

BANKS AND BANKING

CHAPTER 82

S. B. No. 285
(George, Mahoney)

STATE EXAMINER'S FEES

AN ACT

To amend and reenact sections 6-01-17 and 6-09-29 of the North Dakota Century Code, relating to fees charged by the state examiner.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.)** Section 6-01-17 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-01-17. Fees for Examination of Banks.) Every state banking association, banking institution, and trust company placed under the jurisdiction and control of the state examiner and his deputy examiners by the provisions of this title, prior to receiving its certificate of authority to commence business, if a new corporation or association, and in all cases within ten days after each examination, shall pay into the state treasury the following fee: one and one-half hundredths of one percent of the gross amount of the assets up to ten million dollars plus seventy and one-half thousandths of one percent of the gross amount of the assets in excess of ten million dollars of said corporation or association on the day of the examination, exclusive of expenses, interest, and taxes paid, and inclusive of any valuation allowance or allowances deducted by a state banking association from any asset account. Such fee shall not be less than one hundred and fifty dollars and not more than one thousand five hundred dollars. The state treasurer shall report such payments of fees to the state banking board, and if any such corporation or institution shall be delinquent more than twenty days in making such payment, the board may make an order suspending the functions of such delinquent corporation or institution until payment of the amount due, plus a penalty of five dollars a day additional for the delay.

§ 2. **Amendment.)** Section 6-09-29 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-09-29. State Examiners to Make Examinations and Reports.) The state examiner, personally or through deputy examiners, shall visit the banking department of the Bank of North Dakota at least once annually, and shall inspect and verify the assets in its possession and under its control with sufficient thoroughness to ascertain with reasonable certainty whether the valuations are carried correctly on its books. He shall investigate its methods of operation and accounting. He shall report the results of each such examination and investigation to the industrial commission as soon as practicable, and shall furnish one copy to the legislative assembly at its next ensuing session upon request. Fees for such examinations shall be charged by the state examiner for the examinations in this section provided at the rate of forty dollars per day for the time used by himself or other person designated by him in supervising, filing and corresponding in connection with such report and for the time used by each deputy examiner, or other person or persons in making and otherwise preparing and typing the reports of examinations herein provided for.

Approved March 15, 1965.

CHAPTER 83

S. B. No. 352
(Kjos, Ringsak)

MUNICIPAL AUDITS

AN ACT

To amend and reenact sections 6-01-21.2 of the North Dakota Century Code, relating to auditing municipalities.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.)** Section 6-01-21.2 of the 1963 Supplement to the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-01-21.2. Municipal Agencies, Park Boards, School Districts—Examinations—Fees—Alternative Audits.) The state examiner, by his duly appointed deputy examiners or other authorized agents, shall examine the official financial records, accounts, and proceedings of the following governing bodies and officials of the following political subdivisions:

1. City councils and commissions;
2. City auditors and treasurers;

3. Village boards of trustees;
4. Village and park district clerks and treasurers;
5. School boards and boards of education;
6. School district clerks, treasurers, and secretaries; and
7. Trustees and officials of the firemen's relief association.

Such examinations shall be conducted at least once each year in political subdivisions having populations in excess of twelve hundred according to the latest federal decennial census, except school districts which shall be examined annually if the population is in excess of 500 according to the latest federal decennial census and at least once every three years in political subdivisions having populations of twelve hundred or less, except school districts which shall be examined at least once every three years if the population is 500 or less. The firemen's relief association shall be examined at least once each year. Examinations may be conducted at more frequent intervals if the state examiner, in his discretion, deems it advisable.

The governing board of any such city, park board, village, or school district may provide for an audit annually by a certified public accountant, and such audit report shall be in such form and contain such information as the state examiner may require in addition to other information, and in such case the state examiner shall not be required to make the examination heretofore provided for in this section. Two copies of such audit reports shall be filed with the state examiner and one copy with the state bonding fund by the certified public accountant making such audit at the same time that the report of audit is delivered to said city, park board, village, or school district, and the governing board of such subdivision shall not pay the fee for such audit until evidence of such filing is furnished. The state examiner may require the correction of any irregularities, objectionable accounting procedures, or illegal actions on the part of the governing boards and officers of such subdivisions disclosed by such audit reports, and failure to make such corrections shall result in examinations being resumed by the stated examiner until such irregularities, procedures or illegal actions are corrected, and fees for such examinations, so resumed, shall be paid in accordance with this section.

