

## CHAPTER 186

### CREDIT UNIONS

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#### 186.01 Definitions. In this chapter:

(1) "Commissioner" means the commissioner of credit unions.

(2) "Credit union" means a cooperative, nonprofit corporation, incorporated under this chapter to encourage thrift among its members, create a source of credit at a fair and reasonable rate of interest and provide an opportunity for its members to improve their economic and social conditions.

(3) "Deposit account" means an account limited to members and treated as a form of savings. Deposit accounts are subject to conditions established by the board of directors.

(3m) "National board" means the national credit union administration board of the national credit union administration established under 12 USC 1752 or the managing body of any successor that is authorized to provide federal share insurance for state-chartered credit unions.

(4) "National corporate central credit union" means a corporate central credit union:

- (a) Whose membership:
  - 1. Consists of:
    - a. State, alien or federally chartered central or corporate central credit unions;
    - b. Officers and directors of the national corporate central credit union; and
    - c. Organizations operated primarily to service and otherwise assist credit union operations; and
  - 2. Excludes:
    - a. Individuals other than those authorized under subd. 1. b.
    - b. Credit unions other than those authorized under subd. 1. a.
- (b) At least 75% of whose savings and deposits are derived from members under par. (a) 1. a. and the remainder of whose savings and deposits are derived from members under par. (a) 1. b. and c.

(5) "Regular reserve" means the reserve set aside to cover losses.

(6) (a) "Risk assets" means investments with maturities in excess of 60 months and loans made by the credit union other than loans excluded under par. (b). Risk assets of central credit unions shall be reduced by an amount equal to member credit union shares.

(b) "Risk assets" does not include first mortgage real estate loans, loans to other credit unions or loans guaranteed by the United States or this state, except to the extent the value of the loan exceeds the value of the guarantee.

(7) "Savings" means the same as "share".

(8) "Vicinal industries" includes employers which operate one or more facilities within a well-defined neighborhood or urban, suburban or rural community whose limits shall not be determined by any arbitrary physical standard.

**History:** 1971 c. 193; 1973 c. 255; 1979 c. 34; 1979 c. 175 s. 53; 1979 c. 282; 1981 c. 156; 1983 a. 189; 1985 a. 29

**186.012 Commissioner of credit unions.** (1) The commissioner shall appoint a deputy subject to s. 15.04(2) and (3) who shall possess all powers and perform the duties attached to the office of the commissioner during a vacancy thereof and during the absence or inability of the commissioner. No person may be appointed deputy commissioner who has not had at least one year of actual experience either in the operation of a credit union, or serving in a credit union supervisory capacity, or a combination of both. The commissioner may also employ such examiners and clerks to assist him or her and the deputy in the discharge of the several duties imposed upon the commissioner by this chapter as he or she finds necessary, and who shall perform such other duties as the commissioner directs.

(2) The commissioner of credit unions shall enforce the laws of this chapter and other laws relating to credit unions.

(3) Except as otherwise provided in s. 186.015, any interested person or credit union aggrieved by an act, order or determination of the commissioner may, within 30 days from the date thereof, apply to the credit union review board to review the same. All such applications for review shall be considered and disposed of as speedily as possible. The credit union review board may require the commissioner to submit any of the commissioner's official actions subject to such review to the board for its approval.

(4) Unless the commissioner is expressly restricted by statute from acting under this subsection with respect to a specific power, right or privilege, the commissioner by rule may, with the approval of the credit union review board, authorize credit unions to exercise any power under the notice, disclosure or procedural requirements governing federally chartered credit unions or to make any loan or investment or exercise any right, power or privilege of federally chartered credit unions permitted under a federal law, regulation or interpretation. Notice, disclosure and procedures prescribed by statute which may be modified by a rule adopted under this subsection include, but are not limited to, those provided under s. 138.056. A rule adopted under this subsection may not affect s. 138.041 or chs. 421 to 428 or restrict powers granted credit unions under this chapter.

History: 1971 c. 193; 1977 c. 418; 1981 c. 45; 1989 a. 31; 1993 a. 482.

**186.015 Credit union review board.** (1) The commissioner shall confer with the credit union review board on matters affecting credit unions and the commissioner's office. Detailed minutes of each board meeting shall be kept, and the decision of the board with reference to all orders issued, or policies established by the commissioner pursuant to this chapter is final, except for judicial review as provided in ch. 227.

(2) The board shall advise the commissioner and others in improving the condition and service of credit unions. In addition, the board shall review the acts and decisions of the commissioner in relation to credit unions and shall serve as an appeal board for credit unions with the same procedure and powers as the banking review board has under ch. 220 and perform other review functions in relation to credit unions as provided by law. The board may issue subpoenas, take testimony and administer oaths to witnesses.

(3) (a) The board may require the commissioner to submit any of the commissioner's official actions to the board for its approval. The board may make rules of procedure as provided in ch. 227.

(b) Any interested person aggrieved by any act, order or determination of the commissioner may apply for review thereof by filing a petition with the secretary of the board within 30 days after the act, order or determination to be reviewed. The petition shall state the nature of the petitioner's interest, facts showing that the petitioner is aggrieved and directly affected by the act, order or determination to be reviewed and the ground or grounds upon which the petitioner claims that the act, order or determination should be modified or reversed. The issues raised by the petition for review shall be considered by the board upon giving at least 10 days' written notice of the time and place when said matter will be heard to the commissioner and the person applying for review or the applying person's attorney and upon any other person who participated in the proceedings before the commissioner or that other person's attorney. Notice of hearing may be given by registered mail, return receipt requested, and the return receipt signed by the addressee or the addressee's agent shall be presumptive evidence that such notice was received by the addressee on the day stated on the receipt. Any other interested party shall have the right to appear in any proceeding before the board.

(c) The board shall base its determination upon the record made by the commissioner and may also receive additional evidence to supplement such record if it finds it necessary. The board shall affirm, modify or reverse the act, order or determination under review. The burden of overcoming the act, order or determination of the commissioner under review shall be on the person seeking the review. Any findings of fact made by the commis-

sioner shall be sustained if supported by substantial evidence in the record made by the commissioner or in such record supplemented by evidence taken by the board. The board shall have the powers granted by s. 885.01 (4). Any person causing a witness to be subpoenaed shall advance and pay the fees and mileage of such witness which shall be the same as in circuit court. The fees and mileage of witnesses who are called at the instance of the commissioner shall be paid by the state in the same manner that other expenses are audited and paid upon presentation of properly verified vouchers approved by at least one member of the board and charged to the appropriation of the office of the commissioner.

(d) Three members shall constitute a quorum and a majority vote of those present shall decide. No member of such board shall be qualified to act in any matter involving a credit union in which the member is an officer, director or stockholder, or to which the member is indebted.

(e) The board may make rules to safeguard the interest of depositors and shareholders.

(f) Any final order or determination of the board shall be subject to review in the manner provided in ch. 227.

History: 1971 c. 193; 1975 c. 345, 421; 1979 c. 282; 1981 c. 390 s. 252; 1993 a. 482.

### 186.02 Incorporation, bylaws, amendment, fees.

(1) Seven or more residents of this state may organize a credit union by filing with the commissioner the proposed articles of incorporation in duplicate and a verified copy of the proposed original bylaws, together with a \$5 filing fee. The articles of incorporation shall state the name and purpose of the credit union, the location of its initial principal office, the par value of its shares, and the names, residences and occupations of the incorporators.

(2) (a) The bylaws shall prescribe all of the following:

1. The conditions of residence or occupation which qualify persons for membership.
2. The par value of the shares of capital stock not exceeding \$25 per share.
3. The conditions on which accounts may be paid in, transferred and withdrawn.
4. The method of receipting for money paid on accounts.
5. The number of directors and the length of their terms.
6. The duties of the officers of the credit union.
7. The time of the annual meeting of members, to be held on or before June 30.
8. The manner by which members and directors are notified of meetings.
9. The number of members and directors constituting a quorum.
10. The powers and duties of the credit committee or the loan officers, if any.
11. The procedures for amending the bylaws.
12. Other necessary or appropriate provisions.

(b) Credit unions shall be open to:

1. Groups having common or related bonds of occupation or association.
2. Residents within a well-defined neighborhood, community or rural district.
3. Employes of related or vicinal industries.
4. Members of bona fide fraternal, religious, cooperative, labor, rural, educational, or similar organizations and employes of the credit union.

(c) Members of the immediate family of all qualified persons are eligible for membership. In this paragraph, "members of the immediate family" include the wife, husband, parents and children of a member whether living together in the same household or not and any other relatives of the member or spouse of a member living together in the same household as the member.

(d) Organizations and associations of individuals, the majority of whom are eligible for membership, may be admitted to mem-

bership in the same manner and under the same conditions as individuals.

(e) An individual member who ceases to qualify for membership under the bylaws may retain his or her full membership in the credit union at the discretion of the board of directors.

(em) A public depositor, as defined in s. 34.01 (4), who makes a public deposit may become a member of the credit union if the bylaws permit membership of public depositors.

(f) If the bylaws require a member to purchase capital stock, an amount equivalent to the value of the required number of shares deposited by the member in any deposit account of the credit union may be treated as the member's share account.

(3) (a) Subject to par. (b), a credit union may not be organized unless the articles and bylaws are approved by the commissioner. If the commissioner approves the articles and bylaws, the commissioner shall return one duplicate original of the articles of incorporation to the incorporators endorsed with his or her approval, and the incorporators shall within 30 days record the articles of incorporation in the office of the register of deeds of the county in which the credit union is to be located. The legal existence of the credit union commences on the date and time the articles are recorded. The register of deeds shall transmit to the commissioner a certificate stating the date and time when the articles were recorded, and the commissioner shall issue a certificate of incorporation to the credit union.

(b) If the commissioner refuses to approve the articles or bylaws, the incorporators may appeal the refusal to the credit union review board and the decision of the board is final, subject to judicial review under ch. 227.

(4) (a) Amendments to the articles of incorporation adopted by a vote of two-thirds of the members of the credit union present at an annual meeting or a special meeting called for that purpose may be filed with the commissioner upon payment of a \$5 fee. If approved by the commissioner, amendments to the articles are effective on recording in the office of the register of deeds in the same manner as the original articles.

(b) All amendments to the bylaws shall be filed with the commissioner and shall take effect only after being approved by the commissioner.

History: 1971 c. 193 ss. 42 (1), (3); 1983 a. 369; 1983 a. 538 ss. 171, 172; 1985 a. 25 s. 15; 1993 a. 301

**186.03 Use of name exclusive.** No person, partnership, limited liability company, association or corporation, except corporations formed under this chapter, may transact within this state the business authorized by this chapter or any other business whatever under any name or title which includes the 2 words "credit" and "union", except that any organization whose membership is made up of credit unions may use the name, with the consent of the commissioner. Violations of this section may be enjoined at the instance of the commissioner or of any credit union. A violator of this section may be fined not less than \$300 nor more than \$1,000 or imprisoned for not less than 60 days nor more than one year in the county jail or both.

History: 1971 c. 193 s. 42 (1); 1985 a. 127; 1993 a. 112.

**186.04 Examination and supervision fees.** (1) The commissioner, with the approval of the credit union review board, shall fix the amounts to be assessed against credit unions for their supervision and the examination under and by virtue of this chapter. Such amounts shall be determined and paid as provided in this section.

(2) On or before July 15 of each year, each credit union shall pay to the office of the commissioner an annual fee to be determined as provided in sub. (1), which shall represent as nearly as practicable its fair share of the maintenance of the office of the commissioner.

(3) In addition to the annual fee, each credit union shall be assessed for the cost of every examination made, which cost shall be determined as provided in sub. (1) and shall include the pro-

rated amount of salaries and expenses of all examiners and other employees actively engaged in the examination, the salaries and expenses of any other person whose services are required in connection with the examination and any reports thereof, and any other expenses which may be directly attributable thereto. Any charge so made shall be paid within 30 days from the date the credit union receives notice of the assessment of such fee.

(4) Failure of any credit union to pay any amount as provided in this section shall be grounds for the revocation of the charter of the credit union failing to make the payment.

(5) If the amounts collected under this section are in excess of the actual amounts necessary for the supervision and examination of credit unions in each year, the excess shall be retained by the commissioner and applied in reducing the amounts chargeable for ensuing years.

History: 1971 c. 193 s. 42 (1), (2); 1971 c. 307; 1979 c. 77; 1983 a. 369.

#### **186.06 Members, fiscal year, meetings, powers.**

(1) The incorporators shall call the first meeting of the eligible membership with the primary purpose of electing a board of directors. No person may vote at a meeting unless the person has been a member for at least 3 months, except during the first 12 months of the existence of the corporation. Members shall not have more than one vote.

(2) Special meetings may be held by order of the directors or the secretary shall call a special meeting upon written request of 21 members or 2% of the members, whichever is greater. Notice of the meeting shall state the purpose of the meeting.

(3) At any meeting the members may:

(a) Decide, by a majority of members present, any question of interest to the corporation.

(b) Reverse, by a two-thirds vote of the members present, if the notice of the meeting specified the questions to be considered and upon appeal of 15 members, decisions of the credit committee, loan officers or board of directors.

(c) Remove, by a three-fourths vote of the members present, any officer or member of the credit committee, loan officer or member of the board of directors and fill the vacancy caused by the removal by a plurality of the members present, if the notice of the meeting specified the questions to be considered.

(d) Amend the bylaws, by a three-fourths vote of the members present, if the notice of the meeting specified the proposed amendments.

(4) The fiscal year of every credit union shall end at the close of business on December 31 and the credit union shall, at least semiannually, transfer funds to the loss reserve account as provided in s. 186.17.

History: 1971 c. 193; 1973 c. 255; 1979 c. 282; 1981 c. 156; 1983 a. 369.

#### **186.07 Directors, credit committee and loan officers.**

(1) The members shall elect at the first meeting a board of directors consisting of an odd number of directors, however, not less than 5 directors shall be elected. The board of directors shall appoint a credit committee or one or more loan officers or both and the board may appoint the other officers the board determines are necessary. The directors, officers, committees and employees of the credit union shall be sworn and shall hold their offices until others are elected or appointed, and qualified, in their stead. A record of every oath administered under this section shall be filed and preserved with the records of the corporation.

(2) Except during the first 12 months of the existence of the credit union, no person may be elected as a director unless the person is a natural person who for at least the 3 months immediately prior to the date of election and on the date of election has been a member in good standing of the credit union. Any director who withdraws or is expelled from membership in the credit union shall be removed from the board of directors. The vacancy shall be filled until the next annual meeting of the members by an appointment by the board of directors within 30 days after the date of removal.

(3) (a) Unless the articles of incorporation or bylaws provide otherwise, the board of directors may permit any or all directors to participate in a regular or special meeting or in a committee meeting of the board of directors, including a meeting of the executive committee, in any manner described in par. (b). Unless the articles of incorporation, bylaws or board of directors provide otherwise, the credit committee may permit any or all members of the committee to participate in a credit committee meeting in any manner described in par. (b).

(b) If authorized under par. (a), the directors or credit committee members may participate in a meeting by, or conduct a meeting through the use of, any means of communication by which any of the following occurs:

1. All participating directors or members may simultaneously hear each other during the meeting.

2. All communication during the meeting is immediately transmitted to each participating director or member, and each participating director or member is able to immediately send messages to all other participating directors or members.

(c) If a meeting will be conducted through the use of any means described in par. (b), all participating directors or credit committee members shall be informed that a meeting is taking place at which official business may be transacted. A director or member participating in a meeting by any means described in par. (b) is deemed to be present in person at the meeting. If requested by a director or member, minutes of the meeting shall be prepared and distributed to each director or member.

