# RULES AND REGULATIONS

## (NCAC 4 SUBCHAPTERS 6A, B AND C)

FOR THE

OPERATION OF STATE CHARTERED CREDIT UNIONS

April 1, 2019

CREDIT UNION DIVISION
Department of Commerce

This booklet is provided as a courtesy only. It is not represented to be error free, and therefore, the North Carolina Credit Union Division ("NCCUD") makes no representation or warranties of any kind with respect to its content. Thus, the NCCUD is not responsible for errors, omissions, or changes to the content in this booklet. Please note the "as of" date. You must not rely on the information in the booklet as a legal source or an alternative to legal advice. For current and updated rules, please click on the link for the NC Administrative Code, http://reports.oah.state.nc.us/ncac.asp, which is also provided in the NCCUD's website. You should consult with an attorney for legal advice.

# NORTH CAROLINA ADMINISTRATIVE CODE

## TITLE 4
## DEPARTMENT OF COMMERCE

## CHAPTER 6
## CREDIT UNION DIVISION

## SUBCHAPTER 6A – ORGANIZATION

**NCAC > Title 04 - Commerce > Chapter 06 - Credit Union Division**

**SubChapter A**


| | |
|---|---|
| 04 NCAC 06A .0101 | NAME AND ADDRESS |
| 04 NCAC 06A .0102-0106 | REPEALED |
| 04 NCAC 06A .0201-0202 | REPEALED |
| 04 NCAC 06A .0301-0305 | REPEALED |
| 04 NCAC 06A .0401-0402 | REPEALED |


**SubChapter B**


| | |
|---|---|
| 04 NCAC 06B .0101 | REPEALED - PETITIONS |
| 04 NCAC 06B .0102 | REPEALED - NOTICE |
| 04 NCAC 06B .0103 | REPEALED - HEARINGS |
| 04 NCAC 06B .0104 | REPEALED - TEMPORARY RULES |
| 04 NCAC 06B .0105 | REPEALED - DECLARATORY RULINGS |
| 04 NCAC 06B .0201-0206 | REPEALED |
| 04 NCAC 06B .0301 | PETITION FOR ADOPTION: AMENDMENT OR REPEAL OF RULES |
| 04 NCAC 06B .0302 | NOTICE OF RULE-MAKING HEARINGS |
| 04 NCAC 06B .0303 | RULE-MAKING HEARINGS: GENERAL INFORMATION |
| 04 NCAC 06B .0401 | PETITION FOR DECLARATORY RULING |
| 04 NCAC 06B .0402 | RESPONSE OF ADMINISTRATOR TO PETITION |
| 04 NCAC 06B .0501 | RIGHT TO HEARING |
| 04 NCAC 06B .0502 | INFORMAL SETTLEMENT |
| 04 NCAC 06B .0503 | REQUEST FOR HEARING |
| 04 NCAC 06B .0504 | NOTICE OF HEARING |
| 04 NCAC 06B .0505 | INTERVENTION IN AN ADMINISTRATIVE HEARING |
| 04 NCAC 06B .0506 | DEPOSITIONS |
| 04 NCAC 06B .0507 | SUBPOENAS |
| 04 NCAC 06B .0508 | SERVICE OF SUBPOENAS |
| 04 NCAC 06B .0509 | OBJECTION TO A SUBPOENA |


**SubChapter C**


| | |
|---|---|
| 04 NCAC 06C .0101 | DEFINITIONS |
| 04 NCAC 06C .0102 | REPEALED - POWERS OF A CREDIT UNION |
| 04 NCAC 06C .0103 | REPEALED - TAXATION |

| | |
|---|---|
| 04 NCAC 06C .0201 | INCORPORATION OF STATE CHARTERED CREDIT UNIONS |
| 04 NCAC 06C .0202 | MINIMUM POTENTIAL MEMBERSHIP GUIDELINES |
| 04 NCAC 06C .0203 | FIELDS OF MEMBERSHIP |
| 04 NCAC 06C .0204 | BYLAWS AND ARTICLES OF INCORPORATION |
| 04 NCAC 06C .0205 | LOANS TO CREDIT UNION OFFICIALS |
| 04 NCAC 06C .0206 | MERGER OF CREDIT UNIONS |
| 04 NCAC 06C .0207 | CONVERSION OF CHARTER FROM NORTH CAROLINA CHARTER |
| 04 NCAC 06C .0208 | CONVERSION OF CHARTER TO NORTH CAROLINA CHARTER |
| 04 NCAC 06C .0209 | OUT OF STATE OFFICE FACILITIES |
| 04 NCAC 06C .0210 | REPEALED - OUT-OF-STATE CREDIT UNIONS |
| 04 NCAC 06C .0301 | GENERAL PROVISIONS |
| 04 NCAC 06C .0302 | PROCEDURES |
| 04 NCAC 06C .0303 | REPEALED - DEPRECIATION AND AMORTIZATION SCHEDULES |
| 04 NCAC 06C .0304 | MANAGEMENT DUTIES |
| 04 NCAC 06C .0305 | INDEPENDENT AUDITS |
| 04 NCAC 06C .0306 | DISPLAY OF FINANCIAL STATEMENTS |
| 04 NCAC 06C .0307 | LISTING OF OFFICIALS AND OPERATING HOURS |
| 04 NCAC 06C .0308 | BORROWING LIMITATIONS |
| 04 NCAC 06C .0309 | OPERATIONAL SYSTEMS |
| 04 NCAC 06C .0310 | SHARE DRAFT PROGRAMS |
| 04 NCAC 06C .0311 | SURETY BOND AND INSURANCE COVERAGE |
| 04 NCAC 06C .0312 | INSURANCE AND GROUP PURCHASING |
| 04 NCAC 06C .0313 | CREDIT UNION SERVICE ORGANIZATION (CUSO) |
| 04 NCAC 06C .0401 | DELINQUENT LOANS AND LOAN LOSSES |
| 04 NCAC 06C .0402 | CHARGE-OFF OF UNCOLLECTIBLE LOANS |
| 04 NCAC 06C .0403 | REAL ESTATE LOANS |
| 04 NCAC 06C .0404 | LINE OF CREDIT LOANS |
| 04 NCAC 06C .0405 | REPEALED - MAXIMUM INTEREST RATE ON LOANS |
| 04 NCAC 06C .0406 | REPEALED - MAXIMUM UNSECURED LOAN LIMITS |
| 04 NCAC 06C .0407 | BUSINESS LOANS |
| 04 NCAC 06C .0408 | SALE OF LOANS |
| 04 NCAC 06C .0409 | LOAN LIMITATIONS |
| 04.NCAC 06C. 0410 | PROHIBITED FEES |
| 04 NCAC 06C .0501 | IMPAIRMENT |
| 04 NCAC 06C .0502 | INSOLVENCY |
| 04 NCAC 06C .0601 | DIVIDENDS |
| 04 NCAC 06C .0602 | REPEALED - DEPOSITS |
| 04 NCAC 06C .0603 | INTEREST REBATES |
| 04 NCAC 06C .0701-0705 | REPEALED |
| 04 NCAC 06C .0706 | DORMANT ACCOUNTS |
| 04 NCAC 06C .0707 | REPEALED - STATEMENTS OF ACCOUNTS |
| 04 NCAC 06C .0708 | CHARITABLE CONTRIBUTIONS AND CHARITABLE DONATION ACCOUNTS |
| 04 NCAC 06C .0801 | FINANCIAL STATEMENTS AND OTHER INFORMATION |
| 04 NCAC 06C .0802 | ADDITIONAL REPORTS |
| 04 NCAC 06C .0901 | CREDIT UNION AS CUSTODIAN |
| 04 NCAC 06C .0902 | SUCCESSOR CUSTODIAN |

| | |
|---|---|
| 04 NCAC 06C .1001 | PERMANENT RECORDS |
| 04 NCAC 06C .1002 | NONPERMANENT RECORDS |
| 04 NCAC 06C .1101-1106 | REPEALED |
| 04 NCAC 06C .1201 | INVESTMENT ACTIVITIES |
| 04 NCAC 06C .1202 | PERMISSIBLE TRANSACTIONS |
| 04 NCAC 06C .1203 | RESTRICTED TRANSACTIONS |
| 04 NCAC 06C .1204 | FEDERAL FUNDS |
| 04 NCAC 06C .1205 | AUTOMATIC LIENS UPON ALL SHARES TO SECURE ALL DEBTS |
| 04 NCAC 06C .1301 | LIQUIDITY RESERVES |
| 04 NCAC 06C .1302 | OTHER RESERVES |
| 04 NCAC 06C .1303 | CORPORATE CREDIT UNION RESERVES |
| 04 NCAC 06C .1401 | SIGNATURE GUARANTEE |

## CHAPTER 06 - CREDIT UNION DIVISION

## SUBCHAPTER 06A – ORGANIZATION

## SECTION .0100 - GENERAL INFORMATION

**04 NCAC 06A .0101 NAME AND ADDRESS**
The Credit Union Division of the Department of Commerce is located in Raleigh, North Carolina. The mailing address for the Credit Union Division is 4314 Mail Service Center, Raleigh, North Carolina 27699-4314. The office is open to the public Monday through Friday 8:00a.m. to 5:00p.m., excluding state holidays.