Fees for the examinations provided for in this section shall be charged by the state examiner at the rate of twenty-five dollars per day for the time used by himself or other persons designated by him in supervising, filing and corresponding in connection with such reports of examination, and for time used by each deputy examiner or other person or persons in

making such examinations and otherwise preparing and typing the reports of examinations herein provided for. Fee for an extra day shall be charged for each person who may be required to travel to participate in the examinations in this section provided, and all fees for the examinations herein provided shall be paid by the subdivision examined to the state treasurer and by him credited to the general fund of the state.

Approved March 15, 1965.

CHAPTER 84

S. B. No. 287
(George, Mahoney)

BANK STANDARDS

AN ACT

To amend and reenact sections 6-02-01 and 6-05-01 of the 1963 Supplement to the North Dakota Century Code, and section 6-03-11 of the North Dakota Century Code, relating to organization, mergers and powers of banks and trust companies.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. Amendment.) Section 6-02-01 of the 1963 Supplement to the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-02-01. Compliance with Chapters Required—Penalty for Noncompliance.) No person, firm, company, copartnership, or corporation, either domestic or foreign, not organized under this chapter, or chapters 6-04 or 6-05, excepting only national banking corporations and the Bank of North Dakota, shall make use of or display in connection with its business, in signs, letterheads, advertising, or in any other way, such words as “bank”, “banker”, “banking”, “savings bank”, or any other word or words of like import, nor shall any person or concern do or perform anything in the nature of the business of a bank or savings bank until and unless such business is regularly organized or authorized under this chapter or chapters 6-04 or 6-05. If any firm or corporation organized prior to July 1, 1931, shall have been granted a charter permitting it to use any word, words or title contrary to the intent of this section, and by reason of its rights under such charter the provisions of this section may not be enforced against it during the life of such charter, no renewal charter shall be

granted to such person, firm, or corporation permitting the continuance of the use of such word, words, or title contrary to or in violation of this section. Any person, firm, or corporation which, by reason of an existing charter right under any law or statute in effect prior to July 1, 1931, may be held by the courts not to be affected by this section and which therefore refuses to comply with the provisions hereof, during the period of noncompliance, prominently and continuously, shall display in plain, legible, and clearly discernible lettering on all of its signs, stationery, circulars, and advertising, and in all of its printed or written matter the following words and language: "NOT UNDER THE SUPERVISION OF THE STATE BANKING BOARD OR THE STATE BANK EXAMINER", and such language shall be displayed as prominently thereon as is other matter therein. Any person, firm, company, copartnership, or corporation, domestic or foreign, violating any provision of this section shall forfeit to the state one hundred dollars for every day or part thereof during which such violation continues. In an action brought by the state examiner or any aggrieved person, the court may issue an injunction restraining any such person, firm, company, copartnership, or corporation from further using such words, terms, or phrases in violation of this section or from further transacting business in such way or manner as to lead the public to believe that its business is in whole or in part of the nature of a bank or savings bank, or that it is under the supervision of the state banking board or the state examiner. Any trust company duly granted a charter to engage in banking business upon compliance with this chapter, shall be subject to the state banking board in its banking operations as is the case for other chartered banks, and all the laws relating to banks in this title are thereafter applicable. Any trust company desiring to take on banking powers shall make application to the state banking board for a hearing upon said application pursuant to the provisions of section 6-02-06. If the determination of the board is in favor of the applicant the board shall make its order authorizing the applicant to engage in the business of banking. Such order shall be recorded in the office of the register of deeds of the county in which said trust company is established, and the same shall be transmitted to the secretary of state who shall record and carefully preserve the same in his office, and shall certify the facts to the state banking board. Thereafter said trust company shall be subject to the jurisdiction of the state banking board as to its banking operations the same as state banking associations. The provisions of sections 6-02-02, 6-02-03, 6-02-04, 6-02-05, 6-02-07, 6-02-08 and 6-02-09 shall not be applicable to trust companies granted authority to engage in the business of banking by the state banking board.

