination, liquidation, or acceleration of any qualified financial contract with a credit union in a conservatorship based upon a default under such financial contract which is enforceable under applicable noninsolvency law;

(ii) any right under any security agreement or arrangement or other credit enhancement related to 1 or more qualified financial contracts described in clause (i);

(iii) any right to offset or net out any termination values, payment amounts, or other transfer obligations arising under or in connection with such qualified financial contracts.

**(F) Clarification** – No provision of law shall be construed as limiting the right or power of the Board, or authorizing any court or agency to limit or delay, in any manner, the right or power of the Board to transfer any qualified financial contract in accordance with paragraphs (9) and (10) of this subsection or to disaffirm or repudiate any such contract in accordance with subsection (c)(1) of this section.

**(G) Walkaway clauses not effective** –

(i) **In general**—Notwithstanding the provisions of subparagraphs (A) and (E), and sections 4403 and 4404 of this title, no walkaway clause shall be enforceable in a qualified financial contract of an insured credit union in default.

(ii) **Walkaway clause defined** – For purposes of this subparagraph, the term “walkaway clause” means a provision in a qualified financial contract that, after calculation of a value of a party’s position or an amount due to or from 1 of the parties in accordance with its terms upon termination, liquidation, or acceleration of the qualified financial contract, either does not create a payment obligation of a party or extinguishes a payment obligation of a party in whole or in part solely because of such party’s status as a nondefaulting party.

**(H) Recordkeeping requirements**—The Board, in consultation with the appropriate Federal banking agencies, may prescribe regulation requiring more detailed recordkeeping by an insured credit union with respect to qualified financial contracts (including market valuations) only if such insured credit union is in a troubled condition (as such term is defined by the Board pursuant to section 1790a of this title).

**(9) Transfer of qualified financial contracts** –

**(A) In general** – In making any transfer of assets or liabilities of a credit union in default which includes any qualified financial contract, the conservator or liquidating agent for such credit union shall either –

(i) transfer to 1 financial institution, other than a financial institution for which a conservator, receiver, trustee in bankruptcy, or other legal custodian has been appointed or which is otherwise the subject of a bankruptcy or insolvency proceeding –

(I) all qualified financial contracts between any person or any affiliate of such person and the credit union in default;

(II) all claims of such person or any affiliate of such person against such credit union under any such contract (other than any

claim which, under the terms of any such contract, is subordinated to the claims of general unsecured creditors of such credit union);

(III) all claims of such credit union against such person or any affiliate of such person under any such contract; and

(IV) all property securing or any other credit enhancement for any contract described in subclause (I) or any claim described in subclause (II) or (III) under any such contract; or

(ii) transfer none of the qualified financial contracts, claims, property or other credit enhancement referred to in clause (i) (with respect to such person and any affiliate of such person).

**(B) Transfer to foreign bank, foreign financial institution, or branch or agency of a foreign bank or financial institution**— In transferring any qualified financial contracts and related claims and property under subparagraph (A)(i), the conservator and liquidating agent for the credit union shall not make such transfer to a foreign bank, financial institution organized under the laws of a foreign country, or a branch or agency of a foreign bank or financial institution unless, under the law applicable to such bank, financial institution, branch or agency, to the qualified financial contracts, and to any netting contract, any security agreement or arrangement or other credit enhancement related to 1 or more qualified financial contracts, the contractual rights of the parties to such qualified financial contracts, netting contracts, security agreements or arrangements, or other credit enhancements are enforceable substantially to the same extent as permitted under this section.

**(C) Transfer of contracts subject to the rules of a clearing organization**— In the event that a conservator or liquidating agent transfers any qualified financial contract and related claims, property, and credit enhancements pursuant to subparagraph (A)(i) and such contract is cleared by or subject to the rules of a clearing organization, the clearing organization shall

not be required to accept the transferee as a member by virtue of the transfer.

**(D) Definitions**— For purposes of this paragraph—

(i) the term “financial institution” means a broker or dealer, a depository institution, a futures commission merchant, a credit union, or any other institution, as determined by the Board by regulation to be a financial institution; and

(ii) the term “clearing organization” has the same meaning as in section 4402 of this title.

**(10) Notification of transfer**—

**(A) In general**— If—

(i) the conservator or liquidating agent for an insured credit union in default makes any transfer of the assets and liabilities of such credit union; and

(ii) the transfer includes any qualified financial contract, the conservator or liquidating agent shall notify any person who is a party to any such contract of such transfer by 5:00p.m. (eastern time) on the business day following the date of the appointment of the liquidating agent in the case of a liquidation, or the business day following such transfer in the cast of a conservatorship.

**(B) Certain rights not enforceable**—

(i) **Liquidation**—A person who is a party to a qualified financial contract with an insured credit union may not exercise any right that such person has to terminate, liquidate, or net such contract under paragraph (8)(A) of this subsection or section 4403 or 4404 of this title, solely by reason of or incidental to the appointment of a liquidating agent for the credit union institution (or the insolvency or financial condition of the credit union for which the liquidating agent has been appointed)—

(I) until 5:00p.m. (eastern time) on the business day following the date of the appointment of the liquidating agent; or

(II) after the person has received notice that the contract has been transferred pursuant to paragraph (9)(A).

(ii) **Conservatorship**—A person who is a party to a qualified financial contract with an insured credit union may not exercise any right that such person has to terminate, liquidate, or net such contract under paragraph (8)(E) of this subsection or section 4403 or 4404 of this title, solely by reason of or incidental to the appointment of a conservator for the credit union or the insolvency or financial condition of the credit union for which the conservator has been appointed.

(iii) **Notice**—For purposes of this paragraph, the Board as conservator or liquidating agent of an insured credit union shall be deemed to have notified a person who is a party to a qualified financial contract with such credit union if the Board has taken steps reasonably calculated to provide notice to such person by the time specified in subparagraph (A).

(C) **Treatment of bridge banks**—The following institutions shall not be considered to be a financial institution for which a conservator, receiver, trustee in bankruptcy, or other legal custodian has been appointed or which is otherwise the subject of a bankruptcy or insolvency proceeding for purposes of paragraph (9):

(i) A bridge bank.

(ii) A credit union organized by the Board, for which a conservator is appointed either—

(I) immediately upon the organization of the credit union; or

(II) at the time of a purchase and assumption transaction between the credit union and the Board as receiver for a credit union in default.

(D) **“Business day” defined**—For purposes of this paragraph, the term “business day” means any day other than any Saturday, Sunday, or any day on which either the New York Stock Exchange or the Federal Reserve Bank of New York is closed.

(11) **Disaffirmance or repudiation of qualified financial contracts**—In exercising the rights of disaffirmance or repudiation of a conservator or liquidating agent with respect to any qualified financial contract to which an insured credit union is a party, the conservator or liquidating agent for such credit union shall either—

(A) disaffirm or repudiate all qualified financial contracts between—

(i) any person or any affiliate of such person; and

(ii) the credit union in default; or

(B) disaffirm or repudiate none of the qualified financial contracts referred to in subparagraph (A) (with respect to such person or any affiliate of such person).

(12) **Certain security interests not avoidable**—No provision of this subsection shall be construed as permitting the avoidance of any legally enforceable or perfected security interest in any of the assets of any credit union except where such an interest is taken in contemplation of the credit union’s insolvency or with the intent to hinder, delay, or defraud the credit union or the creditors of such credit union.

(13) **Authority to enforce contracts**—

(A) **In general**—The conservator or liquidating agent may enforce any contract, other than a director’s or officer’s liability insurance contract or a credit union bond, entered into by the credit union notwithstanding any provision of the contract providing for termination, default, acceleration, or exercise of rights upon, or solely by reason of, insolvency or the appointment of or the exercise of rights of powers by a conservator or liquidating agent.

(B) **Certain rights not affected**—No provision of this paragraph may be construed as impairing or affecting any right of the conservator or liquidating agent to enforce or recover under a directors or officers liability insurance contract or credit union bond under other applicable law.

**(C) Consent requirement—**

(i) **In general**—Except as otherwise provided by this section, no person may exercise any right or power to terminate, accelerate, or declare a default under any contract to which the credit union is a party, or to obtain possession of or exercise control over any property of the credit union or affect any contractual rights of the credit union, without the consent of the conservator or liquidating agent, as appropriate, during the 45-day period beginning on the date of the appointment of the conservator, or during the 90-day period beginning on the date of the appointment of the liquidating agent, as applicable.

(ii) **Certain exceptions**—No provision of this subparagraph shall apply to a director or officer liability insurance contract or a credit union bond, or to the rights of parties to certain qualified financial contracts pursuant to paragraph (8), or shall be construed as permitting the conservator or liquidating agent to fail to comply with otherwise enforceable provisions of such contract.

(iii) **Rule of construction**—Nothing in this subparagraph shall be construed to limit or otherwise affect the applicability of title 11, United States Code.