*History Note: Authority G.S. 54-109; 54-109.12; 54-109.21(25);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. March 1, 2013; December 1, 1989;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06A .0102 GENERAL PURPOSE**
**04 NCAC 06A .0103 AREAS OF RESPONSIBILITY**
**04 NCAC 06A .0104 FUNCTIONS**
**04 NCAC 06A .0105 REPORTS OF EXAMINATIONS**
**04 NCAC 06A .0106 FEES**

*History Note: Authority G.S. 54-109.10; 54-109.11; 54-109.12; 54-109.14; 150A-10; 150A-11;*
*Eff. February 1, 1976;*
*Amended Eff. January 1, 1978; January 1, 1977;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. January 1, 1984; January 1, 1983; January 1, 1981; January 1, 1980;*
*Repealed Eff. April 1, 1985.*

## SECTION .0200 - GENERAL INFORMATION: CREDIT UNION COMMISSION

**04 NCAC 06A .0201 NAME AND ADDRESS**
**04 NCAC 06A .0202 GENERAL PURPOSE**

*History Note: Authority G.S. 143A-181; 150A-10;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. April 1, 1985.*

## SECTION .0300 - STRUCTURE OF THE CREDIT UNION DIVISION

**04 NCAC 06A .0301 CREDIT UNION DIVISION**
**04 NCAC 06A .0302 ADMINISTRATOR OF CREDIT UNIONS**
**04 NCAC 06A .0303 DEPUTY ADMINISTRATOR OF CREDIT UNIONS**
**04 NCAC 06A .0304 CREDIT UNION EXAMINERS**
**04 NCAC 06A .0305 CLERICAL STAFF**

*History Note: Authority G.S. 54-109.10; 54-109.12; 150A-10;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. April 1, 1985*

## SECTION .0400 - STRUCTURE OF THE CREDIT UNION COMMISSION

**04 NCAC 06A .0401 COMPOSITION**
**04 NCAC 06A .0402 MEETINGS**

*History Note: Authority 143A-181; 150A-10;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. April 1, 1985.*

## SUBCHAPTER 6B - RULE-MAKING: DECLARATORY RULINGS AND CONTESTED CASES

## SECTION .0100 - RULE-MAKING AND DECLARATORY RULINGS

### 04 NCAC 06B .0101 PETITIONS

*History Note: Authority G.S. 54-109.12; 150B-16;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. June 1, 1990.*

### 04 NCAC 06B .0102 NOTICE

*History Note: Authority G.S. 54-109.12; 150B-12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. July 16, 1988 in accordance with G.S. 150B-59(c).*

### 04 NCAC 06B .0103 HEARINGS

*History Note: Authority G.S. 54-109.12; 150B-11(3); 150B-12(d),(e);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. July 16, 1988 in accordance with G.S. 150B-59(c)*

### 04 NCAC 06B .0104 TEMPORARY RULES

*History Note: Authority G.S. 54-109.12; 150B-13;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. July 16, 1988 in accordance with G.S. 150B-59(c).*

### 04 NCAC 06B .0105 DECLARATORY RULINGS

*History Note: Authority G.S. 54-109.12; 150B-17;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. June 1, 1990.*

## SECTION .0200 - CONTESTED CASES

**04 NCAC 06B .0201 REQUEST FOR HEARING**
**04 NCAC 06B .0202 GRANTING OR DENYING HEARING REQUESTS**
**04 NCAC 06B .0203 NOTICE OF HEARING**
**04 NCAC 06B .0204 WHO SHALL HEAR CONTESTED CASES**
**04 NCAC 06B .0205 PETITION FOR INTERVENTION**
**04 NCAC 06B .0206 TYPES OF INTERVENTION**

*History Note: Authority G.S. 1A-1, Rule 24; 54-109.12; 150B-23; 150B-38; 150B-40;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. June 1, 1990.*

## SECTION .0300 - RULE-MAKING HEARINGS

### 04 NCAC 06B .0301 PETITION FOR ADOPTION: AMENDMENT OR REPEAL OF RULES

(a) Right to Petition. Any interested person may petition the Administrator to promulgate, amend, or repeal an administrative rule.

(b) Form of Petition. The petition shall be in writing, signed by the petitioning party or parties and must include the address of the petitioning party. In addition, the petition shall contain the following information:

(1) a draft of the proposed rule, amendment or repeal or a summary thereof;

(2) the reason(s) for the proposal;

(3) the effect on existing rules or orders or both;

(4) any data showing the probable effect of the proposal on existing practices in the area involved, including cost; and

(5) the names of those most likely to be affected by the proposal with addresses if reasonably known.

(c) Address for Petition. Petitions shall be addressed to the Division at its mailing address.

(d) Disposition of Petition. Upon receipt of a petition, the Administrator shall make a study of the facts stated in the petition and any additional information he deems relevant. The Administrator's disposition of the petition will be made in one of the following forms within 30 days of receipt of the petition:

(1) a written denial of the proposal setting forth the reasons for the denial, or

(2) a written communication to the petitioner indicating the Administrator's plan to initiate rulemaking procedures pursuant to G.S. 150B-21.2.

*History Note: Authority G.S. 54-109.12; 150B-20; 150B-21.2;*
*Eff. June 1, 1990;*
*Amended Eff. March 1, 2013;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

### 04 NCAC 06B .0302 NOTICE OF RULE-MAKING HEARINGS

Any person or agency desiring to be placed on the mailing list for the Administrator's rule-making notices may file such request by furnishing a name and mailing address in writing to the Division at its mailing address. The request must state the subject areas within the authority of the Administrator's office for which the notice is requested. The Administrator may require actual postage and stationery costs to be paid by persons receiving such notices if the person receiving the notices requests more than one copy of the notice.

*History Note: Authority G.S. 54-109.12; 150B-21.2;*
*Eff. June 1, 1990;*
*Amended Eff. July 1, 2013;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

### 04 NCAC 06B .0303 RULE-MAKING HEARINGS: GENERAL INFORMATION

The hearing officer shall have control of the proceedings, including extensions of any time requirements, order of presentations, time allotments for presentations, direction of the flow of the discussion and the management of the hearing. Each person participating in the hearing shall be given an opportunity to present views, data, and comments.

*History Note: Authority G.S. 54-109.12; 150B-21.2;*
*Eff. June 1, 1990; Amended Eff. July 1, 2013;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SECTION .0400 - DECLARATORY RULINGS

### 04 NCAC 06B .0401 PETITION FOR DECLARATORY RULING

(a) Petitioner Must Possess Interest. The petitioner must possess such an interest in the question to be ruled on that the petitioner's need to have such a ruling in order to comply with statutory requirements, Division rules, or Division policy shall be apparent from the petition and shall be fully explained therein.
(b) Form and Content of Petition. The petition shall be typewritten and shall contain the name and address of the petitioner, the specific factual situation involved, the question or questions sought to be answered, and the identification of the rules, statutes, or orders applicable to the question presented.
(c) Written Brief May Be Submitted. The petitioner may submit a written brief, but oral argument shall not be allowed unless deemed necessary by the Administrator.
(d) Mailing Address. All requests for declaratory rulings shall be mailed to the Division at its mailing address.

*History Note: Authority G.S. 54-109.12; 150B-17;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

### 04 NCAC 06B .0402 RESPONSE OF ADMINISTRATOR TO PETITION

(a) A written response to the petition for a declaratory ruling, whether in the form of a declaratory ruling or a refusal to issue a declaratory ruling, shall be issued as set forth in G.S. 150B-4.
(b) The Administrator shall issue a declaratory ruling, except when:

(1) the request for a declaratory ruling does not meet the requirements set forth in this Subchapter;
(2) the subject matter is one in which the Administrator has no authority to issue a binding decision;
(3) the question is presented in such a manner that the Administrator cannot determine what the question is, or that the Administrator cannot respond with a specific ruling;
(4) the petitioner does not qualify as a person aggrieved, as defined in G.S. 150B-2(6);
(5) the Administrator has previously issued a declaratory ruling, or issued a final agency decision in a contested case, in which the same facts were considered;
(6) the facts underlying the request for a declaratory ruling were considered at the time the Rule was adopted; or
(7) the subject matter of the petition is involved in pending litigation.

(c) When the Administrator refuses to issue a declaratory ruling, the Administrator shall notify the petitioner of its decision in writing, stating reasons for the denial of a declaratory ruling.

*History Note: Authority G.S. 54-109.12; 150B-4;*
*Eff. June 1, 1990;*
*Readopted Eff. February 1, 2018.*

## SECTION .0500 - ADMINISTRATIVE HEARINGS

**04 NCAC 06B .0501 RIGHT TO HEARING**
Whenever the Administrator acts in such a way as to affect the rights, duties or privileges of a specific identified party, the party may appeal for a final decision by the Administrator in accordance with Article 3A of G.S. 150B.

*History Note: Authority G.S. 150B-38;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0502 INFORMAL SETTLEMENT**
(a) Attendance at Settlement Conference. Before a hearing request can be acted upon, a person must first make an effort to resolve the matter with the Division informally and must attend and participate in any scheduled meetings or conferences.
(b) Settlement Statement. A proposed settlement, including a stipulated statement of facts, shall be set forth in writing by the Division. If the proposed settlement is agreed to by all parties to the matter, it shall represent the final disposition of the matter and shall be signed by all parties to the matter or their legal representatives. If the proposed settlement is not agreed to and signed by all parties, then the matter shall proceed as provided in this Section.

*History Note: Authority G.S. 54-109.12;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0503 REQUEST FOR HEARING**
(a) Form of Request. A request for an administrative hearing must be in writing and must contain the following information:
(1) name and address of the person requesting the hearing;
(2) a concise statement of the action by the Administrator that is being challenged;
(3) a concise statement of the manner in which the petitioner is aggrieved; and
(4) a clear and specific demand for a public hearing.
(b) Address for Request. The request for hearing shall be filed with the Division at its mailing address.

