



AN ACT CLARIFYING THE DUTIES OF A CREDIT UNION'S BOARD OF DIRECTORS; REQUIRING DEVELOPMENT OF CERTAIN POLICIES RELATING TO CREDIT UNION OPERATIONS AND FUNCTIONS; PROVIDING DIRECTOR DUTIES AND MINIMUM COMPETENCIES; CLASSIFYING DIRECTORS' DUTIES AS GENERAL, NONDELEGABLE, AND DELEGABLE; PROVIDING RULEMAKING AUTHORITY; AND REPEALING SECTION 32-3-412, MCA.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1. Duties of directors -- rulemaking.** (1) General duties of directors include but are not limited to:

(a) acting in good faith, in a manner the directors reasonably believe to be in the best interests of the credit union's membership, with the care, including reasonable inquiry, that an ordinarily prudent director in a like position would exercise under similar circumstances;

(b) administering the affairs of the credit union fairly and impartially; and

(c) having, or achieving within 6 months after appointment or election, a working knowledge of:

(i) basic finance and accounting practices and principles, including the ability to read and understand the credit union's balance sheet and income statement and the ability to ask substantive questions of management and auditors commensurate with the size and complexity of the credit union's operations; and

(ii) the primary types of significant risks associated with credit union operations and a general knowledge of managing risks.

(2) Nondelegable duties of directors pertaining to the general direction and control of the credit union include:

(a) (i) determining the maximum number and classes of shares;

(ii) setting the par value of the shares of the credit union; and

(iii) limiting the number of shares that may be owned by a member, which must apply equally to all members;

- (b) declaring dividends on shares in the manner and form provided in the bylaws;
- (c) establishing a detailed written policy concerning interest refunds to members based on credit union income. The interest refunds must be in proportion to the interest paid by members on classes of loans during a fixed period that must coincide with the credit union's dividend period.
- (d) approving an annual operating budget for the credit union;
- (e) authorizing the employment of and fixing the compensation, if any, of the general manager;
- (f) suspending or removing a member of the credit committee or supervisory committee for failure to perform duties. If the credit committee or supervisory committee is elected by the membership of the credit union under its bylaws and 32-3-403, the board of directors shall appoint a member to fill a vacancy created under this subsection (2)(f) to serve until election and qualification of the successor by the members at the next annual meeting of the membership or at a special meeting called for that purpose.
- (g) borrowing money to carry on the functions of the credit union;
- (h) fixing, from time to time, the maximum amount of credit that may be extended or the maximum amount that may be loaned to any one member within the limits of 32-3-603;
- (i) lending money to members and establishing, by loan class or type of credit extension, a detailed written policy containing standards and conditions for approving credit applications, identifying acceptable loan purposes, establishing loan underwriting standards, and establishing maximum maturities, terms of repayment or amortization of loans, and standards pertaining to collections and charge-offs;
- (j) approving the charge-off of credit union losses;
- (k) terminating or suspending memberships and expelling members following a procedure that is fair and reasonable;
- (l) designating persons or management positions authorized to execute or certify documents or records other than deposit account transactions on the credit union's behalf;
- (m) designating a depository or depositories for the funds of the credit union and designating the persons or positions authorized to execute the credit union's deposit account transactions;
- (n) authorizing the conveyance of property;
- (o) appointing any special committees considered necessary;
- (p) purchasing a blanket fidelity bond to protect the credit union against losses caused by occurrences covered by the bond such as fraud, dishonesty, forgery, theft, misappropriation, misapplication, or unfaithful

performance of duty by a director, officer, employee, member of a duly appointed committee, or other agent of the credit union;

(q) performing other duties as the members occasionally direct; and

(r) performing or authorizing any action not inconsistent with this chapter and not specifically reserved by the bylaws for the members.

(3) A credit union's directors shall adopt written policies that include standards, conditions, and controls governing the following operational functions, any of which may be delegated to an appointed committee or qualified person to be executed consistent with the policies:

(a) acting on applications for membership and making a written record of the basis for each approval or denial of membership. The notification to an applicant of the decision made by an appointed membership committee or qualified person must include notice of the opportunity to appeal an adverse decision to the board of directors and must state the procedure and time period for commencing an appeal.

(b) investing surplus funds; and

(c) determining, from time to time, the interest rate or rates to be charged on loans and extensions of credit, consistent with credit union safety and soundness principles, by classes of loans, loan sizes, terms or maturities of loans, reference indexes, and other factors the board of directors considers appropriate.

(4) The department of administration may adopt rules necessary to implement this section.

**Section 2. Repealer.** The following section of the Montana Code Annotated is repealed:

32-3-412. Duties of directors.

**Section 3. Codification instruction.** [Section 1] is intended to be codified as an integral part of Title 32, chapter 3, part 4, and the provisions of Title 32, chapter 3, part 4, apply to [section 1].

- END -

I hereby certify that the within bill,  
SB 0053, originated in the Senate.

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Secretary of the Senate

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President of the Senate

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2015.

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Speaker of the House

Signed this \_\_\_\_\_ day  
of \_\_\_\_\_, 2015.

SENATE BILL NO. 53  
INTRODUCED BY DICK BARRETT  
BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

AN ACT CLARIFYING THE DUTIES OF A CREDIT UNION'S BOARD OF DIRECTORS; REQUIRING DEVELOPMENT OF CERTAIN POLICIES RELATING TO CREDIT UNION OPERATIONS AND FUNCTIONS; PROVIDING DIRECTOR DUTIES AND MINIMUM COMPETENCIES; CLASSIFYING DIRECTORS' DUTIES AS GENERAL, NONDELEGABLE, AND DELEGABLE; PROVIDING RULEMAKING AUTHORITY; AND REPEALING SECTION 32-3-412, MCA.