§ 2. Amendment.) Section 6-03-11 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-03-11. Conversion, Consolidation, or Merger.) Any two or more banking institutions as defined in section 6-01-02 upon making application to the state banking board and upon notice and a hearing as provided by sections 6-02-05 and 6-02-06 may consolidate or merge if authorized by the board into one banking institution under the charter of either existing banking institution on such terms and conditions as lawfully may be agreed upon by a majority of the board of directors of each banking institution proposing to consolidate or merge. Before becoming final, such consolidation or merger must be ratified and confirmed by the vote of the shareholders of each such banking institution owning at least two-thirds of its capital stock outstanding, at a meeting to be held on the call of the directors. Notice of such meeting and of the purpose thereof must be given to each shareholder of record by registered or certified mail at least ten days prior to the meeting. The shareholders may unanimously waive such notice and may consent to such meeting and consolidation or merger in writing. The capital stock and surplus of such consolidated banking institution shall not be less than that required under this title for the organization of a banking institution of the class of the largest consolidating banking institution. Immediately after the consolidation or merger a full report thereof including a statement of the assets and liabilities of the consolidated banking institution shall be made to the state examiner by the surviving banking institution. Any banking institution may without approval by any state authority convert into or merge or consolidate with a national banking association as provided by federal law.

§ 3. Amendment.) Section 6-05-01 of the 1963 Supplement to the North Dakota Century Code, is hereby amended and reenacted to read as follows:

6-05-01. Who May Form—Corporation Has Perpetual Existence.) Any number of persons, not less than nine, at least three of whom must be residents of this state, may associate themselves and form a corporation for the purpose of transacting business as an annuity, safe deposit, surety, and trust company. Its existence shall be perpetual.

At the time and place stated, and through any sources of information at its command, the board diligently shall inquire whether the place where such company is proposed to be located is in need of a further annuity, safe deposit, surety and trust company, whether the proposed institution is adapted

to the filling of such need, and whether the proposed incorporators are possessed of such character, integrity, reputation, and financial standing as shown by a detailed financial statement to be furnished by them, that their connection with the company will be beneficial to the public welfare of the community in which such company is proposed to be established. The board shall hear any reasons advanced by the applicants why they should be permitted to organize the proposed institution, and any reasons advanced by any person why such institution should not be permitted to be organized. At the termination of such hearing, the board shall make a brief statement in writing of its conclusions, and if it finds that the proposed institution should not be permitted to organize, it shall state briefly the reasons why. A copy of such conclusions either shall be endorsed upon or attached to the organization certificate, together with the refusal or grant of permission to the proposed incorporators to present the said organization certificate to the secretary of state. A determination in favor of such organization must be joined in by all the members of the board.

Any banking association organized under chapter 6-02 shall be entitled to transact business as a trust company upon making application to the state banking board for a hearing as provided for in this section. If the determination of the board is in favor of the applicant the board shall make its order authorizing the applicant to engage in the business of a trust company upon its showing full compliance with the provisions of sections 6-05-03, 6-05-04 and 6-05-05 except the capital stock of the banking association shall not be required to be divided in shares of one hundred dollars each as provided by section 6-05-03. The provisions of sections 6-05-06 and 6-05-07 shall not be applicable to banking associations granted authority to engage in the business of a trust company by the state banking board. Thereafter such banking association shall be subject to the jurisdiction of the state banking board as to its trust company operations the same as trust companies organized under chapter 6-05.

Approved March 17, 1965.

CHAPTER 85

S. B. No. 283
(George, Mahoney)

BANK CAPITALIZATION

AN ACT

To amend and reenact sections 6-02-03, 6-02-06, 6-03-07 and 6-03-25 of the North Dakota Century Code, relating to hearing by board, investment in banking facility, and approval of increase or decrease by stockholders.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.)** Section 6-02-03 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-02-03. Capital Stock and Surplus Required.) The capital stock of any banking association shall be not less than fifty thousand dollars. In addition to such capital requirements there shall be subscribed and paid in at the time of organization a surplus of not less than twenty-five thousand dollars. The state banking board may require such additional capital, surplus and undivided profits as it may determine necessary to properly serve the area and to protect the public interest. All of the capital stock and surplus of every association shall be paid in before it shall be authorized to commence business, and evidence of such payment either in actual money or a deposit in a previously approved correspondent bank must be furnished to the state examiner before the certificate of authority may be delivered to it. The board may require such insurance on deposits as it may deem necessary to properly protect the public interest.