*History Note: Authority G.S. 54-109.12; 150B-38;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0504 NOTICE OF HEARING**
Notice of a public hearing shall be given in writing to the appropriate parties in advance of the hearing date as required by the law applicable to the hearing being held.

*History Note: Authority G.S. 150B-38;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0505 INTERVENTION IN AN ADMINISTRATIVE HEARING**

(a) Petition to Intervene. A petition to intervene may be permitted if timely and if the petition meets the criteria set forth in G.S. 1A-1, Rule 24(b).

(b) Intervention Criteria. In addition, the Administrator, in his discretion, may allow intervention or limited intervention when:

(1) Similar rights will be affected;
(2) Intervention will not confuse issues;
(3) Issues are the same or similar to the issue in question;
(4) Intervention is in the public interest; and
(5) Intervention will not prejudice the rights of parties.

(c) Form of Petition. A petition to intervene shall contain the name of the petitioner, the title of the hearing, the date and time of the hearing, if known, and the grounds for intervention. The petition for intervention shall be addressed to all parties affected thereby and to the Division at its mailing address.

(d) Notice of Intervention. If the Administrator allows intervention, notice of that decision shall be issued promptly to all parties and to the petitioner. Notification will include a statement of any limitation of time, subject matter, evidence, or other limitations imposed on the intervenor. If the Administrator's decision is to deny intervention, the petitioner will be notified promptly.

*History Note: Authority G.S. 1A-1; 150B-38;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0506 DEPOSITIONS**

The use of depositions may be allowed only when attendance at a hearing would work a hardship on a person otherwise available to be subpoenaed as a witness, and such hardship is so great as to be unreasonable in light of the testimony that person may be expected to give. In such a case, a deposition will be taken in accordance with the North Carolina Rules of Civil Procedure. All necessary rulings as to whether a deposition will be allowed or as to methods of securing a deposition are within the power and discretion of the hearing officer.

*History Note: Authority G.S. 1A-1; 150B-39;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0507 SUBPOENAS**

(a) Hearing Officer May Issue Subpoena. Any hearing officer may issue subpoenas in the name of the Administrator.

(b) Request for Subpoena. Subpoenas requiring the attendance of witnesses, or the production of uments, evidence or things will be issued promptly by a hearing officer after receipt of a written request from a party to a contested case for such subpoena.

*History Note: Authority G.S. 150B-38; 150B-39;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0508 SERVICE OF SUBPOENAS**

(a) Methods of Service. Subpoenas shall be served as the officer issuing the subpoena shall direct. Subpoenas may be directed to be served by any of the following methods:

(1) by an employee of the Division; or
(2) by the sheriff of the county in which the person subpoenaed resides, when the party requesting such subpoena prepays the sheriff's service fee.

(b) Form of Subpoena. Subpoenas will be issued in duplicate with a "Return of Service" form attached to each copy. The person serving the subpoena shall fill out the "Return of Service" form for each copy and promptly return one copy of the subpoena, with the attached "Return of Service" form completed.

*History Note: Authority G.S. 150B-38; 150B-39;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06B .0509 OBJECTION TO A SUBPOENA**

(a) Form of Objection. Except as may be otherwise stated in a particular subpoena, a party or person receiving a subpoena from the Division may object thereto by filing a written objection to the subpoena with the Division at its mailing address. An objection to a subpoena must include a concise but complete statement of reasons why the subpoena should be revoked or modified. These reasons may include any reason in law for holding the subpoena invalid.

(b) Service of Objection. The objection shall be served upon the Administrator and the party who requested the subpoena. Service shall be in accordance with the North Carolina Rules of Civil Procedure.

(c) Response to Objection. The party requesting the subpoena may file a written response to the objection. The response shall be served in like manner as the objection.

(d) Hearing on Subpoena. After receipt of the objection and response thereto, the hearing officer may issue a notice to the party who requested the subpoena and the party challenging the subpoena, and may notify all other parties of a hearing, to be scheduled as soon as practicable, at which time evidence and testimony regarding the objection and response may be presented.

*History Note: Authority G.S. 150B-38; 150B-40;*
*Eff. June 1, 1990;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SUBCHAPTER 06C - CREDIT UNIONS

## SECTION .0100 - GENERAL INFORMATION

**04 NCAC 06C .0101 DEFINITIONS**

When used in this Subchapter, the following words and phrases shall have the following meaning:

(1) "Administrator" means the Administrator of State-Chartered credit unions.

(2) "Board of Directors" means at least five persons elected or appointed to oversee the management of each organization.

(3) "Book value of loans" means the dollar amount of loans the credit union has on its books.

(4) "Branch Office" means a facility that a credit union maintains and staffs at a location other than its main office to furnish credit union services to its members.

(5) "Capital" means shares, undivided earnings, and reserves.

(6) "Commission" means the Credit Union Commission established by G.S. 143B-439.

(7) "Corporate Credit Union" means a credit union with an institutional field of membership, as set forth in G.S. 54-110.1 and G.S. 54-110.2.

(8) "Credit union" means a cooperative nonprofit corporation under G.S. 54-109.1.

(9) "Credit Union Service Organization" or "CUSO" means an organization formed and operated by credit union(s), or associations or organizations of credit unions, to provide financial or operational products or services to credit unions or credit union members.

(10) "Deposits" means a preferred savings account on which the credit union is obligated to pay a guaranteed interest rate on a continuing basis in such amounts and terms as the Board of Directors approve.

(11) "Dividend" means an operating expense of a credit union that is declared payable on share accounts from time to time by the Board of Directors. Dividends shall be paid as set forth in G.S. 54-109.54.

(12) "EDP" means electronic data processing.

(13) "Funds" means cash on hand or cash in the bank and investments.

(14) "League" means the Carolinas Credit Union League, the trade association that serves credit unions in North and South Carolina.

(15) "Members" means persons or organizations who have been accepted for membership by either the Board, membership officer, or an executive committee, after having met qualifications of being within the field of membership.

(16) "Membership" means a credit union limited to those persons or groups as stipulated in the bylaws of the credit union and set forth in G.S. 54-109.26.

(17) "Membership fee" means a fee that may be charged to applicants for membership as an entrance fee or as an annual membership fee as determined by the Board of Directors or as the bylaws may provide.

(18) "Reserve fund" means the portion of income to be entered on the books of the corporation to offset uncollectible loans in accordance with G.S. 54-109.86.

(19) "Shares" means the primary capital owned by the members and is comprised of the savings of the members. The par value shall be as the bylaws provide.

(20) Types of investment transactions shall be defined as follows:

(a) "Standby commitments" means an agreement to purchase or sell a security at a future date, whereby the buyer is required to accept delivery of the security at the option of the seller.

(b) "Cash forward agreement" means an agreement to purchase or sell a security at a future date more than five days after the agreement is made and requires mandatory delivery and acceptance.

(c) "Reverse repurchase agreement" means an agreement whereby a credit union enters into an understanding to sell securities to a purchaser and to repurchase the same securities from that purchaser at a future date, regardless of the amount of consideration paid by the credit union or the purchaser.

(d) "Repurchase agreement" means an agreement whereby a credit union enters into an agreement to buy securities from a vendor and to resell securities at a future date. Repurchase agreements may be the following two types:

(i) "Investment-type repurchase agreement" means a repurchase that contains the elements of a sale of security as specified in Rule .1202(5) of this Subchapter.
(ii) "Loan-type repurchase agreement" means any repurchase that does not qualify as an investment-type repurchase agreement.
(e) "Future" means a standardized contract for the delivery of commodities, including certain government securities, sold on designated commodities exchange.
(21) "Unimpaired capital" consists of the shares, undivided surplus, and reserves less any known or probable losses, as determined by management.

*History Note: Authority G.S. 54-109.1; 54-109.2; 54-109.12; 54-109.21(25); 54-109.26; 54-109.86; 143-439;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. July 1, 2013; January 1, 1992; October 1, 1983; April 1, 1979;*
*Readoption Eff. February 1, 2018.*

**04 NCAC 06C .0102 POWERS OF A CREDIT UNION**

*History Note: Authority G.S. 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. April 1, 1985.*

**04 NCAC 06C .0103 TAXATION**

*History Note: Authority G.S. 54-109.1; 54-109.2 (b)(5); 54-109.22; 54-109.99;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983;*
*Repealed Eff. January 1, 1992.*

## SECTION .0200 - ORGANIZATION OF CREDIT UNIONS

### 04 NCAC 06C .0201 INCORPORATION OF STATE CHARTERED CREDIT UNIONS

(a) All credit unions desiring a state charter shall be organized as a corporation under the General Statutes, Articles 14A to 15A of Subchapter III, Chapter 54. In accordance with G.S. 54-109.2(e), the responsibility, character, and general fitness of the officers, directors, and committeemen shall command the confidence of the members and the community, and warrant the belief by the Administrator that the business of the credit union will be properly administered. The Administrator shall determine whether the proposed field of membership is favorable to the success of such credit union and such determination will include an evaluation of any overlap in field of membership with existing credit unions, the field of membership requirements, the number of potential members, availability of payroll deductions, data processing, and evaluation of feasibility studies as conducted by the League, the Credit Union Division, or other support groups for credit union start-ups, and other factors involved in its successful operation.

(b) The following fees shall be charged when new credit unions are established:

(1) five dollars ($5.00) charter fee; and

(2) twenty dollars ($20.00)--investigation fee.