**(14) Exception for Federal Reserve and Federal home loan banks**—No provision of this subsection shall apply with respect to—

(A) any extension of credit from any Federal home loan bank or Federal Reserve bank to any insured depository institution; or

(B) any security interest in the assets of the institution securing any such extension of credit.

**(15) Savings clause.**—The meanings of terms used in this subsection are applicable for purposes of this subsection only, and shall not be construed or applied so as to challenge or affect the characterization, definition, or treatment of any similar terms under any other statute, regulation, or rule, including the Gramm-Leach-Bliley Act, the Legal

Certainty for Bank Products Act of 2000, the securities laws (as that term is defined in section (a)(47) of the Securities Exchange Act of 1934), and the Commodity Exchange Act.

**(d) Payment of insured deposits.—**

(1) **In general.**—In case of the liquidation of any insured credit union, payment of the insured deposits in such credit union shall be made by the Board as soon as possible, subject to the provisions of subsection (e) of this section, either by cash or by making available to each account holder a transferred deposit in a new credit union in the same community or in another insured credit union in an amount equal to the insured deposit of such account holder.

(2) **Proof of claims.**—The Board, in its discretion, may require proof of claims to be filed [may investigate said claims under Section 206(p)]\* and may approve or reject such claims for insured deposits.

(3) **Resolution of disputes**—A determination by the Administration regarding any claim for insurance coverage shall be treated as a final determination for purposes of this section. In its discretion, the Board may promulgate regulations prescribing procedures for resolving any disputed claim relating to any insured deposit or any determination of insurance with respect to any deposit. A final determination made by the Board regarding any claim for insurance coverage shall be a final agency action reviewable in accordance with chapter 7 of title 5, United States Code, by the United States district court for the Federal judicial district where the principal place of business of the credit union is located.

(4) **Statutes of limitations.**—Any request for review of a final determination by the Board regarding any claim for insurance coverage shall be filed with the appropriate United States district court not later than 60 days after the date on which such determination is issued.

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\* This phrase was initially added by FIRREA to the prior section on proof of claims (Section 206(K)(1)). It was inadvertently deleted when proof of claims was moved to this Section.

(e) **Subrogation of Board.**—

(1) **In general.**—Notwithstanding any other provision of Federal law, the law of any State, or the constitution of any State, the Board, upon the payment to any accountholder as provided in subsection (d) in connection with any insured credit union described in such subsection or the assumption of any deposit in such credit union by another insured credit union pursuant to this section, shall be subrogated to all rights of the accountholder against such credit union to the extent of such payment or assumption.

(2) **Dividends on subrogated amounts.**— The subrogation of the Board under paragraph (1) with respect to any insured credit union shall include the right on the part of the Board to receive the same dividends from the proceeds of the assets of such credit union as would have been payable to the accountholder on a claim for the insured deposit, but such accountholder shall retain such claim for any uninsured or unassumed portion of the deposit.

(f) **Valuation of Claims in Default.**—

(1) **In general.**—Notwithstanding any other provision of Federal law or the law of any State, this subsection shall govern the rights of the creditors (other than insured accountholders) of such credit union.

(2) **Maximum liability.**—The maximum liability of the Board, acting as liquidating agent or in any other capacity, to any person having a claim against the liquidating agent or the insured credit union for which such liquidating agent is appointed shall equal the amount such claimant would have received if the Board had liquidated the assets and liabilities of such credit union without exercising the Board's authority under subsection (n) of this section.

(3) **Additional payments authorized.**—

(A) **In general.**—The Board may, in its discretion and in the interests of minimizing its losses, use its own resources to make additional payments or credit additional amounts to or with respect to or for the

account of any claimant or category of claimants. The Board shall not be obligated, as a result of having made any such payment or credited any such amount to or with respect to or for the account of any claimant or category of claimants, to make payments to any other claimant or category of claimants.

(B) **Manner of payment.**—The Board may make the payments or credit the amounts specified in subparagraph (A) directly to the claimants or may make such payments or credit such amounts to an open insured credit union to induce the open insured credit union to accept liability for such claims.

(g) **Limitation on Court Action.**—Except as provided in this section, no court may take any action, except at the request of the Board of Directors by regulation or order, to restrain or affect the exercise of powers or functions of the Board as a conservator or a liquidating agent.

(h) **Liability of Directors and Officers.**—A director or officer of an insured credit union may be held personally liable for monetary damages in any civil action by, on behalf of, or at the request or direction of the Board, which action is prosecuted wholly or partially for the benefit of the Board—

(1) acting as conservator or liquidating agent of such insured credit union,

(2) acting based upon a suit, claim, or cause of action purchased from, assigned by, or otherwise conveyed by such liquidating agent or conservator, or

(3) acting based upon a suit, claim, or cause of action purchased from, assigned by, or otherwise conveyed in whole or in part by an insured credit union or its affiliate in connection with assistance provided under section 208, for gross negligence, including any similar conduct or conduct that demonstrates greater disregard of a duty of care (than gross negligence) including intentional tortious conduct, as such terms are defined and determined under applicable State law. Nothing in this paragraph shall

impair or affect any right, if any, of the Board under other applicable law.

(i) **Damages.**—In any proceeding related to any claim against an insured credit union’s director, officer, employee, agent, attorney, accountant, appraiser, or any other party employed by or providing services to an insured credit union, recoverable damages determined to result from the improvident or otherwise improper use or investment of any insured credit union’s assets shall include principal losses and appropriate interest.

(j) Whenever any insured State-chartered credit union shall have been closed by action of its board of directors or by the commission, board, or authority having supervision of such credit union, as the case may be, or by a court of competent jurisdiction, on account of bankruptcy or insolvency, the Board shall accept appointment as liquidating agent therefor, if such appointment is tendered by the commission, board, or authority having supervision of such credit union, or by a court of competent jurisdiction, and is authorized or permitted by State law. With respect to any such State-chartered credit union, the Board as such liquidating agent shall possess all the rights, powers, and privileges granted by State law to a liquidating agent of a State-chartered credit union. For the purposes of this subsection, the term “liquidating agent” includes a liquidating agent, receiver, conservator, commission, person, or other agency charged by law with the duty of winding up the affairs of a credit union.

(k) **Insured amounts payable.**

(1) **Net insured amount.**

(A) **In general.**—Subject to the provisions of paragraph (2), the net amount of share insurance payable to any member at an insured credit union shall not exceed the total amount of the shares or deposits in the name of the member (after deducting offsets), less any part thereof which is in excess of the standard maximum share insurance amount, as determined in accordance with this paragraph and paragraphs (5) and (6), and consistently with actions taken by the Federal Deposit Insurance Corporation under section 1821(a) of this title.

(B) **Aggregation.**—Determination of the net amount of share insurance under subparagraph (A), shall be in accordance with such regulations as the Board may prescribe, and, in determining the amount payable to any member, there shall be added together all accounts in the credit union maintained by that member for that member’s own benefit, either in the member’s name or in the names of others.

(C) **Authority to define the extent of coverage.**—The Board may define, with such classifications and exceptions as it may prescribe, the extent of the share insurance coverage provided for member accounts, including member accounts in the name of a minor in trust, or in joint tenancy.

(2) **Government depositors or members.**

(A) **In general.**—Notwithstanding any limitation in this Act or in any other provision of law relating to the amount of insurance available to any 1 depositor or member, deposits or shares of a government depositor or member shall be insured in an amount equal to the standard maximum share insurance amount (as determined under paragraph (5)), subject to subparagraph (C).

(B) **Government depositor.**—In this paragraph, the term “government depositor” means a depositor that is—

(i) an officer, employee, or agent of the United States having official custody of public funds and lawfully investing the same in a credit union insured in accordance with this title;

(ii) an officer, employee, or agent of any State of the United States, or of any county, municipality, or political subdivision thereof having official custody of public funds and lawfully investing the same in a credit union insured in accordance with this title in such State;

(iii) an officer, employee, or agent of the District of Columbia having official custody of public funds and lawfully investing the same in a credit union insured in

accordance with this title in the District of Columbia;

(iv) an officer, employee, or agent of the Commonwealth of Puerto Rico, of the Panama Canal Zone, or of any territory or possession of the United States, or of any county, municipality, or political subdivision thereof having official custody of public funds and lawfully investing the same in a credit union insured in accordance with this title in the Commonwealth of Puerto Rico, the Panama Canal Zone, or any such territory or possession, respectively; or

(v) an officer, employee, or agent of any Indian tribe (as defined in Section 3(c) of the Indian Financing Act of 1974) or agency thereof having official custody of tribal funds and lawfully investing the same in a credit union insured in accordance with this title.

**(C) Authority to limit deposits.**—The Board may limit the aggregate amount of funds that may be invested or deposited in any credit union insured in accordance with this title by any government depositor or member on the basis of the size of any such credit union in terms of its assets.

