



# Indiana Credit Union Act

IC 28-7-1  
IC 28-7-2.5  
IC 28-1-23.2  
IC 28-1-23.5

*Effective  
July 1, 2019*

*Prepared by the*  
Indiana Credit Union League  
(800) 285-5300

## Table Of Contents

<b>IC 28-7-1</b>	<b>Chapter 1. Credit Unions</b>	<b>1</b>
IC 28-7-1-0.1	Application of certain amendments to chapter	1
IC 28-7-1-0.5	Definitions	1
IC 28-7-1-1	Persons authorized to organize; application; articles of incorporation	3
IC 28-7-1-2	Repealed	4
IC 28-7-1-3	Bylaws; requirement to commence business; form	4
IC 28-7-1-4	Bylaws; contents	4
IC 28-7-1-5	Repealed	5
IC 28-7-1-6	Repealed	5
IC 28-7-1-7	Amendment of articles	5
IC 28-7-1-8	Unauthorized use of name "credit union"; violations	5
IC 28-7-1-9	Powers; maintenance of files; authority to purchase and hold life insurance	6
IC 28-7-1-9.1	Sale of life insurance policy or annuity contract; prohibitions	11
IC 28-7-1-9.2	Request to exercise rights and privileges granted to federal credit unions; appeal	12
IC 28-7-1-10	Membership; identification; qualified groups; membership cards	13
IC 28-7-1-10.1	Illegal members; purging of accounts; loans not affected	14
IC 28-7-1-10.5	Repealed	14
IC 28-7-1-10.6	Issuing shares in a revocable or irrevocable trust; conditions	14
IC 28-7-1-11	Quarterly call report of credit union's condition; civil penalty for failure to report; information in report	14
IC 28-7-1-12	Examinations of credit unions and affiliates; recognition of CPA audit; examination of vendors	15
IC 28-7-1-13	Repealed	15
IC 28-7-1-14	Fiscal year; membership meetings; voting rights	15
IC 28-7-1-15	Selection of board of directors, supervisory committee, and credit committee; oath; term length; replacement of chief executive officer; qualification criteria	16
IC 28-7-1-16	Board of directors; board officers; credit union officers; board meetings; executive committee; directors' duties; loan officers; delegation of duties; suspension or removal of officer; action by written consent	17
IC 28-7-1-16.5	Conflicts of interest; disqualification; directors; committee members	18
IC 28-7-1-17	Loans to members; application; terms and conditions; loans secured by real estate; participation loans; indemnifying or second mortgage on real estate	19
IC 28-7-1-17.1	Loans to directors and committee members; terms and conditions; lines of credit; application of federal regulation; delinquent loans	21
IC 28-7-1-17.2	Loans to officers; terms and conditions; applicability of lending limits; department's authority to apply federal regulation	22
IC 28-7-1-17.3	Quarterly report of outstanding indebtedness of officers, directors, and committee members; retention; contents	23
IC 28-7-1-17.5	Signature limits	23
IC 28-7-1-18	Duties of supervisory committee; professional outside audit	23
IC 28-7-1-19	Capital; lien on shares; transfer of shares; use of secondary capital by federal credit unions	24
IC 28-7-1-20	Repealed	24

IC 28-7-1-20.1	Issuance of shares; joint tenancy; deposits, investments, and withdrawals by minors	24
IC 28-7-1-21	Repealed	25
IC 28-7-1-22	Authority to borrow; limits; authority to receive public deposits and pledge securities	25
IC 28-7-1-23	Loans to members; purposes; repayment plans; direct deposit	25
IC 28-7-1-24	Regular reserve requirements; undivided profits account; financial statements; allowances for loan and investment losses	25
IC 28-7-1-24.1	Repealed	26
IC 28-7-1-25	Dividends	26
IC 28-7-1-26	Repealed	26
IC 28-7-1-26.3	Termination of membership; termination or suspension of services to member; withdrawal from membership; notice	26
IC 28-7-1-26.5	Refusal to make payment from account	27
IC 28-7-1-27	Repealed	27
IC 28-7-1-27.1	Dissolution	27
IC 28-7-1-28	Change of place of business	29
IC 28-7-1-29	Conversion from federal to state charter; conversion from state to federal charter; procedures and requirements	29
IC 28-7-1-30	Repealed	30
IC 28-7-1-31	Fidelity coverage for directors, officers, and employees; blanket fidelity bond or separate reserve fund required	31
IC 28-7-1-31.3	Credit union officials; discharge of duties; indemnification	31
IC 28-7-1-31.5	Insurance; examinations	31
IC 28-7-1-32	Repealed	32
IC 28-7-1-33	Merger of credit unions; submission of resolutions and joint agreements to department; approval or disapproval; shareholder vote; articles of merger	32
IC 28-7-1-33.1	Merger of credit unions; surviving credit union organized under federal or other state law; department approval not required	33
IC 28-7-1-34	Credit unions organized in other states	33
IC 28-7-1-35	Effect of amendments by Acts 1974, P.L.130	35
IC 28-7-1-36	ATM ownership	36
IC 28-7-1-37	Withdrawal of deposits	36
IC 28-7-1-38	Requirement to provide property tax information in certain transactions	36
IC 28-7-1-39	Limits on loans to members; exceptions; prohibition against accepting compensation for procuring loan; exception for bona fide employment or compensation agreements; deadline for compliance	36
<b>IC 28-7-2.5</b>	<b>Conservatorship of Credit Unions</b>	<b>39</b>
IC 28-7-2.5-1	Application of chapter	39
IC 28-7-2.5-2	Application of definitions	39
IC 28-7-2.5-3	Appointment of conservator; bond or security; eligible conservators	39
IC 28-7-2.5-4	Reimbursement of department; administrative expenses	39
IC 28-7-2.5-5	Possession of books, records, and assets; conservation of assets; powers and obligations of conservator; rights of parties	39
IC 28-7-2.5-6	Amounts available to members, depositors, and creditors; new shares, deposits, and assets; return of control to board	40

IC 28-7-2.5-7	Loans in aid of operation or reorganization; security	41
IC 28-7-2.5-8	Termination of conservatorship; appointment of receiver; liquidation	41
IC 28-7-2.5-9	Adoption of rules	41
<b>IC 28-1-23.2</b>	<b>Chapter 23.2 Prize Linked Savings Programs</b>	<b>42</b>
IC 28-1-23.2-1	“Director”	42
IC 28-1-23.2-2	“Eligible depository financial institution”	42
IC 28-1-23.2-3	“Eligible individual”	42
IC 28-1-23.2-4	“Qualified account”	42
IC 28-1-23.2-5	“Qualified financial program”	42
IC 28-1-23.2-6	“Prize linked savings program”	43
IC 28-1-23.2-7	“Required conditions to offer and conduct a prize linked savings program”	43
IC 28-1-23.2-8	Statement describing the terms and conditions of prize linked savings programs	44
IC 28-1-23.2-9	Director actions	45
<b>IC 28-1-23.5</b>	<b>Electronic Activity by Financial Institutions</b>	<b>45</b>
IC 28-1-23.5-1	Application of chapter	45
IC 28-1-23.5-2	"Electronic activity"	45
IC 28-1-23.5-3	Consistency with safety and soundness standards, consumer protection laws, and supervisory guidance	46
IC 28-1-23.5-4	Electronic activities; statutory authorization; standards	46
IC 28-1-23.5-5	Electronic activity authorized as part of financial institution's business	46
IC 28-1-23.5-6	Electronic activity incidental to financial institution's business	47
IC 28-1-23.5-7	Evaluation of potential risks; authorization to act	47
IC 28-1-23.5-8	Activities authorized for national banks and federal credit unions	48
IC 28-1-23.5-9	Performing authorized or required activities through electronic means	48

## **IC 28-7 ARTICLE 7. SPECIALIZED FINANCIAL INSTITUTIONS**

### **IC 28-7-1 Chapter 1. Credit Unions**

#### **IC 28-7-1-0.1 Application of certain amendments to chapter**

Sec. 0.1. The amendments made to section 9(9) of this chapter by P.L.14-1992 apply to expenditures made by credit unions after July 1, 1992, for buildings or other office space.

*As added by P.L.220-2011, SEC.464.*

#### **IC 28-7-1-0.5 Definitions**

Sec. 0.5. The following definitions apply throughout this chapter:

(1) "Automated teller machine" (ATM) means a piece of unmanned electronic or mechanical equipment that performs routine financial transactions for authorized individuals.

(2) "Branch office" means an office, agency, or other place of business at which deposits are received, share drafts are paid, or money is lent to members of a credit union. The term does not include:

- (A) the principal office of a credit union;
- (B) the principal office of a credit union affiliate;
- (C) a branch office of a credit union affiliate;
- (D) an automated teller machine; or
- (E) a night depository.

(3) "Credit union" is a cooperative, nonprofit association, incorporated under this chapter, for the purposes of educating its members in the concepts of thrift and to encourage savings among its members. A credit union should provide a source of credit at a fair and reasonable rate of interest and provide an opportunity for its members to use and control their own money in order to improve their economic and social condition.

(4) "Department" refers to the department of financial institutions.

(5) "Surplus" means the credit balance of undivided earnings after losses. The term does not include statutory reserves.

(6) "Unimpaired shares" means paid in shares less any losses for which no reserve exists and for which there is no charge against undivided earnings.

(7) "Related credit union service organization" means, in reference to a credit union, a credit union service organization (as defined and formed under Part 712 of the regulations of the National Credit Union Administration, 12 CFR 712) in which the credit union has invested under section 9(a)(4) of this chapter.

(8) "Premises" means any office, branch office, suboffice, service center, parking lot, real estate, or other facility where the credit union transacts or will transact business.

(9) "Furniture, fixtures, and equipment" means office furnishings, office machines, computer hardware, computer software, automated terminals, and heating and cooling equipment.

(10) "Fixed assets" means:

- (A) premises; and
- (B) furniture, fixtures, and equipment.

(11) "Audit period" means a twelve (12) month period designated by the board of

directors of a credit union.

(12) "Community" means:

- (A) a second class city;
- (B) a third class city;
- (C) a town;
- (D) a county other than a county containing a consolidated city;
- (E) a census tract;
- (F) a township; or
- (G) any other municipal corporation (as defined in IC 36-1-2-10).

(13) "Control of a related interest" refers to a situation in which an individual directly or indirectly, or through or in concert with one (1) or more other individuals, possesses any of the following:

(A) The ownership of, control of, or power to vote at least twenty-five percent (25%) of any class of voting securities of the related interest.

(B) The control in any manner of the election of a majority of the directors of the related interest.

(C) The power to exercise a controlling influence over the management or policies of the related interest. For purposes of this clause, an individual is presumed to have control, including the power to exercise a controlling influence over the management or policies of a related interest, if the individual:

(i) is an executive officer or a director of the related interest and directly or indirectly owns, controls, or has the power to vote more than ten percent (10%) of any class of voting securities of the related interest; or

(ii) directly or indirectly owns, controls, or has the power to vote more than ten percent (10%) of any class of voting securities of the related interest and no other person owns, controls, or has the power to vote a greater percentage of that class of voting securities.

(14) "Executive officer" includes any of the following officers of a credit union:

- (A) The chairman of the board of directors.
- (B) The president.
- (C) A vice president.
- (D) The cashier.
- (E) The secretary.
- (F) The treasurer.

(15) "Immediate family", for purposes of sections 17.1 and 17.2 of this chapter, means the spouse of an individual, the individual's minor children, and any of the individual's children, including adults, residing in the individual's home.

(16) "Officer" means any individual who is not solely a director or committee member and participates or has the authority to participate in major policymaking functions of a credit union, regardless of whether:

- (A) the individual has an official title;
- (B) the individual's title designates the individual as an assistant; or
- (C) the individual is serving without salary or other compensation.

(17) "Related interest", with respect to an individual, means:

(A) a partnership, a corporation, or another business organization that is controlled by the individual; or

- (B) a political campaign committee:
  - (i) controlled by the individual; or
  - (ii) the funds or services of which benefit the individual.
- (18) Except as provided in section 9(a)(4) of this chapter, "capital and surplus" means the sum of:
  - (A) undivided profits;
  - (B) reserve for contingencies;
  - (C) regular reserve; and
  - (D) allowance for loan and lease losses.

*As added by Acts 1977, P.L.294, SEC.1. Amended by P.L.263-1995, SEC.1; P.L.188-1997, SEC.9; P.L.192-1997, SEC.16; P.L.11-1998, SEC.15; P.L.53-2002, SEC.1; P.L.141-2005, SEC.11; P.L.213-2007, SEC.65; P.L.217-2007, SEC.63; P.L.90-2008, SEC.40; P.L.35-2010, SEC.147.*

**IC 28-7-1-1 Persons authorized to organize; application; articles of incorporation**

Sec. 1. (a) Any seven (7) persons who are residents of Indiana, of legal age, and representing not less than five hundred (500) persons who belong to one (1) or more qualified groups (as defined in section 10 of this chapter) may apply to the department for permission to organize a credit union, by signing and acknowledging, in triplicate, articles of incorporation.

(b) Those persons desiring to organize a credit union under this chapter shall make application on forms prescribed by the director. The articles shall state:

- (1) the name of the credit union;
- (2) the address of the credit union's principal office;
- (3) the purpose for which it is formed;
- (4) qualification for membership in the credit union;
- (5) the par value of the shares;
- (6) the maximum number of directors;
- (7) the name, address, and term of office of each member of the first board of directors;
- (8) the name and address of each of the incorporators and the number of shares subscribed to by each; and
- (9) any other provisions for the regulation of the affairs of the corporation.

(c) The application shall be signed by all incorporators before a notary public.

(d) The department shall make a careful investigation of:

- (1) the character and management qualifications of the proposed directors and officers; and

- (2) the economic feasibility of the proposed credit union service.

(e) The application shall be processed as follows:

- (1) The applicant shall give notice of its application in accordance with IC 28-11-5.
- (2) If exceptions to the application are filed with the department, a public hearing on the application may be scheduled and held in accordance with IC 28-11-5-7.
- (3) If no exceptions to the application are filed, the department shall approve or deny the application within one hundred twenty (120) days.

(f) If the proposed credit union is approved, triplicate copies of the articles of

incorporation shall be filed with the secretary of state. The secretary of state shall file one (1) copy of the articles and shall issue a certificate of incorporation to the incorporators. The certificate of incorporation, together with two (2) copies of the articles, shall be returned to the incorporators.

(g) The articles shall be filed with the recorder of the county in which the credit union is to be located.

*(Formerly: Acts 1961, c.182, s.1; Acts 1974, P.L.130, SEC.1.) As amended by Acts 1977, P.L.294, SEC.2; P.L.270-1983, SEC.1; P.L.52-1985, SEC.6; P.L.14-1992, SEC.121; P.L.228-1993, SEC.1; P.L.42-1993, SEC.73; P.L.263-1995, SEC.2.*

#### **IC 28-7-1-2 Repealed**

*(Repealed by Acts 1977, P.L.294, SEC.14.)*

#### **IC 28-7-1-3 Bylaws; requirement to commence business; form**

Sec. 3. A credit union may not commence business until it submits a completed set of bylaws to the department. The department shall have a form of bylaws prepared, consistent with this chapter, which shall be used by credit union incorporators. Bylaws shall be available to persons desiring to organize a credit union.