**History:** 1971 c. 193; 1979 c. 282; 1981 c. 156; 1983 a. 369; 1989 a. 308; 1991 a. 16.

**186.08 Officers, management. (1)** At its first meeting the board of directors shall elect from their number a chairperson and one or more vice chairpersons, a secretary and a treasurer and shall appoint a president. The board or the president may appoint one or more vice presidents in accordance with the bylaws. The president shall be the operating executive officer. The president and vice presidents may be directors. Any 2 or more offices may be held by the same person, except the offices of president and secretary and the offices of president and vice president. The board of directors shall have the general management of the affairs, funds and records of the credit union, and shall meet as often as may be necessary. It shall be the board's duty:

(a) To act upon all applications for membership, unless a membership officer is appointed;

(b) To act upon the expulsion of members;

(c) To fix the amount of surety bond which shall be required of each officer having custody of funds;

(d) To fill vacancies in the board of directors or executive offices or in the credit committee in such manner as the bylaws prescribe;

(e) To make recommendations to meetings of the members relative to matters which, in their opinion, the members should decide.

(f) To establish rates of interest on all loans.

(2) (a) If a membership officer is appointed under sub. (1) (a), the membership officer shall maintain a record of the officer's actions in that capacity taken on or after April 9, 1982, and the record shall be available to the board of directors for inspection.

(b) Any person who applies for membership in a credit union on or after April 9, 1982 and who is denied membership by a membership officer appointed under sub. (1) (a) may appeal the denial in writing to the board of directors. The board of directors shall consider the appeal and shall take the action it deems appropriate under the circumstances.

(3) The board of directors may appoint an executive committee consisting of at least 3 directors. If an executive committee is appointed under this subsection, the executive committee shall meet as often as necessary, and the full board of directors shall meet at least semiannually. The board of directors may delegate

all or any part of its authority under this chapter to an executive committee appointed under this subsection, subject to any conditions or limitations the board may impose.

**History:** 1971 c. 193 ss. 18, 19, 42 (3); 1975 c. 345; 1977 c. 152; 1981 c. 156; 1983 a. 369; 1993 a. 184.

**186.082 Definitions applicable to indemnification and insurance provisions.** In ss. 186.082 to 186.091:

(1) "Credit union" means any of the following:

(a) A cooperative, nonprofit corporation incorporated under s. 186.02 and any domestic or foreign predecessor of that corporation where the predecessor's existence ceased upon the consummation of a merger or other transaction.

(b) The Wisconsin credit union savings insurance corporation organized under s. 186.35.

(2) "Director or officer" means any of the following:

(a) A natural person who is or was a director or officer of a credit union.

(b) A natural person who, while a director or officer of a credit union, is or was serving at the credit union's request as a director, officer, partner, trustee, member of any governing or decision-making committee, manager, employe or agent of another credit union or foreign credit union, corporation, limited liability company, partnership, joint venture, trust or other enterprise.

(c) A natural person who, while a director or officer of a credit union, is or was serving an employe benefit plan because his or her duties to the credit union also imposed duties on, or otherwise involved services by, the person to the plan or to participants in or beneficiaries of the plan.

(d) Unless the context requires otherwise, the estate or personal representative of a director or officer.

(e) A natural person who is or was a member of a credit union's credit committee.

(f) A natural person who is or was a trustee of the Wisconsin credit union savings insurance corporation.

(3) "Expenses" include fees, costs, charges, disbursements, attorney fees and any other expenses incurred in connection with a proceeding.

(4) "Liability" includes the obligation to pay a judgment, settlement, penalty, assessment, forfeiture or fine, including any excise tax assessed with respect to an employe benefit plan, and reasonable expenses.

(5) "Party" means a natural person who was or is, or who is threatened to be made, a named defendant or respondent in a proceeding.

(6) "Proceeding" means any threatened, pending or completed civil, criminal, administrative or investigative action, suit, arbitration or other proceeding, whether formal or informal, which involves foreign, federal, state or local law and which is brought by or in the right of the credit union or by any other person.

**History:** 1987 a. 13; 1993 a. 112.

**186.083 Mandatory indemnification. (1)** A credit union shall indemnify a director or officer, to the extent he or she has been successful on the merits or otherwise in the defense of a proceeding, for all reasonable expenses incurred in the proceeding if the director or officer was a party because he or she is a director or officer of the credit union.

(2) (a) In cases not included under sub. (1), a credit union shall indemnify a director or officer against liability incurred by the director or officer in a proceeding to which the director or officer was a party because he or she is a director or officer of the credit union, unless liability was incurred because the director or officer breached or failed to perform a duty he or she owes to the credit union and the breach or failure to perform constitutes any of the following:

1. A wilful failure to deal fairly with the credit union or its members in connection with a matter in which the director or officer has a material conflict of interest.

2. A violation of criminal law, unless the director or officer had reasonable cause to believe his or her conduct was lawful or no reasonable cause to believe his or her conduct was unlawful.

3. A transaction from which the director or officer derived an improper personal profit.

4. Wilful misconduct.

(b) Determination of whether indemnification is required under this subsection shall be made under s. 186.084.

(c) The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of the director or officer is not required under this subsection.

(3) A director or officer who seeks indemnification under this section shall make a written request to the credit union.

(4) (a) Indemnification under this section is not required to the extent limited by the articles of incorporation under s. 186.086.

(b) Indemnification under this section is not required if the director or officer has previously received indemnification or allowance of expenses from any person, including the credit union, in connection with the same proceeding.

History: 1987 a 13.

Cooperative indemnification. La Rowe and Weine. WBB Sept 1988.

#### 186.084 Determination of right to indemnification.

Unless otherwise provided by the articles of incorporation or bylaws or by written agreement between the director or officer and the credit union, the director or officer seeking indemnification under s. 186.083 (2) shall select one of the following means for determining his or her right to indemnification:

(1) By majority vote of a quorum of the board of directors consisting of directors not at the time parties to the same or related proceedings. If a quorum of disinterested directors cannot be obtained, by majority vote of a committee duly appointed by the board of directors and consisting solely of 2 or more directors not at the time parties to the same or related proceedings. Directors who are parties to the same or related proceedings may participate in the designation of members of the committee.

(2) By independent legal counsel selected by a quorum of the board of directors or its committee in the manner prescribed in sub. (1) or, if unable to obtain such a quorum or committee, by a majority vote of the full board of directors, including directors who are parties to the same or related proceedings.

(3) By a panel of 3 arbitrators consisting of one arbitrator selected by those directors entitled under sub. (2) to select independent legal counsel, one arbitrator selected by the director or officer seeking indemnification and one arbitrator selected by the 2 arbitrators previously selected.

(4) By an affirmative vote of a majority of members present at an annual meeting or special meeting called for that purpose. Voting rights owned by, or voted under the control of, persons who are at the time parties to the same or related proceedings, whether as plaintiffs or defendants or in any other capacity, may not be voted in making the determination.

(5) By a court under s. 186.088.

(6) By any other method provided for in any additional right to indemnification permitted under s. 186.087.

History: 1987 a 13.

**186.085 Allowance of expenses as incurred.** Upon written request by a director or officer who is a party to a proceeding, a credit union may pay or reimburse his or her reasonable expenses as incurred if the director or officer provides the credit union with all of the following:

(1) A written affirmation of his or her good faith belief that he or she has not breached or failed to perform his or her duties to the credit union.

(2) A written undertaking, executed personally or on his or her behalf, to repay the allowance and, if required by the credit union, to pay reasonable interest on the allowance to the extent that it is ultimately determined under s. 186.084 that indemnification under s. 186.083 (2) is not required and that indemnification is not ordered by a court under s. 186.088 (2) (b). The undertaking under this subsection shall be an unlimited general obligation of the director or officer and may be accepted without reference to his or her ability to repay the allowance. The undertaking may be secured or unsecured.

History: 1987 a 13.

#### 186.086 Credit union may limit indemnification.

(1) A credit union's obligations to indemnify under s. 186.083 may be limited as follows:

(a) If the credit union is incorporated on or after June 13, 1987, by the articles of incorporation, including any amendments to the articles of incorporation.

(b) If the credit union was incorporated before June 13, 1987, by an amendment to the articles of incorporation which becomes effective, as provided in s. 186.02 (4) (a) or 186.35 (1), on or after June 13, 1987.

(2) A limitation under sub. (1) applies if the first alleged act of a director or officer for which indemnification is sought occurred while the limitation was in effect.

History: 1987 a 13.

#### 186.087 Additional rights to indemnification and allowance of expenses.

(1) Except as provided in sub. (2), ss. 186.083 and 186.085 do not preclude any additional right to indemnification or allowance of expenses that a director or officer may have under any of the following:

(a) The articles of incorporation or bylaws.

(b) A written agreement between the director or officer and the credit union.

(c) A resolution of the board of directors.

(d) A resolution, after notice, adopted by a majority vote of members present at an annual meeting or special meeting called for that purpose.

(2) Regardless of the existence of an additional right under sub. (1), the credit union may not indemnify a director or officer, or permit a director or officer to retain any allowance of expenses unless it is determined by or on behalf of the credit union that the director or officer did not breach or fail to perform a duty he or she owes to the credit union which constitutes conduct under s. 186.083 (2) (a) 1., 2., 3. or 4. A director or officer who is a party to the same or related proceeding for which indemnification or an allowance of expenses is sought may not participate in a determination under this subsection.

(3) Sections 186.082 to 186.091 do not affect a credit union's power to pay or reimburse expenses incurred by a director or officer in any of the following circumstances:

(a) As a witness in a proceeding to which he or she is not a party.

(b) As a plaintiff or petitioner in a proceeding because he or she is or was an employe, agent, director or officer of the credit union.

History: 1987 a 13.

#### 186.088 Court-ordered indemnification.

(1) Except as provided otherwise by written agreement between the director or officer and the credit union, a director or officer who is a party to a proceeding may apply for indemnification to the court conducting the proceeding or to another court of competent jurisdiction. Application shall be made for an initial determination by the court under s. 186.084 (5) or for review by the court of an adverse determination under s. 186.084 (1), (2), (3), (4) or (6). After receipt of an application, the court shall give any notice it considers necessary.

(2) The court shall order indemnification if it determines any of the following:



(a) That the director or officer is entitled to indemnification under s. 186.083 (1) or (2). If the court also determines that the credit union unreasonably refused the director's or officer's request for indemnification, the court shall order the credit union to pay the director's or officer's reasonable expenses incurred to obtain the court-ordered indemnification.

(b) That the director or officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, regardless of whether indemnification is required under s. 186.083 (2).

History: 1987 a 13

**186.089 Indemnification and allowance of expenses of employes and agents.** A credit union may indemnify and allow reasonable expenses of an employe or agent who is not a director or officer to the extent provided by the articles of incorporation or bylaws, by general or specific action of the board of directors or by contract.

History: 1987 a 13

**186.091 Insurance.** A credit union may purchase and maintain insurance on behalf of an individual who is an employe, agent, director or officer of the credit union against liability asserted against and incurred by the individual in his or her capacity as an employe, agent, director or officer, or arising from his or her status as an employe, agent, director or officer, regardless of whether the credit union is required or authorized to indemnify or allow expenses to the individual against the same liability under ss. 186.083, 186.085, 186.087 and 186.089.

History: 1987 a 13

**186.093 Definitions applicable to liability-related provisions.** In ss. 186.093 to 186.096:

(1) "Credit union" means a cooperative, nonprofit corporation incorporated under s. 186.02 and the Wisconsin credit union savings insurance corporation organized under s. 186.35.

(2) "Director or officer" means a natural person who serves as a director or officer of a credit union, a member of a credit union's credit committee or a trustee of the Wisconsin credit union savings insurance corporation.

History: 1987 a 13

**186.094 Reliance by directors or officers.** Unless the director or officer has knowledge that makes reliance unwarranted, a director or officer, in discharging his or her duties to the credit union, may rely on information, opinions, reports or statements, any of which may be written or oral, formal or informal, including financial statements and other financial data, if prepared or presented by any of the following:

(1) An officer or employe of the credit union whom the director or officer believes in good faith to be reliable and competent in the matters presented.

(2) Legal counsel, public accountants or other persons as to matters the director or officer believes in good faith are within the person's professional or expert competence.

(3) In the case of reliance by a director, a committee of the board of directors of which the director is not a member if the director believes in good faith that the committee merits confidence.

History: 1987 a 13

**186.095 Consideration of interests in addition to members' interests.** In discharging his or her duties to the credit union and in determining what he or she believes to be in the best interests of the credit union, a director or officer may, in addition to considering the effects of any action on members, consider the following:

(1) The effects of the action on employes, suppliers and customers of the credit union.

(2) The effects of the action on communities in which the credit union operates.

(3) Any other factors the director or officer considers pertinent.

History: 1987 a 13

**186.096 Limited liability of directors and officers.**

(1) Except as provided in subs. (2) and (3), a director or officer is not liable to the credit union, its members or creditors, or any person asserting rights on behalf of the credit union, its members or creditors, or any other person, for damages, settlements, fees, fines, penalties or other monetary liabilities arising from a breach of, or failure to perform, any duty resulting solely from his or her status as a director or officer, unless the person asserting liability proves that the breach or failure to perform constitutes any of the following:

(a) A wilful failure to deal fairly with the credit union or its members in connection with a matter in which the director or officer has a material conflict of interest.

(b) A violation of criminal law, unless the director or officer had reasonable cause to believe his or her conduct was lawful or no reasonable cause to believe his or her conduct was unlawful.

(c) A transaction from which the director or officer derived an improper personal profit.

(d) Wilful misconduct.

(2) Except as provided in sub. (3), this section does not apply to any of the following:

(a) A proceeding brought against a director or officer under s. 186.23, 186.24 (1) or 186.29 (1m) (a).

(b) A civil or criminal proceeding, other than a proceeding described in par. (a), brought by or on behalf of any governmental unit, authority or agency.

(c) A proceeding brought by any person for a violation of state or federal law where the proceeding is brought pursuant to an express private right of action created by state or federal statute.

(3) Subsection (2) (b) and (c) does not apply to a proceeding brought by a governmental unit, authority or agency in its capacity as a private party or contractor.

History: 1987 a 13

Cooperative indemnification La Rowe and Weine. WBB Sept 1988.

**186.098 Loans.** (1) The credit union may make loans to members upon terms approved by the credit committee or a loan officer at rates of interest not to exceed any applicable maximum rate.

(2) The credit committee or loan officer shall maintain a record of each loan approved or not approved. The applicant for a loan may appeal the decision of the credit committee or the loan officer to the board of directors.

(3) Every application for a loan shall be in writing and shall state the security or collateral offered, if any.

(4) Approval of loans shall be the responsibility of the credit committee or loan officer, except where application for loans are made by members of the credit committee or the loan officers. No loan shall be made unless approved by the majority of the credit committee or by a loan officer, except that the board of directors shall act on the applications of credit committee members and loan officers, and on applications appealed to the board in writing by members.

(5) No loans shall be made to any member in excess of \$100 or 10% of the credit union's assets, whichever is greater; plus the balance of the member's share account pledged as security for such loan, but these limitations shall not apply to loans made to member credit unions by a central credit union.