(3) Notwithstanding any limitation in this title or in any other provision of law relating to the amount of insurance available for the account of any one depositor or member, funds invested in a credit union insured in accordance with this title pursuant to a pension or profit-sharing plan described in section 401(d) of the Internal Revenue Code of 1954, as amended, and funds invested in such an insured credit union in the form of individual retirement accounts as described in section 408(a) of the Internal Revenue Code of 1954, as amended, shall be insured in the amount of \$250,000 (which amount shall be subject to inflation adjustments as provided under section 11(a)(1)(F) of the Federal Deposit Insurance Act, except that \$250,000 shall be substituted for \$100,000 wherever such term appears in such section) per account. As to any plan qualifying under section 401(d) or section 408(a) of the Internal Revenue Code of 1954, the term “per account” means the present vested and ascertainable interest of each beneficiary under the plan, excluding any remainder interest created by, or as a result of, the plan.

**(4) Coverage for certain employee benefit plan deposits.**

**(A) Pass-through insurance.**—The Administration shall provide pass-through share insurance for the deposits or shares of any employee benefit plan.

**(B) Prohibition on acceptance of deposits**— An insured credit union that is not well capitalized or adequately capitalized may not accept employee benefit plan deposits.

**(C) Definitions**—For purposes of this paragraph, the following definitions shall apply:

(i) **Capital standards**—The terms “well capitalized” and “adequately capitalized” have the same meanings as in section 1790d of this title.

(ii) **Employee benefit plan**—The term “employee benefit plan”—

(I) has the meanings given to such term in section 1002(3) of Title 29;

(II) includes any plan described in section 401(d) of Title 26; and

(III) includes any eligible deferred compensation plan described in section 457 of Title 26.

(iii) **Pass-through share insurance**—The term “pass-through share insurance” means, with respect to an employee benefit plan, insurance coverage based on the interest of each participant, in accordance with regulations issued by the Administration.

**(D) Rule of construction**—No provision of this paragraph shall be construed as authorizing an insured credit union to accept the deposits of an employee benefit plan in an amount greater than such credit union is authorized to accept under any other provision of Federal or State law.

(5) **Standard maximum share insurance amount defined**—For purposes of this Act, the term “standard maximum share insurance amount” means \$100,000, adjusted as provided under section 1821(a)(1)(F) of this title.

(l) Payment of an insured account to any person by the Board shall discharge the Board to the same extent that payment to such person by the closed insured credit union would have discharged it from liability for the insured account.

(m) Except as otherwise prescribed by the Board, the Board shall not be required to recognize as the owner of any portion of an account appearing on the records of the closed credit union under a name other than that of the claimant any person whose name or interest as such owner is not disclosed on the records of such closed credit union as part owner of such account, if such recognition would increase the aggregate amount of the insured accounts in such closed credit union.

(n) The Board may withhold payment of such portion of the insured account of any member of a closed credit union as may be required to provide for the payment of any direct or indirect liability of such member to the closed credit union or its liquidating agent, which is not offset against a claim due from such credit union, pending the determination and payment of such liability by such member or any other person liable therefor.

(o) If, after the Board shall have given at least four months' notice to the member by mailing a copy thereof to his last-known address appearing on the records of the closed credit union, any member of the closed credit union shall fail to claim his insured account from the Board within 18 months after the appointment of the liquidating agent for the closed credit union, all rights of the member against the Board with respect to the insured account shall be barred, and all rights of the member against the closed credit union, or the estate to which the Board may have become subrogated, shall thereupon revert to the member.

(p)(1) Liquidating agents of insured credit unions closed for liquidation on account of bankruptcy or insolvency may offer the assets of such credit unions for sale to the Board or as security for loans from the Board, upon receiving permission from the commission, board, or authority having supervision of such credit union, in the case of an insured State-

chartered credit union, in accordance with express provisions of State law. The proceeds of every such sale or loan shall be utilized for the same purposes and in the same manner as other funds realized from the liquidation of the assets of such credit unions. The Board, in its discretion, may make loans on the security of or may purchase and liquidate or sell any part of the assets of an insured credit union closed for liquidation on account of bankruptcy or insolvency, but in any case in which the Board is acting as liquidating agent of a closed insured credit union, no such loan or purchase shall be made without the approval of a court of competent jurisdiction.

(2) No agreement which tends to diminish or defeat the right, title, or interest of the Board in any asset acquired by it under this subsection, either as security for a loan or by purchase, shall be valid against the Board unless such agreement—

(A) shall be in writing;

(B) shall have been executed by the credit union and the person or persons claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by the credit union;

(C) shall have been approved by the board of directors of the credit union, which approval shall be reflected in the minutes of such board; and

(D) shall have been, continuously, from the time of its execution, an official record of the credit union.

**(q) Prohibition on Certain Acquisitions of Assets.—**

(1) **Convicted debtors.**—Except as provided in paragraph (2), any individual who—

(A) has been convicted of an offense under section 215, 657, 1006, 1014, 1032, 1341, 1343, or 1344 of title 18, United States Code, or of conspiring to commit any such offense, affecting any insured credit union for which the Board is appointed conservator or liquidating agent; and

(B) is in default on any loan or other extension of credit from such insured credit union which, if not paid, will cause substantial loss to the credit union, the National Credit Union Share Insurance Fund, or the Board, may not purchase any asset of such credit union from the conservator or liquidating agent.

(2) **Settlement of claims.**—Paragraph (1) shall not apply to the sale or transfer by the Board of any asset of any insured credit union to any individual if the sale or transfer of the asset resolves or settles, or is part of the resolution or settlement, of—

(A) 1 or more claims that have been, or could have been, asserted by the Board against the individual; or

(B) obligations owed by the individual to the insured credit union or the Board.

(r) **Foreign Investigations.**—The Board, as conservator or liquidating agent of any insured credit union and for purposes of carrying out any power, authority, or duty with respect to an insured credit union—

(1) may request the assistance of any foreign banking authority and provide assistance to any foreign banking authority in accordance with section 206(u); and

(2) may maintain an office to coordinate foreign investigations or investigations on behalf of foreign banking authorities.

## § 1788

**Special assistance to avoid liquidation.**— (a)(1) In order to reopen a closed insured credit union or in order to prevent the closing of an insured credit union which the Board has determined is in danger of closing or in order to assist in the voluntary liquidation of a solvent credit union, the Board, in its discretion, is authorized to make loans to, or purchase the assets of, or establish accounts in such insured credit union upon such terms and conditions as it may prescribe. Except with respect to the voluntary liquidation of a solvent credit union, such

loans shall be made and such accounts shall be established only when, in the opinion of the Board, such action is necessary to protect the fund or the interests of the members of the credit union.

(2) Whenever in the judgment of the Board such action will reduce the risk or avert a threatened loss to the fund and will facilitate a merger or consolidation of an insured credit union with another insured credit union, or will facilitate the sale of the assets of an open or closed insured credit union to and assumption of its liability by another person, the Board may, upon such terms and conditions as it may determine, make loans secured whole or in part by assets of an open or closed insured credit union, which loans may be in subordination to the rights of members and creditors of such credit union, or the Board may purchase any of such assets or may guarantee any person against loss by reason of his assuming the liabilities and purchasing the assets of an open or closed insured credit union. For purposes of this paragraph, the term “person” means any credit union, individual, partnership, corporation, trust, estate, cooperative, association, government or governmental subdivision or agency, or other entity.

(3) No agreement which tends to diminish or defeat the right, title, or interest of the Board, in any asset acquired by it under this subsection, either as security for a loan or by purchase, shall be valid against the Board unless such agreement—

(A) shall be in writing;

(B) shall have been executed by the credit union and the person or persons claiming an adverse interest thereunder, including the obligor, contemporaneously with the acquisition of the asset by the credit union;

(C) shall have been approved by the board of directors of the credit union, which approval shall be reflected in the minutes of such board; and

(D) shall have been continuously, from the time of its execution, an official record of the credit union.

## § 208

(b) For the protection of the Fund, the Board, without regard to the Federal Property and Administrative Services Act of 1949, may—

(1) deal with, complete, reconstruct, rent, renovate, modernize, insure, make contracts for the management of, sell for cash or credit, or lease, in its discretion, any real property acquired or held by it under this section; and

(2) assign or sell at public or private sale, or otherwise dispose of, any evidence of debt, contract, claim, personal property, or security assigned to or held by it under this section. Section 3709 of the Revised Statutes of the United States shall not apply to any purchase or contract for services or supplies made or entered into by the Board under this section if the amount thereof does not exceed \$1,000, or to any contract for hazard insurance on any real property acquired or held by it under this section.

(c) Money received by the Board in carrying out this section shall be paid into the Fund.