*(Formerly: Acts 1961, c.182, s.3.) As amended by Acts 1977, P.L.294, SEC.3; P.L.263-1995, SEC.3.*

#### **IC 28-7-1-4 Bylaws; contents**

Sec. 4. (a) The bylaws, as provided in section 3 of this chapter, with acknowledgment of their adoption by the incorporators or board of directors, must provide at least the following:

(1) That the board of directors shall annually establish a date for the annual meeting. The bylaws shall prescribe the manner of notifying the members of meetings, the manner of conducting the meetings, and the number of members constituting a quorum, which shall in no case be less than fifteen (15) members.

(2) The number of directors of the corporation, which shall not be less than five (5), all of whom shall be members.

(3) The powers and duties of the directors.

(4) The duties of the officers who are elected by the board of directors.

(5) The number of members of the supervisory committee, which shall not be less than three (3), together with their respective powers and duties.

(6) The terms under which shares may be issued, transferred, and withdrawn and loans may be made and repaid.

(7) Any other provisions consistent with this chapter.

(b) The bylaws must prescribe procedures which ensure that all credit union members have an opportunity to vote, either in person or by absentee ballot, at any meeting of the shareholders. A member may not vote by proxy. A member, other than a natural person, may vote through an agent designated for that purpose. An agent may not represent more than one (1) entity.

(c) This section does not prevent a credit union from having more restrictive provisions in its bylaws than are required by this chapter.

*(Formerly: Acts 1961, c.182, s.4; Acts 1969, c.133, s.1.) As amended by Acts 1977,*

*P.L.294, SEC.4; P.L.270-1983, SEC.2; P.L.52-1985, SEC.7; P.L.171-1986, SEC.1; P.L.263-1995, SEC.4.*

**IC 28-7-1-5 Repealed**

*(Repealed by Acts 1977, P.L.294, SEC.14.)*

**IC 28-7-1-6 Repealed**

*(Repealed by Acts 1977, P.L.294, SEC.14.)*

**IC 28-7-1-7 Amendment of articles**

Sec. 7. (a) A credit union may amend its articles of incorporation. An amendment shall be proposed by the board of directors by the adoption of a resolution setting forth the proposed amendment and directing that it be submitted to a vote of the shareholders upon approval by the department. If the resolution is to be proposed at the annual meeting, notice of the proposal shall be included in the notice of the annual meeting. If the resolution is to be proposed at a special meeting, the special meeting shall be called by the resolution proposing the amendment, and notice of the meeting shall be given to each member of the credit union not less than five (5) days before the meeting. The notice must state the purpose of the meeting and contain the subject of the proposed amendment.

(b) The proposed amendment shall be adopted upon receiving the affirmative votes of at least three-fourths (3/4) of the shareholders present at the meeting.

(c) Upon the adoption of an amendment to the articles of incorporation, articles of amendment shall be executed and filed in the following manner:

(1) The articles of amendment shall be prepared and signed in triplicate by the president and secretary of the credit union. The department may approve them in the manner provided in IC 28-12-5.

(2) The amendment, if approved by the department, shall be filed with the secretary of state. The secretary of state shall keep one (1) copy of the articles in his office and shall issue a certificate of amendment to the credit union. The secretary of state shall return the certificate of amendment with a copy of the articles of amendment to the credit union and file the other copy of the articles with the department. A credit union shall not exercise any power, right, or authority conferred by an amendment until a copy of the articles has been filed with the recorder of the county in which the credit union is located. *(Formerly: Acts 1961, c.182, s.7.) As amended by Acts 1977, P.L.294, SEC.5; P.L.14-1992, SEC.122; P.L.263-1995, SEC.5.*

**IC 28-7-1-8 Unauthorized use of name "credit union"; violations**

Sec. 8. (a) The use of any name or title that contains the words "credit union", or that means "credit union" in any language, is unlawful unless the name is used by:

(1) a corporation authorized to use the words "credit union" under Indiana or United States law; or

(2) the Indiana Credit Union League, Inc., and its affiliates.

(b) The department is authorized to exercise the powers under IC 28-11-4 against a person, firm, limited liability company, or corporation that improperly holds itself out as a credit union.

(c) A person, firm, limited liability company, or corporation that violates this section is subject to a penalty of five hundred dollars (\$500) per day for each day during which the violation continues. The penalty imposed shall be recovered in the name of the state on relation of the department and, when recovered, shall be paid into the financial institutions fund established by IC 28-11-2-9.

*(Formerly: Acts 1961, c.182, s.8.) As amended by Acts 1978, P.L.2, SEC.2820; P.L.52-1985, SEC.8; P.L.263-1995, SEC.6; P.L.141-2005, SEC.12.*

### **IC 28-7-1-9 Powers; maintenance of files; authority to purchase and hold life insurance**

Sec. 9. (a) A credit union has the following powers:

(1) To issue shares of its capital stock to its members. No commission or compensation shall be paid for securing members or for the sale of shares.

(2) To make loans to officers, directors, or committee members under sections 17.1 and 17.2 of this chapter.

(3) To invest in any of the following:

(A) Bonds, notes, or certificates that are the direct or indirect obligations of the United States, or of the state, or the direct obligations of a county, township, city, town, or other taxing district or municipality or instrumentality of Indiana and that are not in default.

(B) Bonds or debentures issued by the Federal Home Loan Bank Act (12 U.S.C. 1421 through 1449) or the Home Owners' Loan Act (12 U.S.C. 1461 through 1468).

(C) Obligations of national mortgage associations issued under the authority of the National Housing Act.

(D) Mortgages on real estate situated in Indiana which are fully insured under Title 2 of the National Housing Act (12 U.S.C. 1707 through 1715z).

(E) Obligations issued by farm credit banks and banks for cooperatives under the Farm Credit Act of 1971 (12 U.S.C. 2001 through 2279aa-14).

(F) Savings and loan associations, other credit unions that are insured under section 31.5 of this chapter, and certificates of indebtedness or investment of an industrial loan and investment company if the association or company is federally insured. Not more than twenty percent (20%) of the assets of a credit union may be invested in the shares or certificates of an association or company, nor more than forty percent (40%) in all such associations and companies.

(G) Corporate credit unions.

(H) Federal funds or similar types of daily funds transactions with other financial institutions.

(I) Shares or certificates of an open-end management investment company registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 15 U.S.C. 80a-3 and 15 U.S.C. 80a-4 through 15 U.S.C. 80a-64), if all of the following conditions are met:

(i) The fund's assets consist of and are limited to securities in which a credit union may invest directly.

(ii) The credit union has an equitable and undivided interest in the underlying assets of the fund.

(iii) The credit union is not liable for acts or obligations of the fund.

(iv) The credit union's investment in any one (1) fund does not exceed fifteen percent (15%) of the amount of the credit union's net worth.

(J) For a credit union that is well capitalized (as defined in Part 702 of the Rules and Regulations of the National Credit Union Administration, 12 CFR 702), investment securities, as may be defined by a statute or a policy or rule of the department and subject to the following:

(i) The department may prescribe, by policy or rule, limitations or restrictions on a credit union's investment in investment securities.

(ii) The total aggregate amount of investment securities purchased or held by a credit union may never exceed at any given time ten percent (10%) of the capital and surplus of the credit union. However, the limitations imposed by this item do not apply to investments in the direct or indirect obligations of the United States or in the direct obligations of a United States territory or insular possession, or in the direct obligations of the state or any municipal corporation or taxing district in Indiana.

(iii) A credit union may not purchase for its own account any bond, note, or other evidence of indebtedness that is commonly designated as a security that is speculative in character or that has speculative characteristics. For the purposes of this item, a security is speculative or has speculative characteristics if at the time of purchase the security is in default, is rated below the first four (4) rating classes by a generally recognized security rating service, or is otherwise considered speculative by the director.

(iv) A credit union may purchase for its own account a security that is not rated by a generally recognized security rating service if the credit union at the time of purchase obtains financial information that is adequate to document the investment quality of the security and if the security is not otherwise considered speculative by the director.

(v) A credit union that purchases a security for its own account shall maintain sufficient records of the security to allow the security to be properly identified by the department for examination purposes.

(vi) Except as otherwise authorized by this title, a credit union may not acquire for its own account, whether by purchase or otherwise, any share of stock of a corporation that is not a subsidiary of that credit union unless the acquisition is considered expedient to prevent loss from a debt previously contracted in good faith. Any shares of stock other ownership interest in a corporation or another entity thus acquired by a credit union and that would not have been eligible for acquisition shall be sold and disposed of within six (6) months from the date of acquisition unless the director grants an extension of time for the sale and disposition.

(vii) Subject to items (i) through (iv), a credit union may purchase yankee dollar deposits, eurodollar deposits, banker's acceptances, deposit notes, bank notes with original weighted average maturities of less than five (5) years, and investments in obligations of, or issued by, any state or political subdivision (including any agency, corporation, or instrumentality of a state or political subdivision).

(K) Collateralized obligations that are eligible for purchase and sale by federal credit unions. However, a credit union may purchase for its own account and sell the obligations only to the extent that a federal credit union can purchase and sell those obligations.

(4) With the prior approval of the department, and subject to the limitations of this subsection, a credit union may organize, invest in, or loan money to a credit union service

organization (as defined in Part 712 of the regulations of the National Credit Union Administration, 12 CFR 712). A credit union may not loan or invest in a credit union service organization if the aggregate amount of all such loans or investments in a particular credit union service organization is greater than ten percent (10%) of the capital, surplus, and unimpaired shares of the credit union without the prior written approval of the department. A credit union may organize, invest in, or loan money to a credit union service organization described in this subdivision only if the following requirements are met:

(A) The credit union service organization is adequately capitalized or has a reasonable plan for adequate capitalization if the credit union service organization is to be formed or is newly formed.

(B) The credit union service organization is structured and operated as a separate legal entity from the credit union.

(C) The credit union obtains a written legal opinion that the credit union service organization is structured and operated in a manner that limits the credit union's potential liability for the debts and liabilities of the credit union service organization to not more than the loss of money invested in or loaned to the credit union service organization by the credit union.

(D) The credit union service organization agrees in writing to prepare financial statements and provide the financial statements to the credit union at least quarterly, and to the department upon request.

(E) The credit union service organization agrees in writing to obtain an audit of the credit union service organization from a certified public accountant at least annually and provide a copy of each audit report to the credit union, and to the department upon request. A wholly owned credit union service organization is not required to obtain a separate annual audit if the credit union service organization is included in the annual consolidated audit of the credit union that is the credit union service organization's parent.

(F) The credit union service organization operates in compliance with all applicable federal and state laws.

(5) To deposit its funds into:

(A) depository institutions that are federally insured; or

(B) state chartered credit unions that are privately insured by an insurer approved by the department.

(6) To purchase, hold, own, or convey real estate as may be conveyed to the credit union in satisfaction of debts previously contracted or in exchange for real estate conveyed to the credit union.

(7) To own, hold, or convey real estate as may be purchased by the credit union upon judgment in its favor or decrees of foreclosure upon mortgages.

(8) To issue shares of stock and upon the terms, conditions, limitations, and restrictions and with the relative rights as may be stated in the bylaws of the credit union, but no stock may have preference or priority over the other to share in the assets of the credit union upon liquidation or dissolution or for the payment of dividends except as to the amount of the dividends and the time for the payment of the dividends as provided in the bylaws.

(9) To charge the member's share account for the actual cost of a necessary locator service when the member has failed to keep the credit union informed about the member's current address. The charge shall be made only for amounts paid to a person or concern

normally engaged in providing such service, and shall be made against the account or accounts of any one (1) member not more than once in any twelve (12) month period.

(10) To transfer to an accounts payable account, a dormant account, or a special account share accounts which have been inactive, except for dividend credits, for a period of at least two (2) years. The credit union shall not consider the payment of dividends on the transferred account.

(11) To invest in fixed assets with the funds of the credit union. An investment in fixed assets in excess of five percent (5%) of its assets is subject to the approval of the department. A credit union may rent excess space at the credit union's main office or branch as a source of income.

(12) To establish branch offices, upon:

(A) approval of the department; or

(B) meeting the department's established criteria to be exempt from the department's approval;  
provided that all books of account shall be maintained at the principal office.

(13) To pay an interest refund on loans proportionate to the interest paid during the dividend period by borrowers who are members at the end of the dividend period.

(14) To purchase life savings and loan protection insurance for the benefit of the credit union and its members, if:

(A) the coverage is placed with an insurance company licensed to do business in Indiana; and

(B) no officer, director, or employee of the credit union personally benefits, directly or indirectly, from the sale or purchase of the coverage.

(15) To sell and cash negotiable checks, travelers checks, and money orders for members.

(16) To purchase members' notes from any liquidating credit union, with written approval from the department, at prices agreed upon by the boards of directors of both the liquidating and the purchasing credit unions. However, the aggregate of the unpaid balances of all notes of liquidating credit unions purchased by any one (1) credit union shall not exceed ten percent (10%) of the purchasing credit union's capital and surplus unless special written authorization has been granted by the department.

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

(18) To act as a custodian or trustee of any trust created or organized in the United States and forming part of a tax advantaged savings plan which qualifies or qualified for specific tax treatment under Section 223, 401(d), 408, 408A, or 530 of the Internal Revenue Code, if the funds of the trust are invested only in share accounts or insured certificates of the credit union.

(19) To issue shares or insured certificates to a trustee or custodian of a pension plan, profit sharing plan, or stock bonus plan which qualifies for specific tax treatment under Sections 401(d) or 408(a) of the Internal Revenue Code.

(20) To exercise any rights and privileges that are:

(A) granted to federal credit unions; but

(B) not authorized for credit unions under the Indiana Code (except for this section) or any rule adopted under the Indiana Code;

if the credit union complies with section 9.2 of this chapter.

(21) To sell, pledge, or discount any of its assets. However, a credit union may not pledge any of its assets as security for the safekeeping and prompt payment of any money deposited, except that a credit union may, for the safekeeping and prompt payment of money deposited, give security as authorized by federal law.

(22) To purchase assets of a corporation (as defined in IC 28-1-8-0.5) and to assume the liabilities of the corporation, or to sell, lease, exchange, or otherwise dispose of all or substantially all of the credit union's property and assets to a corporation, if:

(A) the credit union complies with IC 28-1-8; and

(B) the transaction is authorized in accordance with IC 28-1-8-4.

(23) To act as a fiscal agent of the United States and to receive deposits from nonmember units of the federal, state, or county governments, from political subdivisions, and from other credit unions upon which the credit union may pay varying interest rates at varying maturities subject to terms, rates, and conditions that are established by the board of directors. However, the total amount of public funds received from units of state and county governments and political subdivisions that a credit union may have on deposit may not exceed twenty percent (20%) of the total assets of that credit union, excluding those public funds.

(24) To join the National Credit Union Administration Central Liquidity Facility.