(6) (a) The board of directors shall determine the policy regarding collateral acceptable for secured loans. Loans to members which in the aggregate exceed the amount shown in the schedule below shall be secured by such collateral having a value which is at least equal to any amount exceeding the limits in the following schedule, except that all loans exceeding \$5,000 not subject to collateral shall be supported by a sworn financial statement:

1. \$500, in credit unions with assets of less than \$5,000;
2. \$1,000, in credit unions with assets of \$5,000 and less than \$25,000;
3. \$2,000, in credit unions with assets of \$25,000 and less than \$100,000;
4. \$5,000, in credit unions with assets of \$100,000 and less than \$500,000;
5. \$7,000, in credit unions with assets of \$500,000 and less than \$1,000,000;
6. \$10,000, in credit unions with assets of \$1,000,000 or more.

(b) This subsection does not preclude the credit committee or loan officer from requiring security on any loan. Where such loans are secured by one or more comakers, such comakers shall furnish the credit union with written evidence of financial responsibility.

(7) The commissioner may reduce the loan limits specified in sub. (6) on an individual basis.

(8) (a) The credit committee or a loan officer may approve, upon its own motion or upon application by a member, an extension of credit, and loans may be granted to the member within the limit of the extension of credit. The credit committee or loan officers shall review all extensions of credit in accordance with written policies adopted by the board of directors.

(b) With the approval of the commissioner, credit unions may utilize credit cards, including point-of-purchase credit, providing the credit committee or loan officer, upon their own motion or upon application by a member, has predetermined the extent of credit extension.

(9) A borrower may pay the whole or part of the borrower's loan on any day the credit union is open for business.

(10) Loans to members secured by mortgages on real estate may be made subject to the rules prescribed by the commissioner. Such loans may provide for additional advances, but any additional advance made to a member, if the mortgage and mortgage note so provide, may not exceed an amount specified in the mortgage.

(11) A credit union may make loans to members that are guaranteed or insured by the federal government, any state or any federal or state agency. Loans under this subsection may be made under the conditions required for the insurance or guarantee.

(12) A credit union may make loans to members secured by assignment or transfer of stock certificates or other evidence of the borrower's ownership interest in a corporation formed for the cooperative ownership of real estate. Sections 846.10 and 846.101, as they apply to a foreclosure of a mortgage involving a one-family residence, apply to a proceeding to enforce the lender's rights in security given for a loan under this subsection. The commissioner shall promulgate joint rules with the commissioners of savings and loan and banking that establish procedures for enforcing a lender's rights in security given for a loan under this subsection.

**History:** 1971 c. 193 ss. 20, 42 (1); 1971 c. 239, 307; 1973 c. 255; 1975 c. 345; 1979 c. 282; 1981 c. 156; 1983 a. 368, 369, 538; 1987 a. 13 s. 26f; Stats. 1987 s. 186.098; 1989 a. 103; 1993 a. 482.

**Cross-reference:** See s. 138.053 for interest adjustment clauses and s. 138.055 for variable rate contracts.

**186.10 Minors' rights; shares in trust.** (1) Shares may be issued in the name of a minor, and may be withdrawn by such minor or by the minor's agent under subch. I of ch. 705. Minors' eligibility to vote at the meetings of the members is at the discretion of the board of directors.

(2) Shares may be issued in trust, subject to any conditions prescribed in the bylaws. If shares are issued in trust, the name of the beneficiary shall be disclosed to the credit union.

**History:** 1971 c. 193; 1973 c. 291; 1983 a. 369; 1989 a. 331; 1991 a. 32.

**186.11 Investments.** (1) **GENERAL.** The board of directors may invest credit union funds in U.S. government direct and agency obligations, municipal bonds issued by municipalities of the state, central credit unions, banks, savings banks and savings and loans associations located in Wisconsin and may, with the approval of the commissioner, make other investments including investments in credit unions.

(2) **CREDIT UNION PROPERTY.** (a) Subject to par. (b), a credit union may purchase, hold and dispose of property as necessary for or incidental to its operations.

(b) The board of directors may purchase, lease or construct a building for the operation of the credit union, provided the aggregate cost of the building, remodeling of the building, land improvements and land acquisition does not exceed 100% of the credit union's regular reserve unless prior approval for greater amounts is given by the commissioner. The cost of land acquisition may include vicinal property for future expansion but may not exceed the aggregate cost limitation. Nothing in this subsection authorizes a credit union to lease a building owned by a director or by a corporation, limited liability company, partnership or association controlled by a director. The credit union may rent or lease a portion of its building or property.

(3) **COOPERATIVE HOUSING.** A credit union may invest an amount not to exceed 10% of its regular reserve in agreements with other corporations or its members to provide cooperative housing and related facilities for its members.

(4) **INVESTMENT IN CREDIT UNION SERVICE CORPORATIONS.** (a) A credit union may invest not more than 10% of its regular reserve in the capital shares or obligations of a corporation organized primarily to provide goods and services specified in par. (b) to credit unions and credit union organizations.

(b) A corporation under par. (a) may provide goods and services relating to one or more of the following functions:

1. Credit union operations, including service centers, credit and debit card services, automated teller and remote terminal services, accounting systems, data processing, management training and support, payment item processing, record retention and storage, locator services, research, debt collection, credit analysis and loan servicing and coin and currency services.

2. Family financial services including financial planning and counseling, retirement counseling, estate planning and income tax preparation.

3. Development and administration of individual retirement accounts, Keogh plans and other personnel benefit plans.

4. Provision of trust services, including service as trustee and in other similar fiduciary capacities.

5. Acting as agent for the sale of insurance, including liability, casualty, automobile, life, health, accident, title and other insurance.

6. Personal property leasing and development of leasing plans.

7. Other services associated with the routine operation of credit unions and credit union organizations.

**History:** 1971 c. 193; 1979 c. 77; 1983 a. 369; 1991 a. 221; 1993 a. 112.

Wisconsin credit union may invest in credit union service corporation which sells insurance to general public so long as corporation was organized to primarily serve credit unions and their members. 78 Atty. Gen. 96.

**186.112 Credit union borrowing.** The board of directors may borrow money from any source if the amount borrowed does not exceed 50% of the credit union's total savings, deposits and reserves and the loan is not for a period longer than 12 months. The limitations of this subsection do not apply to national corporate central credit unions. The 12-month limitation under this subsection does not apply to money borrowed by a credit union to acquire credit union property, buildings, remodeling or equip-

ment. The commissioner may exempt any credit union from the limitations of this subsection.

**History:** 1971 c. 193 ss. 23, 42 (1); 1979 c. 34, 282; 1981 c. 156; 1983 a. 369.

**186.113 Credit union services.** A credit union may:

(1) If the need and necessity exists, establish subsidiary offices where permanent records may be maintained within the state with the approval of the commissioner.

(1m) (a) Establish limited services offices outside this state to serve any member of the credit union if all of the following requirements are met:

1. The establishment of limited services offices outside the state is necessary.

2. The common bond among the members of the credit union establishing limited services offices under this subsection is employment by a corporation, limited liability company, partnership or association which maintains an office or other facility in this state. A limited services office lawfully established under this subsection may continue in service notwithstanding the fact that the corporation, limited liability company, partnership, or association is acquired by an entity whose principal office is outside this state.

3. The establishment of such offices has been approved by the commissioner.

4. Such offices are established and operated in accordance with rules promulgated by the commissioner.

(b) A limited services office established under this subsection may pay withdrawals and accept deposits, loan applications and payments on loans. Permanent records of limited services offices established under this subsection shall be maintained at the credit union's home office in this state.

(2) Share office space with one or more credit unions and contract with a corporation to provide facilities or personnel. Such service center corporation shall be deemed thereby to be under the supervision of the commissioner.

(3) Provide nonprofit financial counseling.

(4) Charge for perfection of security interests and investigations of borrowers.

(5) Issue third-party checks upon request of the member.

(6) Provide pension savings programs and deferred income accounts. In order to carry out its authority under this subsection, a credit union may:

(a) Contract for the provision of trust services to its members with a trust company or other organization with trust powers authorized to do business in this state. For this purpose, the trust company or other organization with trust powers may serve credit union members at credit union facilities on a full-time or part-time basis.

(b) Act as trustees of member funds permitted by federal law to be deposited in a credit union as a deferred compensation or tax-deferral device.

(7) Purchase or acquire conditional sales contracts or similar instruments executed by credit union members.

(8) Make grants in the aggregate not to exceed one-half of one per cent of regular reserves within a given year.

(9) Collect, receive and disburse moneys in connection with the sale of travelers checks, money orders and credit cards.

(10) Exercise all powers necessary and proper to carry out the purposes of the credit union.

(11) Have deposit accounts such as Christmas, vacation, education, deferred income, pension and similar types.

(12) Conduct elections by mail ballot which shall be valid only for the meeting designated.

(13) Issue multiple accounts in joint tenancy with any person designated by the credit union member. The person first named in any such joint account shall be a member of the credit union. A nonmember named in the joint account shall not acquire the

right to vote, obtain loans or hold office because of the nonmember's inclusion in the joint account.

(14) Process applications, act as closing agent and service loans made under s. 45.79 with the approval of the department of veterans affairs.

(15) (a) Directly or indirectly, acquire, place and operate, or participate in the acquisition, placement and operation of, at locations other than its offices, remote terminals, in accordance with rules established by the commissioner. The rules of the commissioner shall provide that any remote terminal shall be available for use, on a nondiscriminatory basis, by any state or federal credit union which has its principal place of business in this state, by any other credit union obtaining the consent of a state or federal credit union which has its principal place of business in this state and is using the terminal and by all members designated by a credit union using the terminal. This subsection does not authorize a credit union which has its principal place of business outside the state to conduct business as a credit union in this state. The remote terminals also shall be available for use, on a nondiscriminatory basis, by any state or national bank, state or federal savings bank or state or federal savings and loan association, whose home office is located in this state, if the bank, savings bank or savings and loan association requests to share its use, subject to the joint rules established under s. 221.04 (1) (k). The rules of the commissioner shall prohibit any advertising with regard to a shared remote terminal which suggests or implies exclusive ownership or control of the shared terminal by any credit union or group of credit unions operating or participating in the operation of the terminal. The commissioner by order may authorize the installation and operation of a remote terminal in a mobile facility, after notice and hearing upon the proposed service stops of the mobile facility.

(b) In this subsection, "remote terminal" means a terminal or other facility or installation, attended or unattended, which is not located at the principal office or at a subsidiary office of a credit union and through which members and credit unions may engage, by means of either the direct transmission of electronic impulses to and from a credit union or the recording of electronic impulses or other indicia of a transaction for delayed transmission to a credit union, in transactions which are incidental to the conduct of the business of a credit union and which are otherwise permitted by law. "Remote terminal" also includes all equipment, regardless of location, which is interconnected with a remote terminal and which is necessary to transmit, route and process electronic impulses in order to enable the remote terminal to perform any function for which it is designed.

(c) If any person primarily engaged in the retail sale of goods or services owns or operates a remote terminal on such person's premises and allows access to the unit by any financial institution, group of financial institutions or their customers, nothing in this subsection or in rules established by the commissioner shall, or shall be construed or interpreted to, require such person to accept any connection to or use of the unit on its premises for any other purpose or function or to accept any connection to the unit on its premises by any other financial institution.

(d) If a person primarily engaged in the retail sale of goods or services owns or operates a remote terminal on such person's premises and allows access to the unit by any financial institution, group of financial institutions or their customers for any purpose or function, no laws governing such institutions or rules established by the commissioner shall apply to such person other than those laws or rules directly related to the particular function performed by the unit on such person's premises for a financial institution.

(e) Information transmitted from a remote terminal, either identified as to particular transactions or aggregate information, shall only be used for purposes of effecting the financial transactions for which such information was received, for any other purpose lawfully authorized by contract, or for any other purpose permitted by statute and rules pertaining to the dissemination and disclosure of such information.



(16) Levy an annual maintenance charge, not to exceed 50 cents per month against member or eligible member dormant accounts of less than \$25, in order to recover fixed operating costs of dormant accounts. An account is dormant if no deposit has been made to the account or no withdrawal has been made from the account by the member in a period of 36 months or more and if mailings to the member at the member's last-known address are not accepted or are returned to the credit union marked "address unknown".

(17) Make contracts necessary and proper to effect its purpose and conduct its business.

(18) To sue and be sued, and to appear and defend in all actions and proceedings under its corporate name to the same extent as a natural person.

(19) Maintain real estate broker trust accounts under 452.13 for brokers otherwise eligible for membership in the credit union, attorney trust accounts under s. 757.293 for attorneys otherwise eligible for membership in the credit union and collection agency trust accounts under s. 218.04 (9g) for persons otherwise eligible for membership in the credit union.

(20) Act as depositories of state and local public funds.

(21) On request of the federal secretary of the treasury, act as federal depository, fiscal agent or both of the federal government and perform such services as the federal secretary of the treasury may require in connection with the collection of taxes and other obligations due the federal government and the lending, borrowing and repayment of money by the federal government, including the issue, sale, redemption or repurchase of bonds, notes, treasury certificates of indebtedness, or other obligations of the federal government.

History: 1971 c. 193; 1973 c. 12 s. 20; 1973 c. 208; 1973 c. 255 ss. 2, 3, 5; 1973 c. 336 s. 56; 1975 c. 345; 1977 c. 136, 342, 447; 1979 c. 121, 282; 1981 c. 5, 156, 319, 391; 1983 a. 368, 369; 1987 a. 403 s. 256; 1991 a. 221, 269; 1993 a. 112, 482.

Under (7) a credit union is not obliged to secure a sales finance company license to purchase installment contracts of its members, nor is an auto dealer subject to penalty if he sells such a contract to a credit union 61 Atty Gen. 439

**186.115 Additional credit union authority.** (1) Subject to any regulatory approval required by law and subject to sub. (2), a credit union directly or through a subsidiary, may undertake any activity, exercise any power or offer any financially related product or service in this state that any other provider of financial products or services may undertake, exercise or provide or that the commissioner finds to be financially related.

(2) The activities, powers, products and services that may be undertaken, exercised or offered by credit unions under sub. (1) are limited to those specified by rule of the commissioner. The commissioner may direct any credit union to cease any activity, the exercise of any power or the offering of any product or service authorized by rule under this subsection. Among the factors that the commissioner may consider in so directing a credit union are the credit union's net worth, assets, management rating and liquidity ratio and its ratio of net worth to assets.

(3) This section does not authorize a credit union, directly or through a subsidiary, to engage in the business of underwriting insurance.

History: 1985 a. 325

**186.116 Financially related services tie-ins.** In any transaction conducted by a credit union or a subsidiary of a credit union with a customer who is also a customer of any other subsidiary of the credit union, the customer shall be given a notice in 12-point boldface type in substantially the following form:

**NOTICE OF RELATIONSHIP**

This company, (insert name and address of credit union or subsidiary), is related to (insert name and address of credit union or subsidiary) of which you are also a customer. You may not be compelled to buy any product or service from either of the above companies or any other related company in order to participate in this transaction.

If you feel that you have been compelled to buy any product or service from either of the above companies or any other related company in order to participate in this transaction, you should contact the management of either of the above companies at either of the above addresses or the office of the commissioner at (insert address).

History: 1985 a. 325

**186.117 Availability of funds.** (1) As used in this section, "business day" means a business day as defined in s. 421.301 (6) that is not a federal legal holiday.