## § 1789

**Administrative provisions.**—(a) In carrying out the purpose of this title, the Board may—

(1) make contracts;

(2) sue and be sued, complain and defend, in any court of law or equity, State or Federal. All suits of a civil nature at common law or in equity to which the Board shall be a party shall be deemed to arise under the laws of the United States, and the United States district courts shall have original jurisdiction thereof, without regard to the amount in controversy. The Board may, without bond or security, remove any such action, suit, or proceeding from a State court to the United States district court for the district or division embracing the place where the same is pending by following any procedure for removal now or hereafter in effect, except that any such suit to which the Board is a party in its capacity as liquidating agent of a State-chartered credit union and which involves

only the rights or obligations of members, creditors, and such State credit union under State law shall not be deemed to arise under the laws of the United States. No attachment or execution shall be issued against the Board or its property before final judgment in any suit, action, or proceeding in any State, county, municipal, or United States court. The Board shall designate an agent upon whom service of process may be made in any State, territory, or jurisdiction in which any insured credit union is located;

(3) pursue to final disposition by way of compromise or otherwise claims both for and against the United States (other than tort claims, claims involving administrative expenses, and claims in excess of \$5,000 arising out of contracts for construction, repairs, and the purchase of supplies and materials) which are not in litigation and have not been referred to the Department of Justice;

(4) to appoint such officers and employees as are not otherwise provided for in this Act, to define their duties, fix their compensation, require bonds of them and fix the penalty thereof, and to dismiss at pleasure such officers or employees. Nothing in this chapter or any other Act shall be construed to prevent the appointment and compensation as an officer or employee of the Administration of any officer or employee of the United States in any board, commission, independent establishment, or executive department thereof;

(5) employ experts and consultants or organizations thereof, as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a);

(6) prescribe the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed;

(7) exercise all powers specifically granted by the provisions of this title and such incidental powers as shall be necessary to carry out the powers so granted;

## § 209

(8) make examinations of and require information and reports from insured credit unions, as provided in this title;

(9) act as liquidating agent;

(10) delegate to any officer or employee of the Administration such of its functions as it deems appropriate; and

(11) prescribe such rules and regulations as it may deem necessary or appropriate to carry out the provisions of this title.

(b) With respect to the financial operations arising by reason of this subchapter, the Board shall—

(1) prepare annually and submit a business-type budget as provided for wholly owned Government corporations by the Government Corporation Control Act; and

(2) maintain an integral set of accounts, which shall be audited by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions, as provided by section 105 of the Government Corporation Control Act.

## § 1789a

## § 210

**Credit unions as depositaries of public money; fiscal agents; duties.**—Any credit union the accounts of which are insured under this title shall be a depositary of public money and may be employed as fiscal agent of the United States. The Secretary of the Treasury is authorized to deposit public money in any such insured credit union, and shall prescribe such regulations as may be necessary to enable such credit unions to become depositaries of public money and fiscal agents of the United States. Each credit union shall perform all such reasonable duties as depositaries of public money and fiscal agent of the United States as may be required of it including services in connection with the collection of taxes and other obligations owed the United States.

## § 1790

## § 211

**Nondiscriminatory provision.**—It is not the purpose of this title to discriminate in any manner against State-chartered credit unions and in favor of Federal credit unions, but it is the purpose of this title to provide all credit unions with the same opportunity to obtain and enjoy the benefits of this title.

## § 1790a

## § 212

**Board disapproval of directors, committee members, and senior executive officers of insured credit unions.**

(a) **Prior Notice Required.**—An insured credit union shall notify the Board of the proposed addition of any individual to the board of directors or committee or the employment of any individual as a senior executive officer of such credit union at least 30 days before such addition or employment becomes effective, if the insured credit union—

(1) has been chartered less than 2 years; or

(2) is in troubled condition, as determined on the basis of such credit union's most recent report of condition or report of examination.

(b) **Disapproval By The Board.**—An insured credit union may not add any individual to the board of directors or employ any individual as a senior executive officer if the Board issues a notice of disapproval of such addition or employment before the end of the 30-day period beginning on the date the agency receives notice of the proposed action pursuant to subsection (a).

(c) **Exception in extraordinary circumstances.**—

(1) **In general.**—The Board may prescribe by regulation conditions under which the prior notice requirement of subsection (a) may be waived in the event of extraordinary circumstances.

(2) **No effect on disapproval authority of Board.**—Such waivers shall not affect the authority of the Board to issue

notices of disapproval of such additions or employment of such individuals within 30 days after each such waiver.

(d) **Additional information.**—Any notice submitted to the Board by any insured credit union pursuant to subsection (a) shall include—

(1) the information described in section 7(j)(6)(A) of the Federal Deposit Insurance Act about the individual; and

(2) such other information as the Board may prescribe by regulation.

(e) **Standard for disapproval.**—The Board shall issue a notice of disapproval with respect to a notice submitted pursuant to subsection (a) if the competence, experience, character, or integrity of the individual with respect to whom such notice is submitted indicates that it would not be in the best interests of the depositors of the insured credit union or in the best interests of the public to permit the individual to be employed by, or associated with, such insured credit union.

(f) **Definition regulations.**—The Board shall prescribe by regulation a definition for the terms “troubled condition” and “senior executive officer” for purposes of subsection (a).

## § 1790b

## § 213

### Credit union employee protection remedy.

(a) **In General.**—

(1) **Employees of credit unions.**—No insured credit union may discharge or otherwise discriminate against any employee with respect to compensation, terms, conditions, or privileges of employment because the employee (or any person acting pursuant to the request of the employee) provided information to the Board or the Attorney General regarding any possible violation of any law or regulation by the credit union or any director, officer, or employee of the credit union.

(2) **Employees of the Administration.**—The Administration may not discharge or otherwise discriminate against any employee (including any employee of the National Credit Union Central Liquidity Facility) with respect to compensation, terms, conditions, or privileges of employment because the employee (or any person acting pursuant to the request of the employee) provided information to the Administration or the Attorney General regarding any possible violation of any law or regulation by—

(A) any credit union or the Administration;

(B) any director, officer, committee member, or employee of any credit union; or

(C) any officer or employee of the Administration.

(b) **Enforcement.**—Any employee or former employee who believes he has been discharged or discriminated against in violation of subsection (a) may file a civil action in the appropriate United States district court before the close of the 2-year period beginning on the date of such discharge or discrimination. The complainant shall also file a copy of the complaint initiating such action with the Board.

(c) **Remedies.**—If the district court determines that a violation of subsection (a) has occurred, it may order the credit union or the Administration which committed the violation—

(1) to reinstate the employee to his former position,

(2) to pay compensatory damages, or

(3) take other appropriate actions to remedy any past discrimination.

(d) **Limitations.**—The protections of this section shall not apply to any employee who—

(1) deliberately causes or participates in the alleged violation of law or regulation, or

(2) knowingly or recklessly provides substantially false information to such an agency or the Attorney General.

## § 1790c

## § 214

### **Reward for information leading to recoveries or civil penalties.**

The Board may pay rewards in connection with an offense affecting an insured credit union, under the same circumstances and subject to the same limitations that a Federal banking agency may pay rewards under section 33 of the Federal Deposit Insurance Act in connection with an offense affecting a depository institution insured by the Federal Deposit Insurance Corporation.

## § 1790d

## § 216 \*

### **Prompt corrective action.—**

#### **(a) Resolving Problems To Protect Fund.—**

(1) **Purpose.**—The purpose of this section is to resolve the problems of insured credit unions at the least possible long-term loss to the Fund.

(2) **Prompt corrective action required.**—The Board shall carry out the purpose of this section by taking prompt corrective action to resolve the problems of insured credit unions.

#### **(b) Regulations Required.—**

##### **(1) Insured credit unions.—**

(A) **In general.**—The Board shall, by regulation, prescribe a system of prompt corrective action for insured credit unions that is—

(i) consistent with this section; and

(ii) comparable to section 38 of the Federal Deposit Insurance Act.

(B) **Cooperative character of credit unions.**—The Board shall design the system required under subparagraph (A) to

take into account that credit unions are not-for-profit cooperatives that—

(i) do not issue capital stock;

(ii) must rely on retained earnings to build net worth; and

(iii) have boards of directors that consist primarily of volunteers.

##### **(2) New credit unions.—**

(A) **In general.**—In addition to regulations under paragraph (1), the Board shall, by regulation, prescribe a system of prompt corrective action that shall apply to new credit unions in lieu of this section and the regulations prescribed under paragraph (1).

(B) **Criteria for alternative system.**—The Board shall design the system prescribed under subparagraph (A)—

(i) to carry out the purpose of this section;

(ii) to recognize that credit unions (as cooperatives that do not issue capital stock) initially have no net worth, and give new credit unions reasonable time to accumulate net worth;

(iii) to create adequate incentives for new credit unions to become adequately capitalized by the time that they either—

(I) have been in operation for more than 10 years; or

(II) have more than \$10,000,000 in total assets;

(iv) to impose appropriate restrictions and requirements on new credit unions that do not make sufficient progress toward becoming adequately capitalized; and

(v) to prevent evasion of the purpose of this section.

##### **(c) Net Worth Categories.—**

\* There is no section 215 of the FCU Act.

(1) **In general.**—For purposes of this section the following definitions shall apply:

(A) **Well capitalized.**—An insured credit union is ‘well capitalized’ if—

(i) it has a net worth ratio of not less than 7 percent; and

(ii) it meets any applicable risk-based net worth requirement under subsection (d).