(25) To participate in community investment initiatives under the administration of organizations:

(A) exempt from taxation under Section 501(c)(3) of the Internal Revenue Code; and

(B) located or conducting activities in communities in which the credit union does business.

Participation may be in the form of either charitable contributions or participation loans. In either case, disbursement of funds through the administering organization is not required to be limited to members of the credit union. Total contributions or participation loans may not exceed one-tenth of one percent (0.1%) of total assets of the credit union. A recipient of a contribution or loan is not considered qualified for credit union membership. A contribution or participation loan made under this subdivision must be approved by the board of directors.

(26) To establish and operate an automated teller machine (ATM):

(A) at any location within Indiana; or

(B) as permitted by the laws of the state in which the automated teller machine is to be located.

(27) To demand and receive, for the faithful performance and discharge of services performed under the powers vested in the credit union by this article:

(A) reasonable compensation, or compensation as fixed by agreement of the parties;

(B) all advances necessarily paid out and expended in the discharge and performance of its duties; and

(C) unless otherwise agreed upon, interest at the legal rate on the advances referred to in clause (B).

(28) Subject to any restrictions the department may impose, to become the owner or lessor of personal property acquired upon the request and for the use of a member and to incur additional obligations as may be incident to becoming an owner or lessor of such

property.

(b) A credit union shall maintain files containing credit and other information adequate to demonstrate evidence of prudent business judgment in exercising the investment powers granted under this chapter or by rule, order, or declaratory ruling of the department.

(c) Subject to any limitations or restrictions that the department or a federal regulator may impose by regulation, rule, policy, or guidance, a credit union may purchase and hold life insurance as follows:

(1) Life insurance purchased or held in connection with employee compensation or benefit plans approved by the credit union's board of directors.

(2) Life insurance purchased or held to recover the cost of providing preretirement or postretirement employee benefits approved by the credit union's board of directors.

(3) Life insurance on the lives of borrowers.

(4) Life insurance held as security for a loan.

(5) Life insurance that a federal credit union may purchase or hold under 12 CFR 701.19(c).

*(Formerly: Acts 1961, c.182, s.9; Acts 1969, c.133, s.2; Acts 1974, P.L.130, SEC.2; Acts 1975, P.L.44, SEC.6.) As amended by Acts 1977, P.L.294, SEC.6; Acts 1979, P.L.267, SEC.1; Acts 1980, P.L.178, SEC.1; Acts 1982, P.L.170, SEC.1; P.L.270-1983, SEC.3; P.L.52-1985, SEC.9; P.L.2-1987, SEC.43; P.L.19-1987, SEC.45; P.L.8-1991, SEC.30; P.L.14-1992, SEC.123; P.L.228-1993, SEC.2; P.L.263-1995, SEC.7; P.L.188-1997, SEC.10; P.L.192-1997, SEC.17; P.L.11-1998, SEC.16; P.L.62-1999, SEC.5; P.L.63-2001, SEC.15, P.L.81-2001, SEC.4 and P.L.134-2001, SEC.17; P.L.258-2003, SEC.10; P.L.73-2004, SEC.36; P.L.141-2005, SEC.13; P.L.213-2007, SEC.66; P.L.217-2007, SEC.64; P.L.90-2008, SEC.41; P.L.35-2010, SEC.148; P.L.89-2011, SEC.47; P.L.6-2012, SEC.196; P.L.27-2012, SEC.92; P.L. 137-2014, SEC. 27; P.L. 159-2017, SEC. 35; P.L. 69-2018, SEC. 53.*

#### **IC 28-7-1-9.1 Sale of life insurance policy or annuity contract; prohibitions**

Sec. 9.1. (a) A credit union or a related credit union service organization (as defined in section 0.5(7) of this chapter) that acts as an insurance producer for the sale of a life insurance policy or an annuity contract issued by a life insurance company (as defined in IC 27-1-2-3):

(1) is subject to the requirements of IC 27; and

(2) must comply with the disclosure requirements of IC 27-1-38.

(b) A credit union or credit union service organization may not condition:

(1) an extension of credit;

(2) a lease or sale of real or personal property;

(3) the performance of a service; or

(4) the amount charged for:

(A) extending credit;

(B) leasing or selling real or personal property; or

(C) performing services;

upon a person's purchase of a life insurance policy or an annuity contract from the credit union or related credit union service organization.

(c) This section does not prohibit a credit union or a credit union service organization

from requiring that a person, as a condition to a transaction, obtain a life insurance policy from an insurance company acceptable to the credit union or credit union service organization.

*As added by P.L.188-1997, SEC.11. Amended by P.L.63-2001, SEC.16, P.L.81-2001, SEC.5 and P.L.134-2001, SEC.18; P.L.130-2002, SEC.8; P.L.178-2003, SEC.93.*

**IC 28-7-1-9.2 Request to exercise rights and privileges granted to federal credit unions; appeal**

Sec. 9.2. (a) As used in this section, "rights and privileges" means the power:

(1) to:

(A) create;

(B) deliver;

(C) acquire; or

(D) sell;

a product, a service, or an investment that is available to or offered by; or

(2) to engage in mergers, consolidations, reorganizations, or other activities or to exercise other powers authorized for; federal credit unions domiciled in Indiana.

(b) A credit union that intends to exercise any rights and privileges that are:

(1) granted to federal credit unions; but

(2) not authorized for credit unions under the Indiana Code (except for this section)

or any rule adopted under the Indiana Code;

shall submit a letter to the department describing in detail the requested rights and privileges granted to federal credit unions that the credit union intends to exercise. If available, copies of relevant federal law, regulations, and interpretive letters must be attached to the letter submitted by the credit union.

(c) The department shall promptly notify the requesting credit union of the department's receipt of the letter submitted under subsection (b). Except as provided in subsection (e), the credit union may exercise the requested rights and privileges sixty (60) days after the date on which the department receives the letter unless otherwise notified by the department.

(d) The department may deny the requested rights and privileges if the department finds that:

(1) federal credit unions domiciled in Indiana do not possess the requested rights and privileges;

(2) the exercise of the requested rights and privileges by the credit union would adversely affect the safety and soundness of the credit union;

(3) the exercise of the requested rights and privileges by the credit union would result in an unacceptable curtailment of consumer protection; or

(4) the failure of the department to approve the requested rights and privileges will not result in a competitive disadvantage to the credit union.

(e) The sixty (60) day period referred to in subsection (c) may be extended by the department based on a determination that the credit union's letter raised issues requiring additional information or additional time for analysis. If the sixty (60) day period is extended under this subsection, the credit union may exercise the requested rights and privileges only if the credit union receives prior written approval from the department. However:

(1) the department must:

- (A) approve or deny the requested rights and privileges; or
- (B) convene a hearing;

not later than sixty (60) days after the department receives the credit union's letter;

and

(2) if a hearing is convened, the department must approve or deny the requested rights and privileges not later than sixty (60) days after the hearing is concluded.

(f) The exercise of rights and privileges by a credit union in compliance with and in the manner authorized by this section is not a violation of any provision of the Indiana Code or rules adopted under IC 4-22-2.

(g) If a credit union receives approval to exercise the requested rights and privileges granted to federal credit unions domiciled in Indiana, the department shall determine by order whether all credit unions may exercise the same rights and privileges. In making the determination required by this subsection, the department must ensure that the exercise of the rights and privileges by all credit unions will not:

- (1) adversely affect their safety and soundness; or
- (2) unduly constrain Indiana consumer protection provisions.

(h) If the department denies the request of a credit union under this section to exercise any rights and privileges that are granted to federal credit unions, the credit union may appeal the decision of the department to the circuit court with jurisdiction in the county in which the principal office of the credit union is located. In an appeal under this section, the court shall determine the matter de novo.

*As added by P.L.63-2001, SEC.17, P.L.81-2001, SEC.6 and P.L.134-2001, SEC.19.*

*Amended by P.L.73-2004, SEC.37; P.L.213-2007, SEC.67; P.L.217-2007, SEC.65;*

*P.L.35-2010, SEC.149.*

### **IC 28-7-1-10 Membership; identification; qualified groups; membership cards**

Sec. 10. (a) The membership of credit unions shall be clearly and specifically identified. The membership of a credit union shall be limited to one (1) or more qualified groups of persons, immediate family members of the persons in the qualified group or groups, and organizations of those persons. For purposes of this section, a qualified group consists of:

- (1) persons having a common bond of occupation, trade, or professional association;
- (2) members of a labor organization;
- (3) members of a church;

(4) persons engaged in a common trade or profession within a well defined geographical location;

(5) employees of the credit union;

(6) persons who are members of a farm bureau cooperative, or other farm bureau organization, and who have subscribed to one (1) or more shares; or

(7) persons who reside or are employed within a community.

(b) A credit union may expand its membership with an additional qualified group or groups upon prior approval of the department.

(c) Membership cards must be kept on file and maintained in the credit union's main office for inspection by examiners and must contain at least the following information:

- (1) Account number, name, address, date of birth, signature of member, and the date

signed.

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

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

*(Formerly: Acts 1961, c.182, s.10; Acts 1974, P.L.130, SEC.3.) As amended by Acts 1982, P.L.170, SEC.2; P.L.271-1983, SEC.1; P.L.52-1985, SEC.10; P.L.14-1992, SEC.124; P.L.263-1995, SEC.8; P.L.53-2002, SEC.2; P.L.35-2010, SEC.150.*

#### **IC 28-7-1-10.1 Illegal members; purging of accounts; loans not affected**

Sec. 10.1. The department shall consider a person, a firm, a corporation, or an organization to be an illegal member if the person, firm, corporation, or organization:

(1) became a member of a credit union; and

(2) did not qualify under section 10(a) of this chapter or the articles of incorporation of the credit union.

The membership of any illegal member, as determined by the department, shall be terminated and all accounts shall be purged from the active share accounts of the credit union within the period specified in writing by the department. However, a loan agreement between a terminated member and the credit union is unaffected by the termination and, if a loan involving an illegal member is secured by shares, the share account, to the extent encumbered by the loan, remains valid until unencumbered.

*As added by P.L.35-2010, SEC.151.*

#### **IC 28-7-1-10.5 Repealed**

*(Repealed by P.L.89-2011, SEC.78.)*

#### **IC 28-7-1-10.6 Issuing shares in a revocable or irrevocable trust; conditions**

Sec. 10.6. A credit union may issue shares in a revocable or irrevocable trust, subject to the following:

(1) If shares are issued in a revocable trust, at least one (1) of the settlors must be a member of the credit union in the settlor's own right.

(2) If shares are issued in an irrevocable trust, at least one (1):

(A) settlor; or

(B) beneficiary;

must be a member of the credit union in the settlor's or the beneficiary's own right.

(3) The name of each beneficiary must be listed for the trust, whether the trust is revocable or irrevocable.

*As added by P.L.89-2011, SEC.48.*

#### **IC 28-7-1-11 Quarterly call report of credit union's condition; civil penalty for failure to report; information in report**

Sec. 11. Each credit union shall make a call report of its condition to the department, at least quarterly on forms and in accordance with guidelines approved by the director. Reports in addition to the regular reports may be required. A credit union that fails to

comply with this section may be required by the department to pay a civil penalty of one hundred dollars (\$100) for each day of noncompliance. Money paid under this section as determined by the department shall be deposited into the financial institutions fund

established by IC 28-11-2-9. Except as specified in IC 28-11-3-3 concerning individual depositors, any information contained in call reports made by credit unions to the department must be made available to any person upon request.

*(Formerly: Acts 1961, c.182, s.11.) As amended by Acts 1982, P.L.170, SEC.3; P.L.33-1991, SEC.54; P.L.228-1993, SEC.3; P.L.263-1995, SEC.9; P.L.141-2005, SEC.14; P.L.89-2011, SEC.49.*

#### **IC 28-7-1-12 Examinations of credit unions and affiliates; recognition of CPA audit; examination of vendors**

Sec. 12. (a) Every credit union and every affiliate of a credit union shall be subject to examination in accordance with IC 28-11-3-1 by the department. A credit union shall be examined by the department as often as the department shall deem necessary. The department shall at all times be given free access to all of the books, papers, securities, and other sources of information, including audit reports and audit working papers for any such credit union. The director, the members of the department, and the supervisor in charge of the division shall have the power to subpoena documents and examine witnesses under oath pertaining to the business of the credit union. The department may accept an audit by a certified public accountant and govern its examination procedures and examination fees accordingly. At the close of each examination, a conference shall be conducted to disclose to the board of directors the findings of the examination.

(b) If a credit union contracts with an outside vendor to provide a service that would otherwise be undertaken internally by the credit union and be subject to the department's routine examination procedures, the person that provides the service to the credit union shall, at the request of the director, submit to an examination by the department. If the director determines that an examination under this subsection is necessary or desirable, the examination may be made at the expense of the person to be examined. If the person to be examined under this subsection refuses to permit the examination to be made, the director may order any credit union that receives services from the person refusing the examination to:

- (1) discontinue receiving one (1) or more services from the person; or
- (2) otherwise cease conducting business with the person.

*(Formerly: Acts 1961, c.182, s.12.) As amended by P.L.263-1995, SEC.10; P.L.35-2010, SEC.153; P.L. 73-2016, SEC. 25.*

#### **IC 28-7-1-13 Repealed**

*(Repealed by P.L.263-1995, SEC.31.)*

#### **IC 28-7-1-14 Fiscal year; membership meetings; voting rights**

Sec. 14. A credit union fiscal year shall end at the close of business on the thirty-first day of December. Special meetings of the members of any credit union may be convened by order of the board of directors or the supervisory committee, or by a petition of at least ten per cent (10%) of the members. A member shall have one (1) vote. The members may

decide on any matter concerning the credit union. The members may overrule the directors, and, by a three-fourths (3/4) vote of those present, may amend the bylaws if the notice of the meeting stated the proposed amendment.

*(Formerly: Acts 1961, c.182, s.14.) As amended by P.L.263-1995, SEC.11.*

**IC 28-7-1-15 Selection of board of directors, supervisory committee, and credit committee; oath; term length; replacement of chief executive officer; qualification criteria**

Sec. 15. (a) At the annual meeting, the members shall elect a board of directors and a supervisory committee.

(b) The bylaws:

(1) may provide for a credit committee; and

(2) if a credit committee is provided for, must state whether the credit committee is to be elected by the members or appointed by the board of directors.

(c) The credit committee must consist of not fewer than three (3) nor more than seven (7) members. A director may not be a member of either the credit committee or the supervisory committee.

(d) Each member of the board and each member of the credit committee or the supervisory committee shall take an oath. The length of the term of a member of the board or of the credit committee or the supervisory committee must be set forth in the bylaws.

(e) If a credit union replaces the chief executive officer of the credit union, the credit union shall give the department written notice of the replacement not later than thirty (30) days after replacing a person as the chief executive officer.

(f) Each individual elected or appointed to serve as a director, supervisory committee member, or credit committee member of a credit union, or as a member of any other committee that performs significant ongoing functions relating to the ongoing operations of the credit union, shall meet all of the following criteria:

(1) The individual is a member of the credit union and in good standing according to reasonable criteria established by the credit union board.