(2) Subject to any right of a credit union to apply the credit to an obligation of a member or to withhold the credit for a reasonable period of time after that otherwise permitted by this section if the credit union, in good faith, believes that the item may be dishonored upon presentment and gives notice to the member of the withholding stating the facts on which the belief is founded, credit given by a credit union for an item in an account with its member that has been in existence for at least 90 days becomes available for withdrawal as of right as follows:

(a) If the item is a check or draft endorsed only by the person to whom it was issued and is drawn on the treasury of the United States, the state of Wisconsin or any unit of local government located in this state, after not more than one business day has intervened between the business day on which the check or draft is received at the proof and transit facility of the depository and the business day on which the funds are available for withdrawal.

(b) If the payor bank or other financial institution is located in this state, after not more than 4 business days have intervened between the business day on which the item is received at the proof and transit facility of the depository and the business day on which the funds are available for withdrawal.

(c) If the payor bank or other financial institution is located in any other state, after not more than 7 business days have intervened between the business day on which the item is received at the proof and transit facility of the depository and the business day on which the funds are available for withdrawal.

History: 1985 a. 325

**186.118 Account disclosures.** (1) Every credit union shall provide a disclosure statement, which may include a separate interest rate table or fee schedule or both, for each deposit account offered by the credit union, setting forth all of the following information:

(a) A description of the deposit account.

(b) The conditions, if any, on which the deposit account is offered.

(c) The terms of interest offered for the deposit account.

(d) All fees charged for the deposit account.

(2) Every credit union shall provide the appropriate disclosure statement under sub. (1) to each member upon all of the following occasions:

(a) At the time of the member's initial deposit into the deposit account.

(b) Upon any change in any of the information under sub. (1) (a) to (d) applicable to a member's deposit account, other than a change in the interest rate of a variable interest rate deposit account if the variability of the interest rate was disclosed at the time of initial deposit.

(3) Every credit union shall provide the appropriate disclosure statement under sub. (1) to any person requesting the disclosure statement for a deposit account.

(4) Disclosure statements provided under subs. (2) and (3) shall be accompanied by a brief description of all other deposit accounts offered by the credit union and a statement that more detailed information is available on request.

History: 1985 a. 325

**186.119 CREDIT UNIONS**

**186.119 Appointment of organizers and examiners; eligibility.** (1) The commissioner shall employ in the office of the commissioner of credit unions one or more competent persons for the organization and examination of credit unions, who shall be under the direction and control of the commissioner. No person is eligible for such appointment unless the person has at least 3 years' actual experience in the business of conducting a credit union, or has served an equal length of time in the office of the commissioner of credit unions, in connection with the credit union movement, of this or some other state.

(2) The commissioner may also employ such additional office and clerical help and examiners as are necessary to carry out the commissioner's functions under this chapter.

History: 1971 c. 193 s. 42 (1), (2); 1981 c. 390 s. 252; 1985 a. 127; 1993 a. 482.

**186.12 Compensation of officers, sureties, operation expenses.** (1) No member of the board of directors may receive any compensation for services as a member of the board other than reasonable health, accident and similar insurance.

(2) A member of the credit committee or a loan officer shall not, directly or indirectly, become surety for any loan or advance made by the credit union.

(3) The officers elected by the board of directors, the members of the credit committee and loan officers may receive such compensation as the board authorizes, but the expenditures of the credit union for all purposes shall be paid from its earnings.

History: 1971 c. 193; 1983 a. 369

**186.13 Expulsion.** The board of directors may expel a member from the credit union who neglects or refuses to comply with this chapter or the bylaws, or for any other just cause; but no member may be expelled until the member has been informed in writing of the charges against the member, and given an opportunity, after reasonable notice, to be heard thereon.

History: 1971 c. 193; 1981 c. 156.

**186.14 Expelled member, rights and liabilities.** The amounts paid in on shares by members who have withdrawn or have been expelled shall be paid to them, but in the order of withdrawal or expulsion and only as funds therefor become available and after deducting any amounts due by said members to the credit union; but such expulsion or withdrawal shall not operate to relieve a member from any remaining liability to the credit union.

History: 1971 c. 193 s. 42 (3).

**186.15 Auditing.** After the annual meeting and within one month the board of directors shall appoint a competent and qualified person to audit the operations of the credit union. The auditor shall at least annually report the auditor's activities and recommendations to the board of directors and to the membership at the annual meeting. Reports shall be filed and preserved with the records of the credit union.

History: 1971 c. 193; 1993 a. 282

**186.16 Dividends.** (1) The board of directors shall establish the dividend period. Dividends shall be considered a normal operating expense of the credit union. Rates of dividends and terms of payment may be established and guaranteed in advance by action of the board of directors. The board of directors may classify its accounts and declare dividends which may be at variable rates.

(2) The commissioner may establish the maximum dividend that a credit union and a central credit union may pay in each classification of its savings.

History: 1971 c. 193; 1979 c. 282; 1981 c. 156

**186.17 Reserves.** (1) The regular reserve of a credit union shall be based on risk assets and the formula for transfer to the reserve is at the rate of 10% of gross income until such time as the reserve fund reaches 5% of risk assets; then the formula is decreased to 7% of gross income until such time as the reserve

fund reaches 6% of risk assets; and then the formula is decreased to 5% of gross income until the reserve fund attains a maximum of 7% of risk assets. Subsequent transfers are required only to maintain 7% maximum. Such reserves shall belong to the credit union and shall be held to meet contingencies or losses in its business.

(2) Special reserves may be required by the commissioner on an individual credit union basis for purchased accounts or when serious threat of impairment threatens regular reserve.

(3) Additional reserves for central credit unions may be required by the commissioner when adjustments of corporate investments are not offset by current transfers from gross income to the regular reserves.

History: 1971 c. 193; 1975 c. 345.

**186.18 Dissolution.** Upon the unanimous recommendation of the board of directors, the members may vote to dissolve the credit union. If a majority of the total membership vote by ballot in person or by letter or other written communication in favor of dissolution, and if not more than 15 members or 10% of the total membership, whichever is greater, by written notice vote against dissolution, the credit union shall be dissolved. If both the number of votes in favor of dissolution and the number of votes against dissolution are each less than 50% of the total number of members the board of directors may, with the permission of the commissioner, cause written notice to be mailed to each member at the member's last-known address which expressly states that the board's proposal to dissolve the credit union will be approved or disapproved at a special or annual meeting to be held at the time and place specified in the notice. The credit union shall be dissolved only if a majority of the members present at the meeting vote in favor of the board's proposal to dissolve the credit union. If the members vote to dissolve the credit union, a committee of 3 shall be elected by the members to liquidate the assets of the credit union. After assets are liquidated and debts paid members shall be paid a liquidating dividend in proportion to their savings from remaining assets. The committee in charge of liquidation may sell or dispose of the assets in whole or in part at a public or private sale subject to confirmation by the board of directors and the commissioner.

History: 1971 c. 193; 1981 c. 156

**186.19 Credit union officers bonded.** (1) As a condition precedent to qualification or entry upon the discharge of his or her duties, every person appointed or elected to any position requiring the receipt, payment or custody of money or other personal property owned by a credit union or in its custody or control as collateral or otherwise shall give a bond in some responsible corporate surety company, licensed to do business in this state, in such adequate sum as the directors shall require and approve. In lieu of individual bonds the commissioner may accept a schedule or blanket bond which covers all of the officers and employes of any credit union whose duties include the receipt, payment or custody of money or other personal property for or on behalf of the credit union. All such bonds shall be in the form prescribed by the commissioner.

(2) No officer or employe who is required to give bond shall be deemed qualified nor shall be permitted to enter upon the discharge of that officer's or employe's duties until that officer's or employe's bond shall have been approved by a majority of the board of directors. Such bonds shall be filed with the commissioner within 10 days next after approval thereof by the board of directors. The minute books of each credit union shall contain a record of each bond executed and approved.

(3) Such bond shall be sufficient in amount to protect the credit union from loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction or misapplication on the part of the person, directly or through connivance with others. At any time the commissioner may require

additional bond or security, when, in the commissioner's opinion, the bonds then executed and approved are insufficient.

(4) Every such bond shall also include the following provisions:

(a) No cancellation or other termination of this bond shall be effective unless the surety gives in advance at least 10 days' written notice by registered mail to the commissioner. If this bond is canceled or terminated at the request of the insured (employer) this provision nevertheless shall apply, it being the duty of the surety to give the required written notice to the commissioner, such notice to be given promptly and in any event within 10 days after the receipt of such request.

(b) The surety agrees to furnish the commissioner a copy of all riders and endorsements executed subsequently to the effective date of this bond.

(5) For reasons which the commissioner deems valid and sufficient the commissioner may waive as to the cancellation or termination of any such bond the 10-day written notice in advance required by sub. (4) (a) and the commissioner may give written consent to the termination or cancellation being made effective as of a date agreed upon and requested by the surety and credit union.

(6) The provisions required by sub. (4) to be in every such bond shall not in any way modify, impair or otherwise affect or render invalid a provision therein to the effect that the bond shall terminate as to any person covered thereby upon the discovery by the credit union of any dishonest act on the part of such person.

History: 1971 c 193 s. 42 (1); 1971 c 307; 1993 a. 482

**186.21 Credit unions promoted.** (1) It shall be the duty of the office of the commissioner of credit unions to promote the extension of credit at the lowest possible rates and cooperate with every group of people who may be or may become interested in the formation and development of a credit union in this state for that purpose, and it may do all things reasonably necessary for the discharge of this duty.

(2) The office of the commissioner of credit unions shall carry on advertising of whatever character is most suitable and effective to acquaint the people of this state with the agencies and organizations dealing in consumer credit, and of the rates of interest, the condition of loans, the benefits and safeguards and the savings features of each such type, agency and organization.

(3) The office of the commissioner of credit unions shall further offer without charge to any group, either joined in a credit union or considering such an organization, whatever advice and direction on accounting practice and managerial problems that may be needful.

(4) The office of the commissioner of credit unions shall provide application blanks, model bylaws, and whatever other material may be needful or helpful in the organization, efficient functioning and expansion of credit unions.

History: 1971 c 193 s. 42 (2)

**186.22 Credit union finance corporation; incorporation; organization certificate.** (1) ORGANIZATION When authorized by the commissioner, 10 or more credit unions, the aggregate resources of which shall not be less than \$50,000, may form the "Credit Union Finance Corporation". Each of such credit unions shall subscribe, acknowledge and submit to the commissioner an organization certificate in duplicate which shall specifically state:

(a) The name "Credit Union Finance Corporation".

(b) The place in the state where its business is to be transacted.

(c) The number of shares for which each credit union has subscribed, which shall amount in the aggregate to not less than \$200.

(d) The number of directors of such credit union finance corporation, which shall not be less than 7, and the names of the persons who shall be its directors until the first annual meeting. The certificate shall recite that the directors possess the qualifications specified in sub. (10).

(e) The name and location of the business office of each credit union subscribing the certificate and the aggregate resources of each such credit union

(2) PROPOSED BYLAWS The incorporators shall subscribe and acknowledge and submit to the commissioner proposed bylaws in duplicate, which shall prescribe the manner in which the business of such credit union finance corporation shall be conducted with reference to the following matters:

(a) The date during the month of February of the annual meeting of shareholders; the manner of calling special meetings, and the number of members which shall constitute a quorum.

(b) The number and qualifications of directors, subject to sub. (10); the method of division into classes for the purpose of electing, as nearly as may be, an equal number of directors each year; the removal or suspension of directors; the filling of vacancies in the board of directors, and the number of directors which shall constitute a quorum, which shall not be less than 4.

(c) The meetings, powers and duties of directors; the appointment or election of appraisal, supervisory and auditing committees.

(d) The officers; the manner of their election; their terms of office, duties and compensation; and the bonds which shall be required of officers who have the custody or possession of money, securities or property of the credit union finance corporation.

(e) The annual commission that may be charged each member, subject to the limitations of sub. (9)

(f) The transfer of membership, subject to the limitations of sub. (8).

(g) The manner in which the bylaws may be altered or amended.

(3) WHEN CORPORATE EXISTENCE BEGINS; CONDITIONS PRECEDENT TO COMMENCING BUSINESS When the commissioner shall have indorsed the commissioner's approval on the organization certificate, the corporate existence of the credit union finance corporation shall begin and it shall then have power to elect officers and transact such other business as relates to its organization; but such credit union finance corporation shall transact no other business until:

(a) Subscriptions to its shares aggregating \$2,000 shall have been paid in cash and an affidavit stating that such subscriptions have been so paid, subscribed and sworn to by its 2 principal officers, shall have been filed with the secretary of state and a certified copy thereof in the office of the commissioner.

(b) The commissioner shall have duly issued to it an authorization certificate.

(4) GENERAL POWERS. In addition to the powers conferred by the general corporation law the credit union finance corporation shall, subject to the restrictions and limitations contained in this section and its bylaws, have the following powers:

(a) To issue, sell and redeem bonds and notes secured by bonds and first mortgages made to or held by member credit unions.

(b) To receive money or property from its members and from other associations, corporations and persons with whom it has contracts, engagements or undertakings, in instalments or otherwise; to enter into any contract engagement or undertaking with such associations, corporations or persons for the withdrawal of such money or property, with any increase thereof, or for the payment to them or to any association, corporation or person of any sum of money, at any time, either fixed or uncertain; to lend money to credit unions upon the security of their promissory notes with or without collateral.

(c) To invest its capital and other funds in bonds and notes of the United States, the state of Wisconsin, and the political subdivisions of this state.

(d) To receive by assignment from its members and to deposit in trust with the commissioner to be held by the commissioner as security for its and their outstanding obligations any first mortgages on real estate and the bonds secured thereby and such other

securities as are provided for in s. 186.11 and are legally receivable by credit unions; to empower such credit unions as agents of the credit union finance corporation to collect and immediately pay over to the credit union the dues, interest and other sums payable under the terms, conditions and covenants of the bonds and mortgages or, prior to a default upon any such bond and mortgage so assigned and when adequate security has been given to the credit union finance corporation, by any such credit union, to retain such collections until a payment to the credit union finance corporation from such credit union becomes due; to return to, or permit such credit unions to retain any sums of money so collected in excess of the amount required to meet the obligations of such credit unions respectively.

(e) To purchase in its own name, hold and convey real property for the following purposes and no others:

1. A plot whereon there is or may be erected a building suitable for the convenient transaction of its business, from portions of which not required for its own use a revenue may be derived.

2. Such as shall be mortgaged to it in good faith, by way of security for loans made by it or moneys due to it.

3. Such as shall be conveyed to it for debts previously contracted in the course of its business, and such as it shall purchase at sales under judgments, decrees or mortgages held by it.

(f) To designate as depositories of its funds any credit union, bank, trust company, or savings bank of this state, or any national banking association located in this state doing a banking business under the laws of the United States.

(g) With the advice and approval of the commissioner, to become a member of or to subscribe for and purchase notes and debentures issued by any federal finance or credit corporation which may be organized by act of congress for aiding and assisting credit unions to utilize their resources and credit, or to borrow from such finance or credit corporation, in either case, in an amount not exceeding in the aggregate amount two-fifths of the assets on hand.

(h) To borrow money from any state investment fund.

**(5) RESTRICTIONS UPON THE POWERS OF THE CREDIT UNION FINANCE CORPORATION.** The credit union finance corporation shall not:

(a) Do a general deposit business.

(b) Receive from its members bonds and mortgages if the amount secured by any such mortgage is in excess of 60 per centum of the appraised value of such real estate.

(c) Invest more than 25 per centum of its surplus in real estate occupied, or to be occupied, by it for office purposes, without the written approval of the commissioner.

(d) Incur any indebtedness upon bonds and notes in excess of 20 times the amount of its capital, nor issue bonds on behalf of any of its members in excess of 20 times the amount of the shares of such capital held by such member or in excess of 80 per centum of the value of the collateral security pledged therefor to such credit union finance corporation.