(B) **Adequately capitalized.**—An insured credit union is ‘adequately capitalized’ if—

(i) it has a net worth ratio of not less than 6 percent; and

(ii) it meets any applicable risk-based net worth requirement under subsection (d).

(C) **Undercapitalized.**—An insured credit union is ‘undercapitalized’ if—

(i) it has a net worth ratio of less than 6 percent; or

(ii) it fails to meet any applicable risk-based net worth requirement under subsection (d).

(D) **Significantly undercapitalized.**—An insured credit union is ‘significantly undercapitalized’—

(i) if it has a net worth ratio of less than 4 percent; or

(ii) if—

(I) it has a net worth ratio of less than 5 percent; and

(II) it—

(aa) fails to submit an acceptable net worth restoration plan within the time allowed under subsection (f); or

(bb) materially fails to implement a net worth restoration plan accepted by the Board.

(E) **Critically undercapitalized.**—An insured credit union is ‘critically undercapitalized’ if it has a net worth ratio of less than 2 percent (or such higher net worth ratio, not to exceed 3 percent, as the Board may specify by regulation).

(2) **Adjusting net worth levels.**—

(A) **In general.**—If, for purposes of section 38(c) of the Federal Deposit Insurance Act, the Federal banking agencies increase or decrease the required minimum level for the leverage limit (as those terms are used in section 38), the Board may, by regulation, and subject to subparagraph (B) of this paragraph, correspondingly increase or decrease 1 or more of the net worth ratios specified in subparagraphs (A) through (D) of paragraph (1) of this subsection in an amount that is equal to not more than the difference between the required minimum level most recently established by the Federal banking agencies and 4 percent of total assets (with respect to institutions regulated by those agencies).

(B) **Determinations required.**—The Board may increase or decrease net worth ratios under subparagraph (A) only if the Board—

(i) determines, in consultation with the Federal banking agencies, that the reason for the increase or decrease in the required minimum level for the leverage limit also justifies the adjustment in net worth ratios; and

(ii) determines that the resulting net worth ratios are sufficient to carry out the purpose of this section.

(C) **Transition period required.**—If the Board increases any net worth ratio under this paragraph, the Board shall give insured credit unions a reasonable period of time to meet the increased ratio.

(d) **Risk-Based Net Worth Requirement for Complex Credit Unions.**—

(1) **In general.**—The regulations required under subsection (b)(1) shall include a risk-based net worth requirement for

insured credit unions that are complex, as defined by the Board based on the portfolios of assets and liabilities of credit unions.

(2) **Standard.**—The Board shall design the risk-based net worth requirement to take account of any material risks against which the net worth ratio required for an insured credit union to be adequately capitalized may not provide adequate protection.

**(e) Earnings-Retention Requirement Applicable to Credit Unions That Are Not Well Capitalized.—**

(1) **In general.**—An insured credit union that is not well capitalized shall annually set aside as net worth an amount equal to not less than 0.4 percent of its total assets.

**(2) Board’s authority to decrease earnings-retention requirement.—**

(A) **In general.**—The Board may, by order, decrease the 0.4 percent requirement in paragraph (1) with respect to a credit union to the extent that the Board determines that the decrease—

(i) is necessary to avoid a significant redemption of shares; and

(ii) would further the purpose of this section.

(B) **Periodic review required.**—The Board shall periodically review any order issued under subparagraph (A).

**(f) Net Worth Restoration Plan Required.—**

(1) **In general.**—Each insured credit union that is undercapitalized shall submit an acceptable net worth restoration plan to the Board within the time allowed under this subsection.

(2) **Assistance to small credit unions.**— The Board (or the staff of the Board) shall, upon timely request by an insured credit union with total assets of less than \$10,000,000, and subject to such regulations or guidelines as the Board may

prescribe, assist that credit union in preparing a net worth restoration plan.

(3) **Deadlines for submission and review of plans.**—The Board shall, by regulation, establish deadlines for submission of net worth restoration plans under this subsection that—

(A) provide insured credit unions with reasonable time to submit net worth restoration plans; and

(B) require the Board to act on net worth restoration plans expeditiously.

**(4) Failure to submit acceptable plan within time allowed.—**

(A) **Failure to submit any plan.**—If an insured credit union fails to submit a net worth restoration plan within the time allowed under paragraph (3), the Board shall—

(i) promptly notify the credit union of that failure; and

(ii) give the credit union a reasonable opportunity to submit a net worth restoration plan.

(B) **Submission of unacceptable plan.**—If an insured credit union submits a net worth restoration plan within the time allowed under paragraph (3), and the Board determines that the plan is not acceptable, the Board shall—

(i) promptly notify the credit union of why the plan is not acceptable; and

(ii) give the credit union a reasonable opportunity to submit a revised plan.

(5) **Accepting plan.**—The Board may accept a net worth restoration plan only if the Board determines that the plan is based on realistic assumptions and is likely to succeed in restoring the net worth of the credit union.

**(g) Restrictions on Undercapitalized Credit Unions.—**

(1) **Restriction on asset growth.**—An insured credit union that is undercapitalized shall not generally permit its average total assets to increase, unless—

(A) the Board has accepted the net worth restoration plan of the credit union for that action;

(B) any increase in total assets is consistent with the net worth restoration plan; and

(C) the net worth ratio of the credit union increases at a rate that is consistent with the net worth restoration plan.

(2) **Restriction on member business loans.**—Notwithstanding section 107A(a), an insured credit union that is undercapitalized may not make any increase in the total amount of member business loans (as defined in section 107A(c)) outstanding at that credit union at any one time, until such time as the credit union becomes adequately capitalized.

(h) **More Stringent Treatment Based on Other Supervisory Criteria.**—With respect to the exercise of authority by the Board under regulations comparable to section 38(g) of the Federal Deposit Insurance Act—

(1) the Board may not reclassify an insured credit union into a lower net worth category, or treat an insured credit union as if it were in a lower net worth category, for reasons not pertaining to the safety and soundness of that credit union; and

(2) the Board may not delegate its authority to reclassify an insured credit union into a lower net worth category or to treat an insured credit union as if it were in a lower net worth category.

(i) **Action Required Regarding Critically Under-capitalized Credit Unions.**—

(1) In general.—The Board shall, not later than 90 days after the date on which an insured credit union becomes critically undercapitalized—

(A) appoint a conservator or liquidating agent for the credit union; or

(B) take such other action as the Board determines would better achieve the purpose of this section, after documenting why the action would better achieve that purpose.

(2) **Periodic redeterminations required.**—Any determination by the Board under paragraph (1)(B) to take any action with respect to an insured credit union in lieu of appointing a conservator or liquidating agent shall cease to be effective not later than the end of the 180-day period beginning on the date on which the determination is made, and a conservator or liquidating agent shall be appointed for that credit union under paragraph (1)(A), unless the Board makes a new determination under paragraph (1)(B) before the end of the effective period of the prior determination.

(3) **Appointment of liquidating agent required if other action fails to restore net worth.**—

(A) **In general.**—Notwithstanding paragraphs (1) and (2), the Board shall appoint a liquidating agent for an insured credit union if the credit union is critically undercapitalized on average during the calendar quarter beginning 18 months after the date on which the credit union became critically undercapitalized.

(B) **Exception.**—Notwithstanding subparagraph (A), the Board may continue to take such other action as the Board determines to be appropriate in lieu of appointment of a liquidating agent if—

(i) the Board determines that—

(I) the insured credit union has been in substantial compliance with an approved net worth restoration plan that requires consistent improvement in the net worth of the credit union since the date of the approval of the plan; and

(II) the insured credit union has positive net income or has an upward trend in earnings that the Board projects as sustainable; and

(ii) the Board certifies that the credit union is viable and not expected to fail.

**(4) Nondelegation.—**

(A) **In general.**—Except as provided in subparagraph (B), the Board may not delegate the authority of the Board under this subsection.

(B) **Exception.**—The Board may delegate the authority of the Board under this subsection with respect to an insured credit union that has less than \$5,000,000 in total assets, if the Board permits the credit union to appeal any adverse action to the Board.

(j) **Review Required When Fund Incurs Material Loss.**—For purposes of determining whether the Fund has incurred a material loss with respect to an insured credit union (such that the inspector general of the Board must make a report), a loss is material if it exceeds the sum of—

(1) \$10,000,000; and

(2) an amount equal to 10 percent of the total assets of the credit union at the time at which the Board initiated assistance under section 208 or was appointed liquidating agent.

(k) **Appeals Process.**—Material supervisory determinations, including decisions to require prompt corrective action, made pursuant to this section by Administration officials other than the Board may be appealed to the Board pursuant to the independent appellate process required by section 309 of the Riegle Community Development and Regulatory Improvement Act of 1994 (or, if the Board so specifies, pursuant to separate procedures prescribed by regulation).

**(l) Consultation and Cooperation With State Credit Union Supervisors.—**

(1) **In general.**—In implementing this section, the Board shall consult and seek to work cooperatively with State officials having jurisdiction over State-chartered insured credit unions.