(2) The individual is acceptable as a bonding risk by a bonding company licensed to do business in this state.

(3) The individual has not been removed as a director, officer, committee member, or employee of a financial institution by a federal regulator, a state regulator, or a court with jurisdiction.

(4) The department has not removed the individual as a director, officer, committee member, or employee of a credit union, financial institution, or other legal entity under the department's enforcement powers under any law of this state.

(5) The individual has not been convicted of a crime involving dishonesty or breach of trust.

(6) The individual is not habitually negligent in paying the individual's financial obligations as determined by criteria reasonably established by the credit union board.

(7) The individual has not been convicted by a court with jurisdiction of a violation, or found in violation by a court with jurisdiction or the department, of any law of this state enforced or administered by the department.

(g) If an individual no longer meets one (1) or more of the requirements of subsection (f) while serving as a director, supervisory committee member, or credit committee member of

a credit union, or as a member of any other committee that performs significant ongoing functions relating to the ongoing operations of the credit union, the:

(1) individual immediately shall be removed from that office without further action of the members of the credit union board; and

(2) credit union shall appoint or elect a replacement to fill the vacancy in the manner described in the bylaws.

*(Formerly: Acts 1961, c.182, s.15.) As amended by Acts 1977, P.L.294, SEC.7; P.L.270-1983, SEC.4; P.L.263-1995, SEC.12; P.L.35-2010, SEC.154.*

**IC 28-7-1-16 Board of directors; board officers; credit union officers; board meetings; executive committee; directors' duties; loan officers; delegation of duties; suspension or removal of officer; action by written consent**

Sec. 16. (a) Not more than thirty (30) business days after the conclusion of the annual meeting, the board of directors shall elect from its own members:

(1) a chairperson;

(2) a vice chairperson or vice chairpersons;

(3) a secretary;

(4) a treasurer; and

(5) other officers determined necessary by the board of directors.

(b) The board may appoint officers of the credit union.

(c) The office of secretary and treasurer may be held by the same person. The board may appoint:

(1) an assistant secretary;

(2) an assistant treasurer; or

(3) both an assistant secretary and an assistant treasurer.

(d) The board of directors shall have the general management of the affairs, funds, and records of the credit union and shall meet at least monthly, in person or by any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting in accordance with this subsection is considered to be present in person at the meeting. Minutes of every meeting of the board of directors or executive committee shall be kept and maintained.

(e) The board may appoint an executive committee to exercise authority delegated to it by the board. The board retains ultimate responsibility for authority delegated to an executive committee.

(f) It is the duty of the directors to do the following:

(1) To determine:

(A) the maximum number of shares which may be held by a member; and

(B) the maximum amount which may be loaned to a member.

(2) To amend the bylaws, provided that the qualifications for membership in the credit union are principally defined in the articles of incorporation.

(3) To fill vacancies on the board and the credit committee until the next election.

(4) To set the compensation of members of the board, credit committee, or supervisory committee.

(5) To establish and annually review written lending and investment policies and other policies necessary for the prudent operation of the credit union.

(6) To approve an annual operating budget for the credit union.

(g) The board may appoint loan officers. Each loan officer shall furnish to the credit committee or to the board a record of each loan approved at its next meeting. A loan officer, including the treasurer or assistant treasurer, shall not have authority to disburse funds of the credit union for any loan which has been approved by the loan officer.

(h) A credit union board is responsible for the performance of all of the duties listed in this subsection. The board may delegate the performance of the duties to the chief executive officer, who may further delegate one (1) or more of the following duties:

(1) Approving, disapproving, or otherwise acting on applications for membership.

(2) Determining the interest rates on loans and on deposits.

(3) Hiring employees other than the chief executive officer and fixing the employees' compensation.

(4) Making and selling investments according to investment policies adopted by the board.

(5) Designating one (1) or more depositories for funds.

(6) Establishing procedures to implement policies of the credit union board.

(7) Establishing internal controls as necessary.

(8) Determining the amount of a dividend after providing for any required reserves and declaring the dividend.

(i) The board of directors by a majority vote may suspend or remove any officer from the officer's duties as an officer.

(j) Unless specifically prohibited by the bylaws, if this chapter requires or allows a credit union board to take an action at a meeting, the board may take that action without a meeting if a consent in writing setting forth the action taken is signed by all of the directors entitled to vote on the matter. A written consent under this subsection must contain one (1) or more written approvals, each of which sets forth the action taken and bears the signature of one (1) or more directors. The directors shall deliver the directors' signed approvals to the secretary, and the secretary shall file the approvals in the corporate records of the credit union. An action taken by written consent under this subsection is effective on the date that all the directors have approved the consent unless the consent specifies a different effective date. A consent signed by all the directors has the same effect as a unanimous vote. The credit union may represent that the action was approved by a unanimous vote in any document filed with the department under this act. *(Formerly: Acts 1961, c.182, s.16; Acts 1969, c.133, s.3; Acts 1974, P.L.130, SEC.4.) As amended by Acts 1977, P.L.294, SEC.8; P.L.270-1983, SEC.5; P.L.228-1993, SEC.4; P.L.263-1995, SEC.13; P.L.62-1999, SEC.6; P.L.141-2005, SEC.15; P.L.35-2010, SEC.155; P.L. 69-2018, SEC. 54.*

#### **IC 28-7-1-16.5 Conflicts of interest; disqualification; directors; committee members**

Sec. 16.5. (a) This section governs the participation of board members in board actions.

(b) Unless a matter involves setting dividends, loan rates, or fees for services or other general policy applicable to all members of the credit union, a director, a committee member, an officer, or an employee of a credit union shall not in any manner, directly or indirectly, participate in the deliberation or board action on any matter that affects the director's, committee member's, officer's, or employee's pecuniary interest or the pecuniary interest of an entity other than the credit union in which the director,

committee member, officer, or employee is interested.

(c) If one (1) or more directors are disqualified from participating in a matter before the credit union board under subsection (b), the remaining qualified directors present at the meeting, if together with the disqualified director constitutes a quorum, may by majority vote exercise all the powers of the board with respect to the matter under consideration. If all of the directors are disqualified, the members of the credit union shall act on the matter.

(d) If one (1) or more committee members are disqualified from participating in a matter before the committee under subsection (b), the remaining qualified committee members, if together with the disqualified committee member constitutes a quorum, may by majority vote exercise all the powers of the committee with respect to the matter under consideration. If all the committee members are disqualified, the credit union board shall act on the matter.

*As added by P.L.35-2010, SEC.156.*

### **IC 28-7-1-17 Loans to members; application; terms and conditions; loans secured by real estate; participation loans; indemnifying or second mortgage on real estate**

Sec. 17. (a) Every loan application shall be submitted on a form approved by the credit union. Loans may be disbursed upon written approval by a majority of the credit committee or a loan officer. If the credit committee or loan officer fails to approve an application for a loan, the applicant may appeal to the board of directors, if such appeal is authorized by the bylaws.

(b) Loans to members may be made only under the following terms and conditions:

(1) All loans shall be evidenced by notes signed by the borrowing member.

(2) Except as otherwise provided in this section, the terms of any loan to a member with a maturity of more than six (6) months shall provide for principal and interest payments that will amortize the obligation in full within the terms of the loan contract. If the income of the borrowing member is seasonal, the terms of the loan contract may provide for seasonal amortization.

(3) Loans may be made upon the security of improved or unimproved real estate. Except as otherwise specified in this section, such loans must be secured by a first lien upon real estate prior to all other liens, except for taxes and assessments not delinquent, and may be made with repayment terms other than as provided in subdivision (2). The credit union loan folder for all real estate mortgage loans shall include the following:

(A) The loan application.

(B) The mortgage instrument.

(C) The note.

(D) The disclosure statement.

(E) The documentation of property insurance.

(F) For the real estate for which the loan is made, a written appraisal, which must be performed by a state licensed or certified appraiser designated by the board of directors if the amount of the loan is at least two hundred fifty thousand dollars (\$250,000).

(4) Loans made upon security of real estate are subject to the following restrictions:

(A) Real estate loans in which no principal amortization is required shall provide for the payment of interest at least annually and shall mature within five (5) years of the date of the loan unless extended and shall not exceed fifty percent (50%) of the fair cash value of

the real estate used as security.

(B) Real estate loans on improved real estate, except for variable rate mortgage loans and rollover mortgage loans provided for in subdivision (5), shall require substantially equal payments at successive intervals of not more than one (1) year, shall mature within thirty (30) years, and shall not exceed one hundred percent (100%) of the fair cash value of the real estate used as security.

(C) Loans primarily secured by a mortgage which constitutes a second lien on improved real estate may be made only if the aggregate amount of all loans on the real estate does not exceed one hundred percent (100%) of the fair cash value of the real estate after such loan is made. Repayment terms shall be in accordance with subdivision (2).

(D) Real estate loans may be made for the construction of improvements to real property. Funds borrowed may be advanced as work on the improvements progresses. Repayment terms must comply with subdivision (2).

(5) Subject to the limitations of subdivision (3), variable rate mortgage loans and rollover mortgage loans may be made under the same limitations and rights provided state chartered savings associations under IC 28-1-21.5 (before its repeal) or IC 28-15 or federal credit unions.

(6) As used in this subdivision, "originating lender" means the participating lender with which the member contracts. A credit union may participate with other state and federal depository financial institutions (as defined in IC 28-1-1-6) or credit union service organizations in making loans to credit union members and may sell a participating interest in any of its loans under written participation loan policies established by the board of directors. However, the credit union may not sell more than ninety percent (90%) of the principal of participating loans outstanding at the time of sale. A participating credit union that is not the originating lender may participate only in loans made to the credit union's own members or to members of another participating state or federal credit union. A master participation agreement must be properly executed. The agreement must include provisions for identifying, either through documents incorporated by reference or directly in the agreement, the participation loan or loans before the sale of the loans.

(7) As an alternative to making any loan authorized by and under the conditions set forth in subdivisions (1) through (6), a credit union may make any of the following:

(A) Any loan that may be made by a federal credit union. However, IC 24-4.5 applies to any loan that is:

- (i) made under this clause; and
- (ii) within the scope of IC 24-4.5.

Any provision of federal law that is in conflict with IC 24-4.5 does not apply to a loan made under this clause.

(B) Subject to subdivision (3), any alternative mortgage loan (as defined in IC 28-15-11-2) that may be made by a savings association (as defined in IC 28-15-1-11) under IC 28-15-11. A loan made under this clause by a credit union is subject to the same terms, conditions, exceptions, and limitations that apply to an alternative mortgage loan made by a savings association under IC 28-15-11.

(8) A credit union may make a loan under either:

- (A) subdivisions (2) through (6); or
- (B) subdivision (7);

but not both. A credit union shall make an initial determination as to whether to make a loan under subdivisions (2) through (6) or under subdivision (7). If the credit union determines that a loan or category of loans is to be made under subdivision (7), the written loan policies of the credit union must include that determination. A credit union may not combine the terms and conditions that apply to a loan made under subdivisions (2) through (6) with the terms and conditions that apply to a loan made under subdivision (7) to make a loan not expressly described and authorized either under subdivisions (2) through (6) or under subdivision (7).

(c) Nothing in this section prevents any credit union from taking an indemnifying or second mortgage on real estate as additional security.

*(Formerly: Acts 1961, c.182, s.17; Acts 1969, c.133, s.4; Acts 1974, P.L.130, SEC.5.) As amended by Acts 1977, P.L.294, SEC.9; Acts 1979, P.L.267, SEC.2; Acts 1980, P.L.176, SEC.9; Acts 1982, P.L.170, SEC.4; P.L.270-1983, SEC.6; P.L.166-1988, SEC.1; P.L.260-1989, SEC.1; P.L.14-1992, SEC.125; P.L.228-1993, SEC.5; P.L.263-1995, SEC.14; P.L.192-1997, SEC.18; P.L.11-1998, SEC.17; P.L.79-1998, SEC.80; P.L.62-1999, SEC.7; P.L.53-2002, SEC.3; P.L.141-2005, SEC.16; P.L.213-2007, SEC.68; P.L.217-2007, SEC.66; P.L.35-2010, SEC.157; P.L.27-2012, SEC.93; P.L. 186-2015, SEC.36; P.L. 159-2017, SEC. 36; P.L. 69-2018, SEC. 55.*

#### **IC 28-7-1-17.1 Loans to directors and committee members; terms and conditions; lines of credit; application of federal regulation; delinquent loans**

Sec. 17.1. (a) A credit union may make a loan to the credit union's individual directors and committee members under the following terms and conditions:

(1) The loan must comply with all requirements under this chapter that apply to loans made to other borrowers.

(2) The loan may not be on terms more favorable than those extended to other borrowers.

(3) The borrower may not:

(A) take part in the consideration of; or

(B) vote on;

the borrower's loan application.

(4) Except as provided in subsection (b), a credit union may not make a loan under this section to an individual, the individual's immediate family, or the individual's related interests if the amount of the loan, either by itself or when added to the amounts of all other loans made under this section to the individual, the individual's immediate family, or the individual's related interests, exceeds the greater of:

(A) five percent (5%) of the credit union's capital and surplus; or

(B) twenty-five thousand dollars (\$25,000);

unless the loan is first approved by the credit union's board of directors.

(5) A credit union may not make a loan under this section to an individual, the individual's immediate family, or the individual's related interests if the amount of the loan, either by itself or when added to the amounts of all other loans made under this section to the individual, the individual's immediate family, or the individual's related interests, exceeds the lending limits set forth in IC 28-7-1-39.

(6) The total amount of all loans made under this section may not exceed the credit union's capital and surplus. However, the limit set forth in this subdivision does not apply

to either of the following:

(A) A loan, in any amount, secured by a perfected security interest in bonds, notes, certificates of indebtedness, or treasury bills of the United States or in other obligations fully guaranteed as to principal and interest by the United States.

(B) A loan, in any amount, secured by a perfected security interest in a segregated deposit account in the lending credit union.

(b) Approval by the board of directors under subsection (a)(4) is not required for an extension of credit made under a line of credit approved under subsection (a)(4) if the extension of credit is made not later than fourteen (14) months after the line of credit was approved.

(c) The department may apply the provisions of 12 CFR 215 (Regulation O) in applying and administering this section.

(d) If a loan made to or cosigned, endorsed, or guaranteed by a director or a member of the supervisory, credit, or other committee is more than three (3) months delinquent, the individual:

(1) is automatically removed from the individual's position as director or committee member; and

(2) is ineligible to serve as a director or committee member for two (2) years.

The director may waive the application of this subsection if the director determines that it is in the best interests of the credit union.

*As added by P.L.141-2005, SEC.17. Amended by P.L.90-2008, SEC.42; P.L.35-2010, SEC.158.*

### **IC 28-7-1-17.2 Loans to officers; terms and conditions; applicability of lending limits; department's authority to apply federal regulation**

Sec. 17.2. (a) A credit union may make a loan to the credit union's individual officers under the following terms and conditions:

(1) The loan must comply with all requirements under this chapter that apply to loans made to other borrowers.