**(6) ISSUING OF BONDS.** Bonds shall be issued in series of not less than \$10,000. All bonds issued by the credit union finance corporation may be called on any interest day at 102 1/2% and interest by publishing a class 1 notice, under ch. 985, not less than 60 days prior to said day. Any member credit union which is not indebted for borrowed money to any other bank or trust company which does business exclusively with the credit union finance corporation shall submit a schedule of assets from time to time as the board of directors of such finance corporation shall require. Any member credit union which may have a loan from any other banking institution may borrow money from such credit union finance corporation upon pledging therefor such amount of its mortgages with the bonds secured thereby as collateral security for bonds issued on its behalf as the commissioner and the board of directors of such credit union finance corporation may require; provided that the aggregate of all loans made by such credit union shall not exceed 40% of its assets as provided in s. 186.11. The amortiza-

tion payments upon all mortgages accepted by the credit union finance corporation as collateral security for bonds shall be sufficient to liquidate the debt in a period not exceeding 40 years. In the event of any default for more than 90 days in the payment of the principal of, or for more than 90 days in the payment of any instalment of interest upon, any of said bonds, the commissioner may, on the commissioner's own motion, and shall, upon the request in writing of the holders of said bonds in default to the amount of \$10,000, forthwith take possession of and proceed to liquidate the credit union finance corporation. Upon such liquidation it shall be entitled in the name of the credit union finance corporation to enforce all of its rights and securities and to collect and realize upon all of its assets, including all mortgages assigned to said credit union finance corporation by the several member credit unions, and deposited with the state treasurer, up to the amounts advanced by the credit union finance corporation to the several member credit unions thereon. Upon any such liquidation all said bonds then issued and outstanding shall forthwith become due and payable equally and ratably out of all the assets of said credit union finance corporation in advance of any other debts thereof not specifically preferred by law.

**(7) GUARANTY FUND.** The credit union finance corporation shall accumulate from its net profits a guaranty fund by carrying thereto annually a sum equal to one-half of one per centum of its capital, until such guaranty fund shall be equal to at least 15 per centum of such capital.

**(8) MEMBERSHIP; TRANSFER OF SHARES.** (a) Every member shall pay \$200 for each share of the capital of the credit union finance corporation issued to it, provided that no credit union shall subscribe for or hold shares of such capital to an amount in excess of 10 per centum of the resources of such association.

(b) Such shares shall not be transferable, except that a member, who is not liable to the credit union finance corporation for any obligation, direct or contingent, may transfer its shares therein to another credit union, by and with the consent of the board of directors of the credit union finance corporation; or it may retire from membership and receive back such sums as it has paid for its shares, but no withdrawal shall be permitted by the board of directors, which shall reduce the total amount of the capital of the credit union corporation below \$50,000.

**(9) COMMISSIONS AND PAYMENT OF EXPENSES.** The credit union finance corporation may charge each member an annual commission, not to exceed one-half of one per centum, upon the outstanding debenture bonds issued in its behalf, provided that the rate of commission in any year shall be the same on all outstanding bonds; or in lieu of charging such commission the expenses incurred on account of any debenture bond issued may be charged to the credit union on whose behalf such bonds are issued, and the general expenses of the credit union finance corporation assessed against the members in proportion to the bonds issued for them.

**(10) QUALIFICATIONS AND DISQUALIFICATIONS OF DIRECTORS; BOND.** All of the directors of the credit union finance corporation must reside in the state of Wisconsin during their term of office, and all must be citizens of the United States. No person shall be elected a director unless the person is a shareholder of a member credit union and has been nominated by it for that office; and every person elected to be a director who, after such election, shall cease to be a shareholder of a member credit union, shall cease to be a director of the credit union finance corporation, and the person's office shall be vacant. Directors who have the custody or possession of money, securities or property shall give bond to the credit union finance corporation in an amount commensurate with their liability, as approved by the commissioner.

**(11) OATH OF DIRECTORS.** Each director, when appointed or elected, shall take an oath that the director will, so far as the duty devolves upon the director, diligently and honestly administer the affairs of the credit union finance corporation, and will not knowingly violate, or willingly permit to be violated, any of the provisions of law applicable to such corporation, and that the director is the owner in good faith and in the director's own right on the

books of the credit union which nominated the director of shares in value of not less than \$100, or other shares of the withdrawal value of \$100, and that the same is not hypothecated, or in any way pledged as security for any loan or debt and, in case of reelection that such share was not hypothecated or in any way pledged as security for any loan or debt during the director's previous term. Such oath shall be subscribed by the directors and officers making it, and certified by an officer authorized by law to administer oaths, and immediately transmitted to the commissioner.

**(12) CHANGE OF NUMBER OF DIRECTORS.** The members of the credit union finance corporation may at any time change the number of its directors by amending its bylaws in accordance with the provisions of this section.

**(12m) MEETINGS OF DIRECTORS.** Section 186.07 (3) applies to a credit union finance corporation.

**(13) OFFICERS; POWERS; DUTIES AND COMPENSATION.** (a) The bylaws of the credit union finance corporation shall specify its officers, the manner of their election, and their terms of office.

(b) The officers who have the custody or possession of money, securities, or property shall give bond to the credit union as provided in the bylaws. They shall receive such compensation as is prescribed in the bylaws and shall hold office until their successors are elected and have qualified.

**(14) ANNUAL MEETING; NOTICE; VOTING.** The annual meeting of the credit union finance corporation, for the election of directors, shall be held at its principal place of business in February in each year. Notice of the time and place of holding such election shall be given by mailing a copy of such notice, postage prepaid, to each shareholder of the credit union finance corporation 15 days before the holding of such meeting. Each member shall be entitled to one vote for every share of the capital standing in its name on the books of the credit union finance corporation.

**(15) PREFERENCE OF CREDIT.** All the property of any bank, trust company or credit union which shall become insolvent shall be applied by the trustees, assignees or receivers thereof or by the commissioner in the first place to the payment in full of any sum or sums of money deposited therewith by the credit union finance corporation or due to the credit union finance corporation for subscriptions, sinking funds, interest and principal of bonds, or guaranty of mortgages, ratably and proportionately but not to an amount exceeding that authorized to be so deposited or contracted by the provisions of this section and in accordance and on an equality with any other preference provided for in this section.

**(16) CREDIT UNION FINANCE CORPORATION AND ITS DEBENTURES NOT LIABLE FOR TAXATION.** (a) The debentures issued by the credit union finance corporation and the credit union finance corporation itself, together with its capital, accumulations and funds, shall have the same exemption from taxation as credit unions. No law which taxes corporations in any form, or the shares thereof, or the accumulations therein, shall be deemed to include the credit union finance corporation or its issues of debenture bonds unless they are specifically named in such law.

History: 1971 c. 193 s. 42 (1); 1981 c. 96; 1983 a. 369; 1989 a. 308; 1993 a. 482

**186.23 Rules and regulations.** The commissioner shall, with the approval of the credit union review board, issue orders prescribing reasonable rules and regulations in conducting the business of credit unions or corporations operating as provided in this chapter and it may in like manner issue orders amending, modifying, repealing or supplementing rules or orders. The violation of any such rule may be cause for the removal of any officer, director or employee of any credit union or corporation.

**186.24 Removal of officials of credit union; procedure.** (1) Whenever the commissioner is of the opinion that the loaning, investing or other policies and practices of any officer, director or committee member of any credit union have been prejudicial to the best interest of such credit union or its investors, or that such policies or practices, if put into operation or continued, will endanger the safety or solvency of said credit union or impair

the interest of its investors, the commissioner may request the removal of such officer, director or committee member. Such request shall be served on the credit union and on such officer, director or committee member in the manner provided by law for serving a summons in a court of record, or shall be transmitted to the credit union and the officer, director or committee member by registered mail, with return receipt requested. Such request shall specify the reasons for the removal of such officer, director or committee member, and also shall advise such officer, director or committee member relative to that person's rights to a hearing before the credit union review board as provided in this section. A copy of such request for removal shall be transmitted to each member of the credit union review board at the same time such request is being served upon the credit union and officer, director or committee member involved. If such request for removal is not complied with within a reasonable time fixed by the commissioner, the commissioner may by order, with approval of the credit union review board, remove such officer, director or committee member, but no order for removal shall be entered until after an opportunity for a hearing before the credit union review board is given such officer, director or committee member upon not less than 30 days' notice. An order for removal shall take effect as of the date issued.

(2) Any removal under this section shall be effective in all respects the same as if made by the board of directors or stockholders of said credit union. Any officer, director or committee member removed from such office under the provisions of this section shall not be reelected as an officer, director or committee member of any credit union without the approval of the commissioner and advisory committee.

(3) If the removal under sub. (1) or the resignation or death of credit union directors prevents a credit union board of directors from securing the quorum required at board meetings and thus prevents continued operation of the credit union, the commissioner may appoint temporary directors to fill the vacancies for up to 120 days or until an election of directors to fill the vacancies has been held at a special meeting of the membership called for such purpose.

History: 1971 c. 193; 1973 c. 12; 1977 c. 152; 1993 a. 184

**186.25 Supervision; reports.** All credit unions formed under this or other similar law, or authorized to transact in this state a business similar to that authorized to be done by this chapter, shall be under the control and supervision of the commissioner. Every such corporation shall make a full and detailed report of its business as of December 31 for that year, and of its condition on such date, in such form and containing such information as the commissioner may prescribe, and shall file with the commissioner a true and verified copy thereof on or before February 1 thereafter. Accompanying the same shall be attached a copy of the statement of the credit union at the close of its last fiscal year. If any such credit union fails or refuses to furnish the report herein required, it shall be subject, at the discretion of the commissioner, to a forfeiture of \$1 to \$10 per day for each day of default, and the commissioner may maintain an action in the name of the state to recover such penalty, and the same shall be paid into the state treasury. A credit union shall publish the report as a class 1 notice, under ch. 985, in the municipality, as defined in s. 985.01 (3), where the credit union is located if the credit union has assets of \$10,000,000 or more or has a membership as described in s. 186.02 (2) (b) 2. The published report shall be in the condensed form as the commissioner prescribes. Proof of publication shall be furnished to the commissioner within 45 days after the date of the report.

History: 1971 c. 193, 307; 1985 a. 325; 1987 a. 223

**186.26 Examinations.** (1) (a) At least once each year, the commissioner shall make or cause to be made an examination of the cash, bills, collaterals, securities, assets, books of account, condition and affairs of each credit union and for that purpose the commissioner or the examiners appointed by the commissioner



shall have full access to, and may compel the production of, each credit union's books, papers, securities and moneys, administer oaths to and examine each credit union's officers and agents as to their respective affairs. Special examination shall be made upon written request of 5 or more members, if those members guarantee the expense of the special examination. The refusal of any credit union to submit to an examination ordered or requested shall be reported to the department of justice for the purpose of instituting proceedings to have the charter of the credit union revoked because of the refusal.

(b) In lieu of an annual examination of a credit union under par. (a), the commissioner may accept an audit report of the condition of the credit union made by a certified public accountant not an employe of the credit union in accordance with rules promulgated by the commissioner. The cost of the audit shall be paid by the credit union. A copy of each audit under this paragraph shall be furnished to the Wisconsin credit union savings insurance corporation if the credit union's savings are protected or guaranteed by the Wisconsin credit union savings insurance corporation.

(2) If records are located outside this state, at the option of the commissioner, the credit union shall either make the records available to the commissioner at a convenient location within this state or pay the reasonable and necessary expenses for the commissioner or examiners to examine the records at the place where they are maintained. The commissioner may designate examiners, including comparable officials of the state in which the records are located, to inspect them on the commissioner's behalf. Except as provided in s. 186.113 (1m), the maintenance of any office or branch outside this state is not allowed under this chapter.

**History:** 1971 c. 307 s. 119; 1973 c. 255; 1975 c. 345, 421; 1979 c. 121, 282; 1985 a. 29, 325.

**186.27 Disclosure of information.** The commissioner, all other officers and employes of the office, and members of the review board shall keep secret all the facts and information obtained in the course of examinations, except:

(1) So far as the public duty of such person requires the person to report upon or take special action regarding the affairs of any credit union; or

(2) When called as a witness in any criminal proceeding or trial in a court of justice; or

(3) The commissioner may do any of the following:

(a) Furnish to the national board or any official or examiner of it a copy of any examination made of any credit union or of any report made by the credit union.

(b) Give access to and disclose to the national board or any official or examiner of it any information possessed by the commissioner about the conditions or affairs of any credit union whose savings are insured by the national board.

**History:** 1975 c. 345, 421; 1985 a. 29.

**186.28 Bookkeeping; forfeiture for failure to obey commissioner.** (1) A credit union shall open and keep accurate and convenient records of its transactions and accounts. If the commissioner determines that a credit union does not keep its books and accounts in a manner which enables the commissioner to readily ascertain the true condition of the credit union, the commissioner may require any officer of the credit union to open and keep such books or accounts as the commissioner may prescribe in order to remedy the deficiency.

(2) Any credit union that refuses or neglects to maintain books or accounts in the manner prescribed under sub. (1) shall be subject, upon written notification of the commissioner, to a forfeiture not to exceed \$10 for each day it is in violation. If any credit union fails or refuses to pay the forfeiture, the commissioner may institute proceedings to enforce its collection.

**History:** 1971 c. 193; 1975 c. 345, 421.

**186.29 Possession by commissioner.** (1) **CONDITIONS FOR TAKING POSSESSION** The commissioner may forthwith take possession and control of the business and property of any

credit union to which this chapter is applicable whenever the commissioner finds a credit union violating this chapter or that the credit union:

(a) Is conducting its business contrary to law; or

(b) Has violated its charter, or any law; or

(c) Is conducting its business in an unauthorized or unsafe manner; or

(d) Is in an unsound or unsafe condition to transact its business; or

(e) Has an impairment of its capital; or

(f) Cannot with safety and expediency continue business; or

(g) Has suspended payment of its obligations; or

(h) Has neglected or refused to comply with the terms of a duly issued order of the commissioner; or

(i) Has refused to submit its books, papers, records or affairs for inspection to any examiner; or

(j) Has refused to be examined upon oath regarding its affairs.

(k) Has been given notice of intent to terminate insured status by the national board.

**(1m) SUSPENSION** (a) The commissioner may suspend, for a period of up to 120 days, the business or an officer, director, committee member or employe of a credit union if the commissioner finds the existence of any condition under sub. (1) (a) to (k). The commissioner may renew a suspension under this paragraph any number of times and for periods of up to 120 days if the commissioner finds that the condition or conditions continue to exist.

(b) The commissioner shall suspend the business of a credit union, other than a corporate central credit union, if the credit union does not comply with s. 186.34 (2) (a). The commissioner shall then liquidate the credit union under this section unless the credit union files a complete application for federal share insurance from the national board within 30 days after the date the suspension under this paragraph commences. The commissioner shall authorize a credit union to resume its business if it files an application within the time period specified in this paragraph.

**(1p) POSSESSION BY COMMISSIONER** (a) *Discretionary possession.* The commissioner may take possession of the business and property of a credit union if the commissioner finds the existence of any condition under sub. (1) (a) to (k).

(b) *Mandatory possession.* The commissioner shall take possession of the business and property of a credit union that violates s. 186.34 (2) (b), unless the commissioner approves a consolidation under s. 186.31, and of a credit union that the commissioner is required to liquidate under sub. (1m) (b).