§ 2. **Amendment.)** Section 6-02-06 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-02-06. Hearing by Board—Conclusions.) At the time and place stated, and through any sources of information at its command, the board diligently shall inquire whether the place where such banking association is proposed to be located is in need of further banking facilities, whether the proposed association is adapted to the filling of such need, and whether the proposed incorporators are possessed of such character, integrity, reputation, and financial standing as shown by a detailed financial statement to be furnished by them, that their connection with the banking association will be beneficial

to the public welfare of the community in which such bank is proposed to be established. The state banking board shall inquire into the qualifications of the management of the proposed bank. Qualifications of management shall include adequate experience, as determined by the board, with financial institutions or other approved related experience. Prior to such hearing, the applicants shall pay to the board such sum as it may designate not exceeding five hundred dollars to defray the cost of investigation and hearing by the board. The board shall hear any reasons advanced by the applicants why they should be permitted to organize the proposed association, and any reasons advanced by any person why such association should not be permitted to be organized. At the termination of such hearing, the board shall make a brief statement in writing of its conclusions, and if it finds that the proposed association should not be permitted to organize, it shall state briefly the reasons why. A copy of such conclusions either shall be endorsed upon or attached to the organization certificate, together with the refusal or grant of permission to the proposed incorporators to present the said organization certificate to the secretary of state. A determination in favor of such organization must be joined in by all the members of the board.

§ 3. Amendment.) Section 6-03-07 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-03-07. Investment in Banking Facility, Furniture, and Fixtures, Limitation.) No state banking association shall invest in a banking facility and in furniture and fixtures used in such banking facility, an amount which will exceed the amount of the capital stock of such bank without the approval of the state banking board.

§ 4. Amendment.) Section 6-03-25 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-03-25. Approval of Increase or Reduction by Stockholders—Notice of Stockholders' Meeting.) An increase or reduction of the capital stock of any association shall not be valid unless approved by the stockholders of the association at a meeting called for that purpose. Notice of the time and place of the meeting stating its object and the amount to which it is proposed to increase or reduce the capital stock of the association must be served personally or by registered or by certified mail on each stockholder of the association at least thirty days prior to the time set for such meeting. Such notice must be given to stockholders whose places of residence are unknown

or who are not residents of this state by publication of the notice at least once prior to the meeting, in a legal newspaper of the county wherein the principal office of the association is situated. A vote in favor of an increase in capital stock shall not be effective until the proceedings of the meeting showing the names of all of the stockholders voting for the increase and the amount of stock owned by each have been entered upon the records of the association.

Approved March 17, 1965.

CHAPTER 86

S. B. No. 195

(George)

REAL ESTATE LOAN LIMITATIONS

AN ACT

To amend section 6-03-05, relating to loans on real estate.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.)** Section 6-03-05 of the North Dakota Century Code as amended is hereby amended and reenacted to read as follows:

6-03-05. Loans on Real Estate—Regulation—Limitation—Amortized Loans Provided For.) No association shall own or carry among its assets at any one time loans dependent primarily upon real estate security in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of sixty-six and two-thirds percent of the amount of its time and savings deposits, whichever is the greater, and then only first mortgages constituting first liens upon such real estate. Before any such loan is made the board of directors shall appoint from among its members a committee which shall make actual inspection of the security offered and shall appraise both the land and the improvements thereon, if any, and shall report to the board of directors, in writing, the results of the appraisal together with any other facts relating to such proposed loan and proposed security as will best enable the board to determine if the loan shall be granted. Such written report shall be made a permanent record in the bank's files and shall be made available to the state examiner. No director shall act as an appraiser of his own

property nor of property offered as security for loans the proceeds of which are to be used for his benefit. No unamortized loan secured by realty may be made for a period exceeding five years in an amount exceeding fifty percent of the appraised value of the real estate offered as security.

Any such loan may be made in an amount not to exceed eighty percent of the appraised value of the real estate offered as security and for a term not longer than twenty-five years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the entire principal of the loan within a period of not more than twenty-five years.

Approved March 6, 1965.