(2) The loan may not be on terms more favorable than those extended to other borrowers unless the loan is made in connection with a benefit or compensation plan that:

(A) is widely available to employees of the credit union; and

(B) does not give preference to any officers of the credit union over other employees of the credit union.

(3) The loan must be promptly reported to the credit union's board of directors.

(4) A loan to the officer, the officer's immediate family, or the officer's related interests, either by itself or when added to the amounts of all other loans made under this section to the officer, the officer's immediate family, or the officer's related interests, for any purpose, must be made in accordance with 12 CFR 215.5 (Regulation O).

(b) A credit union may not make a loan under this section to an officer, the officer's immediate family, or the officer's related interests if the amount of the loan, either by itself or when added to the amounts of all other loans made under this section to the officer, the officer's immediate family, or the officer's related interests, exceeds the lending limits set forth in IC 28-7-1-39.

(c) The department may apply the provisions of 12 CFR 215 (Regulation O) in

applying and administering this section.

*As added by P.L.90-2008, SEC.43; Amended by P.L. 40-2016, SEC. 1.*

**IC 28-7-1-17.3 Quarterly report of outstanding indebtedness of officers, directors, and committee members; retention; contents**

Sec. 17.3. At least quarterly, the president or manager shall prepare and deliver to the board of directors a report listing the outstanding indebtedness of all officers, directors, and committee members. A report prepared under this subsection must be retained at the credit union for three (3) years and shall not be filed with the department unless specifically requested. A report required by this section must include:

- (1) the amount of each indebtedness; and
- (2) a description of the terms and conditions of each loan, including:
  - (A) the interest rate;
  - (B) the original amount and date of the loan;
  - (C) the maturity date;
  - (D) payment terms;
  - (E) security, if any; and
  - (F) any unusual term or condition of a particular extension of credit.

*As added by P.L.90-2008, SEC.44.*

**IC 28-7-1-17.5 Signature limits**

Sec. 17.5. The credit committee or loan officer may approve a line of credit, which shall establish a signature limit. Advances in excess of the signature limit shall be permitted if security is pledged to guarantee that amount in excess of the signature limit. Advances may be granted to each member within the limits of such extension of credit. Where a line of credit has been approved, no additional loan application or statement of purpose is required, provided the aggregate unsecured obligation does not exceed the signature limit.

*As added by Acts 1977, P.L.294, SEC.10. Amended by P.L.263-1995, SEC.15.*

**IC 28-7-1-18 Duties of supervisory committee; professional outside audit**

Sec. 18. (a) The supervisory committee shall cause the share and loan accounts of the members to be verified with the records of the treasurer at least each biennium. A verification under this subsection shall be performed using one (1) of the following methods:

- (1) A verification of one hundred percent (100%) of the share and loan accounts of all members.
  - (2) A verification of share and loan accounts in accordance with the requirements of the National Credit Union Administration set forth in 12 CFR 715.8.
- (b) The supervisory committee shall supervise the acts of the board of directors, credit committee, and officers.
- (c) By a majority vote, the supervisory committee may call a meeting of the shareholders to consider any violation of this chapter, or of the bylaws, or any practice of the credit union which, in the opinion of the committee is unsafe and unauthorized.
- (d) The supervisory committee shall fill vacancies in its own number until the next annual meeting of the members.
- (e) At the close of the audit period, the supervisory committee shall make or cause to be

made a thorough audit of the credit union for each audit period and shall make a full report to the directors. The audit report shall be issued not later than one hundred twenty (120) days following the close of the audit period. Tapes, work papers, schedules, and evidence of verification of accounts shall be retained until the next examination by the department. A summary of the report shall be read at the annual meeting and shall be filed and preserved with the records of the credit union.

(f) A credit union with assets of at least five million dollars (\$5,000,000) shall have an annual audit performed by an outside professional accounting firm. The department may require a professional outside audit to be performed upon any credit union if the department questions the safety and soundness of the credit union.

(g) Minutes of every meeting of the supervisory committee shall be kept and maintained.

*(Formerly: Acts 1961, c.182, s.18.) As amended by Acts 1979, P.L.267, SEC.3; P.L.14-1992, SEC.126; P.L.228-1993, SEC.6; P.L.263-1995, SEC.16; P.L.192-1997, SEC.19; P.L.11-1998, SEC.18; P.L.35-2010, SEC.159.*

### **IC 28-7-1-19 Capital; lien on shares; transfer of shares; use of secondary capital by federal credit unions**

Sec. 19. The capital of a credit union shall consist of the payments on shares which have been made to it by members. A credit union may attach a lien on the shares of any member with outstanding obligations to the credit union. A credit union may, upon the resignation of a member, cancel the shares of such member, and apply the withdrawal value of such shares towards the liquidation of the member's obligations. Fully paid up shares of a credit union may be transferred to any qualified member upon such terms as the bylaws provide. If a federal credit union is authorized by the federal regulatory authority with jurisdiction or by federal law to use one (1) or more forms of secondary capital, the department may by rule, order, or declaratory ruling allow a credit union to use one (1) or more forms of secondary capital. The rule, order, or declaratory ruling must include disclosure requirements concerning the conditions for return of the secondary capital and the liquidation priority of the secondary capital.

*(Formerly: Acts 1961, c.182, s.19; Acts 1969, c.133, s.5.) As amended by P.L.263-1995, SEC.17; P.L.35-2010, SEC.160.*

### **IC 28-7-1-20 Repealed**

*(Repealed by Acts 1976, P.L.123, SEC.3.)*

### **IC 28-7-1-20.1 Issuance of shares; joint tenancy; deposits, investments, and withdrawals by minors**

Sec. 20.1. (a) Shares may be issued as the bylaws provide. The provisions of IC 28-1-20-6 apply to loans to any borrower and shall inure to the benefit of the credit union. Shares may be issued in a joint tenancy with right of survivorship, but no joint tenant shall be permitted to vote, obtain loans, or hold office, unless the tenant is a member.

(b) A credit union may issue shares to and receive deposits from a minor. The minor may withdraw the deposits or shares and any dividends or interest on the deposits or shares. A deposit, investment in a share, or withdrawal under this subsection by a minor is valid and enforceable. The minor is considered an adult with respect to the deposit,

investment, or withdrawal.

*As added by Acts 1977, P.L.294, SEC.11. Amended by P.L.263-1995, SEC.18; P.L.35-2010, SEC.161.*

### **IC 28-7-1-21 Repealed**

*(Repealed by Acts 1971, P.L.366, SEC.10.)*

### **IC 28-7-1-22 Authority to borrow; limits; authority to receive public deposits and pledge securities**

Sec. 22. (a) A credit union may borrow from any source. The total borrowing of a credit union may not at any time exceed fifty per cent (50%) of the unimpaired shares capital and surplus of the credit union.

(b) A credit union may receive deposits of state and federal public funds, including the right to pledge securities or other assets for the repayment of the deposits if the pledge is permitted by applicable law or regulation.

*(Formerly: Acts 1961, c.182, s.22.) As amended by P.L.263-1995, SEC.19; P.L.90-2008, SEC.45; P.L.35-2010, SEC.162.*

### **IC 28-7-1-23 Loans to members; purposes; repayment plans; direct deposit**

Sec. 23. (a) A credit union may make loans to its members for such purposes and upon such security as the bylaws provide, and as the credit committee or loan officer shall approve.

(b) A member may receive a loan for crops in installments.

(c) A borrower may repay the whole loan or any part of a loan on any day on which the credit union is open.

(d) A credit union may offer payroll deduction for:

- (1) the repayment of loans; and
- (2) deposits into the accounts of members.

(e) A credit union may offer direct deposit.

*(Formerly: Acts 1961, c.182, s.23; Acts 1969, c.133, s.6; Acts 1974, P.L.130, SEC.6.) As amended by P.L.270-1983, SEC.7; P.L.263-1995, SEC.20.*

### **IC 28-7-1-24 Regular reserve requirements; undivided profits account; financial statements; allowances for loan and investment losses**

Sec. 24. (a) All entrance charges shall, after payment of the organization expenses, be known as reserve income, and shall be added to the regular reserve of the credit union. At the close of the dividend period, there shall be set apart to the regular reserve ten percent (10%) of gross income until the regular reserve shall equal seven and one-half percent (7 1/2%) of the total of outstanding loans, then five percent (5%) of gross income until the regular reserve shall equal ten percent (10%) of the total of outstanding loans. Whenever the regular reserve falls below ten percent (10%) or seven and one-half percent (7 1/2%) of the total of outstanding loans, it shall be replenished by regular contributions to maintain the reserve goals of seven and one-half percent (7 1/2%) or ten percent (10%). The regular reserve shall be held to meet contingencies and shall not be distributed to the members except upon dissolution of the credit union.

(b) A credit union may have an undivided profits account. The undivided profits account may be transferred to the regular reserve.

(c) The department may, by rule, revise the formula prescribed by this section. A revised formula must be prudent and must reasonably be expected to protect the credit unions.

(d) Financial statements of credit unions must provide for full and fair disclosure of all assets, liabilities, and members' equity, including such allowance for loan loss accounts necessary to present fairly the financial position, and all income and expenses necessary to present fairly the results of operation for the period concerned.

(e) The maintenance of an allowance for loan losses and investment or other losses does not exempt a credit union from the requirement set forth in subsection (a). The totals of the regular reserve, the allowance for loan losses account, and the allowance for investment losses shall be combined for determining the percentage of gross income to be transferred to the regular reserve.

(f) Loan losses of a credit union must be charged against the allowance for loan loss. Adjustments to the allowance for loan losses shall be made before the distribution of any dividend so that the allowance for loan loss represents the value of loans and anticipated losses resulting from:

(1) uncollectible loans, notes, and contracts receivable, including any uncollectible accrued interest receivable thereon;

(2) assets acquired in liquidation of loans; and

(3) loans purchased from other credit unions.

(g) Adjustments to the allowance for loan losses must be recorded in the expense account "provision for loan losses".

*(Formerly: Acts 1961, c.182, s.24; Acts 1969, c.133, s.7; Acts 1974, P.L.130, SEC.7.) As amended by Acts 1977, P.L.294, SEC.12; P.L.164-1988, SEC.13; P.L.8-1991, SEC.31; P.L.1-1992, SEC.156; P.L.14-1992, SEC.127; P.L.228-1993, SEC.7; P.L.263-1995, SEC.21; P.L.192-1997, SEC.20; P.L.35-2010, SEC.163; P.L. 186-2015, SEC. 38; P.L. 69-2018, SEC. 56.*

#### **IC 28-7-1-24.1 Repealed (Effective July 1, 2015)**

*As added by P.L.35-2010, SEC.164; P.L. 186-2015, SEC. 39.*

#### **IC 28-7-1-25 Dividends**

Sec. 25. Dividends may be declared by the board of directors, after making provision for the required reserves. The board of directors may declare separate dividend periods and rates for each type of share account.

*(Formerly: Acts 1961, c.182, s.25; Acts 1969, c.133, s.8; Acts 1974, P.L.130, SEC.8.) As amended by Acts 1979, P.L.267, SEC.4; P.L.263-1995, SEC.22.*

#### **IC 28-7-1-26 Repealed**

*(Repealed by P.L.35-2010, SEC.209.)*

#### **IC 28-7-1-26.3 Termination of membership; termination or suspension of services to member; withdrawal from membership; notice**

Sec. 26.3. (a) A credit union board may terminate the membership of, or terminate some or all services to, a member who does any of the following:

(1) Causes a loss to the credit union.

(2) Commits fraud or another misdeed against the credit union or against a person on the premises of the credit union.

(b) Pending action by the credit union board at the credit union board's next regularly scheduled meeting, a credit union may immediately suspend any credit union services to a member who does any of the following:

(1) Causes a loss to the credit union.

(2) Commits fraud or another misdeed against:

(A) the credit union; or

(B) a person on the premises of the credit union.

(c) A member may withdraw from a credit union at any time. However, the credit union may require a notice of withdrawal from the withdrawing member as a condition of withdrawal.

(d) Unless the withdrawal of a member occurs on a maturity date or not later than seven (7) days after a maturity date, a credit union may require that a withdrawing member give sixty (60) days written notice of the member's intention to withdraw shares. A credit union may waive an applicable notice period for a specific member or account in writing.

(e) After a termination or withdrawal under this section, the former member has no rights in the credit union. However, the termination or withdrawal does not release the former member from any remaining liability to the credit union.

*As added by P.L.35-2010, SEC.165.*

#### **IC 28-7-1-26.5 Refusal to make payment from account**

Sec. 26.5. (a) A credit union may refuse to make a payment from an account to a person claiming an interest in the account if the credit union:

(1) is uncertain under the agreement governing the account of who is entitled to receive the payment; or

(2) has actual knowledge of a dispute between any account owners, beneficiaries with present vested rights in the account, or other persons concerning ownership of the money in the account, the proposed withdrawal, or any previous withdrawals from the account.

(b) If a credit union refuses to make a payment under subsection (a), the credit union:

(1) shall notify, in writing, the account owners, beneficiaries with present vested rights in the account, and other persons claiming an interest in the account of the basis for the credit union's refusal; and

(2) may refuse to make the payment until all interested parties consent in writing to the requested payment or a court with jurisdiction orders the credit union to make the payment.

(c) The credit union is not liable in damages as a result of an action taken under this section.

*As added by P.L.35-2010, SEC.166.*

#### **IC 28-7-1-27 Repealed**

*(Repealed by Acts 1977, P.L.294, SEC.14.)*

#### **IC 28-7-1-27.1 Dissolution**

Sec. 27.1. A credit union may liquidate its affairs and dissolve in the following

manner:

(1) The board of directors of a credit union may vote to submit the question of dissolution to the shareholders.

(2) Upon the decision of the board of directors under subdivision (1), payments on shares, withdrawal of shares, and the granting of loans shall be immediately suspended, pending a vote by the shareholders on the question whether to dissolve.

(3) The chairperson of the credit union shall, within ten (10) days after the decision of the board under subdivision (1), notify the department in writing of the reasons for the proposed dissolution. The notice must include a certified statement of condition of the credit union.

(4) Upon receiving the notice of dissolution, the department shall conduct an examination of the credit union.

(5) At either an annual meeting or a special meeting, the question of dissolution shall be approved or disapproved by the shareholders. If approved, such approval shall be evidenced by the written consent of no fewer than two-thirds (2/3) of the shareholders. Upon approval by the shareholders, payments on shares, withdrawal of shares, and granting of loans shall cease. If two-thirds (2/3) of the vote cannot be obtained, the director may permit the voluntary dissolution of the credit union to become effective without the affirmative vote of its membership if the credit union field of membership has ceased or will cease to exist.

(6) If the department finds that the credit union is solvent or that it has sufficient assets with which to pay its shareholders and all liabilities, it may approve the dissolution of the credit union and shall notify the credit union in writing.

(7) Upon receipt by the credit union of notice that the resolution for dissolution has been approved by the department, each member and creditor shall be notified by the credit union in writing that such credit union is in the process of dissolution. Notification to members shall include a request that such members verify, by passbook or in writing, shareholdings in or loan obligations to the credit union. Notification to creditors shall include a request that such creditors present claims to the credit union within ninety (90) days.