**(2) PROCEDURE ON TAKING POSSESSION.** Upon taking possession of the business and property of any such credit union the commissioner shall forthwith:

(a) Serve a notice in writing upon the president and secretary of said credit union setting forth therein that the commissioner has taken possession and control of the business and property of said credit union. Said notice shall be executed in duplicate, and immediately after the same has been served, one of the said notices shall be filed with the clerk of the circuit court of the county where said credit union is located together with proof of service.

(b) Give notice to all individuals, partnerships, corporations, limited liability companies and associations known to the commissioner to be holding or in possession of any assets of such credit union.

(c) The commissioner may appoint one or more special deputy commissioners as agent to assist in the duty of liquidation and distribution of the assets of one or more credit unions of whose business and property the commissioner shall have taken possession pursuant to the provisions of this chapter. A certificate of such appointment shall be filed in the office of the commissioner and a certified copy in the office of the clerk of the circuit court for the county in which such credit union is located. The commissioner may employ such counsel and procure such expert assistance and

advice as may be necessary in the liquidation and distribution of the assets of such credit union, and may retain such of the officers or employes of such credit union as the commissioner deems necessary. The special deputy commissioner and assistants shall furnish such security for the faithful discharge of their duties as the commissioner deems proper. Such special deputy commissioner may execute, acknowledge and deliver any and all deeds, assignments, releases or other instruments necessary and proper to effect any sale and transfer or incumbrance of real estate or personal property and may borrow money for use in the liquidation after the same has been approved by the commissioner and an order obtained from the circuit court of the county in which said credit union is located as hereinafter provided.

(d) Upon taking possession of the property and business of such credit union, the special deputy commissioner is authorized to collect all moneys due to such credit union, and do such other acts as are necessary to conserve its assets and business, and shall proceed to liquidate the affairs thereof as hereinafter provided. The special deputy commissioner shall collect all debts due and claims belonging to it, and upon a petition approved by the commissioner and upon order of the circuit court of the county in which such credit union is located, may sell or compound all bad or doubtful debts, or do any act or execute any other necessary instruments and upon like petition and order may sell all the real and personal property of such credit union on such terms as the court shall approve. Such special deputy commissioner may, if necessary, enforce individual liability of the stockholders to pay the debts of such corporation.

(3) NOTICE, ALLOWANCE AND PAYMENT OF CLAIMS. The special deputy commissioner shall cause a class 3 notice, under ch. 985, to be published, calling on all persons who may have claims against such credit union, to present the same to the special deputy commissioner and make legal proof thereof at a place and within a time, not earlier than the last day of publication, to be therein specified. The special deputy commissioner shall mail a similar notice to all persons at their last-known address, whose names appear as creditors upon the books of the credit union. Proof of service of such notice shall be filed with the clerk of said court. The special deputy commissioner may reject any claim. Any party interested may also file written objections to any claim with the special deputy commissioner and after notice by registered mail of such rejection, said claimant shall be barred unless the claimant commences an action thereon within 3 months. Claims presented after the expiration of the time fixed in the notice to creditors shall be entitled to share in the distribution only to the extent of the assets then in the hands of the special deputy commissioner equitably applicable thereto.

(4) INVENTORY OF ASSETS AND STATEMENT OF LIABILITIES. Upon taking possession of the property and assets of such credit union, the special deputy commissioner shall make an inventory of the assets of such credit union, in duplicate, one to be filed in the office of the commissioner and one in the office of the clerk of circuit court for the county in which such credit union is located. Upon the expiration of the time fixed for the presentation of claims, the special deputy commissioner shall make in duplicate a full and complete list of the claims presented, including and specifying such claims as have been rejected by the special deputy commissioner, one to be filed in the office of the commissioner, and one in the office of the clerk of circuit court for the county in which such credit union is located. Such inventory and list of claims shall be open at all reasonable times to inspection.

(5) ADJUSTMENT OF LOANS AND WITHDRAWAL VALUE OF SHARES. The value of shares pledged upon a loan to the credit union shall be applied and credited to the loan and the borrower shall be liable only for the balance. The rate of interest charged upon the balance shall be the legal rate. The value shall be determined in such manner as the commissioner prescribes, and shall be made under s. 186.30 (1) and (3), or in such other manner as the commissioner may prescribe. Upon the approval of the value

by the commissioner and the circuit court of the county in which the credit union is located, the book value of each member shall be reduced proportionately. At least 5 days' written notice of the determination of value shall be given to all shareholders of the time and place the value shall be submitted to the circuit court for approval. Approval of the circuit court shall be by an order entered under s. 807.11 (2). Any stockholder or creditor of the credit union aggrieved by the determination of value may appeal to the court of appeals.

(6) COMPENSATION AND EXPENSES IN CONNECTION WITH LIQUIDATION. The compensation of the special deputy commissioners, counsel and other employes and assistants, and all expenses of supervision and liquidation shall be fixed by the commissioner, subject to the approval of the circuit court for the county in which the credit union is located, and shall upon the certificate of the commissioner be paid out of the funds of the credit union. Expenses of supervision and liquidation include the cost of the services rendered by the office of the commissioner to the credit union being liquidated. The cost of these services shall be determined by the commissioner and paid to the office of the commissioner from the assets of the credit union as other expenses of liquidation are paid. The moneys collected by the special deputy commissioner shall be deposited in one or more central credit unions, and, in case of the suspension or insolvency of a depository, such deposits shall be preferred before all other deposits.

(7) LIQUIDATING DIVIDENDS. At any time after the expiration of the date fixed for the presentation of claims, the special deputy commissioner in charge of the liquidation of such credit union may, upon a petition approved by the commissioner and an order of the circuit court of the county in which such credit union is located, out of the funds remaining, after the payment of expenses and debts, declare one or more dividends, and may declare a final dividend, such dividend to be paid to such persons, and in such amounts as may be directed by the circuit court.

(8) TITLE PASSES TO COMMISSIONER. Immediately upon filing the notice as provided for in sub. (2), the possession of all assets and property of such credit union of every kind and nature, wherever situated shall be deemed to be transferred from such credit union to, and assumed by the commissioner; and filing of the notice mentioned herein, shall of itself, and without the execution or delivery of any instruments of conveyance, assignment, transfer or indorsement, vest the title to all such assets and property in the commissioner. Such filing shall also operate as a bar to any attachment, garnishment, execution or other legal proceedings against such credit union, or its assets and property, or its liabilities.

(9) EFFECT OF POSSESSION. No credit union shall have a lien, or charge for any payment, advance or clearance made, or liability thereafter incurred, against any of the assets of the credit union of whose property and business the commissioner shall have taken possession.

(10) APPEAL. Whenever any such credit union, whose property and business the commissioner has taken possession of, as aforesaid, deems itself aggrieved thereby, it may, at any time within 10 days after such taking, appeal to the credit union review board for relief from such possession by the commissioner. In the event the credit union review board sustains the commissioner, the said credit union may then at any time within 10 days after the decision of the credit union review board, apply to the circuit court of the county in which such credit union is located to enjoin further proceedings; and said court, after citing the commissioner to show cause why further proceedings should not be enjoined and hearing all allegations and proofs of the parties and determining the facts, may, upon the merits dismiss such application or enjoin the commissioner from further proceedings, and direct it to surrender such business and property to such credit union.

**(11) REINSTATEMENT.** Whenever the commissioner shall have taken over the possession and control of the business and property of any credit union the same may resume business when and if:

(a) The owners of at least two-thirds of such credit union dollar value of outstanding shares, execute a petition to such effect, the form of which shall be prescribed by the commissioner, and

(b) There is submitted to the commissioner by such shareholders or a committee duly selected by them, a plan for the reorganization and reinstatement of such credit union, and

(c) The commissioner recommends that control of the business and property of such credit union be returned to the shareholders, and

(d) The court in which such liquidation is pending, upon application of the commissioner, makes an order approving the commissioner's recommendations, which order shall contain a finding that such credit union will be in a safe and sound condition when control is resumed by the shareholders.

**(12) REINSTATEMENT UPON RESTRICTED BASIS.** Such credit union may also resume business upon a restricted basis, and upon such limitations and conditions as may be prescribed by the commissioner when approved by the circuit court in and for the county in which such credit union is located, upon application of the commissioner. Such restrictions and conditions may include, among others, a prohibition against the selling of new shares, reasonable restrictions upon withdrawals and the payment of other liabilities. Such credit union shall thereupon be relieved from the control and supervision of the commissioner as provided in this section, but nothing herein shall, in any manner, prohibit the commissioner from again proceeding against such credit union as provided herein.

**(13) LIQUIDATING DIVIDENDS AND UNCLAIMED FUNDS.** (a) The special deputy commissioner shall deposit unclaimed liquidating dividends and unclaimed funds remaining unpaid in the hands of the special deputy commissioner for 6 months after the order for final distribution in one or more central credit unions in the commissioner's name in trust for the shareholders and creditors of the liquidated credit union. The commissioner shall annually report to the governor and the chief clerk of each house of legislature for distribution to the legislature under s. 13.172 (2) the names of credit unions of which the commissioner has taken possession and liquidated, and the sums of unclaimed and unpaid liquidating dividends and unclaimed funds with respect to each of the credit unions respectively, including a statement of interest earned upon such funds.

(b) The commissioner may pay over the moneys so held by the commissioner to the persons respectively entitled thereto, upon being furnished satisfactory evidence of their right to the same. In case of doubt or conflicting claims, the commissioner may require an order of the circuit court authorizing and directing the payment thereof. The commissioner may apply the interest earned by the moneys so held by the commissioner towards defraying the expenses in the payment and distribution of such unclaimed liquidating dividends and funds to the stockholders and creditors entitled to receive the same.

(c) After one year from the time of the order for final distribution, the commissioner shall report and deliver to the state treasurer all unclaimed funds as provided in ch. 177. All claims subsequently arising shall be presented to the commissioner. If the commissioner determines that any claim should be allowed, he or she shall certify to the department of administration the name and address of the person entitled to payment and the amount thereof and shall attach the claim to the certificate. The department of administration shall certify the claim to the state treasurer for payment.

**History:** 1971 c. 193 ss. 35, 36, 42 (1), (2); 1971 c. 307; 1977 c. 187; 1983 a. 219, 369, 408, 524, 538; 1985 a. 29; 1987 a. 27; 1993 a. 112, 482.

**Cross-reference:** See Chap. 177 for disposition of unclaimed funds.

**Judicial Council Note, 1983:** The last sentence of sub. (5) is amended by repealing the appeal deadline of 15 days after the mailing of notice for greater uniformity.

An appeal must be initiated within the time specified in s. 808.04 (1), stats. [Bill 151-S]

**186.30 Readjustment in other cases.** (1) Whenever from an examination or report, it shall appear to the commissioner that the capital of any credit union is impaired, or may in the near future become impaired, the commissioner may, with the approval of the credit union review board, issue an order to such credit union, requiring the directors to forthwith appoint subject to the approval of the commissioner 3 competent persons, not members of such credit union, who shall appraise such property owned by, or upon which such credit union has a loan or judgment, as the commissioner shall designate. The appraisers so appointed and approved shall appraise and fix the current market value of all such property as aforesaid and report their findings to the commissioner and the directors. The value as found by such appraisers shall be the value from which all losses shall be determined.

(2) Whenever the commissioner finds that the losses existing, or which it may reasonably be anticipated will be sustained in the near future, are more than two-thirds of the amount in the regular reserve of the credit union, the commissioner may, with the approval of the review board, issue an order to such credit union, which order shall provide that no further dividends be credited or paid and no moneys paid out for retiring shares, whether noticed for withdrawal, until the commissioner otherwise orders.

(3) After the commissioner shall have determined the losses existing or which the commissioner shall determine may reasonably be sustained in the near future, the commissioner shall issue an order providing that the book value of each share be depreciated as stated in such order, the officers shall forthwith proceed to depreciate the book value of all shares as ordered. A record shall be made on the books showing the amount by which the book value of the shares was depreciated, and a copy of such record shall be filed with the commissioner.

(4) Any borrowing member may, after the book value of the member's shares shall have depreciated as provided in sub. (3), pay to the credit union the difference between the withdrawal value of the member's shares as depreciated, and the amount due on the member's loan, and the member's note and other securities shall thereupon be released.

(5) The directors may, with the approval of the commissioner, make share loans to members upon such terms and conditions as the commissioner may order, but such loans shall be for provident purposes only and not more than \$100 shall be loaned to any one member in any one month.

(6) The directors shall give notice by mail to each member, stating in such notice that the book value of the member's shares has been depreciated, the date when such book value was depreciated and the book value of the member's shares after such depreciation. The mailing of such notice to the last-known place of abode as shown on the records of the credit union shall be a compliance with this subsection.

(7) The directors may, with the approval of the commissioner, sell, lease, transfer, exchange and convey any of the property of the credit union, and upon their order the proper officers shall execute and deliver such deeds, leases, assignments, bills of sale and such other transfers and conveyances as are necessary to dispose of such property as herein provided.

(8) The directors may compromise and settle any claim, demand or judgment which is a part of the assets of the credit union, but no compromise of any claim, demand or judgment shall be made except upon express consent of the commissioner.

(9) The commissioner shall prescribe reasonable rules and regulations not inconsistent with laws for the operation of credit unions operating as provided in this section.

(10) Except as otherwise provided in this section, such credit union shall be operated as provided in this chapter.

(11) The directors shall make no disbursements or contract to make disbursements for salaries, compensation, fees or any other item of expense, nor retire shares, nor pay or declare dividends during the time such credit union is operating as provided in this section without the approval of the commissioner.

History: 1971 c. 307 ss. 81, 119; 1993 a. 482.

**186.31 Consolidation of credit unions.** (1) Any credit union, which is in good faith winding up its business for the purpose of consolidating with some other credit union, may transfer its assets and liabilities to the credit union with which it is in the process of consolidation; but no consolidation may be made without the consent of the commissioner, and not then to defeat or defraud any of its creditors in the collection of debts against such credit union. No consolidation may be carried out without the consent of the Wisconsin credit union savings insurance corporation if it protects or guarantees the accounts of any credit union participating in the consolidation, or the national board if it insures the shares of any credit union participating in the consolidation.

(2) With the approval of the commissioner credit unions may consolidate. To effect a consolidation, the board of directors of each consolidating union shall, by resolution, propose a specific plan for consolidation which shall be agreed to by a majority of the board of each credit union joining in the consolidation and directing that the proposed plan of consolidation be submitted to a vote at a meeting of members of the credit unions being absorbed which may be either an annual or a special meeting. Written notice of the meeting setting forth the proposed plan of consolidation or a summary shall be given to each member of the credit unions being absorbed within the time and in the manner provided for the giving of notice of meetings of members of the credit union. The proposed plan shall be adopted upon receiving a majority of the votes entitled to be cast by members present at the meeting.

(3) The credit union consolidating with another credit union under the subs. (1) and (2) shall not be required to go into liquidation but its assets and liabilities shall be reported by the credit union with which it has consolidated, and all the rights, franchises and interests of said credit union so consolidated in and to any species of property, personal and mixed, and choses in action thereto belonging, shall be deemed to be transferred, and the said consolidated credit union shall hold and enjoy the same and all rights of property, franchises and interest in the same manner and to the same extent as was held and enjoyed by the credit union so consolidated therewith; and the members or shareholders of such absorbed credit union shall without any further act on their part be members and shareholders of such consolidated credit union and be subject to all rights, privileges and duties as provided for in the bylaws of the credit union which has so absorbed their credit union.