CHAPTER 87

S. B. No. 211
(Kautzmann)

BANK RESERVE REQUIREMENTS

AN ACT

To amend and reenact section 6-03-37 of the North Dakota Century Code, relating to bank reserves, and providing a penalty.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.)** Section 6-03-37 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-03-37. Reserve Funds Required—Disposition Thereof.) Every banking association shall have on hand at all times in available funds an amount which shall equal ten percent of its demand deposits and amounts due to other banks, plus five percent of its time deposits. Such reserve funds may consist of cash on hand or of balances due to the association from the Bank of North Dakota, or good solvent state or national banks or trust companies, approved by the state examiner for such purposes and located in such commercial centers as will facilitate the purposes of banking exchanges. The state examiner, whenever he deems it necessary or expedient to do so, may require such banking association, on fifteen days' notice in writing, to increase such reserve requirements to not more than twenty percent of its demand deposits and not more

than ten percent of its time deposits. Cash items shall not be included in computing reserve, and no association shall carry as cash, or as cash items, any paper or other matter except legitimate bank exchange which will be cleared on the same or the next succeeding day. Whenever its available funds within the meaning of this section shall be below the requirements hereinbefore stated, an association shall not make any dividend of its profits until the required proportion between the aggregate amount of the deposits and its lawful money reserve has been restored.

If on any one day, such reserve shall not meet the requirements it shall not constitute a deficiency or violation for the purposes of this section provided that the average reserve for the period starting on Thursday of the same calendar week and ending on the second Wednesday following, shall equal or exceed the minimum requirements.

The state examiner must notify any association whose money reserve shall be below the amount required to be kept on hand to make good such reserve, and if such association shall fail to do so for a period of thirty days after such notice, the state banking board may impose a penalty of not less than one hundred dollars or an amount equal to seven percent per annum based on the average deficiency for the period of deficiency, whichever is greater, which shall be collected in the same manner as other penalties prescribed in this title.

The state banking board may suspend for a period not exceeding thirty days, and from time to time renew such suspension for periods not exceeding fifteen days, any reserve requirement specified in this section.

Approved March 10, 1965.

CHAPTER 88

S. B. No. 196

(George)

BANK LOAN LIMITATIONS

AN ACT

To amend and reenact section 6-03-59 of the North Dakota Century Code, relating to limitations on bank loans.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.)** Section 6-03-59 of the North Dakota Century Code as amended is hereby amended and reenacted to read as follows:

6-03-59. Loan—Limitation to One Person or Concern.) The total liability of any person, corporation, company, or firm to any state banking association shall not exceed at any time twenty-five percent of the unimpaired capital and surplus of such association. The liability of a firm shall include the liabilities of the several members thereof for money borrowed and on paper purchased by the association upon which they are liable as makers, and the head of a family and all the dependent members thereof shall be regarded as one person. The discount of bills of exchange drawn in good faith against actual existing values, loans secured by bills of lading drawn against produce in transit, and loans secured by bonded warehouse receipts or elevator storage tickets covering produce actually in storage shall not be considered as money borrowed if all paper relating to such transactions is made payable to, and such paper and the security therefor remains in the possession and control of the association until the advance or debt is paid. An association may discount commercial or business paper actually owned by the person negotiating it without such discounting being deemed an addition to any loan made to the negotiator.

Approved March 10, 1965.

CHAPTER 89

S. B. No. 142

(Torgerson, Beck, Ringsak)

JOINT BANK ACCOUNTS

AN ACT

To amend and reenact section 6-03-66 of the North Dakota Century Code, relating to joint bank accounts.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.)** Section 6-03-66 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-03-66. Deposit in Two or More Names—to Whom Paid.) When a deposit has been made with any banking association in the name of two or more persons, payable to one or more of the depositors or payable to the survivor or survivors, such deposit, or any part thereof, or any interest or dividend thereon, may be paid to said person or persons whether the others be living or not. The receipt or acquittance of the person or persons so paid shall be a valid and sufficient release and discharge to such banking association for any payment so made.

Approved March 10, 1965.

CHAPTER 90

S. B. No. 123

(Urdahl, Kelly, Solberg, Thompson, Rait)

CREDIT UNION BOARD POWERS

AN ACT

To create sections 6-06-36 and 6-06-37; to amend subsection 5 of section 6-06-02, subsection 7 of section 6-06-07, sections 6-06-08, 6-06-10, 6-06-14, 6-06-21, 6-06-21.1, and 6-06-26; and to repeal sections 6-06-22, 6-06-23, 6-06-24, and 6-06-25 of the North Dakota Century Code, relating to the powers and duties of the state credit union board; mergers of credit unions; the maximum amount of money which can be loaned without security; reserve funds, and the general operation of such credit unions.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1.) Section 6-06-36 of the North Dakota Century Code is hereby created and enacted to read as follows:

6-06-36. Merger.) Any credit union chartered under this Act or under Act of Congress may merge under rules and regulations established by the state credit union board.