(2) **Evaluating net worth restoration plan.**—In evaluating any net worth

restoration plan submitted by a State-chartered insured credit union, the Board shall seek the views of the State official having jurisdiction over the credit union.

(3) **Deciding whether to appoint conservator or liquidating agent.**—With respect to any decision by the Board on whether to appoint a conservator or liquidating agent for a State-chartered insured credit union—

(A) the Board shall—

(i) seek the views of the State official having jurisdiction over the credit union; and

(ii) give that official an opportunity to take the proposed action;

(B) the Board shall, upon timely request of an official referred to in subparagraph (A), promptly provide the official with—

(i) a written statement of the reasons for the proposed action; and

(ii) reasonable time to respond to that statement;

(C) if the official referred to in subparagraph (A) makes a timely written response that disagrees with the proposed action and gives reasons for that disagreement, the Board shall not appoint a conservator or liquidating agent for the credit union, unless the Board, after considering the views of the official, has determined that—

(i) the Fund faces a significant risk of loss with respect to the credit union if a conservator or liquidating agent is not appointed; and

(ii) the appointment is necessary to reduce—

(I) the risk that the Fund would incur a loss with respect to the credit union; or

(II) any loss that the Fund is expected to incur with respect to the credit union; and

(D) the Board may not delegate any determination under subparagraph (C).

(m) **Corporate Credit Unions Exempted.**— This section does not apply to any insured credit union that—

(1) operates primarily for the purpose of serving credit unions; and

(2) permits individuals to be members of the credit union only to the extent that applicable law requires that such persons own shares.

(n) **Other Authority Not Affected.**—This section does not limit any authority of the Board or a State to take action in addition to (but not in derogation of) any action that is required under this section.

(o) **Definitions.**—For purposes of this section the following definitions shall apply:

(1) **Federal banking agency.**—The term ‘Federal banking agency’ has the same meaning as in section 3 of the Federal Deposit Insurance Act.

(2) **Net worth.**—The term ‘net worth’—

(A) with respect to any insured credit union, means the retained earnings balance of the credit union, as determined under generally accepted accounting principles, together with any amounts that were previously retained earnings of any other credit union with which the credit union has combined; and

(B) with respect to a low-income credit union, includes secondary capital accounts that are—

(i) uninsured; and

(ii) subordinate to all other claims against the credit union, including the claims of creditors, shareholders, and the Fund.

(3) **Net worth ratio.**—The term ‘net worth ratio’ means, with respect to a credit union, the ratio of the net worth of the credit union to the total assets of the credit union.

(4) **New credit union.**—The term ‘new credit union’ means an insured credit union that—

(A) has been in operation for less than 10 years; and

(B) has not more than \$10,000,000 in total assets.

## Title III—Central Liquidity Facility

### § 1795

The Congress finds that the establishment of a National Credit Union Central Liquidity Facility is needed to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy.

### § 1795a

**Definitions.**—As used in this title, the term—

(1) “liquidity needs” means the needs of credit unions primarily serving natural persons for—

(A) short-term adjustment credit available to assist in meeting temporary requirements for funds or to cushion more persistent outflows of funds pending an orderly adjustment of credit union assets and liabilities;

(B) seasonal credit available for longer periods to assist in meeting seasonal needs for funds arising from a combination of expected patterns of movement in share and deposit accounts and loans; and

(C) protracted adjustment credit available in the event of unusual or emergency circumstances of a longer term nature resulting from national, regional or local difficulties.

(2) “Central Liquidity Facility” or “Facility” means the National Credit Union Central Liquidity Facility;

(3) “paid-in and unimpaired capital and surplus” means the balance of the paid-in share accounts and deposits as of a given date, less any loss that may have been incurred for which there is no reserve or which has not been charged against undivided earnings, plus the credit balance (or less the debit balance) of

### § 301

the undivided earnings account as of a given date, after all losses have been provided for and net earnings or net losses have been added thereto or deducted therefrom. Reserves shall not be considered as part of surplus, and

(4) “member” means a Regular or an Agent member of the Facility.

### § 1795b

### § 303

**National Credit Union Administration Central Liquidity Facility; establishment; management; jurisdiction.**—There is hereby created the National Credit Union Administration Central Liquidity Facility. The Central Liquidity Facility, an instrumentality of the United States, shall exist within the National Credit Union Administration and be managed by the Board. The United States district court shall have original jurisdiction over any case to which the Board on behalf of the Facility is a party, without regard to the amount in controversy.

### § 1795c

### § 304

**Membership.**—(a) A credit union primarily serving natural persons may be a Regular member of the Facility by subscribing to the capital stock of the Facility in an amount not less than one-half of 1 per centum of the credit union’s paid-in and unimpaired capital and surplus.

(b) A credit union or group of credit unions, primarily serving other credit unions, may be an Agent member of the Facility by—

(1) obtaining the approval of the Board;

(2) subscribing to the capital stock of the Facility in an amount not less than one-half of 1 per centum of the paid-in and unimpaired capital and surplus of all those credit unions which primarily serve natural persons, which are members of such credit union or of any credit union comprising such credit union group, and which are not regular members;

(3) agreeing to comply with rules and regulations the Board shall prescribe with respect to, but not limited to, management quality, asset and liability safety and soundness, internal operating and control practices and procedures, and participation of natural persons in the affairs of such credit union or credit union group; and

(4) agreeing to submit to the supervision of the Board which shall include, but not be limited to, reporting requirements and periodic unrestricted examinations.

(c) Stock subscriptions provided for in subsections (a) and (b)(2) of this section shall be—

(1) based on an arithmetic average of paid-in capital and surplus over the six months preceding application and membership; and

(2) adjusted at the close of each calendar year in accordance with an arithmetic average of paid-in capital and surplus over a period determined by the Board.

(d) An Agent member of the Facility shall perform for its member credit unions those functions required by the Board to carry out this title.

(e)(1) A member of the Facility whose capital stock subscription constitutes less than 5 per centum of such stock outstanding, may withdraw from membership in the Facility six months after notifying the Board of its intention to do so.

(2) A member of the Facility whose capital stock subscription constitutes 5 per centum or more of such stock outstanding, may withdraw from membership in the Facility twenty-four months after notifying the Board of its intention to do so.

(3) The Board may terminate membership in the Facility if, after opportunity for a hearing, the Board determines a member has failed to comply with any provision of this title or regulation issued pursuant thereto.

## § 1795d

## § 305

**Capital stock.**—(a) As soon as practicable, the Board shall open books for subscriptions to the capital stock of the Facility. The minimum subscription shall be \$50.

(b) The capital stock of the Facility—

(1) shall be divided into shares having a par value of \$50 each;

(2) shall be paid for with cash or with securities of the United States or any Agency thereof in accordance with requirements the Board may impose;

(3) shall share in dividend distributions at rates determined by the Board. However, rates on the required capital stock shall be without preference; and

(4) shall not be transferred or hypothecated except as provided for herein.

(c) When circumstances require that all or a portion of a member's stock be redeemed by the Facility, the Board shall pay an amount equal to what the member originally paid for the stock less any amount owed by the member to the Facility.

(d) At least one-half of the payment for the subscription amount required for membership under section 304 of this title shall be transferred to the Facility. The remainder may be held by the member on call of the Board and shall be invested in assets designated by the Board.

(e) A credit union or credit union group that becomes a member of the Facility later than six months after the date the Board opens books for capital stock subscriptions may not borrow or receive advances from the Facility without approval by the Board for a period of six months after becoming a member.

## § 1795e

## § 306

**Extensions of credit.**—(a)(1) A member may apply for an extension of credit from the Facility to meet its liquidity needs. The Board shall approve or deny any such application

within five working days after receiving it. The Board shall not approve an application for credit the intent of which is to expand credit union portfolios.

(2) The Board may advance funds to a member on terms and conditions prescribed by the Board after giving due consideration to creditworthiness.

(3) The Board shall not advance funds for the benefit of a credit union whose share or deposit accounts are insured by a State share or deposit guaranty credit union, insurance corporation, or guaranty association, without consultation with the appropriate State share or deposit guaranty credit union, insurance corporation, or guaranty association.

(b) The Secretary of the Treasury is authorized to lend to the Facility up to \$500,000,000, in the event the Board certifies to the Secretary that the Facility does not have sufficient funds to meet liquidity needs of credit unions. Any such loan shall bear an interest rate not greater than one-eighth of 1 per centum above the current average market yield on outstanding obligations of the United States with remaining time to maturity comparable to the maturity of such loan. The authority of the Secretary to lend under this subsection shall be limited to such extent or in such amounts as are provided in advance in appropriation Acts.