History: 1971 c. 193; 1977 c. 152; 1985 a. 29

**186.314 Conversion.** A credit union chartered under this chapter may be converted to a federal credit union by complying with the following:

(1) The proposition for a conversion shall first be approved by unanimous recommendation of the directors of the credit union. The directors shall set a date for a vote by the members on the conversion. Written notice specifying the reason for conversion and the date set for the vote shall be delivered in person or mailed to each member at the address for such member appearing on the records of the credit union, not more than 30 nor less than 7 days prior to such date. A majority of the members voting, in person or in writing, may approve the proposition for conversion, provided not more than 15 members or 10% of the total membership, whichever is greater, by written notice, object.

(2) A statement of the results of the vote, verified by the affidavits of the president or vice president and the secretary, shall be filed with the office of the commissioner within 10 days after the vote is taken.

(3) Promptly after the vote is taken and in no event later than 90 days thereafter, if the proposition for conversion was approved by such vote, the credit union shall take such action as may be necessary under the federal law to make it a federal credit union, and within 10 days after receipt of the federal credit union charter, there shall be filed with the office of the commissioner a copy of the charter thus issued. Upon such filing, the credit union shall cease to be a state credit union.

(4) Upon ceasing to be a state credit union, such credit union shall no longer be subject to this chapter. The successor federal credit union shall be vested with all the assets and shall continue to be responsible for all of the obligations of the state credit union, including annual and special assessments levied under s. 186.35 (5) (d) prior to the date a copy of the federal credit union charter is filed with the commissioner, to the same extent as though the conversion had not taken place.

History: 1971 c. 193; 1985 a. 29

**186.315 Charter cancellation.** Upon completion of a voluntary liquidation as provided in s. 186.18, or upon completion of the liquidation in cases under s. 186.29, or after the assets and liabilities of a credit union are transferred to another credit union for the purpose of consolidation as provided in s. 186.31 (3), the commissioner shall forthwith cancel the charter of the credit union or credit unions liquidated or absorbed in consolidation without any other or further notice to said credit union or to any person. A certified copy of the order or certificate of the commissioner shall be recorded with the register of deeds of the county where said credit union is located. The register of deeds shall note on the margin of the record of the articles of incorporation of said credit union the volume and page where said order or certificate canceling its charter is recorded and shall be entitled to a fee of 50 cents therefor. In case of voluntary liquidation under s. 186.18 or consolidation under s. 186.31, the credit union shall record the order or certificate of the commissioner and pay the fee therefor. In case of liquidation under s. 186.29, the commissioner or special deputy commissioner as therein provided shall record the order or certificate of the commissioner and pay the fee therefor out of the assets of the credit union as an expense of liquidation.

History: 1971 c. 193 s. 42 (1)

**186.32 Central credit unions.** (1) Central credit unions may be organized and operated under the conditions and provisions of this chapter and subject to all of the provisions of this chapter not inconsistent herewith. It shall be lawful for other credit unions located in this state and any other state to become members of corporate central credit unions. Credit unions having membership in a central credit union may be represented at annual or special meetings of the central credit union by one member duly authorized by the board of directors of such member credit union and shall be entitled to one vote, and such representative shall be eligible for office in the central credit union the same as though the representative were a member of the central credit union.

(2) A central credit union may pay to the accounts of member credit unions dividends on a basis other than that required by this section for other members of a central credit union. Dividends paid under this section shall be considered a normal operating expense of the central credit union's operation and rates of such dividends and terms of payment may be established and guaranteed in advance by action of the central credit union's board of directors.

History: 1971 c. 193; 1979 c. 282; 1981 c. 5; 1993 a. 482

**186.33 Other powers.** Credit unions may engage in the business and functions provided for in s. 218.05 and ch. 217 for their members upon receiving a certificate of authority from the commissioner. The certificate of authority shall be issued by the commissioner upon application of a credit union whenever the commissioner finds that the credit union has adequate clerical facilities and has provided for the keeping of adequate accounts and for the segregation of funds used in carrying on the business

of issuing their own credit union money orders. The applicants shall meet the same requirements as other applicants under ch. 217, but no investigation fee may be charged of credit union applicants. The commissioner may revoke a certificate of authority following a hearing held upon 10 days' notice to the credit union for any reason which would have justified the rejection of an application or on the ground that the continued operation of the business threatens the solvency of the credit union.

History: 1971 c. 193 s. 42 (1); 1971 c. 307; 1977 c. 152

**186.34 Federal share insurance. (1)** No credit union organized under this chapter on or after July 20, 1985, may accept any deposit from any person other than an incorporator before the credit union has received a certificate of share insurance issued by the national board.

(2) (a) Every credit union organized under this chapter prior to July 20, 1985, except a corporate central credit union, shall file a complete application for federal share insurance from the national board not later than January 18, 1986. The commissioner shall suspend the business of or liquidate any credit union that fails to comply with this paragraph under s. 186.29 (1m) (b).

(b) Every credit union incorporated under this chapter prior to July 20, 1985, except a corporate central credit union, shall obtain a certificate of insurance issued by the national board within 54 months after July 20, 1985. The commissioner may extend for a period not to exceed 12 months the date by which a credit union must obtain a certificate of insurance upon satisfactory evidence that the credit union has made or is making a substantial effort to satisfy the conditions precedent to issuance of the certificate of insurance. Unless the commissioner approves a consolidation under s. 186.31, the commissioner shall liquidate under s. 186.29 any credit union that fails to comply with this paragraph.

(c) Within 42 months after July 20, 1985, a corporate central credit union shall either obtain a certificate of insurance from the national board or shall voluntarily terminate share protection or guarantee coverage by the Wisconsin credit union savings insurance corporation under s. 186.35 (10) (a).

(3) The commissioner shall give the Wisconsin credit union savings insurance corporation written notice of all of the following:

(a) The name of each credit union liquidated under s. 186.29 for failure to comply with sub. (2) (a) or (b), after the charters of all such credit unions have been canceled.

(am) The name of each credit union consolidated under s. 186.31 because it did not comply with sub. (2) (b), after the charters of all such credit unions have been canceled.

(b) That all other credit unions have complied with sub. (2).

(4) Every credit union that receives a certificate of insurance from the national board shall file a copy of the certificate with the commissioner within 30 days after the credit union receives the certificate. Every credit union organized under this chapter prior to July 20, 1985, that receives a certificate of insurance from the national board shall also file a copy of the certificate with the Wisconsin credit union savings insurance corporation within 30 days after receipt of the certificate.

(5) Notwithstanding any other provision of this chapter, every credit union, other than a corporate central credit union, shall take, and a corporate central credit union may take, every action lawfully required to maintain federal share insurance coverage in full force and effect, and shall refrain or desist from taking any action that is likely to cause termination of federal share insurance coverage.

History: 1985 a. 29; 1987 a. 27

**186.35 Wisconsin credit union savings insurance corporation. (1) ORGANIZATION** The Wisconsin credit union savings insurance corporation, a nonprofit corporation, hereinafter referred to as the "corporation", shall be organized within one year after February 14, 1970, by the authorized representatives of not less than 9 credit unions chartered and existing under

this chapter. The articles of incorporation shall require the approval of the commissioner, and shall be filed with the commissioner and recorded with the register of deeds of the county in which the principal office of the corporation is located. Amendments to the articles, adopted by a vote of two-thirds of the member credit unions present at an annual meeting or a special meeting called for that purpose, shall be filed with the commissioner upon payment of a fee of \$5 and if approved by the commissioner shall become effective upon being recorded in the office of the register of deeds in the same manner as the original articles. This corporation shall be under the exclusive supervision of the commissioner.

(2) **PURPOSES.** The general purposes of the corporation shall be to:

(a) Aid and assist any member credit union which develops financial difficulties such as insolvency, nonliquidity or liquidation, in order that the savings and deposits of each member of a member credit union and each public depositor shall be protected or guaranteed. The corporation shall protect or guarantee each account in a member credit union to the extent the funds in the account do not exceed the greater of \$100,000 or the amount of deposit protection or guaranty provided for the benefit of a depositor in any other financial institution authorized to do business in this state.

(b) Cooperate with its member credit unions and the office of the commissioner for the purpose of improving the general welfare of credit unions in this state.

(3) **POWERS.** If any of the powers in this section conflicts with any other provision of this chapter, this section controls. The corporation may:

(a) Make contracts.

(b) Sue and be sued.

(c) Adopt, use and display a corporate seal.

(d) Advance funds to aid member credit unions to operate and to meet liquidity requirements.

(e) Assist in the orderly liquidation of credit unions.

(f) Receive money or property from its member credit unions, or any corporation, association or person.

(g) Invest its funds in bonds, notes or securities of the federal government or its agencies, and such other investments as are deemed prudent by the trustees but these other investments shall not exceed 50% of the outstanding capital of the corporation.

(h) Borrow money from any source, upon such terms and conditions as the trustees determine, for the purpose of this section.

(i) Purchase in its own name, hold and convey real and personal property.

(j) Receive by assignment or purchase, from its member credit unions, any notes, mortgages, real estate, securities and other assets owned by those member credit unions.

(k) Sell, assign, mortgage, encumber or transfer any notes, mortgages, real estate, securities and other assets.

(m) Adopt and amend bylaws, rules and regulations for carrying out the purposes of this section.

(n) As determined by the trustees, declare and pay dividends in cash or property to its members, except that the corporation may not declare or pay a dividend unless the commissioner has approved the dividend.

(3m) **PROHIBITED USE OF FUNDS.** Notwithstanding subs. (2) and (3) (d), none of the corporation's funds may be used to assist member credit unions to meet the eligibility requirements for obtaining a certificate of federal share insurance under s. 186.34, unless the commissioner determines all of the following:

(a) The expenditure will enable a member credit union to obtain federal share insurance.

(b) The failure to use the corporation's funds to assist a member credit union to obtain federal share insurance will result in greater subsequent expenditures by the corporation.



**(4) USE OF NAME.** This corporation shall have the sole right to the use of the name "Wisconsin Credit Union Savings Insurance Corporation"

**(5) MEMBERSHIP.** (a) All credit unions and corporate central credit unions operating and existing under this chapter prior to July 20, 1985, shall be members of the corporation. No credit union organized under this chapter or any other law may become a member of the corporation after July 20, 1985.

(b) The corporation shall bill and collect from all members a membership fee of \$5 or 0.5% of the share capital of each member, whichever is greater. When paid, the membership fee shall be a charge to the member's regular reserve or may be established as a prepaid asset, to be charged against its regular reserve over a period of 5 years.

(d) 1. A regular annual assessment, not to exceed 0.1% of the member's savings capital, including public funds deposited in the credit union, shall be levied by the trustees against each member whose savings are protected or guaranteed by the corporation. The member's savings capital as of December 31 shall be the basis for calculating the annual assessment due the ensuing year. The trustees shall determine the date the annual assessment is due and payable. Each annual assessment and any special assessment paid by the member under subd. 2. shall be a charge to its regular reserve.

2. In the event of the potential impairment of the corporation's capital, special assessments may be levied against all member credit unions by the trustees with the approval of the commissioner. The trustees shall determine the total amount of any special assessment, and each member shall be liable to the corporation for a fraction of the total special assessment. Each member's fractional share of a special assessment shall be determined under sub. (12).

(e) A member's membership fee to the corporation shall be considered part of its regular reserve for the purpose of determining its compliance with ss. 186.11 (2) (b) and 186.17.

(f) The trustees may reduce or waive the annual assessment when the total funds in this corporation equal an amount which is mutually agreed upon by the trustees and the commissioner.

**(6) TRUSTEES.** The corporation's business shall be conducted by not less than 7 trustees elected by the members in accordance with the bylaws.

**(7) SUPERVISION OF CORPORATION.** The corporation shall be subject to supervision and an annual examination by the office of the commissioner. The cost of each examination shall be paid by the corporation.

**(8) EXAMINATIONS OF CREDIT UNIONS.** The office of the commissioner shall promptly forward to the corporation copies of examination reports of all members. The cost of these copies shall be paid by the corporation. If the trustees of the corporation ascertain evidence of carelessness, unsound practices or mismanagement of any member or if the trustees determine that the activities of any member may jeopardize any of the corporation's assets, the trustees or their designees may require the member to disclose its operational policies and procedures, and may recommend appropriate corrective measures to the member. If the trustees determine that the carelessness, unsound practices or mismanagement is not promptly corrected or that the threat to the corporation's assets has not been removed, the trustees may make appropriate recommendations to the commissioner, including the recommendation that the member be liquidated or consolidated.

**(9) BYLAWS.** The incorporators shall subscribe and submit to the commissioner, for approval, the bylaws and any amendments thereto under which the corporation shall operate. These bylaws may be amended at any regular or special meeting of the trustees or any annual or special meeting of the corporation.

**(10) TERMINATION OF PROTECTION OR GUARANTY.** (a) The accounts of every credit union, including a corporate central credit union, that is a member of the corporation on July 20, 1985, and receives a certificate of insurance under s. 186.34 shall cease to be

protected or guaranteed by the corporation on the effective date of the certificate. A corporate central credit union may voluntarily terminate protection or guarantees of its accounts by the corporation by filing with the trustees a resolution duly adopted by the corporate central credit union's board of directors. The accounts of a corporate central credit union that files a resolution under this paragraph shall cease to be protected or guaranteed by the corporation on the date the resolution is filed.

(b) Within 90 days after the date a credit union's accounts cease to be protected or guaranteed under par. (a), the corporation shall refund to the credit union the membership fee paid by the credit union and a prorated portion of any regular annual assessment paid by the credit union for the calendar year in which the credit union's membership terminated. The proration shall be based on the number of full calendar months remaining in the calendar year after the date of termination.

(c) If a credit union which is entitled to a refund of its membership fee under par. (b) consolidates under s. 186.31 with another credit union before the refund is paid, the corporation shall pay to the surviving credit union the membership fee paid by the absorbed credit union.

**(11) LIQUIDATION OF THE CORPORATION.** (a) Within 30 days after receipt of written notice from the commissioner under s. 186.34 (3), the corporation shall publish a class 3 notice, under ch. 985, requiring all persons who have claims against the corporation to file proof of their respective claims at a place and by a date not earlier than 30 days after the last insertion of the notice. Proof of publication shall be filed with the clerk of the circuit court. Notwithstanding any other law, any claim for which no proof of claim is filed by the date fixed in the notice is barred. Within 30 days after the last date for filing claims, the corporation shall give notice by registered or certified mail to each claimant if the corporation denies all or any part of the claimant's claims. Any claim for which notice of complete or partial denial is duly mailed is barred unless the claimant commences an action within 90 days after the date of mailing of the notice.

(b) Within 30 days after the termination of the period for commencing actions under par. (a), the trustees shall determine the amount reasonably necessary to pay all of the corporation's outstanding, lawful liabilities and to pay the expenses of winding up the corporation's affairs. Upon receiving the approval of the commissioner, the corporation shall set aside the amount approved by the commissioner and shall immediately distribute all of the remaining assets of the corporation, subject to par. (c). The corporation may make other subsequent distributions, subject to par. (c) if any additional surplus is realized. Any surplus remaining after the corporation has been dissolved shall be distributed, subject to par. (c).

(c) Distributions under par. (b) shall be limited exclusively to credit unions that are members of the corporation operating under this chapter on the date that the corporation authorizes each distribution. Each member's share of a distribution under par. (b) shall be determined under sub. (12) or (12m).