§ 2.) Section 6-06-37 of the North Dakota Century Code is hereby created and enacted to read as follows:

6-06-37. Rules and Regulations.) The state credit union board shall prescribe rules and regulations regarding the merger, consolidation and dissolution of corporations organized under this Act and Acts of Congress.

§ 3. **Amendment.)** Subsection 5 of section 6-06-02 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

5. The examiner shall notify the applicants and the state credit union board of his decision, and if it is favorable, the board shall instruct the secretary of state to issue a charter, which shall be by him attached to the duplicate certificate of organization and returned, together with the duplicate bylaws, to the applicants upon payment of a filing fee of five dollars to the secretary of state; and

§ 4. **Amendment.)** Subsection 7 of section 6-06-06 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

7. Subject to such regulations as the state credit union board may prescribe, insurance obtained under title 1 of the National Housing Act shall be deemed adequate security;

§ 5. **Amendment.)** Section 6-06-08 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-06-08. State Credit Union Board to Supervise Credit Unions—Reports—Examinations—Fee.) Credit unions and the permanent loan funds thereof, if any, shall be under the supervision of the state credit union board. The credit unions shall report to the state examiner at least once annually, upon call of the state examiner, on blanks supplied by the examiner for the purpose. Additional reports may be required by the board or examiner. Credit unions shall be examined at least once each year by the examiner or with his approval and the approval of the state credit union board, credit unions may be examined annually by a certified public accountant or the North Dakota credit union league. If the examination is not made by the state examiner, the expense of such examination shall be borne by the credit union examined and such examination shall be in such form and contain such information as the state examiner may require. Two copies of such examination shall be filed with the state examiner and shall be approved by him. If it is determined through an examination or otherwise that the credit union is violating the provisions of this chapter, or is insolvent, the state credit union board may serve notice on the credit union of its intention to revoke the charter. If such violations continue for a period of fifteen days after such notice, the board may revoke the charter and take possession of the business and property of such credit union, and shall maintain possession then until such time as it shall permit the reinstatement of the charter and the continuation of business by the credit union, or until its affairs finally are liquidated. The board may take similar action if any required report remains in arrears for more than fifteen days. The credit union shall pay to the state examiner for examination a fee equal to forty dollars per examiner day, except that the minimum fee for the examination of a credit union shall be twenty-five dollars.

§ 6. **Amendment.)** Section 6-06-10 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-06-10. General and Special Meetings—Notice—Quorum—Voting Privileges.) General and special meetings may be held in the manner and for the purposes indicated in the bylaws of

the credit union. Ten days before any regular or special meeting written notice thereof shall be mailed to each member, and, in the case of a special meeting, the notice shall state clearly the purpose of the meeting and what matters will be considered thereat. The members present at a general or special meeting shall constitute a quorum for the transaction of the business of the credit union. At all meetings, a member shall have but a single vote, whatever his share holdings. There shall be no voting by proxy, but any firm, society, or corporation having a membership in the credit union may cast its vote by one person upon presentation by him to the credit union of written authority from such firm, society, or corporation.

§ 7. **Amendment.)** Section 6-06-14 of the 1963 Supplement to the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-06-14. Loans—How Made—Security—Meetings and Duties of Credit Committee.) The credit committee shall have general supervision over all loans to members, and shall meet as often as may be necessary to perform its duties and at least once each month. Notice must be given to each member of the committee before any meeting is held. All applications for a loan shall be made on a form approved by the committee and shall set forth the purpose for which the loan is desired, the security, if any, which is offered, and such other data as the committee may require. No loan in excess of seven hundred and fifty dollars shall be made without adequate security and security, under this section, shall include an assignment of shares or deposits, an endorsement made on the note by a responsible person, and such other security as the committee in its discretion may deem adequate. No loan shall be made unless it is approved by a majority of the entire committee and by all members of the committee who are present at the meeting at which the application is considered; except that the credit committee may appoint one or more loan officers, and delegate to him or them the power to approve loans up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares. Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by him within seven days of the date of the filing of the application therefor. All loans not approved by a loan officer shall be acted upon by the credit committee. No individual shall have authority to disburse funds of the credit union for any loan which has been approved by him in his capacity as a loan officer. Not more than one member of the credit committee may be appointed as a loan officer.