(8) The credit union shall be responsible for conserving the assets of the credit union, expediting the liquidation, discharging all of the debts and liabilities of the credit union, and equitably distributing the assets to the shareholders at the completion of the liquidation. The board shall ensure that all persons handling or having access to the funds, books, or records of the credit union are adequately covered by a surety bond to the satisfaction of the department.

(9) The board of directors shall forward to the department a certified statement of condition of the credit union within ten (10) days after the close of each month.

(10) Within thirty (30) days after the date of final distribution of the assets of the credit union to the shareholders, the board of directors shall furnish to the department:

(A) a summary showing how the credit union debts and liabilities were paid;

(B) an itemized list of all credit union assets and property distributed to the shareholders, the name of each shareholder, the number and amount of shares held by each at the time of distribution of assets, the amount distributed to each, and the date of distribution; and

(C) the name and address of the custodian appointed by the board of directors, who shall preserve the records of the credit union for five (5) years from the date of final distribution of the assets.

(11) The department shall file with the secretary of state triplicate copies of the resolution for dissolution bearing the approval of the department as prescribed in IC 28-12-5. The secretary of state shall endorse each copy of the resolution, file one (1) copy of the resolution, and issue and return a certificate of dissolution to the credit union together with two (2) copies of the resolution for dissolution.

(12) The credit union shall file with the county recorder of the county in which the articles of incorporation were recorded one (1) copy of the resolution for dissolution bearing the endorsement of the secretary of state. After this filing, the credit union shall be dissolved and its existence shall cease.

(13) The credit union shall continue in its corporate capacity for three (3) years from the date of the resolution adopted by the board as provided in subdivision (1), for the purpose of:

(A) discharging its debts and obligations;

(B) collecting and distributing its assets; and

(C) doing all other acts required in order to terminate its business; but for no other purpose.

*As added by Acts 1977, P.L.294, SEC.13. Amended by P.L.14-1992, SEC.128; P.L.263-1995, SEC.24.*

#### **IC 28-7-1-28 Change of place of business**

Sec. 28. A credit union may:

(1) with department approval, or

(2) by meeting the department's established criteria to be exempt from the department's approval;

change its place of business. The department may deny the change of location if the new situs is undesirable or would detrimentally affect the operation of the credit union.

*(Formerly: Acts 1961, c.182, s.28.) As amended by P.L.263-1995, SEC.25; P.L. 69-2018, SEC. 57.*

#### **IC 28-7-1-29 Conversion from federal to state charter; conversion from state to federal charter; procedures and requirements**

Sec. 29. Any credit union organized or reorganized under the laws of Indiana or the United States may convert from a state charter to a federal charter or from a federal charter to a state charter as follows:

(1) A federally chartered credit union may apply for a state charter by observing the following procedures:

(A) The board of directors shall pass a resolution that the federal charter be canceled when and if a state charter is applied for and issued to the credit union by the department of financial institutions.

(B) Written notice of the resolution shall be sent to each member at least thirty (30) days prior to the meeting in which the resolution is to be submitted to the members.

(C) An affirmative majority vote of the members present at the meeting shall be required to effect the conversion from federal to state charter, provided a quorum is

present at the meeting.

(D) Certified copies of the minutes of the proceedings of the meeting of the members shall be filed with both the National Credit Union Administration and the department.

(E) Not later than seventy-five (75) days after receiving the certified copies of the minutes, an examination of the financial condition of the credit union shall be made by the department. The cost of the examination shall be paid by the credit union.

(F) Within thirty (30) days after the completion of the examination, the department shall report to the credit union the results of its examination and supply the National Credit Union Administration with a copy of the examination report.

(G) If it receives a satisfactory report of the examination, the credit union must within thirty (30) days file its amended articles of incorporation and amended bylaws pursuant to this chapter with the secretary of state, and copies of the amended articles and amended bylaws must be directed to the department and the National Credit Union Administration.

(H) Officers, directors, and committee members shall retain their respective offices for the unexpired terms existing prior to the conversion, subject to the provisions of this chapter.

(I) The newly chartered credit union shall have all of the rights and privileges in and to all of the assets of the prior existing credit union and shall assume and be responsible for all of the obligations imposed while operating under the federal charter.

(2) A state chartered credit union may be converted into a federally chartered credit union by complying with the following requirements:

(A) The board must adopt and approve by a majority of the directors a resolution of conversion. The proposition for such conversion shall first be approved by a majority of the directors of the state credit union.

(B) The board must notify the membership either in person or by mail of the membership meeting at which the resolution of conversion will be acted upon. The notice must be mailed not more than thirty (30) and not less than seven (7) days before the meeting.

(C) The resolution must be approved by a majority of those voting, either in person or by absentee ballot, at the membership meeting called by the board.

(D) The results of the vote, verified by the affidavits of the chairperson or vice chairperson and the secretary, shall be filed with the department within ten (10) days after the vote is taken.

(E) If the proposition for conversion is approved, the credit union shall within ninety (90) days take the action necessary to make it a federal credit union. Within ten (10) days after receipt of the federal charter, the credit union shall file with the department a copy of the charter. Upon such filing, and after the credit union has notified the office of the secretary of state that the conversion is concluded, the credit union shall cease to be a state credit union.

*(Formerly: Acts 1961, c.182, s.29.) As amended by P.L.263-1985, SEC.180; P.L.14-1992, SEC.129; P.L.263-1995, SEC.26; P.L. 186-2015, SEC. 40.*

### **IC 28-7-1-30 Repealed**

*(Repealed by P.L.263-1995, SEC.31.)*

**IC 28-7-1-31 Fidelity coverage for directors, officers, and employees; blanket fidelity bond or separate reserve fund required**

Sec. 31. Every credit union shall make provisions for adequate fidelity coverage for directors, officers, and employees of the credit union. The amount and form of fidelity coverage must be approved by the board of directors of the credit union. Coverage may be provided:

- (1) in the form of a blanket fidelity bond issued by a corporate surety authorized to transact business in Indiana; or
- (2) through the establishment of a separate reserve fund within the credit union for that purpose.

*(Formerly: Acts 1961, c.182, s.31.) As amended by P.L.276-1987, SEC.4; P.L.263-1995, SEC.27; P.L.35-2010, SEC.167.*

**IC 28-7-1-31.3 Credit union officials; discharge of duties; indemnification**

Sec. 31.3. (a) As used in this section, "official" means an individual who is or who was a director, committee member, officer, or employee of a credit union.

(b) An official of a credit union shall discharge the duties of the official's position in good faith and with the degree of diligence, care, and skill that an ordinarily prudent person would exercise under similar circumstances in a like position. In discharging the official's duties, an official may rely upon:

- (1) the opinion of legal counsel for the credit union;
- (2) the report of an independent appraiser selected with reasonable care by:
  - (A) the board; or
  - (B) an officer of the credit union; or
- (3) financial statements of the credit union:
  - (A) represented to the official to be correct by the:
    - (i) chief executive officer; or
    - (ii) officer of the credit union having charge of the credit union's records; or
  - (B) stated in a written report by an independent public or certified public accountant or firm of accountants fairly to reflect the financial condition of the credit union.

(c) As used in this section, "credit union" includes all other credit unions that become related to a credit union by a consolidation or merger and the resulting or continuing credit union.

(d) A credit union may indemnify a director, a committee member, an officer, an employee, or an agent to the extent and in the same manner that a corporation may indemnify a director, committee member, officer, employee, or agent under IC 28-13-13-2 through IC 28-13-13-13.

*As added by P.L.35-2010, SEC.168.*

**IC 28-7-1-31.5 Insurance; examinations**

Sec. 31.5. (a) Before transacting business in Indiana, a credit union shall insure its shares and other deposits with the National Credit Union Share Insurance Fund or a similar insurance company approved by the department.

(b) The department may examine any organization that insures the shares of a credit

union that is subject to this chapter. The reasonable costs of an examination conducted under this subsection may be charged to the organization that is examined.  
*As added by P.L.270-1983, SEC.8. Amended by P.L.263-1995, SEC.28.*

**IC 28-7-1-32 Repealed**

*(Repealed by P.L.347-1989(ss), SEC.24.)*

**IC 28-7-1-33 Merger of credit unions; submission of resolutions and joint agreement to department; approval or disapproval; shareholder vote; articles of merger**

Sec. 33. (a) Except as provided in section 33.1 of this chapter, any two (2) or more credit unions may, with the approval of the department, merge. This section authorizes the merger of a credit union organized under this chapter with a credit union organized under any other law.

(b) The board of directors of each credit union participating in the merger must by majority vote approve a joint agreement of merger.

(c) After the resolutions approving a joint agreement of merger have been adopted by the board of directors of each credit union, the credit unions shall submit the resolutions and joint agreement to the department for approval. The department may, in the department's discretion, approve or disapprove the resolution and joint agreement. In deciding whether to approve or disapprove the resolution and joint agreement under this section, the department shall consider the following factors:

(1) Whether the surviving credit union resulting from the proposed transaction will be operated in a safe, sound, and prudent manner.

(2) Whether the financial condition of any credit union subject to the proposed transaction will jeopardize the financial stability of any other credit unions subject to the proposed transaction.

(3) Whether the proposed transaction will result in a credit union that has inadequate capital, unsatisfactory management, or poor earnings prospects.

(4) Whether the proposed transaction, in the department's judgment and considering the available information under the prevailing circumstances, will result in an institution that is more favorable to the stakeholders than if the entities were to remain separate.

(5) Whether the management or other principals of the credit union that will result from the proposed transaction are qualified by character and financial responsibility to control and operate in a legal and proper manner the resulting credit union.

(6) Whether the credit unions subject to the proposed transaction furnish all the information the department requires in reaching the department's decision.

(d) If the joint agreement is approved by the department, any credit union whose existence will terminate as a result of the merger shall submit the joint agreement to a vote of its shareholders at the meeting directed by the resolution of the board of directors. A majority of the shareholders present at the meeting may approve the joint agreement. However, the department may permit the merger to become effective without the affirmative vote of the membership of a credit union if that credit union is in danger of insolvency or if the qualified group or groups associated with the credit union either have ceased or will soon cease to exist.

(e) After approval of the joint agreement by the shareholders of the merging credit unions, each credit union shall execute in triplicate articles of merger, on forms furnished

by the department, which shall set forth the following:

(1) The time and place of the meeting of the board of directors at which the plan was approved.

(2) The vote by which the plan was approved by the board.

(3) A copy of the resolution or other action by which the plan was agreed upon.

(4) The time and place of the meeting of the members at which the plan was approved.

(5) The vote by which the plan was approved by the members.

(f) The articles, joint agreement, and resolutions shall be delivered to the department for certification, which shall be evidenced in the manner prescribed in IC 28-12-5, and shall be presented to the secretary of state for filing. The secretary of state shall file one (1) copy of the articles of merger and shall issue a certificate of merger and two (2) copies of the articles of merger to the surviving credit union. The date on which the secretary of state issues the certificate of merger is the effective date of the merger.

(g) The articles of merger shall be filed with the county recorder of the county in which the principal office of the surviving credit union is located.

*(Formerly: Acts 1974, P.L.130, SEC.9.) As amended by Acts 1979, P.L.267, SEC.5; Acts 1982, P.L.170, SEC.5; P.L.270-1983, SEC.9; P.L.52-1985, SEC.11; P.L.14-1992, SEC.130; P.L.263-1995, SEC.29; P.L.35-2010, SEC.169; P.L. 73-2016, SEC 26.*

#### **IC 28-7-1-33.1 Merger of credit unions; surviving credit union organized under federal or other state law; department approval not required**

Sec. 33.1 The approval of the department of the merger of two (2) or more credit unions is not required under this chapter if the credit union surviving the merger is an institution organized or reorganized under the laws of the United States or a state (as defined in IC 28-2-17-19) other than Indiana. However, the surviving credit union shall:

(1) notify the department of the merger;

(2) provide satisfactory evidence to the department of compliance with the requirements of IC 28-1-22 relating to foreign corporations, if applicable; and

(3) provide satisfactory evidence to the department of compliance with the requirements of section 34 of this chapter relating to credit unions organized in other states, if applicable.

*As added by P.L. 73-2016, SEC 27.*

#### **IC 28-7-1-34 Credit unions organized in other states**

Sec. 34. (a) A credit union organized under the laws of another state may establish a branch office in Indiana if:

(1) the credit union:

(A) files an application with the department; or

(B) otherwise meets criteria established by the department to be exempt from application;

(2) the branch office is necessary to serve members within the field of membership of the credit union;

(3) the field of membership of the credit union is consistent with the laws of Indiana;

(4) the law of the state in which the credit union was organized provides for the establishment of a branch office in that state by an Indiana credit union; and

(5) either:

(A) the department approves the application of the credit union; or  
(B) the credit union meets the department's established criteria to be exempt from the department's approval.

(b) If the credit union that has established a branch office in Indiana is subsequently granted an expansion of its field of membership by its chartering state, the expanded field of membership must be approved by the department before the expanded field of membership can be served in Indiana. If an out-of-state credit union desires to establish a branch office in Indiana and that credit union's field of membership is an incorporated entity, the incorporated entity may not be admitted to do business in Indiana as a foreign corporation by the secretary of state's office until the department has approved the entry of the credit union to establish a branch office.

(c) Subject to subsection (a)(1)(B), the department shall provide to a credit union desiring to establish a branch office in Indiana an application, which must provide at least the following information:

(1) The credit union's financial condition.

(2) The credit union's field of membership and the number of members to be served in Indiana.

(3) The proposed location of any branch offices.

(4) A letter of approval from the supervisory agency in the state in which the credit union's principal office is located, including a statement indicating whether such supervisory agency conducts periodic examinations of the credit union.

(5) A statement that the credit union, with respect to its operation in this state, will comply with all applicable state and federal laws, rules, and regulations, as determined by the director.

(d) The department shall approve or deny the application within one hundred twenty (120) days. The department may deny the application or suspend or revoke an application previously approved if it finds any of the following:

(1) That the credit union is insolvent or in imminent danger of insolvency.

(2) That the credit union does not have the approval of its supervisory agency.

(3) That the credit union fails to meet the requirements of subsection (e).

(4) A failure to comply with any written agreement or final order of the department or chartering supervisory agency that has regulatory authority over the credit union.

(5) That the credit union has been serving an expanded field of membership in Indiana before obtaining the approval of the department for the expansion in the field of membership.

(e) Any out-of-state credit union that has been approved to establish branch offices in this state shall, in addition to such other provisions of law applicable to credit unions, comply with the following:

(1) Designate a resident agent for the service of process in this state.

(2) Submit a copy of all reports required by its supervisory agency, unless otherwise required by the department to submit reports prescribed by the department.

(3) Submit a copy of every:

(A) regulatory examination report; and

(B) insurance examination report;

to the department.

(4) Conduct its lending activities in accordance with Indiana law.