## § 1795f

**Powers of the Board.**—(a) The Board on behalf of the Facility shall have the ability to—

(1) prescribe the manner in which the general business of the Facility shall be conducted;

(2) prescribe rules and regulations to carry out this title;

(3) determine the expenditures incurred by the Administration to carry out this title, and the expenditures incurred by the Facility to carry out titles I and II of this Act, and annually assess the Facility and the Administration accordingly;

(4) borrow from—

(A) any source, provided that the total face value of these obligations shall not exceed twelve times the subscribed capital stock and surplus of the Facility; and

(B) the National Credit Union Share Insurance Fund up to \$500,000 to defray initial organizational and operating expenses of the Facility at such rates and terms consistent with prevailing market conditions;

(5) guarantee performance of the terms of any financial obligation of a member but only when such obligation bears a clear and conspicuous notice on its face that only the resources of the Facility underlie such guarantee;

(6) purchase any asset from a member with the member's endorsement;

(7) invest in obligations of the United States or any agency thereof;

(8) make deposits in federally insured financial institutions and make investments in shares or deposits of credit unions;

(9) sue and be sued, complain, and defend, in any State or Federal court;

(10) adopt a seal;

(11) pursue to final disposition by way of compromise or otherwise claims both for and against the United States (other than tort claims, claims involving administrative expenses, and claims in excess of \$5,000 arising out of contracts for construction, repairs, and the purchase of supplies and materials) which are not in litigation and have not been referred to the Department of Justice;

(12) appoint officers and employees to assist in carrying out this title, who shall be appointed subject to the provisions of title 5, United States Code;

(13) conduct business, carry on operations, have offices, and exercise the powers granted by this title in any State or territory;

## § 307

(14) lease, purchase, or otherwise acquire and own, hold, improve, use, or otherwise deal in and with property, real, personal, or mixed, or any interest therein, wherever situated;

(15) enter into contracts with any public or private organization, partnership, corporation, or individual;

(16) advance funds on a fully secured basis to a State credit union share or deposit insurance corporation, guaranty credit union, or guaranty association. Such advance shall not exceed twelve months in maturity, shall be relent at an interest rate not exceeding that imposed by the Facility, and shall not be renewable;

(17) exercise such incidental powers as shall be necessary or requisite to enable it to carry out effectively the purposes for which the Facility is incorporated; and

(18) advance funds to the National Credit Union Share Insurance Fund under such terms and conditions as may be established by the Board.

(b)(1) The Board may authorize the Central Liquidity Facility or its agent members, subject to such rules and regulations, including definitions of terms used in this subsection, as the Board shall from time to time prescribe, to be drawees of, and to engage in, or be agents or intermediaries for, or otherwise participate or assist in, the collection and settlement of (including presentment, clearing, and payment of, and remitting for), checks, share drafts, or any other negotiable or nonnegotiable items or instruments of payment drawn on or issued by members of the Central Liquidity Facility, any of its Agent members, or any other credit union eligible to become a member of the Central Liquidity Facility, and to have such incidental powers as the Board shall find necessary for the exercise of any such authorization.

(2) The Central Liquidity Facility or its Agent members shall make charges, to be determined and regulated by the Board consistent with the principles set forth in section 11A(c) of the Federal Reserve Act, or

utilize the services of, or act as agent for, or be a member of, a Federal Reserve bank, clearinghouse, or any other public or private financial institution or other agency, in the exercise of any powers or functions pursuant to this subsection.

(3) The Board is authorized, with respect to participation in the collection and settlement of any items by the Central Liquidity Facility or by its Agent members, and with respect to the collection and settlement (including payment by the payor institution) of items payable by members of the Central Liquidity Facility or of any of its Agent members, to prescribe rules and regulations regarding the rights, powers, responsibilities, duties, and liabilities, including standards relating thereto, of such entities and other parties to any such items or their collection and settlement. In prescribing such rules and regulations, the Board may adopt or apply, in whole or in part, general banking usage and practices, and, in instances or respects in which they would otherwise not be applicable, Federal Reserve regulations and operating letters, the Uniform Commercial Code, and clearinghouse rules.

## § 1795g

## § 308

**Depositories, custodians, and fiscal agents.**—The Federal Reserve Banks are authorized to act as depositories, custodians and/or fiscal agents for the Central Liquidity Facility in the general performance of its powers conferred by this title. Each Federal Reserve Bank when designated by the Board as fiscal agent for the Central Liquidity Facility, shall be entitled to be reimbursed for all expenses incurred as such fiscal agent.

## § 1795h

## § 309

**Audit of financial transactions.**—The Comptroller General of the United States shall audit the Central Liquidity Facility under such rules and regulations as the Comptroller may prescribe.

**§ 1795i**

**§ 310**

**Annual report.**—The annual report required by section 102(d) shall include a full report of the activities of the Facility.

Facility (to the same extent, according to its value, as other similar property held by other persons is taxed).

(b)(1) Except as provided in paragraph (2), the notes, bonds, debentures, and other obligations issued on behalf of the Central Liquidity Facility and the income therefrom shall be exempt from all State and local taxation now or hereafter imposed.

**§ 1795j**

**§ 311**

**Agent of the Federal Reserve System.**— The Facility is authorized to act upon the request of the Board of Governors of the Federal Reserve System as an agent of the Federal Reserve System in matters pertaining to credit unions under such terms and conditions as may be established by the Board of Governors of the Federal Reserve System.

(2) Any obligation described in paragraph (1) shall not be exempt from State or local gift, estate, inheritance, legacy, succession, or other wealth transfer taxes.

(c) For purposes of this section—

**§ 1795k**

**§ 312**

**State and local tax exemption.**—(a) The Central Liquidity Facility, and its franchise, activities, capital reserves, surplus, and income, shall be exempt from all State and local taxation now or hereafter imposed, other than taxes on real property held by the

(1) the term “State” includes the District of Columbia; and

(2) taxes imposed by counties or municipalities, or any territory, dependency, or possession of the United States shall be treated as local taxes.

# INDEX

- Account, defined, § 1752(5)
  - Agents, designation of for voting purposes, § 1760.
  - Allotment of space in federal buildings, § 1770.
  - Annual Audit, supervisory committee, § 1761d.
  - Application for membership, action upon by board of directors, § 1761b.
  - Appointment of NCUA Board, § 102(b).
  - Apportionment, § 1773.
  - Assets, power to sell all or part to another credit union, § 1757(14).
  - Audit requirements, §§ 1761d, 1782(a)(6).
  - Board of directors, § 1761, 1761b, 1761a.
    - Approval of loans to other credit unions, § 1757(5)(C).
    - Criteria established by, loans to members, § 1757(5)(A).
    - Dividends, declaration of, § 1763.
    - Investments, authorization to make, § 1757(7).
    - Meetings, § 1761b.
  - Bonds,
    - Officers or employees, custody or handling of funds, § 1761b.
    - Treasurer, § 1761a.
  - Books and records,
    - Audit, § 1761d.
    - Voluntary liquidation, possession under rules and regulations of Board, § 1766.
  - Borrowing, § 1757(9); from Central Liquidity Facility, § 1783(f).
  - Branch, defined, § 1752.
  - By-laws, § 1758.
  - Capacity to sue and be sued, § 1757(2).
  - Capitalization (well, adequately and under capitalized), § 1790d.
  - Cease-and-desist orders, § 1786.
  - Central credit union, shares or deposits of, investment of funds, § 1757(7)(G).
  - Central Liquidity Facility,
    - Agent member,
      - “Member” as including § 1795a.
      - Qualifications, § 1795c.
    - Agent of Federal Reserve System, § 1795j.
    - Audit of financial transactions, § 1795h.
    - Board, powers on behalf of Facility, § 1795f.
    - Capital stock, subscription to, § 1795d.
    - Condition of membership, § 1795c.
    - Collection and settlement of checks, share drafts, etc., authorization by Board, § 1795f(b).
  - Definitions, § 1795a.
  - District courts, jurisdiction, cases to which Board is party on behalf of Facility, § 1795b.
  - Dividend distributions, without preference, rates determined by Board, § 1795d.
  - Establishment, § 1795b.
  - Extensions of credit, application, § 1795e.
  - Federal Reserve banks, depositories, custodians and financial agents for Facility, § 1795g.
  - Interest rates on loans, agent members, § 1757.
  - Investment by credit unions in stock of, § 1757.
  - Liquidity needs, defined, § 1795a.
  - Member, defined, § 1795a.
  - Membership, § 1795c.
  - National Credit Union Administration, Board, powers and duties, § 1795c(e).
  - National Credit Union Share Insurance Fund, borrowing from by Board on behalf of Facility, § 1795f(a)(4).
  - Paid-in and unimpaired capital and surplus, defined, § 1795a.
  - Powers, § 1795f.
  - Regular member,
    - “Member” as including, § 1795a.
    - Qualifications, § 1795c.
  - Reports, annual report, § 1795i.
  - Secretary of Treasury, as authorized lender, § 1795e(b).
  - Tax exemption, § 1795k.
- Charter,
- Approval of organization certificate, § 1754.
  - Conversion from or to state credit union, § 1771.
  - Suspension or revocation,
    - By Board, § 1766.
    - Failure to file applications for insurance after expiration of two year period, § 1781.
  - Civil money penalties, § 1786(k)(2).
  - Common bond, § 109.
  - Community development revolving loan fund, § 1772c-1.
  - Compensation,
    - Members of board or committees, § 1761.
    - Officers, § 1761a.
    - Reasonable health and accident insurance