*History Note: Authority G.S. 54-109.1; 54-109.2; 54-109.3; 54-109.11(3); 54-109.12; 143B-439;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .0202 MINIMUM POTENTIAL MEMBERSHIP GUIDELINES

(a) Based on established policy, standards, and the history of the Credit Union Division chartering credit unions, the Administrator shall determine if the breadth and strength of the proposed field of membership is too broad or too weak to operate as a credit union.

(b) The minimum potential membership guidelines for chartering credit unions in each of the various types of groups shall be as follows:

| TYPE OF GROUPS | MINIMUM POTENTIAL MEMBERSHIP | |
|---|---|---|
| Occupational or Employer | 300 | Employees |
| Associational | 500 | Members |
| Residential or Community | 1,000 | Members |
| Multiple Occupational or Combination of Groups | 500 | Members |

In addition to the membership, the makeup of the membership group and the level or support shall be a key indicator for the degree of potential success as determined by the Administrator. Further, determination of the economic advisability of chartering a credit union is based upon such other things as level of group interest, leadership, willingness of management to become involved in credit union operations, local economic factors, and availability of other credit union service.

A group that is close to the minimum and has exceptional prospects for successful credit union operation shall be considered for a state credit union charter.

*History Note: Authority G.S. 54-109.2; 54-109.3(3); 54-109.11(3); 54-109.12; 54-109.21(25); 54-109.26(b);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0203 FIELDS OF MEMBERSHIP**
(a) Parity, for the purpose of this Rule, allows the Administrator to approve fields of membership and permit State chartered credit unions the same latitude with regard to membership limitations and restrictions as is available to federally chartered credit unions, as set forth in 12 C.F.R. Part 701.1, and any subsequent amendments are incorporated by reference and may be found at no cost on the Code of Federal Regulations website www.ecfr.gov.
(b) New charters and expansion requests shall be reviewed and approved in conformity with credit unions organized under G.S. 54-109, Articles 14A to 14L.
(c) In allowing an expansion of the field of membership, any credit union shall be bound by membership limitations or restrictions contained in its charter or bylaws as amended and approved by the Administrator, based on applicable rules and statutes.

*History Note: Authority G.S. 54-109.1; 54-109.2(e); 54-109.3(3); 54-109.4; 54-109.11(3); 54-109.12; 54-109.21(25); 54-109.22; 54-109.26; 54-109.27; 54-109.28;*
*Eff. February 1, 1976;*
*Amended Eff. March 1, 1977;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. March 1, 2015; November 1, 1990; October 1, 1983; April 1, 1979;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0204 BYLAWS AND ARTICLES OF INCORPORATION**
In addition to submitting the articles of incorporation, all credit unions desiring a state charter must prepare and adopt bylaws for the general government of the Credit Union, consistent with the General Statutes, Articles 14A to 15 of Subchapter III, Chapter 54. The articles of incorporation and bylaws shall be executed in duplicate and filed with the Administrator for approval.

*History Note: Authority G.S. 54-109.2(c)(e); 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0205 LOANS TO CREDIT UNION OFFICIALS**
(a) Officials. For purposes of this Rule, an "official" is a member of the Board of Directors, credit committee, or supervisory committee; the President, Chief Executive Officer, Chief Financial Officer, Comptroller, General Manager, Treasurer/Manager, or Executive Vice President; and Outside Attorneys and Outside Accountants of the credit union. For the purpose of this Paragraph, the following definitions apply:

(1) "Outside Attorneys" means independent attorneys or law firms that are retained to provide 25 percent or more of the legal services for the credit union, based on the annual legal expense; and
(2) "Outside Accountants" means independent accountants or accounting firms that are retained to provide accounting or audit services for the credit union.

(b) Loans to Officials. A loan or line of credit extended to an official as the borrower, direct obligor, endorser, cosigner, or guarantor with direct or indirect pecuniary interest in the loan shall be reviewed by the Board of Directors or a duly appointed committee thereof, as provided in Paragraph (c) of this Rule, at the next regular meeting following the date of such extension of credit, provided the following computation produces a total amount in excess of fifty thousand dollars ($50,000) including limits of credit cards.

(1) Add:
    (A) the loan amount extended for the current loan;
    (B) the outstanding balances of loans, including the used portion of an approved line of credit, extended to or endorsed, cosigned or guaranteed by the official; and
    (C) the total unused portion of approved lines of credit extended to or endorsed, cosigned, or guaranteed by the official.
(2) Subtract from the above total:
    (A) the amount of shares pledged by the official on loans or lines of credit extended to, or endorsed, cosigned, or guaranteed by the official; and
    (B) the amount of shares pledged by the official on the current loan or line of credit.

(c) Review of Loans to Officials by Duly Appointed Committee. The Board of Directors may appoint a committee to review and report on loans made to officials. All members of the committee shall be on the Board of Directors. The committee shall meet before the regular monthly board meeting to review all officials' loans that have been approved since

the previous meeting. The committee shall make a report to the board that shall consist of at least the official's loan number, his or her title or position, the amount of the loan, purpose of the loan, aggregate amount of indebtedness to the credit union, and a statement regarding compliance with loan policies. Each credit union's Board of Directors shall review this loan approval report on a monthly basis. This review shall be done at the regular monthly board meeting. In the event the board does not meet monthly, a procedure shall be established whereby a written report shall be sent to each director on a monthly basis.

(d) Non preferential treatment. The rates, terms, and conditions on a loan or line of credit made to or endorsed, co-signed, or guaranteed by:

(1) an official;

(2) an immediate family member of an official. For the purpose of this Rule, "immediate family member" means a spouse or other family member living in the same household; or

(3) any individual having a common ownership, investments, or other pecuniary interest in a business enterprise with an official or with an immediate family member of an official, shall not be more favorable than the rates, terms and conditions for comparable loans or lines of credit to other credit union members.

(e) Avoidance of conflicts. No official or any employee of the credit union shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his or her pecuniary interest or the pecuniary interest of any corporation, partnership, or association (other than the credit union) in which he or she is directly or indirectly interested.

(f) Indirect Benefits. It shall be unlawful for an official or employee to:

(1) have any interest or to benefit in any manner in the proceeds of a loan or from the sale by the credit union of any real or personal property unless the official or employee has disclosed to the Board of Directors of the credit union the nature and extent of the benefit that may be received and the loan or sale, regardless of the amount of money involved, has been approved by a vote of at least two thirds of the directors of the credit union; or

(2) have any interest direct or indirect, in the purchase at less than face value of any savings account or evidence of indebtedness issued by a credit union.

(g) Penalty. A violation of the provisions of this Rule shall be sufficient basis for removal of any official or employee by the. Administrator, as set forth in G.S. 54-109.19.

*History Note: Authority G.S. 54-109.12; 54-109.19; 54-109.39;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. March 1, 2015; August 1, 1998; October 1, 1983;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0206 MERGER OF CREDIT UNIONS**

Two or more credit unions may merge into a single credit union, provided the Administrator, after an investigation, is satisfied that the proposed merger is favorable to the continued success of the surviving credit union. Credit unions interested in merging should contact and discuss the proposed merger with the Administrator, after which the following must be accomplished to affect such merger:

(1) Secure the Administrator's tentative approval of such a merger and his authorization to proceed with merger plans;

(2) Have a plan of merger which has been agreed upon and approved by the majority of the Board of directors of each credit union joining in the merger;

(3) The plan of merger must obtain the affirmative vote of a majority of the members of the merging credit union present at the meeting of the members duly called for such purpose;

(4) For the surviving credit union in the merger, only a vote by the majority of the Board of directors of the Credit Union is required;

(5) The present secretary of each credit union shall execute a certificate of merger, which shall set forth the following:

(a) the time and place of the meeting of the Board of directors at which the plan was agreed upon,

(b) the vote in favor of adoption of the plan,

(c) a copy of the resolution or other action by which the plan was agreed upon,

(d) the time and place of the meeting of the members at which the plan was agreed upon,

(e) the vote by which the plan was approved by the members of the merging credit union;

(6) Approval of the appropriate regulatory authority if one or more of the merging credit unions is not a North Carolina chartered credit union.

(7) Such certificates and a copy of the plans of merger agreed upon including amended bylaws to reflect changes in field of membership shall be forwarded to the Administrator of Credit Unions, certified by him, and returned to the merged credit union within 30 days.

Upon any such merger so effected, all property, property rights, and interest of the merged credit union shall vest in the surviving credit union without deed, endorsement or other instruments of transfer, and all debts, obligations and liabilities of the merged credit union shall be deemed to have been assumed by the surviving credit union under whose charter the merger was effected.
The charter of the credit union whose identity is lost should then be revoked.
If circumstances warrant and if deemed necessary, the Administrator may waive or modify any of the foregoing procedures to affect a merger to protect the interest of the members of the Credit Unions.