(f) The department may examine such a branch office if it has reason to believe that the branch office is not operating in compliance with laws, rules, or regulations. The reasonable cost of any such examination authorized by this subsection shall be paid by the credit union.

(g) For purposes of this section, IC 28-1-2-30 applies to information obtained by or provided to the department concerning branch offices established under this section.

(h) The department may enter into cooperative, coordinating, and information sharing agreements with an organization listed in IC 28-11-3-3 with respect to the periodic examination or other supervision of a branch:

(1) in Indiana of an out-of-state credit union; or

(2) of an Indiana state credit union in a host state;

and the department may accept the organization's reports of examination and reports of investigation instead of conducting the department's own examinations or investigations.

(i) The department may enter into agreements with a financial institution supervisory agency that has concurrent jurisdiction over an Indiana state credit union or an out-of-state credit union operating a branch in Indiana under this chapter to:

(1) engage the services of the agency's examiners at a reasonable rate of compensation; or

(2) provide the services of the department's examiners to the agency at a reasonable rate of compensation.

An agreement under this subsection is subject to IC 36-1-7.

(j) The department may enter into joint examinations or joint enforcement actions with other credit union supervisory agencies having concurrent jurisdiction over a branch established and maintained in Indiana by an out-of-state credit union or a branch established and maintained by an Indiana state credit union in a host state. The department may take action independently if the department considers the action to be necessary or appropriate to carry out its responsibilities under this chapter or to ensure compliance with Indiana law.

(k) An out-of-state credit union that maintains at least one (1) branch in Indiana is subject to IC 28-11-3-5. Fees may be shared with other financial institution supervisory agencies or an organization affiliated with or representing at least one (1) credit union supervisory agency under agreements between those parties and the department.

*As added by P.L.271-1983, SEC.2. Amended by P.L.166-1988, SEC.2; P.L.263-1995, SEC.30; P.L.192-1997, SEC.21; P.L.11-1998, SEC.19; P.L.213-2007, SEC.69; P.L.217-2007, SEC.67; P.L. 69-2018, SEC. 58.*

### **IC 28-7-1-35 Effect of amendments by Acts 1974, P.L.130**

Sec. 35. (a) This section applies to a credit union organized under Acts 1933, c.40, s.296 through s.323.

(b) The amendments to this chapter made by Acts 1974, P.L.130 do not affect a credit union's rights existing on June 11, 1974.

*As added by P.L.1-1989, SEC.58.*

### **IC 28-7-1-36 ATM ownership**

Sec. 36. An automated teller machine (ATM) may be owned or operated individually by any credit union or jointly on a cost sharing or fee basis.

*As added by P.L.192-1997, SEC.22.*

### **IC 28-7-1-37 Withdrawal of deposits**

Sec. 37. All members, regardless of age, may become depositors in a credit union and shall be subject to the same duties and liabilities respecting their deposits. Whenever a deposit is accepted by a credit union in the name of any person, regardless of age, the deposit may be withdrawn by the depositor by any of the following methods:

(1) Check or other instrument in writing. The check or other instrument in writing constitutes a receipt or acquittance if it is signed by the depositor, and constitutes a valid release and discharge to the credit union for all payments so made.

(2) Electronic means through:

- (A) preauthorized direct withdrawal;
- (B) an automated teller machine;
- (C) a debit card;
- (D) a transfer by telephone;
- (E) a network, including the Internet; or
- (F) any:
  - (i) electronic terminal;
  - (ii) computer;
  - (iii) magnetic tape; or
  - (iv) other electronic means.

However, this section may not be construed to affect the rights, liabilities, or responsibilities of participants in an electronic fund transfer under the federal Electronic Fund Transfer Act (15 U.S.C. 1693 et seq.).

*As added by P.L.81-2001, SEC.7.*

### **IC 28-7-1-38 Requirement to provide property tax information in certain transactions**

Sec. 38. With respect to a residential real property financing or refinancing, a credit union shall comply with IC 6-1.1-12-43.

*As added by P.L.64-2004, SEC.32.*

### **IC 28-7-1-39 Limits on loans to members; exceptions; prohibition against accepting compensation for procuring loan; exception for bona fide employment or compensation agreements; deadline for compliance**

Sec. 39. (a) As used in this section, "loans and extensions of credit" includes all direct or indirect advances of funds made to a member on the basis of:

- (1) an obligation of the member to repay the funds; or
- (2) a pledge of specific property by or on behalf of the member and from which the funds advanced are repayable.

The term includes any contractual liability of a credit union to advance funds to or on behalf of a member, to the extent specified by the department. The term also includes any credit exposure to a person arising from a derivative transaction (as defined in 12 U.S.C. 84(b)(3))

between the credit union and the person.

(b) As used in this section, "member" includes an individual, a sole proprietorship, a partnership, a joint venture, an association, a trust, an estate, a business trust, a limited liability company, a corporation, a sovereign government, or an agency, instrumentality, or political subdivision of a sovereign government, or any similar entity or organization.

(c) Except as provided in subsection (e), the total loans and extensions of credit by a credit union to a member outstanding at any given time and not fully secured, as determined in a manner consistent with subsection (d), by collateral with a market value at least equal to the amount of the loan or extension of credit may not exceed fifteen percent (15%) of the capital and surplus of the credit union.

(d) Except as provided in subsection (e), the total loans and extensions of credit by a credit union to a member outstanding at any given time and fully secured by readily marketable collateral having a market value, as determined by reliable and continuously available price quotations, at least equal to the amount of funds outstanding may not exceed ten percent (10%) of the capital and surplus of the credit union. The limitation in this subsection is separate from and in addition to the limitation set forth in subsection (c).

(e) The limitations set forth in subsections (c) and (d) are subject to the following exceptions:

(1) Loans or extensions of credit arising from the discount of commercial or business paper evidencing an obligation to the member negotiating it with recourse are not subject to any limitation based on capital and surplus.

(2) The purchase of bankers' acceptances of the kind described in 12 U.S.C. 372 and issued by a financial institution organized or reorganized under the laws of Indiana or any other state or the United States are not subject to any limitation based on capital and surplus.

(3) Loans or extensions of credit secured by bills of lading, warehouse receipts, or similar documents transferring or securing title to readily marketable staples are subject to a limitation of thirty-five percent (35%) of capital and surplus in addition to the general limitations if the market value of the staples securing each additional loan or extension of credit at all times equals or exceeds one hundred fifteen percent (115%) of the outstanding amount of the loan or extension of credit. The staples shall be fully covered by insurance whenever it is customary to insure such staples.

(4) Loans or extensions of credit secured by bonds, notes, certificates of indebtedness, or Treasury bills of the United States or by any other obligation fully guaranteed as to principal and interest by the United States are not subject to any limitation based on capital and surplus.

(5) Loans or extensions of credit to or secured by unconditional takeout commitment or guarantees of any department, agency, bureau, board, commission, or establishment of the United States or any corporation wholly owned directly or indirectly by the United States are not subject to any limitation based on capital and surplus.

(6) Loans or extensions of credit secured by a segregated deposit account in the lending credit union are not subject to any limitation based on capital and surplus.

(7) Loans or extensions of credit to any credit union, when the loans or extensions of credit are approved by the director of the department, are not subject to any limitation based on capital and surplus.

(f) Loans or extensions of credit arising from the discount of negotiable or nonnegotiable installment consumer paper that carries a full recourse endorsement or unconditional

guarantee by the member transferring the paper are subject under this section to a maximum limitation equal to twenty-five percent (25%) of the capital and surplus, notwithstanding the collateral requirements set forth in subsection (d).

(g) If the credit union's files or the knowledge of the credit union's officers of the financial condition of each maker of consumer paper described in subsection (f) is reasonably adequate, and an officer of the credit union designated for that purpose by the board of directors of the credit union certifies in writing that the credit union is relying primarily upon the responsibility of each maker for payment of the loans or extensions of credit and not upon any full or partial recourse endorsement or guarantee by the transferor, the limitations of this section as to the loans or extensions of credit of each maker shall be the sole applicable loan limitations.

(h) Loans or extensions of credit secured by shipping documents or instruments transferring or securing title covering livestock or giving a lien on livestock when the market value of the livestock securing the obligation is not at any time less than one hundred fifteen percent (115%) of the face amount of the note covered are subject under this section, notwithstanding the collateral requirements set forth in subsection (d), to a maximum limitation equal to twenty-five percent (25%) of the capital and surplus.

(i) Loans or extensions of credit that arise from the discount by dealers in dairy cattle of paper given in payment for dairy cattle, which paper carries a full recourse endorsement or unconditional guarantee of the seller and that are secured by the cattle being sold, are subject under this section, notwithstanding the collateral requirements set forth in subsection (d), to a limitation of twenty-five percent (25%) of the capital and surplus.

(j) Except as otherwise provided, an officer, director, employee, or attorney of a credit union who stipulates for, receives, or consents or agrees to receive, any fee, commission, gift, or thing of value, from any person, for the purpose of procuring or endeavoring to procure for any member any loan from or the purchase or discount of any paper, note, draft, check, or bill of exchange by the credit union, commits a Class A misdemeanor. However, the prohibitions set forth in this subsection do not apply to a credit union's:

- (1) bona fide employment agreements, including benefits or compensation plans; or
- (2) compensation agreements with third party independent contractors.

(k) Except as otherwise provided in this chapter, any credit union that holds obligations of indebtedness in violation of the limitations prescribed in this section shall, not later than July 1, 2006, cause the amount of the obligations to conform to the limitations prescribed by this chapter and by the provisions of this section. The department may, in its discretion, extend the time for effecting this conformity, in individual instances, if the interests of the depositors will be protected and served by an extension. Upon the failure of a credit union to comply with the limitations, in accordance with this section or in accordance with any order of the department concerning the limitations, the department may declare that the credit union is conducting its business in an unauthorized or unsafe manner and proceed in accordance with IC 28-1-3.1-2.

(l) The department may apply the provisions of 12 CFR 32 in the application and administration of this chapter.

*As added by P.L.141-2005, SEC.18. Amended by P.L.1-2006, SEC.493; P.L.90-2008, SEC.46; P.L.27-2012, SEC.94; P.L. 159-2017, SEC. 37.*

## **IC 28-7-2.5 Conservatorship of Credit Unions**

### **IC 28-7-2.5-1 Application of chapter**

Sec. 1. This chapter applies to a credit union (as defined in IC 28-7-1-0.5(3)).  
*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

### **IC 28-7-2.5-2 Application of definitions**

Sec. 2. Except as otherwise provided, the definitions in IC 28-7-1 apply throughout this chapter.  
*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

### **IC 28-7-2.5-3 Appointment of conservator; bond or security; eligible conservators**

Sec. 3. (a) The department may appoint a conservator for a credit union if the department determines that:

- (1) one (1) or more grounds for the appointment of a receiver under IC 28-1-3.1-2(a) exist with respect to the credit union; or
- (2) the appointment of a conservator is necessary to conserve the assets of the credit union for the benefit of the members, depositors, and other creditors of the credit union.

(b) A conservator appointed under this section shall give any bond or security that the department considers appropriate.

(c) The department may appoint any of the following as a conservator under this section:

- (1) A private insurance company authorized to insure deposits or share accounts in Indiana.
- (2) The National Credit Union Administration or its successor.
- (3) Any competent and disinterested person.

*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

### **IC 28-7-2.5-4 Reimbursement of department; administrative expenses**

Sec. 4. (a) A conservator appointed by the department under this chapter shall reimburse the department for all amounts expended by the department in connection with the conservatorship. Amounts reimbursed to the department under this subsection shall be paid from the assets of the credit union as administrative expenses. Upon approval of the department, the conservator shall pay all other administrative expenses of the conservatorship from the assets of the credit union.

(b) Administrative expenses described in this section constitute a first charge against the assets of the credit union. The conservator shall pay the administrative expenses in full before any:

- (1) final distribution of the credit union's assets; or
- (2) payment of dividends to members, depositors, and other creditors of the credit union.

*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

### **IC 28-7-2.5-5 Possession of books, records, and assets; conservation of assets; powers and obligations of conservator; rights of parties**

Sec. 5. (a) Under the direction of the department, a conservator appointed under this chapter shall:

- (1) take possession of the books, records, and assets of the credit union; and
  - (2) take any action necessary to conserve the assets of the credit union pending:
    - (A) a liquidation under IC 28-1-3.1; or
    - (B) other disposition of the credit union's business as provided by law.
  - (b) A conservator appointed under this chapter:
    - (1) has all the rights, powers, and privileges of a receiver appointed under IC 28-1-3.1, except the power to liquidate a credit union; and
    - (2) is subject to those obligations and liabilities to which a receiver is subject, to the extent the obligations and liabilities are consistent with this chapter.
  - (c) Throughout the time a conservator is in possession of a credit union under this chapter, the rights of all parties with respect to the credit union are the same as if a receiver had been appointed under IC 28-1-3.1.
- As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

**IC 28-7-2.5-6 Amounts available to members, depositors, and creditors; new shares, deposits, and assets; return of control to board**

- Sec. 6. (a) While a credit union is in conservatorship under this chapter, the department may require the conservator to set aside and make available for:
- (1) withdrawal by members and depositors; or
  - (2) payment to other creditors;
- on a pro rata basis, any amounts that, in the opinion of the department, may be safely and prudently used for the purposes described in subdivisions (1) through (2).
- (b) The department may permit a conservator appointed under this chapter to receive new shares and deposits after the credit union is placed in conservatorship. Shares and deposits received by a conservator while a credit union is in conservatorship are not subject to any limitation with respect to payment or withdrawal. The conservator shall segregate any:
- (1) shares or deposits; or
  - (2) new assets acquired on account of shares and deposits;
- received after the credit union is placed in conservatorship from the shares, deposits, and assets held by the credit union at the time the credit union is placed in conservatorship.
- (c) A conservator shall not use any shares, deposits, or assets received after the credit union is placed in conservatorship to:
- (1) liquidate any indebtedness of the credit union existing at the time the credit union is placed in conservatorship; or
  - (2) pay any subsequent indebtedness incurred to liquidate any indebtedness of the credit union existing at the time the credit union is placed in conservatorship.
- (d) Any shares or deposits received after a credit union is placed in conservatorship shall be:
- (1) kept in cash;
  - (2) invested in direct obligations of the United States; or
  - (3) deposited in depository institutions designated by the department.
- (e) If a credit union placed in conservatorship under this chapter is returned to the control of the credit union's board of directors, the protections provided under subsections (b), (c), and (d) (with respect to shares and deposits received while the credit union is in conservatorship) do not apply after fifteen (15) days after the date control of the credit

union is returned to the board. Before returning control of the credit union to the credit union's board, the conservator shall publish a notice, in a form approved by the department, stating:

(1) the date on which the affairs of the credit union will be returned to the control of the credit union's board; and

(2) that the protections provided under subsections (b), (c), and (d) (with respect to shares and deposits received while the credit union is in conservatorship) do not apply after fifteen (15) days after the date identified under subdivision (1).

The conservator shall send, by United States mail, a copy of the notice to every person that purchased shares or deposited money in the credit union after the credit union is placed in conservatorship and before control of the credit union is returned to the credit union's board.