**(12) COMPUTATIONS.** Except as provided in sub. (12m), each member credit union's fractional share of liquidating distributions under sub. (11) and special assessments under sub. (5) (d) 2 shall be calculated as follows:

(a) Except as provided in par. (c), the numerator of the fraction shall be the total of all annual and special assessments paid to the corporation by the member, reduced by any refund to the member of a prorated portion of an annual assessment under sub. (10) (b) and by any amounts paid to the member by the corporation as a protection or guaranty of any account in the member credit union, other than an account transferred to the member credit union as a result of a consolidation or liquidation of another credit union.

(b) The denominator of the fraction shall be the total of all annual and special assessments paid by all members participating in the distribution or special assessment.

(c) 1. The numerator of the fraction under par. (a) for a corporate central credit union shall include all annual and special assessments paid to the corporation in the name of a predecessor credit union that are attributable to deposits in the predecessor credit union by other credit unions organized under this chapter or any other law.

2. The numerator of the fraction under par. (a) for a credit union that is the predecessor of a corporate central credit union under subd. 1. shall exclude all annual and special assessments paid to the corporation in the name of the predecessor credit union that are attributable to deposits in the predecessor credit union by other credit unions organized under this chapter or any other law.

**(12m) COMPUTATION OF LIQUIDATING DISTRIBUTIONS IF MEMBER CREDIT UNIONS CONSOLIDATED.** If a member credit union consolidates under s. 186.31 with a credit union which is a member of the corporation and operating under this chapter on the date that the corporation authorizes a distribution under sub. (11), the surviving credit union's fractional share of liquidating distributions under sub. (11) is calculated as follows:

(a) The numerator of the fraction shall be the total of all annual and special assessments paid to the corporation by the surviving credit union and the absorbed credit union, reduced by all of the following:

1. Refunds to the surviving credit union and the absorbed credit union of a prorated portion of an annual assessment under sub. (10) (b).

2. Any funds paid to the surviving credit union or the absorbed credit union by the corporation to aid the credit union in qualifying for federal share insurance.

(b) The denominator of the fraction shall be the total of all annual and special assessments paid by all members participating in the distribution.

**(13) LIMITATIONS ON ACTIONS.** Notwithstanding any other law, the corporation is immune from any claim by any person if the claim relates primarily to protection or guarantees of accounts in a member credit union and arises after the effective date of a certificate of insurance obtained by the member credit union under s. 186.34.

**History:** 1971 c. 136; 1971 c. 193 ss. 40, 42 (1), (2), (4), (5); 1971 c. 307 ss. 83, 119; 1975 c. 14, 15, 16, 199; 1979 c. 34, 282; 1981 c. 5, 156; 1981 c. 390 s. 252; 1981 c. 391; 1983 a. 368; 1983 a. 369 ss. 20, 21, 25; 1983 a. 538; 1985 a. 25, 29; 332; 1987 a. 27, 120, 322; 1993 a. 301.

The Wisconsin credit union share insurance corporation does not have authority unilaterally to regulate the credit union industry of this state. 64 Atty. Gen. 7.

Corporation can make grants to member credit unions as necessary to meet federal insurance eligibility requirements. Commissioner may require such grants on a case-by-case basis. 74 Atty. Gen. 241.

**186.36 Sale of insurance in credit unions.** Any agent who is an officer or employe of a credit union may pay the whole or any part of the agent's commissions from the sale of credit life insurance or credit accident and sickness insurance to the credit union.

**History:** 1973 c. 243; 1993 a. 482.

**186.37 Immunity of commissioner.** The commissioner of credit unions shall not be subject to any civil liability or penalty, nor to any criminal prosecution, for any error in judgment or discretion made in good faith and upon reasonable grounds in any action taken or omitted by the commissioner in the commissioner's official capacity under this chapter.

**History:** 1971 c. 193; 1993 a. 482.

**186.38 American share deposit guarantee corporation. (1) DEFINITIONS.** In this section:

(a) "Corporation" means the American share deposit guarantee corporation.

(b) "State credit union share or deposit corporation" means any state or regional credit union share or deposit insurance or guarantee corporation that is insuring or guaranteeing credit union share or deposit accounts against loss.

**(2) ORGANIZATION.** The corporation may be organized under this section by the authorized representatives of one or more credit union share or deposit corporations. The articles of incorporation shall require the approval of the commissioner and shall be filed with the commissioner and recorded with the register of deeds of the county in which the principal office of the corporation is located. Amendments to the articles, adopted by a vote of two-thirds of the voting shares represented at an annual meeting or at a special meeting called for that purpose, shall be filed with the commissioner upon payment of a fee of \$5 and if approved by the commissioner shall become effective upon being recorded in the office of the register of deeds in the same manner as the original articles. This corporation shall be under the exclusive supervision of the commissioner under sub. (9) and the commissioner shall, with the approval of the credit union review board, fix and assess the corporation a fair amount for such supervision and examination of the corporation.

**(3) PURPOSES.** The general purposes of the corporation shall be to:

(a) Preserve and strengthen the systems of state chartering of credit unions.

(b) Aid and assist state credit union share or deposit corporations.

(c) Cooperate with state credit union share or deposit corporations and the credit union supervisory authorities in their respective states for the purpose of providing financial stability for state chartered credit unions.

**(4) POWERS.** If any of the powers in this subsection conflict with other provisions in this chapter, the powers granted in this subsection shall prevail. The corporation may:

(a) Incur obligations for and participate in losses to member state credit union share or deposit corporations resulting from their services to their member credit unions and advance funds to aid member state credit union share or deposit corporations to operate and meet liquidity requirements.

(b) Make contracts.

(c) Assist in the liquidation of credit unions with the cooperation of appropriate supervisory authorities.

(d) Sue and be sued.

(e) Adopt, use and display a corporate seal.

(f) Receive money or property.

(g) Invest its funds in excess of those used for its services as follows:

1. In bonds, notes, or securities of the federal government or its agencies, or other evidences of indebtedness of any county, city, town, village, school district, or of any other subdivision within the United States or the District of Columbia, which are a direct obligation of the county, city, town, village, school district, or other subdivision issuing the same.

2. Not more than 10% of such funds in other categories of investments as are deemed prudent under the "prudent person rule" of s. 881.01 by the board of directors.

(h) Make arrangements and commitments for additional sources of financial liquidity from the U.S. government, any state government, their agencies or private organizations.

(i) Borrow money from any source, upon such terms and conditions as the board of directors determines.

(j) Purchase in its own name, hold and convey real and personal property.

(k) Receive by assignment or purchase, any notes, mortgages, real estate, securities and other assets owned by state credit union share or deposit corporations.

(L) Sell, assign, mortgage, encumber or transfer any notes, mortgages, real estate, securities and other assets.

(m) Declare dividends for its stockholders.

(n) Have and exercise all powers necessary or convenient to effect its purposes including such other powers as set forth in ch. 180 which are not in conflict with this subsection.

(5) **MEMBERSHIP.** Any state credit union share or deposit corporation may become a member of the corporation upon approval of the board of directors. Authority is hereby granted for the Wisconsin credit union savings insurance corporation to become a member of and to purchase reinsurance from the corporation.

(a) The corporation shall bill and collect from each member state credit union share or deposit corporation a membership fee of one-tenth of one percent of the outstanding credit union shares and deposits, as of December 31 of the year prior to membership, of those credit unions guaranteed or insured by such state credit union share or deposit corporation. The corporation shall annually declare and collect additions to the membership fee so that the fee of any member never is less than one-tenth of one percent of the outstanding credit unions shares and deposits of its insured credit unions. This membership fee shall be received by the corporation as capital for which capital stock shall be issued as provided in the articles of incorporation or bylaws. The membership fee or a portion thereof of each then existing member state credit union share or deposit corporation will be proportionately refunded when the unencumbered capital of the corporation exceeds 2% of the aggregate total outstanding credit union shares and deposits of those credit unions guaranteed or insured by all such members, but no such refund shall reduce the unencumbered capital of the corporation below 2%.

(b) In addition to the membership fee under par. (a), the corporation shall make periodic assessments, but not more often than annually, on each member state credit union share or deposit corporation based on the services provided to such member and other risk factors involved in insuring such member, as set forth in the corporation bylaws.

(c) The terms of withdrawal from membership and restrictions on sale of capital stock shall be as prescribed in the articles of incorporation as approved by the commissioner, and such terms shall be binding on all members and shareholders.

(6) **SHAREHOLDERS.** Any state credit union share or deposit corporation which becomes a member of the corporation shall become a shareholder of the corporation.

(7) **RESERVES.** The corporation shall maintain reserves for its liabilities, including contingent liabilities, and the commissioner shall have authority to order a change in reserves if the commissioner deems them to be unacceptable.

(8) **BOARD OF DIRECTORS.** The corporation's business shall be conducted by the initial board of directors named in the articles of incorporation who shall serve until the first shareholders' meeting of the corporation, at which time not less than 7 members of the board of directors shall be elected by the stockholders of the corporation in accordance with the articles or bylaws.

(9) **SUPERVISION OF CORPORATION.** The corporation shall be subject to supervision and an annual examination by the office of the commissioner, who may invite participation by credit union supervisory authorities from other states.

(10) **EXAMINATIONS.** The office of the commissioner shall promptly forward to the corporation a copy of its examination report of the Wisconsin credit union savings insurance corporation, if it becomes a member of the corporation, and shall cooperate with the corporation in obtaining similar examination reports from other state credit union supervisory authorities where member state credit union share or deposit corporations are domiciled.

(11) **BYLAWS.** The board of directors shall subscribe and submit to the commissioner, for filing and approval, the bylaws and any amendments thereto under which the corporation shall operate. These bylaws may be amended at any regular or special meeting of the board of directors or at any annual or special meeting of the shareholders.

History: 1975 c. 13, 198, 199, 200; 1985 a. 29; 1993 a. 301

### 186.41 Interstate acquisition and merger of credit unions. (1) DEFINITIONS. In this section:

(a) "In-state credit union" means a credit union having its principal office located in this state.

(b) "Merger" includes consolidations under s. 186.31.

(c) "Regional credit union" means a state or federal credit union that has its principal office located in one of the regional states.

(d) "Regional states" means the states of Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri and Ohio.

(2) **IN-STATE CREDIT UNION.** (a) An in-state credit union may do any of the following:

1. Acquire an interest in, or some or all of the assets and liabilities of, one or more regional credit unions.

2. Merge with one or more regional credit unions.

(b) An in-state credit union proposing any action under par. (a) shall provide the commissioner a copy of any original application seeking approval by a federal agency or by an agency of the regional state and of any supplemental material or amendments filed in connection with any application.

(3) **REGIONAL CREDIT UNIONS.** Except as provided in sub. (4), a regional credit union may do any of the following:

(a) Acquire an interest in, or some or all of the assets of, one or more in-state credit unions.

(b) Merge with one or more in-state credit unions.

(4) **LIMITATIONS.** A regional credit union may not take any action under sub. (3) until all of the following conditions have been met:

(a) The commissioner finds that the statutes of the regional state in which the regional credit union has its principal office permit in-state credit unions to both acquire regional credit union assets and merge with one or more regional credit unions in the regional state.

(b) The commissioner has not disapproved the acquisition of in-state credit union assets or the merger with the in-state credit union under sub. (5).

(c) The commissioner gives a class 3 notice, under ch. 985, in the official state newspaper, of the application to take an action under sub. (3) and of the opportunity for a hearing and, if at least 25 residents of this state petition for a hearing within 30 days of the final notice or if the commissioner on his or her motion calls for a hearing within 30 days of the final notice, the commissioner holds a public hearing on the application, except that a hearing is not required if the commissioner finds that an emergency exists and that the proposed action under sub. (3) is necessary and appropriate to prevent the probable failure of an in-state credit union that is closed or in danger of closing.

(d) The commissioner is provided a copy of any original application seeking approval by a federal agency of the acquisition of in-state credit union assets or of the merger with an in-state credit union and of any supplemental material or amendments filed with the application.

(e) The applicant has paid the commissioner a fee of \$1,000 together with the actual costs incurred by the commissioner in holding any hearing on the application.

(f) With regard to an acquisition of assets of an in-state credit union that is chartered on or after May 9, 1986, the in-state credit union has been in existence for at least 5 years before the date of acquisition.

(5) **STANDARDS FOR DISAPPROVAL.** The commissioner may disapprove of any action under sub. (3) if the commissioner finds any of the following:

(a) Considering the financial and managerial resources and future prospects of the applicant and of the in-state credit union concerned, the action would be contrary to the best interests of the members of the in-state credit union.

(b) The action would be detrimental to the safety and soundness of the applicant or of the in-state credit union concerned, or to a subsidiary or affiliate of the applicant or of the in-state credit union.

(c) Because the applicant, its executive officers or directors have not established a record of sound performance, efficient management, financial responsibility and integrity, the action would be contrary to the best interests of the creditors, members or other customers of the applicant or of the in-state credit union or contrary to the best interests of the public.

(cg) The applicant has failed to provide adequate and appropriate services of the type contemplated by the community reinvestment act of 1977 to the communities in which the applicant is located.

(cr) The applicant has failed to propose to provide adequate and appropriate services of the type contemplated by the community reinvestment act of 1977 in the community in which the in-state credit union which the applicant proposes to acquire or merge with is located.

(ct) The applicant has failed to enter into an agreement prepared by the commissioner to comply with laws and rules of this state regulating consumer credit finance charges and other charges and related disclosure requirements, except to the extent preempted by federal law or regulation.

(d) Any of the conditions under sub. (4) (a), (c), (d), (e) or (f) has not been met.

(e) The applicant fails to meet any other standards established by rule of the commissioner.

**(5m) BRANCHING NOT LIMITED** This section does not limit branching authority under s. 186.113 (1m).

**(6) APPLICABILITY** (a) Subsections (1) to (5) do not apply prior to January 1, 1987, except that the commissioner may promulgate rules under sub. (5) (e) to be applicable no earlier than the date that subs. (1) to (5) apply.

(b) Subsections (1) to (5) apply as of the date, not earlier than January 1, 1987, that 3 regional states, at least 2 of which shall be

from among the states of Illinois, Indiana, Iowa, Michigan and Minnesota, permit in-state credit unions to both acquire regional credit union assets and merge with one or more regional credit unions in those regional states.

**(7) WHEN INVALIDATED.** If any part of subs. (1) to (5) is held to be unconstitutional, then all of subs. (1) to (5) shall be invalid.

**(8) DIVESTITURE** Any credit union that has acquired assets of or merged with an in-state credit union under sub. (2) or (3) and that ceases to be an in-state credit union or regional credit union shall immediately notify the commissioner of the change in its status and shall, as soon as practical and, in any case, within 2 years after the event causing it to no longer be one of these entities, divest itself of control of any interest in the assets or operations of any in-state credit union. A credit union that fails to immediately notify the commissioner is liable for a forfeiture of \$500 for each day beginning with the day its status changes and ending with the day notification is received by the commissioner.

History: 1985 a 325, 332.

**186.52 Customer access to appraisals.** If requested by an individual who is a customer, loan applicant or credit applicant, a financial institution, as defined in s. 705.01 (3), shall provide that individual with a copy of any written appraisal report which is held by the financial institution, which relates to residential real estate that the individual owns or has agreed to purchase and for which a fee is imposed.

History: 1991 a 78.

**186.53 Customer access to credit reports.** If requested by an individual who is a customer, loan applicant or credit applicant, a financial institution, as defined in s. 705.01 (3), shall provide that individual, at no additional charge, with a copy of any written credit report which is held by the financial institution, which relates to that individual and for which a fee is imposed.

History: 1993 a 425.