§ 8. **Amendment.)** Section 6-06-21 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-06-21. Reserve Fund — Amount Required and How Raised.) Every credit union shall maintain a reserve fund to be used as a reserve against bad loans and other losses. Such fund shall not be distributed except upon liquidation. All entrance fees and fines shall be paid into such reserve fund, and in addition thereto, each credit union, annually, until such time as its reserve fund shall equal ten percent of its paid-in capital and surplus, shall transfer twenty percent of its net earnings to such reserve fund. Thereafter, there shall be added annually to the reserve fund at the end of each fiscal year, such percentage of the gross earnings of the credit union as shall be required to maintain its reserve fund at ten percent of its paid-in capital and surplus.

§ 9. **Amendment.)** Section 6-06-21.1 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-06-21.1. Amount and Manner of Establishing Special Reserves for Delinquent Loans and Investments.) Whenever the reserve, required by section 6-06-21 of this code, shall be inadequate for bad loans or investments, a special reserve for delinquent loans and investments shall be established. The amount of such reserve shall be determined by the state credit union board. The state credit union board is hereby granted the authority to adopt such rules and regulations as it deems advisable for the establishment of special reserves for delinquent loans and investments.

§ 10. **Amendment.)** Section 6-06-26 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-06-26. Dividends.) Annually or semiannually a credit union, upon action by its board of directors, may declare a dividend to be paid from the remaining net earnings. Such dividends shall be paid on all paid-up shares outstanding at the end of the period for which the dividend is declared. Shares which become fully paid up during each dividend period and are outstanding at the close of the period shall be entitled to a proportional part of such dividends. Dividend credit for a month may be accrued on shares which are or become fully paid up during the first ten days of that month, except that the members may fix the maximum rate of dividends which shall be paid annually or semiannually. Such dividend, not to exceed six percent in any case, must be paid from the net earnings of the credit union, after establishing a special

reserve for delinquent loans if required by the state credit union board. Annually or semiannually, a credit union, upon action of its board of directors, may authorize an interest refund to members of record at the close of business the last day of any dividend period in proportion to the interest paid during that dividend period. Interest refunds may be made to borrowers only after provision has been made or a special reserve for delinquent loans if required by the state credit union board.

§ 11. **Repeal.**) Sections 6-06-22, 6-06-23, 6-06-24, and 6-06-25 of the North Dakota Century Code are hereby repealed.

Approved March 10, 1965.

CHAPTER 91

H. B. No. 869
(Meschke)

LIMITATION OF ACTIONS AGAINST BANKS

AN ACT

To amend and reenact section 6-08-24 of the North Dakota Century Code, relating to retention of bank records and limitation of actions on accounts and claims.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Amendment.**) Section 6-08-24 of the North Dakota Century Code is hereby amended and reenacted to read as follows:

6-08-24. Actions on Accounts and Claims Limited.) No depositor or other creditor shall commence an action against a bank on any account or claim of any kind after the expiration of the six year period provided for in section 6-08-23, unless such depositor or creditor shall have, within such six year period, made demand in writing on such bank requesting a settlement or adjustment of such claim; provided, however, that ledger sheets showing unpaid balances in favor of depositors shall not be destroyed unless a photographic copy is retained in accordance with section 31-08-01.1, and nothing in sections 6-08-23 and 6-08-24 shall be construed as limiting the time when actions may be brought to recover such balances.

Approved March 15, 1965.

CHAPTER 92

H. B. No. 806
(Burk)

LOANS TO GENERAL FUND

AN ACT

To transfer certain moneys from the accumulated undivided profits of the Bank of North Dakota and from the accumulated profits of the state mill and elevator association to the general fund of this state and authorizing loans to the general fund.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1. **Transfer.)** There is hereby transferred to the general fund of this state the sum of three hundred and fifty thousand dollars from the accumulated profits of the state mill and elevator association.

§ 2. **Transfer.)** There is hereby transferred to the general fund of this state the sum of four million dollars from the accumulated undivided profits of the Bank of North Dakota on order of the industrial commission.

§ 3. **Loans to General Fund Authorized.)** Upon application by the state treasurer and the director of the department of accounts and purchases, the state industrial commission may direct the Bank of North Dakota to make loans in amounts at no time exceeding the total sum of five million dollars to the state general fund, for periods of time not exceeding nine months in duration, at such rates of interest as the industrial commission may prescribe, for the purpose of making money available to meet legislative appropriations from the general fund during periods of seasonally low tax collections or periods in which high withdrawals or expenditures occur.

Approved March 17, 1965.