

ARIZONA CREDIT UNIONS

Not-for-Profit. Cooperative. Local. Trusted.

Section-by-Section Summary

6-501. Definitions

6-501(4) Updates the definition of credit union to reflect that their purpose also includes “assisting members to manage and control their financial resources to improve their social and economic condition.”

6-501(10): Remove the term “equivalent” in the definition for “insuring organization” to ensure that the state regulator has the authority to approve private insurance. This does not automatically authorize private insurance.

6-506 Organization procedure

6-506(C)(1) Clarifies that a credit union membership can consist of more than one common bond. This is already allowed but is a technical change to clean up the language.

6-510. Principal place of business; branch office; automated teller machine

6-510(C) Removes requirement that a credit union must notify DIFI at least 30-days before establishing an ATM.

6-512. Fiscal year

Removes entire section to allow credit unions the ability to decide their own fiscal year. This flexibility would have saved credit union with the implementation of CECL. This flexibility could save money by not requiring them to auditors/accountant firms during peak times.

6-516. General powers

6-516(A)(6) Clarifies that a credit union can purchase assets from any in or out-of-state financial institution.

6-516(A)(7) Replaces “business” with “purpose” to better align with language that is used in the definition of “credit union” in 6-501(4)

6-516(A)(8) Removes reference to “Arizona credit union league” which no longer exists and clarifies that credit unions can join any associations or organizations.

6-522. Organization members

6-522(A) Clarifies that a credit union membership is not just limited to an individual or corporation, but also includes any type of organization, such as, limited liability companies, trusts, partnerships, etc.

Also clarifies that an organization located within a credit union's field of membership may be admitted to field of membership, even if one of more owners is not in the field of membership.

6-523. Membership applications

6-523(A) If a person is denied membership, requires that their appeal to the board of directors must be done within 30 days of the denial.

6-524. Termination of membership

6-524(B) Allows the board to delegate the duty of member expulsion to management. It requires that the person be notified of the reason for the expulsion.

Allows the member to appeal against the expulsion via written response within 30 days of notice of expulsion, rather than an in-person hearing before the board. This is because an expulsion is oftentimes a result of a member engaging in dangerous or abusive behavior/actions, including violence, intimidation, physical threats, harassment, and physical or verbal abuse of credit union officials, employees, members, or agents.

6-531. Authority and responsibility of directors; voting

6-531(B) Allow boards members that are not in person to vote by electronic meeting, rather than just telephone conference.

6-531(C) Reduces the required number of board meetings from 10 a year, to once every two months. Allows the deputy director to require the credit union's board to meet more frequently.

6-537. Certain duties of directors; insurance

6-537(A)(5) Removes the duty that the board of directors is to "borrow or lend money". This is an outdated statute that doesn't apply in practice since the credit union employees are lending out the money and not the board.

6-542. Suspension and removal of officials

6-542(A) Allows the board or supervisory committee to suspend a director, officer, or board members by a majority vote. Currently requires 2/3 of both board and supervisory committee.

6-542(B) Allows the suspended director, officer, or board members to appeal suspension within 10 days by calling a special meeting of the members to consider the suspension. This special meeting would need to take place within 7 to 30 days after suspended director, officer or board member called for the special meeting.

6-542(C) Outlines that a director, officer or board member is deemed removed from office if no request for hearing is made within 10-days.

6-551. Share accounts

6-551(A) Changes that the board of directors determines how shares accounts are determined, rather than the bylaws.

6-556. Multiple party accounts

6-556(A) Ensure the laws regarding probate accounts apply to multiple party accounts.

6-561. Purpose and conditions of loans; prepayment penalties

6-561(A) Allows loan policy to be set by the board rather than the bylaws.

6-561(D) The federal statute that is currently referenced is outdated. This change simply cleans up language to ensure that a prepayment penalty may only be applied on business loans.

6-563. Other loan programs

6-563(A) Allows a state-chartered credit union to hold 5% of loans they originate. Under current state law, a state-chartered credit union that originates a loan and sells a portion of that loan to others credit unions or organizations must retain 10% of that loan. However, the current federal law allows state-chartered credit unions to retain 5% of the loan.

6-564. Loans to officials

6-564(C) Changes the threshold for reporting loans made to a credit union official to the board of directors from \$20,000 to 1% of the credit union's net worth. Adds requirement that loans aggregating more than \$50,000 or 1% of net worth must be reported to the deputy director. This change mirrors the bank statutes regarding loans to officials (6-353)