*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

#### **IC 28-7-2.5-7 Loans in aid of operation or reorganization; security**

Sec. 7. With the prior approval of the department, a conservator appointed under this chapter may borrow money as necessary or expedient to aid in the operation or reorganization of the credit union. Any loan obtained by the conservator under this section may be secured by the pledge or mortgage of, or through a lien upon or security interest in, the assets of the credit union.

*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

#### **IC 28-7-2.5-8 Termination of conservatorship; appointment of receiver; liquidation**

Sec. 8. (a) The department may:

(1) terminate a conservatorship ordered under this chapter; and

(2) permit the credit union subject to the conservatorship to resume the transaction of the credit union's business, subject to any terms, conditions, restrictions, and limitations that the department may prescribe;

if the department is satisfied that a termination of the conservatorship may be done safely and is in the public interest.

(b) Subject to subsection (c), the department may:

(1) terminate a conservatorship ordered under this chapter; and

(2) apply for the appointment of a receiver for the credit union under IC 28-1-3.1;

if the department determines that the appointment of a receiver for the credit union is in the public interest.

(c) If the department determines that the liquidation of a credit union placed in conservatorship under this chapter is in the public interest, the department shall:

(1) terminate the conservatorship ordered under this chapter; and

(2) apply for the appointment of a receiver for the credit union under IC 28-1-3.1.

*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

#### **IC 28-7-2.5-9 Adoption of rules**

Sec. 9. The department may adopt rules under IC 4-22-2 to implement this chapter.

*As added by P.L.10-2006, SEC.37 and P.L.57-2006, SEC.37.*

## **IC 28-1-23.2 Chapter 23.2. Prize Linked Savings Programs**

### **IC 28-1-23.2-1 "Director"**

Sec. 1. As used in this chapter, "director" refers to the director of the department of financial institutions.

*As added by P.L.135-2014, SEC.3.*

### **IC 28-1-23.2-2 "Eligible depository financial institution"**

Sec. 2. As used in this chapter, "eligible depository financial institution" means a credit union that is organized or reorganized under Indiana law with the express power to receive and accept deposits of money subject to withdrawal by any of the methods set forth in IC 28-1-23-16.

*As added by P.L.135-2014, SEC.3.*

### **IC 28-1-23.2-3 "Eligible individual"**

Sec. 3. As used in this chapter, "eligible individual", with respect to a prize linked savings program, means an individual who:

- (1) is at least eighteen (18) years of age;
- (2) is a member of the eligible depository financial institution conducting the prize linked savings program; and
- (3) maintains a qualified account with the eligible depository financial institution conducting the prize linked savings program.

*As added by P.L.135-2014, SEC.3.*

### **IC 28-1-23.2-4 "Qualified account"**

Sec. 4. (a) As used in this chapter, "qualified account", for purposes of a prize linked savings program, means:

- (1) a savings account;
- (2) a time deposit; or
- (3) a savings program;

that is offered by an eligible depository financial institution to an eligible individual.

(b) The term includes:

- (1) an account described in subsection (a) that is a share account; and
- (2) an account described in subsection (a) in which an eligible individual has an

interest:

- (A) individually; or
- (B) jointly with another eligible individual.

*As added by P.L.135-2014, SEC.3.*

### **IC 28-1-23.2-5 "Qualified financial program"**

Sec. 5. (a) As used in this chapter, "qualified financial program", for purposes of a prize linked savings program, means any savings, debt reduction, or financial education program or product that an eligible depository financial institution offers to eligible individuals for the purpose of:

- (1) educating eligible individuals in the concepts of thrift;
- (2) encouraging savings by eligible individuals; or

- (3) providing eligible individuals the opportunity to use and control their own money in order to improve their economic and social condition.
- (b) Subject to the approval of the director, and of the eligible depository financial institution's board of directors, the term includes the following:
  - (1) Programs or products that encourage or require eligible individuals to open one (1) or more qualified accounts or to increase deposits or contributions to one (1) or more qualified accounts.
  - (2) Programs or products that encourage or require eligible individuals to deposit or transfer money into one (1) or more qualified accounts on a recurring or automatic basis.
  - (3) Programs or products that encourage an eligible individual to:
    - (A) refinance or consolidate existing debt to obtain a lower interest rate;
    - (B) lower the eligible individual's total debt ratio or revolving debt ratio by paying off or reducing outstanding balances; or
    - (C) prepare a budget or a debt reduction plan.
  - (4) Programs that encourage eligible individuals to:
    - (A) attend financial education seminars or counseling sessions sponsored by the eligible financial institution and offered free of charge; or
    - (B) use free online financial education, budgeting, or debt reduction tools.
  - (5) Any other similar savings, debt reduction, or financial education program or product that an eligible depository financial institution offers to eligible individuals for any of the purposes set forth in subsection (a).

*As added by P.L.135-2014, SEC.3.*

**IC 28-1-23.2-6 "Prize linked savings program"**

Sec. 6. As used in this chapter, "prize linked savings program" means a contest:

- (1) that is associated with one (1) or more qualified accounts or one (1) or more qualified financial programs offered by an eligible depository financial institution to eligible individuals;
  - (2) that is conducted by an eligible depository financial institution, alone or together with one (1) or more other businesses;
  - (3) that offers eligible individuals one (1) or more chances to win designated prizes; and
  - (4) in which:
    - (A) the sole consideration for a chance to win a designated prize is obtained by:
      - (i) depositing a minimum specified amount of money in a qualified account;
- or
- (ii) participating in one (1) or more qualified financial programs; and
  - (B) each entry has an equal chance of being drawn.

*As added by P.L.135-2014, SEC.3.*

**IC 28-1-23.2-7 Required conditions to offer and conduct a prize linked savings program**

Sec. 7. (a) Subject to subsections (b) and (c) and section 8 of this chapter, and subject to any rules, policies, or guidance adopted by the director under section 9 of this chapter, an eligible depository financial institution may offer and conduct a prize linked

savings program if the following conditions are met:

(1) The terms and conditions of the prize linked savings program must allow an eligible individual to obtain one (1) or more entries to win a specified prize. Subject to any limits that the eligible depository financial institution may place on the number of entries that an eligible individual is permitted to obtain for any given prize linked savings program, as set forth in the terms and conditions of the prize linked savings program, the eligible depository financial institution must allow an eligible individual to obtain an entry for a prize linked savings program only by doing either or both of the following:

(A) Depositing a minimum specified amount of money in a qualified account in accordance with the terms and conditions of the prize linked savings program.

(B) Participating in one (1) or more qualified financial programs in accordance with the terms and conditions of the prize linked savings program.

(2) Each entry in the prize linked savings program must have an equal chance of being drawn.

(3) The prize linked savings program must be approved by:

(A) the director; and

(B) the eligible depository financial institution's board of directors; before it is offered or promoted to eligible individuals by the eligible depository financial institution.

(b) An eligible depository financial institution may not conduct a prize linked savings program if the prize linked savings program will:

(1) harm the eligible depository financial institution's ability to operate in a safe and sound manner; or

(2) mislead eligible individuals or the public.

(c) An eligible depository financial institution that conducts a prize linked savings program under this chapter shall maintain books and records relating to the conduct of the prize linked savings program in the manner and for the length of time that the director may prescribe in rules, policies, or guidance adopted under section 9 of this chapter.

*As added by P.L.135-2014, SEC.3.*

### **IC 28-1-23.2-8 Statement describing the terms and conditions of prize linked savings programs**

Sec. 8. (a) An eligible depository financial institution that offers a prize linked savings program under this chapter shall:

(1) post in any location where entries may be submitted; and

(2) disclose in any:

(A) printed materials; or

(B) electronic media;

promoting the prize linked savings program;

a statement describing the terms and conditions of the prize linked savings program.

(b) The statement required under subsection (a) must include language specifying the following:

(1) That, except for:

- (A) making a deposit described in section 7(a) (1)(A) of this chapter; or
  - (B) participating in one (1) or more qualified financial programs, as described in section 7(a)(1)(B) of this chapter; no other action, and no purchase or other consideration, is necessary for an entry into the prize linked savings program.
- (2) That, except for:
- (A) making a deposit described in section 7(a)(1)(A) of this chapter; or
  - (B) participating in one (1) or more qualified financial programs, as described in section 7(a)(1)(B) of this chapter;
- taking any other action, or purchasing any goods or services, will not improve the odds of winning.
- (3) That the odds of winning are determined based on the number of entries received.

*As added by P.L.135-2014, SEC.3.*

#### **IC 28-1-23.2-9 Director actions**

Sec. 9. The director may do any of the following:

- (1) Prescribe the form or manner in which an eligible depository financial institution may seek approval from the department to offer a prize linked savings program to eligible individuals.
- (2) Adopt rules, policies, or guidance concerning the conduct of prize linked savings programs in Indiana.
- (3) Examine the conduct of an eligible depository financial institution's prize linked savings program.
- (4) Issue cease and desist orders or otherwise exercise the department's enforcement powers under IC 28-11-4 for a violation of this chapter.

*As added by P.L.135-2014, SEC.3.*

#### **IC 28-1-23.5 Electronic Activity by Financial Institutions**

##### **IC 28-1-23.5-1 Application of chapter**

Sec. 1. This chapter applies to the following financial institutions:

- (1) A bank operating under IC 28-1-11.
- (2) A credit union operating under IC 28-7-1.
- (3) A savings bank operating under IC 28-6.1.
- (4) A savings association operating under IC 28-15.

*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

##### **IC 28-1-23.5-2 "Electronic activity"**

Sec. 2. As used in this chapter, "electronic activity" refers to:

- (1) any activity or function that a financial institution performs through electronic means or facilities; or
- (2) the provision or delivery of any product or service by a financial institution

through the use of electronic technology.

*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

**IC 28-1-23.5-3 Consistency with safety and soundness standards, consumer protection laws, and supervisory guidance**

Sec. 3. An electronic activity performed by a financial institution must be consistent with the following:

(1) Standards used by the department to determine whether a financial institution is operating or will operate in a safe and sound condition.

(2) State and federal consumer protection laws and regulations.

(3) State or federal supervisory guidance considered necessary or appropriate by the director.

*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

**IC 28-1-23.5-4 Electronic activities; statutory authorization; standards**

Sec. 4. (a) The director may determine whether an electronic activity by a financial institution is permitted under:

(1) IC 28-1-11, with respect to a bank;

(2) IC 28-7-1, with respect to a credit union;

(3) IC 28-6.1, with respect to a savings bank;

(4) IC 28-15, with respect to a savings association; or

(5) any other state statute that applies to a financial institution described in subdivisions (1) through (4).

(b) The director may establish standards or conditions designed to ensure that the electronic activities of financial institutions are:

(1) transacted as intended; and

(2) conducted safely and soundly, in accordance with other applicable statutes, regulations, or supervisory policies.

*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

**IC 28-1-23.5-5 Electronic activity authorized as part of financial institution's business**

Sec. 5. (a) An electronic activity is authorized for a financial institution as part of the financial institution's business if the activity is described in:

(1) IC 28-1-11, with respect to a bank;

(2) IC 28-7-1, with respect to a credit union;

(3) IC 28-6.1, with respect to a savings bank;

(4) IC 28-15, with respect to a savings association; or

(5) any other state statute that applies to a financial institution described in subdivisions (1) through (4).

(b) In determining whether an electronic activity is authorized as part of a financial institution's business, the director shall consider the following:

(1) Whether the activity is functionally equivalent to, or a logical outgrowth of, a recognized activity of the type of financial institution under consideration.

(2) Whether the activity strengthens the financial institution by benefiting its customers or its business.

(3) Whether the activity involves risks similar in nature to those already assumed by the type of financial institution under consideration.

(4) Whether the activity may be conducted by:

(A) the same, or functionally equivalent type, of federally chartered financial institution; or

(B) the same, or functionally equivalent type, of financial institution that:

(i) is organized or reorganized under the laws of another state; and

(ii) does business in Indiana;

under the authority of applicable federal or state statutes, regulations, or supervisory policies.

*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

### **IC 28-1-23.5-6 Electronic activity incidental to financial institution's business**

Sec. 6. (a) An electronic activity is authorized for a financial institution as incidental to the financial institution's business if the activity is convenient or useful to an activity that is:

(1) specifically authorized for the type of financial institution under consideration; or

(2) otherwise part of the business of the type of financial institution under consideration.

(b) In determining whether an electronic activity is authorized as incidental to a financial institution's business, the director may consider whether the activity:

(1) facilitates the production or delivery of the financial institution's products or services;

(2) enhances the financial institution's ability to sell or market its products or services;

(3) improves the effectiveness or efficiency of the financial institution's operations; or

(4) enables the financial institution to:

(A) use capacity acquired for its operations as a financial institution; or

(B) otherwise avoid economic loss or waste.

*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

### **IC 28-1-23.5-7 Evaluation of potential risks; authorization to act**

Sec. 7. (a) As used in this section, "potential risks", with respect to a proposed electronic activity by a financial institution, include the following:

(1) Legal risks.

(2) Transactional risks.

(3) Risk of the financial institution's noncompliance with applicable statutes, regulations, or supervisory policies.

(4) Risk of harm to the financial institution's reputation.

(b) A financial institution's board of directors and executive officers are responsible for ensuring that all potential risks are evaluated and taken into account before the financial institution undertakes any electronic activity. The board of directors and the executive officers may not delegate their responsibility under this subsection to other persons within the financial institution or to outside parties.

(c) After a financial institution's board of directors and executive officers have acted under subsection (b) to conduct an evaluation of the potential risks associated with an electronic activity, the financial institution may perform, provide, or deliver through electronic means or facilities any activity, function, product, or service that it is otherwise authorized to perform, provide, or deliver, subject to this chapter and any other applicable

statutes, regulations, or supervisory policies.  
*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

**IC 28-1-23.5-8 Activities authorized for national banks and federal credit unions**

Sec. 8. (a) A financial institution described in section 1(1), 1(3), or 1(4) of this chapter may perform, provide, or deliver through electronic means or facilities any activity, function, product, or service that a national bank is specifically authorized to perform, provide, or deliver under 12 CFR 7.5000 et seq.

(b) A financial institution described in section 1(2) of this chapter may perform, provide, or deliver through electronic means or facilities any activity, function, product, or service that a federal credit union is specifically authorized to perform, provide, or deliver under Part 721 of the National Credit Union Administration's regulations (12 CFR 721.1 et seq.).  
*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*

**IC 28-1-23.5-9 Performing authorized or required activities through electronic means**

Sec. 9. A financial institution may perform, provide, or deliver through electronic means or facilities any activity, function, product, or service that it is otherwise authorized or required to perform, provide, or deliver by nonelectronic means or facilities, subject to the following:

(1) The approval of the customer or member to or for whom the activity, function, product, or service is performed, provided, or delivered.

(2) The:

(A) safety and soundness requirements; and

(B) state or federal supervisory guidance;

that the director would apply if the activity were conducted by nonelectronic means or facilities.

*As added by P.L.10-2006, SEC.32 and P.L.57-2006, SEC.32.*