*History Note: Authority G.S. 54-109.03; 54-109.4; 54-109.12; 54-109.21(25); 54-109.94;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983; April 15, 1980;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0207 CONVERSION OF CHARTER FROM NORTH CAROLINA CHARTER**
(a) A North Carolina credit union may be converted into another state or federal credit union if permitted by the other state or the Federal Credit Union Act. The proposition for such conversion shall be approved, and a date set for a vote thereon by the members (either at a meeting to be held on such date or by written ballot to be filed on or before such date), by a majority of the Directors of the North Carolina Credit Union. Written notice of the proposition and of the date set for the vote shall then be delivered in person to each member, or mailed to each member at the address for such person appearing on the records of the Credit Union, not more than 30 days or less than seven days prior to such date. Approval of the proposition for conversion shall be by the affirmative vote of a majority of the membership of the members voting in person or in writing.
(b) 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 North Carolina Credit Union Division within 10 days after the vote is taken.
(c) 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, such credit union shall take such action as may be necessary under the other state or the Federal Credit Union Act to make it a credit union of another state or a federal credit union; and within 10 days after receipt of the new credit union charter there shall be filed with the North Carolina Credit Union Division a copy of the charter thus issued. Upon such filing, the Credit Union shall cease to be a North Carolina chartered credit union.
(d) Upon ceasing to be a North Carolina credit union, such credit union shall no longer be subject to any of the provisions of the North Carolina Credit Union laws. The successor credit union shall be vested with all of the assets and shall continue responsibility for all of the obligations of the North Carolina Credit Union to the extent as though the conversion had not taken place.

*History Note: Authority G.S. 54-109.95;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. April 1, 1981;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0208 CONVERSION OF CHARTER TO NORTH CAROLINA CHARTER**
(a) Another state or federal credit union organized under applicable laws, may be converted into a North Carolina Credit Union by complying with all applicable requirements requisite to enabling it to convert to a North Carolina Credit Union or cease being a credit union of another state, or a federal credit union; and filing with the North Carolina Credit Union Division proof of such compliance, satisfactory to the Administrator of credit unions, and filing with the North Carolina Credit Union Division an organization certificate as required by the North Carolina Credit Union Act.
(b) When the Administrator of the North Carolina Credit Union Division has been satisfied that all of such requirements, and all other requirements of the General Statutes of North Carolina have been complied with, the Administrator of the Credit Union Division shall approve the organization certificate. Upon such approval, the Credit Union shall become a North Carolina credit union as of the date it ceases to be a credit union of another state or a federal credit union. The North Carolina Credit Union shall be vested with all of the assets and shall continue responsibility for all of the obligations of the Credit Union to the same extent as though the conversion had not taken place.

*History Note: Authority G.S. 54-109.95;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. April 1, 1981;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0209 OUT OF STATE OFFICE FACILITIES**
Before a credit union may open a branch office in another state, a written request shall be submitted to the Administrator of credit unions for his or her approval. The Administrator may request necessary information and conduct an investigation in evaluating the request. It shall be the responsibility of the board of directors of each credit union operating in more than one state to seek the advice of an attorney to ensure that the credit union complies with applicable state laws of the other state(s).

*History Note: Authority G.S. 54-109.6(a); 54-109.7; 54-109.11; 54-109.12; 54-109.16; 54-109.21(25);*
*Eff. April 4, 1978;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0210 OUT-OF-STATE CREDIT UNIONS**

*History Note: Authority G.S. 54-109.5; 54-109.21(25); 54-109.94; 54-109.95;*
*Eff. October 1, 1983;*
*Repealed Eff. January 1, 1992.*

## SECTION .0300 - BASIC INTERNAL CONTROLS: ACCOUNTING PROCEDURES AND OPERATION STANDARDS FOR STATE-CHARTERED CREDIT UNIONS

### 04 NCAC 06C .0301 GENERAL PROVISIONS

(a) Internal controls, accounting procedures, and operational standards adequate to safeguard the assets shall be established by all credit unions.

(b) Credit unions with ten million dollars ($10,000,000) or more in assets shall follow generally accepted accounting principles (GAAP) for financial statement and report preparation. Credit unions with less than ten million dollars ($10,000,000) in assets may follow GAAP or use the procedures in the "Accounting Manual for Federal Credit Unions," including any subsequent amendments that are incorporated by reference, and may be found at no cost on the National Credit Union Administration website (www.ncua.gov).

(c) At least 60 days before a credit union converts its records from a manual to an Electronic Data Processing (EDP) system through an outside servicer or changes EDP services, a copy of the proposed contract and a description of the data processing system shall be submitted to the Administrator for review and approval. If an in-house EDP system or the sponsoring company's EDP facilities are to be used, the Administrator shall be notified in writing of the proposed change before planning and system programming begins. Contracts and agreements for EDP systems shall conform with the following:

(1) the right of the Administrator or his or her representative to request and receive from the service center any reports, summaries, or information contained in or derived from the data in the possession of the service center relating to the credit union;

(2) terms of the contract, including dates for the beginning and end with disclosure of the charges to be incurred;

(3) notice of the termination of the servicing contract or agreement, consistent with industry standards;

(4) the description of the equipment, services, reports, location of original documents and source data and method of transmittal of input information to the service center, and applicable controls;

(5) a maintenance agreement that is consistent with industry standards;

(6) availability of technically qualified personnel;

(7) the due diligence and review by the board of directors or legal counsel; and

(8) fidelity bond coverage for service center personnel and for losses due to system errors and insurance coverage for losses from fire, disaster, or other causes resulting in an interruption of service.

*History Note: Authority G.S. 54-109.11; 54-109.12; 54-109.16; 54-109.17(a); 54-109.17(b);*
*Eff. February 1, 1976;*
*Amended Eff. November 1, 1977;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. March 1, 2015;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .0302 PROCEDURES

The basic internal controls, accounting procedures, and operation standards for all credit unions shall be as follows:

(1) an adequate general ledger and detailed cash journal shall be maintained for the control of all transactions of the credit union;

(2) a record of all correcting and adjusting entries, with an explanation of each entry, shall be maintained;

(3) manual and computerized accounting systems, all receipts and disbursements shall be recorded and posted daily to cash journal and subsidiary accounts;

(4) deposits in the bank or credit union shall consist of an entire day's receipts as entered in the journal and cash record. If amounts are less than three hundred dollars ($300.00), more than one day's total receipts may be combined in a single deposit provided that no funds shall be held more than three banking days;

(5) security shall be provided (cash drawer and lockbox) at a minimum for storage of funds;

(6) credit union funds shall be kept separate from all other funds;

(7) cash shall be balanced at the end of each working day, and a record made by each teller detailing coins, currency, checks, and other items counted as cash;

(8) a "cash over and short" account shall be maintained in the expense ledger, with a record showing the name of each person responsible for each difference;

(9) a pre-numbered receipt slip or other original record shall be made and preserved covering each payment received;
(10) all bank or credit union accounts shall be reconciled at least monthly and the reconciliations shall be maintained as set forth in Rule .1002 of this Subchapter;
(11) a duplicate of itemized bank or credit union deposit slips, or other comparable detailed item record, shall be maintained, as set forth in Rule .1002 of this Subchapter;
(12) the status of all the credit union's funds, including investments and funds held by agents or attorneys, shall be determinable at all times;
(13) checks shall be pre-numbered by the printer and not signed in blank in advance of issue. Facsimile signature plates shall be maintained in the credit union vault under dual control;
(14) disbursements shall be supported by invoices, vouchers, or other explanations of record, each showing the nature or purpose of each disbursement;
(15) dual control shall be maintained over all negotiable investment securities;
(16) members' accounts shall be posted and balanced monthly and supported by member trial balance or adding machine tapes, identified, dated, and maintained;
(17) a trial balance of the general ledger shall be prepared within 15 business days from the close of business of the last day of each month and financial statements prepared;
(18) correction of errors in records shall be visible and approved by an authorized person that shall be approved by the board of directors;
(19) a signed membership card file covering all accounts shall be maintained;
(20) payment of dividends or interest on accounts shall be accomplished by check or by credit to the individual account. A record in support of dividend or interest paid by check or credited to accounts shall be maintained;
(21) a cross-index card record shall be maintained for each comaker showing the date, name, and original amount of each note on which the individual appears as comaker;
(22) minutes of meetings of the board of directors shall record in detail all of its business transactions and be signed by the presiding officer and the secretary. Upon meeting as a board of directors, the secretary or designated member shall make a matter of record in the minutes of the meeting all written communications from the Division;
(23) the supervisory committee shall have work papers to support its audit report. The reports and work papers shall be retained and made available for review by the Administrator, as set forth in Rule .1001 of this Subchapter;
(24) a report of actions taken by the credit committee or loan officers shall be prepared, signed, and maintained, as set forth in Rule .1002 of this Subchapter;
(25) minutes of each annual meeting of the members of the credit union shall record all business transacted;
(26) all books and records of the credit union shall have protection from fire and other hazards at all times. Active books and records of the credit union should be located at the principal office at all times;
(27) dormant accounts shall be controlled to prevent improper withdrawal;
(28) annual vacations of at least five consecutive working days (during periods when proofs of subsidiary ledgers are being made) shall be taken by each employee having access to cash and the general ledger. During the vacation, the employees shall remain absent;
(29) a record shall be maintained that shall show the tax and insurance status of each piece of real estate securing the credit union's investment of funds in real estate mortgage loans; and
(30) all tax liabilities shall be determined and paid in accordance with State and federal laws.

*History Note: Authority G.S. 54-109.11(4); 54-109.12; 54-109.16; 54-109.17; 54-109.19; 54-109.92;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. March 1, 2015; January 1, 1992; July 1, 1988; December 1, 1979;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0303 DEPRECIATION AND AMORTIZATION SCHEDULES**
*History Note: Authority G.S. 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. March 1, 2015.*

**04 NCAC 06C .0304 MANAGEMENT DUTIES**
All credit unions shall conduct their business and the selection of their employees using a high degree of management and business skills to assure the safe and sound operation of the credit union. To maintain familiarity with current developments in the field of credit union management, services, and operations as may be necessary, all management personnel and employees of credit unions may avail themselves of the educational opportunities as may be provided by the League, the Credit Union Division, other trade associations, credit union support groups, and other industry training organizations.