not considered compensation, § 1761.  
 Conditional gifts, acceptance of, § 1772a.  
 Conservatorship, §§ 1786h, 1787.  
 Contracts, power to make, § 1757(1).  
 Conversion,  
     From federal to state credit union and vice versa, § 1771.  
     From insured credit union to mutual savings bank, § 1785(b)(2)  
 Credit committee, § 1761c.  
 Credit union service organizations, § 1757(7)(I).  
 Loans to, § 1757(5)(D).  
 Demand deposit accounts, Credit unions authorized by Defense Department with suboffices in military installations in foreign countries or trust territories, § 1757(8).  
 Depositories and fiscal agents of U.S., § 1767.  
 Deposits in national banks, etc., § 1757(8).  
 Disapproval of officials and senior employees, § 1790.  
 Dividends, § 1763.  
     Shares, share certificates and share draft accounts, payment, etc., § 1763.  
 Election, board of directors, § 1761.  
 Eligible obligations, power to purchase, sell, etc., § 1757(13).  
 Examination,  
     Books and records, § 1756.  
     Insured credit unions, § 1784.  
     Supervisory committee, § 1761d.  
 Executive committee, § 1761b.  
 Expulsion of members, § 1764.  
 Federal buildings, allotment of space, § 1770.  
 Fees, § 1755.  
 Fiscal agents and depositories, § 1767.  
 Fiscal year, § 1760.  
 Flood insurance compliance, § 1784e.  
 Foreign investigations, §§ 1786(u), 1787(r).  
 Fraudulent transfers, § 1787(b)(16).  
 Gifts,  
     Board's acceptance, § 1772a.  
     Conditional gifts, acceptance, § 1772a.  
     Deposit of gifts, § 1772a.  
 Golden parachutes, § 1786(t).  
 Government-sponsored enterprise, prohibition, § 1781(e).  
 Gross income, determination, time for, § 1762.  
 Institution-affiliated party, defined, § 1786(r).  
 Insurance of member accounts,  
     Eligibility, § 1781.  
     Premium, § 1782.  
     NCUSIF, § 1783.  
     Other requirements, § 1785.  
     Termination, § 1786.  
     Payment on liquidation, § 1787.  
     Special assistance, § 1788.  
 Insurance year, defined, administration of insurance fund, share insurance, § 1782.  
 Investments, § 1757(7), (15).  
 Involuntary liquidation, § 1766(b).  
 Joint tenancy, in shares, § 1759.  
 Late charges, § 1757(10).  
 Lines of credit,  
     Application for, consideration, approval, etc., § 1761c.  
     Board of directors, powers, etc., concerning, § 1757(5)(A).  
 Liquidating agents, §§ 1766, 1787.  
 Liquidations, §§ 1766, 1787.  
 Loan officer, appointment, duty and powers, § 1761c.  
 Loans,  
     Amortization of loans, § 1757(5)(A)(9).  
     Applications for, § 1761c.  
     Authorized loans, § 1757(5)(A).  
     Determination of amount, § 1761b.  
     Maturity, § 1757(5).  
     Participation loans, § 1757(5)(E).  
     Power to make, § 1757(5).  
     Rates, § 1757.  
     Refunds, § 1761b.  
     Residential real estate, limitations, § 1757(5)(A).  
 Low-income members, nonmembers where credit unions served, payments on shares and share certificates received from officers, etc., of, § 1757(6).  
 Management, § 1761.  
 Meetings of members, § 1760.  
     Election of board and committee, § 1761.  
 Member accounts, defined, § 1752,  
 Member business loans, § 107A.  
 Membership, § 1759, 1761d.  
     Election of board and committee at annual meeting, § 1761.  
     Expulsion and withdrawal, § 1764.  
 Mergers, emergency, § 1785(h).  
 Minors as members, § 1765.  
 Mobile homes, loans to finance purchase of, criteria for making, § 1757(5)(A).  
 Monetary transaction recordkeeping and reporting, § 1786(q)  
 Money orders, power to sell to members, § 1757(12).  
 National Credit Union Administration, "Administration," as meaning, § 1752a.  
     Board, § 1752(a).  
     Central Liquidity Facility, powers, duties,

etc., § 1795c et seq.  
 Chairman,  
     Spokesman of Board, powers and responsibilities, § 1752a.  
 Composition, § 1752a.  
 Conservatorship, § 1786h.  
 Consultation, interest on loans, § 1757(5)(A).  
 Financial reports to, § 1756.  
 Financial transactions, audit, § 1752a.  
 Management powers, membership, appointment, etc., § 1752a.  
 Meetings, § 1752a.  
 Members, appointment, § 1752a.  
 Minutes of proceedings, § 1752a.  
 Place of conducting audit of financial transactions, § 1752a.  
 Powers, § 1766, § 1789.  
 Quorum, § 1752a.  
 Records, proceedings, § 1752a.  
 Reports, operations of, § 1752a.  
 NCUA Board as conservator or liquidating agent, § 1787.  
 NCUA staff, § 1766(j).  
 Negotiable checks, power to sell to members, § 1757(12).  
 Net worth ratios, § 1790d.  
 Nonmember units of federal, state, or local governments, etc., payment on shares and share certificates from officers, of, § 1757(6).  
 Nonmembers, payment on shares, etc., receipt from, credit union serving predominantly low-income members, § 1757(6).  
 Officers, § 1761, § 1761a.  
     Suspension, § 1761d.  
 Once a member—retention of membership, § 1759(e)(2).  
 One year restriction on certain federal examiners, § 1786(w).  
 Operating fee, assessment, computation, § 1755.  
 Orders, § 1786.  
 Organization certificate, § 1753.  
     Approval, § 1754.  
     Conversion from state credit union, § 1771.  
     District of Columbia credit unions, converting to federal status, § 1773.  
     Form prepared by board, § 1758.  
 Partial invalidity, effect, § 1769.  
 Participation loans with other credit unions, § 1757(5)(E).  
 Powers, § 1757.  
 Premiums, for share insurance, § 1782.  
     One percent deposit, § 1782(c).  
 Prohibition on acquisition of assets, § 1787(q).  
 Prohibition on participation, § 1785(d).  
 Prompt corrective action, § 1790d.  
 Property,  
     Power to purchase, hold and dispose of, § 1757(4).  
 Proxy voting, § 1760.  
 Public disclosure of agency action, § 1786(s).  
 Public money, credit unions as depositories for, § 1789a.  
 Puerto Rico,  
     Applicability of Federal Credit Union Act, § 1772.  
     “Branch” as including branch place of business located in, § 1752.  
     Conversion from or to state credit union, § 1771.  
 Purchase and assumption, § 1785i.  
 Purchase of liquidating notes, § 1757(13).  
 Removal, prohibition or suspension from office, § 1786(g).  
 Reports, § 1756.  
     Annual audit by supervisory committee, § 1761d.  
     Books and records, forms by Board, § 1766.  
 Residential real estate loans, criteria for making, § 1757(5).  
 Revocation of charter, § 1766.  
 Rewards for information, § 1790c.  
 Seal, § 1757(3).  
 Secretary of Treasury, designation as fiscal agent and depositor, § 1767.  
 Separability of provisions, right to alter, amend or repeal chapter, § 1769.  
 Share certificate, § 1757(6).  
     Member account and account as meaning, § 1752.  
     Receiving payment on from officers, etc., of governmental units, etc., § 1757(6).  
 Share draft account, § 1757(6).  
     Dividends paid on, § 1763.  
     “Member account” as meaning, general provisions, § 1752.  
     Receipt of payments on, § 1757(6).  
 Shares, § 1757(6).  
     Right of survivorship, § 1759.  
 Supervisory committee, § 1761, 1761d.  
     Appointment, § 1761.  
     Audit, § 1761d.  
 Suspension,  
     Charter, § 1766.  
     Officers or members of board of directors or committees, § 1761d.  
 Taxation, exemptions from, § 1768.

Termination of insurance for money laundering, § 1786(v).

Territories, applicability of Federal Credit Union Act, § 1772.

Time, declaration of dividends, § 1763.

Transfer of functions, etc., of Bureau to National Credit Union Administration, § 1752a note.

Treasurer of United States, deposit and investment of fees, § 1755.

Treasury Department, consultation with Board, interest rates on loans, § 1757(5)(A).

Treasury of the United States, gifts deposited, § 1772a.

Trust fund, § 1774.

Trust territories,  
Applicability of Federal Credit Union Act, § 1772  
“Branch” as including suboffice on American military installation in, § 1752.

Unsecured loans, limit, § 1761c.

Vacancies,  
Board and credit committee, § 1761b.  
Supervisory committee, § 1761.

Voluntary liquidation, § 1766.

Whistleblower protection, § 1790.

Withdrawal of members, § 1764.