*History Note: Authority G.S. 54-109.12; 54-109.19; 54-109.35; 54-109.36; 54-109.92;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0305 INDEPENDENT AUDITS**
(a) An audit of each state-chartered credit unions shall occur at least once each calendar year and shall cover the period elapsed since the last audit. The audit will be performed using generally accepted auditing procedures and standards. It is the responsibility of the supervisory committee, or board of directors if there is no supervisory committee, to ensure that the annual audit is timely, that generally accepted auditing standards are used, that an adequate audit of the credit union records is conducted, and the audit report is promptly prepared and submitted to the board of directors. Workpapers of the supervisory committee and/or its independent auditors shall be made available for review by the Credit Union Division.
(b) Compensated auditors performing audits for credit unions must be independent of the credit union's employees, members of the board of directors, supervisory committee, credit committee, and/or the credit union's loan officers and members of their immediate families. Compensated auditors must be a Certified Public Accountant (CPA), or a bonded auditing firm, or a person who is bonded or has accountants' professional liability insurance coverage.
(c) Annual verification of depositors' and members' accounts will be done in conjunction with the annual audit and shall be made by either a controlled verification of 100 percent of share, deposit and loan accounts or a controlled random sampling method that provides assurance that the General Ledger accounts are fairly stated and that members' and depositors' accounts are properly safeguarded.
(d) A credit union shall obtain an outside independent audit by a certified public accountant for any fiscal year during which any one of the following is present:

(1) the required annual audit was not performed or was not in accordance with Paragraphs (a), (b), and/or (c) of this Rule;

(2) the credit union has experienced serious and/or persistent recordkeeping deficiencies. Persistent means continuing to exist or endure. Serious is when there is given cause for concern that the financial condition is not fairly and accurately presented and/or that management practices are not sufficient to safeguard the assets of the credit union. When a credit union fails to comply with this Rule, the administrator has the authority to engage an outside certified public accountant at the credit union's expense to conduct the required annual audit.

(e) This Rule shall not in any manner modify or limit the administrator's responsibility or authority to examine credit unions as set forth in G.S. 54-109.16, and it shall not modify or limit the administrator's authority to assess the cost of the examination against any credit union.

*History Note: Authority G.S. 54-109.12; 54-109.17; 54-109.35(b); 54-109.49;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1991; October 1, 1983; May 1, 1983; January 1, 1983;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0306 DISPLAY OF FINANCIAL STATEMENTS**
Each credit union shall display at its main office and all branches, copies of its monthly financial statement. The statement shall be posted in a manner that is accessible for inspection by members.

*History Note: Authority G.S. 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0307 LISTING OF OFFICIALS AND OPERATING HOURS**
(a) Each credit union shall notify the Administrator of the names and addresses of its officers, directors, committee members of the credit committee and supervisory committee, managers, and internal auditors.
(b) Each credit union shall notify the Administrator of its days and hours of operation.
(c) The credit union shall notify the Administrator of any changes to the information required by this Rule within 15 business days.

*History Note: Authority G.S. 54-109.12; 54-109.36;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. July 1, 2013;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0308 BORROWING LIMITATIONS**
No credit union may borrow funds from any source in excess of 50 percent of its unimpaired capital without the written approval of the Administrator. Nonmember deposit accounts are considered to be borrowed funds.

*History Note: Authority G.S. 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0309 OPERATIONAL SYSTEMS**
(a) Credit unions, associations of credit unions, and any other parties interested in credit union programs may submit pilot programs relating to electronic funds transfer through remote service units, loan programs, and other operational systems to the Administrator for evaluation and approval.
(b) A program will be designated a pilot program if it is determined that the implementation of the program will provide the Administrator with the information necessary for the establishment of permanent programs which will effectively benefit all credit unions and the parties they serve.
(c) Where a pilot program is deemed appropriate and the submitting party is a state-chartered credit union, such state-chartered credit union will be designated as a credit union to implement the pilot program, provided the Administrator determines that the implementation by such state-chartered credit union would best serve the Administrator's observation and evaluation of the actual operation of the pilot program. If the requesting credit union is deemed unqualified for implementation, or if the submitting party is not a state-chartered credit union, the Administrator may, with the consent of the submitting party, designate an alternate credit union to test the program.
(d) A termination date will be specified for the Credit Union designated to implement a pilot program. If, at the termination date, additional time is needed for complete evaluation, the Administrator may extend the time at the request of the designated credit union. The Administrator reserves the right to terminate or otherwise modify any ongoing pilot program. At the end of the evaluation period or extensions thereof, the Administrator will determine the benefits of the program and may authorize other qualified credit unions to adopt the same program, or a modification thereof, in which case approval by the Administrator will be required.

*History Note: Authority G.S. 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0310 SHARE DRAFT PROGRAMS**
Share draft programs are permissible if provided for in the Credit Union bylaws or have otherwise been approved by the Administrator.

*History Note: Authority G.S. 54-109.12; 54-109.3(9)(11); 54-109.21(23); 54-109.22; 54-109.53; 54-109.55;*
*Eff. December 1, 1979;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0311 FIDELITY AND SURETY BONDS AND INSURANCE COVERAGE**

(a) The board of directors of a credit union shall purchase a blanket fidelity bond as required by G.S. 54-109.44(2).
(b) Every credit union shall maintain the minimum bond and insurance coverage as required by G.S. 54-109.11(5).
(c) No form of surety bond shall be used except as is approved by the Administrator as set forth in G.S. 54-109.11(5). The approved bond forms shall be Credit Union Blanket Bond 500 Bond Series, plus faithful performance rider, Credit Union Blanket Bond, Standard Form No. 23 of the Surety Association of America, or an equivalent approved Bond Form including a faithful performance rider on a current listing, including any subsequent amendments to the bond forms. The approved bond forms are incorporated by reference and may be found at no cost on the Credit Union Division website (www.nccud.org). These bond forms shall be considered the minimum coverages required for the purpose of this Rule. The approved bond forms in this Paragraph provide faithful performance coverage for all employees and officials. Other forms, or changes in the amount of bond coverage, shall be approved by the Administrator as set forth in G.S. 54-109.11(5).
(d) Maximum deductible limits may be applied to the required coverage contained in 500 Bond Series, and Standard Form No. 23, as specified in this Paragraph:

| | |
|---|---|
| $0 to 100,000 | 0 |
| $100,001 to $250,000 | $1,000 |
| $250,000 to $1,000,000 | 2,000 |
| Over $1,000,000 | 2,000 plus 1/1000 of total assets up to a maximum of $200,000 |

Deductibles in excess of those provided in this Paragraph shall be approved by the Administrator based upon the applicable State rules and laws.
(e) In considering a request to deviate from the bond coverage and deductible amounts set forth in this Rule, the Administrator shall consider the following factors about the credit union:

(1) financial strength;
(2) net worth;
(3) return on assets;
(4) quality of assets; and
(5) capital, asset quality, management, earnings, and liquidity, (CAMEL) rating, used by the Credit Union Division and NCUA to evaluate the soundness of credit unions on a uniform basis.

*History Note: Authority G.S. 54-109.11 (5); 54-109.12; 54-109.44 (2);*
*Eff. April 1, 1981;*
*Amended Eff. March 1, 2016; July 1, 2013; February 1, 1992; April 1, 1985;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0312 INSURANCE AND GROUP PURCHASING**

Credit unions may purchase, make available, or enter into cooperative marketing arrangements (group purchasing) to facilitate its members' voluntary purchase of insurance and other goods and services that shall be in the interest of improving economic and social conditions of its members. Prior to entering into any agreement for cooperative marketing arrangements to provide goods, services, or insurance to its members, the credit union board of directors shall ensure that the service is researched, is needed and wanted by the members, is communicated in an understandable format, and is monitored and evaluated to ensure that the action will not have an adverse effect on the safety and soundness of the credit union.

*History Note: Authority G.S. 54-109.12; 54-109.21; 54-109.75; 54-109.77; 54-109.92(a)(5);*
*Eff. March 1, 1982;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0313 CREDIT UNION SERVICE ORGANIZATION (CUSO)**

(a) For purposes of this Section, a "credit union service organization" (CUSO) is an entity defined in Rule .0101(9) of this Subchapter.
(b) A CUSO may provide the following functions or services:

(1) credit union operational functions including, credit card and debit card services, ATM services, accounting systems, data processing, management training and support, payment item processing, record

retention and storage, locator services, research services, debt collection services, credit analysis and loan servicing, and coin and currency services;

(2) family financial services including, financial planning, and counseling, including retirement counseling, estate planning and income tax preparation, developing and administering IRA and Keogh plans and other personnel benefit plans, and provision of trust services including acting as trustee or in other similar fiduciary capacities;

(3) acting as agent for the sale of liability, casualty, automobile, life, health, accident, title, and other insurance;

(4) personal property leasing and development of leasing plans;

(5) any preapproved activities or services set forth in 12 C.F.R. Part 712.5, and any subsequent amendments are incorporated by reference and may be found at no cost on the Code of Federal Regulations website www.ecfr.gov; and

(6) other functions and services, as determined by the board of directors.

(c) A credit union may, either by itself or by agreement with other entities, form, invest in, or lend to a CUSO, within the limits specified by State credit union law. Before investing in or lending to the CUSO, a credit union shall obtain a written agreement from the CUSO that will satisfy the requirements set forth in 12 C.F.R. 712.3 (d), and any subsequent amendments are incorporated by reference and may be found at no cost on the Code of Federal Regulations website www.ecfr.gov.

(d) A credit union investing in or lending to a CUSO shall submit call reports or any other information upon request by the Administrator.

*History Note: Authority G.S. 54-109.2(b)(5); 54-109.21(4); 54-109.21(14); 54-109.21(23); 54-109.21(25); 54-109.22; 54-109.27; 54-109.82(2);*
*Eff. October 1, 1983;*
*Readopted Eff. February 1, 2018.*

## SECTION .0400 – LOANS

### 04 NCAC 06C .0401 DELINQUENT LOANS AND LOAN LOSSES

(a) Monthly Schedule of Delinquent Loans. Each credit union shall, at the end of each month, prepare and review a schedule of delinquent loans that shall list the account number, name(s) of borrower(s), date of loan, date of last payment, original amount of loan, and outstanding balance of loan at date of schedule, together with space to note current action or status.

(b) The unpaid balance of loans shall be set apart in columns of the schedule of delinquent loans that shall indicate the extent of delinquency as determined by the delinquent installments according to the note contract, as follows:

(1) loans which the delinquent installments are 60 days but less than 180 days past due;

(2) loans which the delinquent installments are 180 days but less than 365 days past due; and

(3) loans which the delinquent installments are past due 365 days or more.

Similar formats customized to a credit union's needs shall be acceptable as long as the report described in this Paragraph may be produced upon request.

(c) Allowance for Loan Losses.

(1) Each credit union shall establish and maintain the reserves as may be required by State laws and the rules of this Subchapter, or in special cases by the Administrator as set forth in G.S. 54-109.86. Each credit union shall establish an Allowance for Loan Losses Account. The Allowance for Loan Losses Account is not an addition to but a part of the Regular Reserve as required by statute.

(2) The maintenance of a valuation Allowance for Loan Losses Account shall not eliminate the requirement for transferring a percentage of gross income before the payment of each dividend to the regular reserve as required by State credit union laws and rules of this Subchapter.

(3) Adjustments to the valuation Allowance for Loan Losses shall be made prior to the distribution or posting of any dividend to the accounts of all the members so that the valuation allowance established presents the value of loans and anticipated losses.

(4) Adjustments to the valuation Allowance for Loan Losses shall be recorded in the expense account "Provision for Loan Losses."

(5) Dividends shall not exceed the amount available for that purpose after provisions have been made for the statutory transfer to the Regular Reserve Account and the removal of any deficit in the Regular Reserve Account.

(6) Each credit union shall review the Allowance for Loan Losses Account quarterly for accuracy prior to completion of the call report. An independent party shall annually review the credit union's Allowance for Loan Losses Account. The independent party shall have no connection to the credit approval, the estimation process, the methodology, and its application.

*History Note: Authority G.S. 54-109.11(4); 54-109.12; 54-109.16; 54-109.17; 54-109.86; 54-109.87;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. February 1, 1992; October 1, 1983; January 1, 1983; March 1, 1982;*
*Readopted February 1, 2018*

.

### 04 NCAC 06C .0402 CHARGE-OFF OF UNCOLLECTIBLE LOANS

(a) All credit unions shall have a Charge–Off of Uncollectable Loans Policy. All losses resulting from uncollectable loans shall be charged against the Allowance for Loan Losses or any special reserve as set forth in G.S. 54-109.86(c).

(b) A record shall be maintained of all loans charged off. The record shall contain the following information: account number, name, original date, amount of original loan, security, balance at time of charge-off, efforts made to collect, and what, if any, recovery has been made on the security. This record shall be kept current and made available to the examiners at each examination.

(c) Any loans delinquent 365 days or more, shall be charged off in accordance with Paragraph (a) of this Rule, unless one of the following applies to the loan:

(1) has a high probability of no loss;

(2) is secured by real estate where the borrower is demonstrating a reasonable level of repayment; or

(3) is in the process of legal action.

Any loan deemed uncollectable, because collection efforts are nonproductive regardless of the number of days delinquent, shall be charged off in accordance with Paragraph (a) of this Rule.
(d) Any recovery of charged-off loans shall be credited to the Allowance for Loan Losses.

*History Note: Authority G.S. 54-109.11(4); 54-109.12; 54-109.16; 54-109.17;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. February 1, 1992; January 1, 1983;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0403 REAL ESTATE LOANS**
(a) Loan Limitations. No more than 30 percent of the total dollar amount of shares and deposits shall be made in fixed rate real estate loans with a remaining maturity of more than seven years without the permission of the Administrator, based on the Administrator's evaluation of the credit union's management.
(b) Selection of Attorneys. If an attorney's fee is paid by the borrower in connection with any loans, the borrower shall have the right to select an attorney of his choice; provided, the attorney or attorneys are acceptable to the Credit Union. The decision as to the acceptability of the attorney or attorneys must be on a reasonable, nondiscriminatory standard to be determined by the Board of directors of each credit union.

*History Note: Authority G.S. 54-109.12; 54-109.18; 54-109.21(25);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. February 1, 1992; January 1, 1988; October 1, 1983; October 1, 1982;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0404 LINE OF CREDIT LOANS**
(a) A credit union shall not make a line of credit loan that exceeds the stated sum or specified period of time approved by the board of directors of that credit union.
(b) A credit union shall maintain for a period of one month, beginning on the seventh day of each month, a reserve, that shall consist of cash on hand or legal investments that mature in one year or less, in an amount not less than five percent of the aggregate unused portion of its line of credit loans determined as of the close of the previous month. Not more than 20 percent of the required reserve shall be in direct United States Government obligations. The credit union shall keep current records of the aggregate unused portion of its line of credit loans and reserves, and the Administrator may require periodic or special reports based on these records.

*History Note: Authority G.S. 54-109.11(4); 54-109.12; 54-109.15; 54-109.16; 54-109.17; 54-109.70; 54-109.71(b); 54-109.82;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. January 1, 1992; December 1, 1979;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0405 MAXIMUM INTEREST RATE ON LOANS**

*History Note: Authority G.S. 54-109.65;*
*Eff. April 4, 1978;*
*Amended Eff. April 15, 1980;*
*Repealed Eff. April 1, 1985.*

**04 NCAC 06C .0406 MAXIMUM UNSECURED LOAN LIMITS**

*History Note: Authority G. S. 54-109.67;*
*Eff. October 1, 1983;*
*Repealed Eff. April 1, 1985.*

**04 NCAC 06C .0407 COMMERCIAL LENDING AND MEMBER BUSINESS LOANS**
(a) Commercial lending and member business loans. State chartered federally insured credit unions shall adhere to the federal regulations prescribed by the National Credit Union Administration relating to commercial lending and member business loan program pursuant to 12 C.F.R. Part 723, and this Rule, and any subsequent amendments, are incorporated by reference and may be found at no cost on the Code of Federal Regulations website www.ecfr.gov.
(b) Written loan policies. The Board of Directors shall give notification to the Administrator of Credit Unions prior to initiating a commercial lending and member business loan program and adopt specific commercial lending and member business loan policies and review them at least annually. The Board of Directors shall review its commercial lending and member business loan policies prior to any material change in the credit union's commercial lending and member business loan program or related organizational structure, and in response to any material change in portfolio performance or change in economic conditions. Credit unions with an asset size of two hundred fifty million dollars ($250,000,000) or below shall have commercial lending and member business loan polices submitted to the Administrator of Credit Unions 30 days prior to initiating a commercial lending and member business loan program.

*History Note: Authority G.S. 54-109.12; 54-109.21(25); 54-109.78; 12 C.F.R. Part 741.3; 12 C.F.R. Part 723; 12 C.F.R. Part 741.203;*
*Eff. January 1, 1988;*
*Amended Eff. August 1, 1998; March 2, 1992;*
*Temporary Amendment Eff. January 1, 2017;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0408 SALE OF LOANS**
(a) A credit union may sell its loans provided the Board of Directors or designated Committee approves the sale and a written agreement and a schedule of loans covered by the agreement are retained in the credit union office.
(b) A credit union may not sell loans with recourse without the permission of the Administrator of Credit Unions.
(c) A credit union may agree to service any obligation it purchases or sells in whole or in part.

*History Note: Authority G.S. 54-109.12; 54-109.21(9); 54-109.21(25); 54-109.22;*
*Eff. June 1, 1991;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0409 LOAN LIMITATIONS**
(a) No loan or line of credit advance shall be made to an individual member, or immediate family member, if such a loan or line of credit advance causes that member along with that member's immediate family to be indebted to the credit union in an aggregate amount exceeding 10 percent of the credit union's unimpaired shares and surplus as set forth in G.S. 54-109.67. For purposes of this Rule "unimpaired shares" shall mean shares without any assignments or pledges. "Surplus" shall mean undivided earnings and reserves.
(b) In the case of member business loans, additional loan limitations apply as set forth in Rule .0205(d) of this Subchapter and pursuant to 12 C.F.R. Part 723.

*History Note: Authority G.S. 54-109.12; 54-109.26; 54-109.67;*
*Eff. August 1, 1998;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0410 PROHIBITED FEES**
(a) A North Carolina Credit Union shall not make any loan or extend any line of credit if, either directly or indirectly, any commission, fee, or other compensation is to be received by the Credit Union's directors, committee members, senior management employees, loan officers, or any immediate family members of such individuals, in connection with underwriting, insuring, servicing, or collecting the loan or line of credit. For the purposes of this Rule, the following definitions shall apply:

(1) "senior management employees" shall mean the Credit Union's Chief Executive Office or President, the Treasurer or Manager, the Vice President, the Assistant Vice President, the Assistant Treasurer or Manager, the Chief Financial Officer, and the Comptroller; and

(2) "immediate family member" shall include a spouse or other family member living in the same household.

(b) For purposes of this Rule, "compensation" shall include non-monetary items, except those of nominal value.

(c) For purposes of this Rule, the following shall not be considered a "commission, fee, or other compensation":

(1) the annual salary of an employee;

(2) the payment of an incentive or bonus based on the Credit Union's overall financial performance; and

(3) the payment of an incentive or bonus to an employee other than a senior management employee, made in connection with a loan or loans made by the Credit Union. The Board of Directors of the Credit Union shall establish written policies and internal controls in connection with the payment of incentives or bonuses and shall monitor compliance with the policies and controls at least annually.

*History Note:* *Authority G.S. 54-109.12; 54-109.21(25); 54-109.22;*
*Eff. March 1, 2016;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SECTION .0500 - IMPAIRMENT AND INSOLVENCY

### 04 NCAC 06C .0501 IMPAIRMENT

(a) An impairment of capital shall exist if the credit union is unable to provide for Allowance for Loan Losses, or any other reserve required by the Administrator.
(b) In determining the degree of impairment of capital that may exist, loans receivable shall be valued at book value less the amount of reserves required. If share deposit balances exceed net assets an impairment shall exist. The total of the credit union's assets, valued according to generally accepted accounting principles, including loans receivable, less current and long term liabilities, shall be considered to be net assets.
(c) Whenever it is determined that there exists an impairment of capital, the board of directors shall notify the Administrator. If required by the Administrator, pursuant to G.S. 54, Article 14A to 14N, the board of directors shall disclose to all shareholders the impairment of capital and other matters regarding the financial condition of the credit union.

*History Note: Authority G.S. 54-109.12; 54-109.92; 54-109.93;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. January 1, 1983;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .0502 INSOLVENCY

Inability to meet demands of shareholders or creditors shall constitute insolvency.

*History Note: Authority G.S. 54-109.12; 54-109.92;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Readopted Eff. February 1, 2018.*

## SECTION .0600 - DIVIDENDS: DEPOSITS AND INTEREST REBATE

**04 NCAC 06C .0601 DIVIDENDS**
(a) The board of directors may declare dividends pursuant to G.S. 54-109.44 (5) and G.S. 54-109.54.
(b) No dividend shall be declared or paid unless the credit union has satisfied the reserve requirements set forth in G.S. 54-109.86 and any other reserve account that shall be maintained as prescribed by the Administrator.

*History Note: Authority G.S. 54-109.12; 54-109.44(5); 54-109.54; 54-109.86; 54-109.87;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0602 DEPOSITS**

*History Note: Authority G.S. 54-109.12; 54-109.44(6);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. April 1, 1985.*

**04 NCAC 06C .0603 INTEREST REBATES**
The Board of directors may authorize the payment of an interest rebate on loan accounts upon such reasonable terms as are consistent with the following provisions:

(1) The Board of directors shall authorize the method of computation, payment and qualifications for participation in such rebate.
(2) Any rebate of interest shall be recorded as a reduction of loan interest for the accounting period to which it applies.

*History Note: Authority G.S. 54-109.12; 54-109.44(3);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SECTION .0700 – ACCOUNTS

**04 NCAC 06C .0701 GENERAL**
**04 NCAC 06C .0702 INDIVIDUAL ACCOUNTS**
**04 NCAC 06C .0703 JOINT ACCOUNT AGREEMENT**
**04 NCAC 06C .0704 REVOCABLE TRUST AGREEMENT**
**04 NCAC 06C .0705 CUSTODIAL ACCOUNT FOR MINORS**

*History Note: Authority G.S. 54-109.12; 54-109.44(6);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Repealed Eff. June 1, 1990.*

**04 NCAC 06C .0706 DORMANT ACCOUNTS**
After an account is declared dormant and the provisions of the law have been complied with, the Credit Union must transfer the dormant account to accounts payable (N.C. Escheats Fund) and maintain detailed records of such accounts until paid to the N.C. Escheats Fund according to the North Carolina Escheats Law.

*History Note: Authority G.S. 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1982;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .0707 STATEMENTS OF ACCOUNTS**

*History Note: Authority G.S. 54-109.12;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978.*
*Repealed Eff. February 1, 2018.*

**04 NCAC 06C .0708 CHARITABLE CONTRIBUTIONS AND CHARITABLE DONATION ACCOUNTS**

(a) A credit union may make charitable contributions and donations or may fund a charitable donation account. The following definitions apply throughout this Rule:

(1) "Charitable contributions and donations" means gifts provided by credit unions to assist others through contributions of staff, equipment, money, or other resources. This definition includes donations to community groups, nonprofit organizations, other credit unions or credit union affiliated causes, political donations, or donations to create charitable foundations.

(2) "Charitable donation account" ("CDA") means a hybrid charitable and investment vehicle that a credit union may fund as a means to provide charitable contributions to qualified charities.

(3) "Qualified charity" means a charitable organization or other non-profit entity that serves either a charitable, social, welfare, or educational purpose, and recognized by section 501(c)(3) of the Internal Revenue Code as tax exempt.

(4) "Total return" means the actual rate of return on all investments in a CDA over a given period of up to five years, including realized interest, capital gains, dividends, and distributions, but exclusive of account fees and expenses.

(b) A credit union seeking to make charitable contributions and donations shall adopt policies and procedures as approved by its Board of Directors.

(c) A credit union shall be allowed to fund a CDA only after it has satisfied the following:

(1) Notice. The credit union shall send written notice of the type and amount of initial investment to the Administrator 10 days prior to funding the CDA.

(2) Rating. The credit union shall be rated a CAMEL 1, 2, or 3.

(3) Maximum aggregate funding. The total aggregate investment in CDAs shall be limited to five percent of the applicant credit union's net worth for the duration of the CDAs, as measured every quarterly Call Report cycle.

(4) Segregated account. The assets of a CDA shall be held in a segregated custodial account or special purpose entity and shall be labeled as a CDA.

(5) Regulatory oversight. If a CDA is established using a trust vehicle, the trust shall be a revocable trust and the trustee shall be an entity regulated by a state financial regulatory agency or a federal regulatory agency. A regulated trustee, other person, or entity that is authorized to make investment decisions for a CDA (manager), other than the credit union itself, shall be either a Registered Investment Adviser with the U.S. Securities and Exchange Commission or regulated by the Office of the Comptroller of the Currency.

(6) CDA documentation and other written requirements. The parties to the CDA shall document the terms and conditions controlling the CDA in a written agreement. The terms of the agreement shall be consistent with this Rule. A credit union's board of directors shall adopt written policies governing the creation, funding, and management of a CDA that are consistent with this Rule, review the policies annually, and may amend them. A CDA agreement and policies shall at a minimum:

(A) provide that the CDA will make charitable contributions and donations only to qualified charities;

(B) document the investment strategies and risk tolerances the CDA trustee or other manager shall follow in administering the account;

(C) provide that a credit union shall account for the CDA, including distributions to charities and liquidation of the CDA, in accordance with generally accepted accounting principles; and

(D) state the frequency with which the trustee or manager of the CDA will make distributions to qualified charities that are consistent with Subparagraph (c)(7) of this Rule.

(7) Minimum distribution to charities. A credit union shall distribute a minimum of 51 percent of the CDA's total return to one or more qualified charities no less frequently than every 5 years.

(d) Upon termination of a CDA, regardless of the length of its term, a minimum of 51 percent of the CDA's total return on assets shall be distributed to one or more qualified charities. Following the distributions to the qualified charities, any remaining assets shall be distributed to the credit union either in cash or shall be distributed to the credit union in kind but only if those assets are permissible investments for State-chartered credit unions as set forth in Rule .1201 of this Subchapter and G.S. 54, Article 14I.

(e) The Administrator may revoke or modify a previously funded investment to the applicable credit union, if the Administrator finds the previously authorized investment is no longer a safe and sound practice, or has become inconsistent with applicable State or federal law. The Administrator shall send written notice of the revocation or modification to the applicable credit union. A credit union may appeal for a final decision by the Administrator as set forth in 04 NCAC 06B .0501 of this Chapter.

*History Note:* *Authority G.S. 54-109.12; 54-109.21(19); 54-109.21(20);*
*Eff. April 1, 2019.*

## SECTION .0800 - REPORTS TO ADMINISTRATOR

**04 NCAC 06C .0801 FINANCIAL STATEMENTS AND OTHER INFORMATION**
Each credit union shall furnish a report of condition to the Administrator due on the same date as designated by the federal insurer in January, April, July, and October. The report shall be submitted on forms supplied by the federal insurer for that purpose. The Administrator shall assess fines and penalties for reports not filed within 15 days, as set forth in G.S. 54-109.13 and G.S. 54-109.15(b).

*History Note: Authority G.S. 54-109.11(4); 54-109.12; 54-109.13; 54-109.15; 54-109.16;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. July 1, 2013; December 1, 1979;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .0802 ADDITIONAL REPORTS**
The Administrator may require any additional reports of the status of credit unions as he deems necessary. The additional reports are due within fifteen (15) days of the date specified by the Administrator.

*History Note: Authority G.S. 54-109.12; 54-109.15;*
*Eff. February 1, 1976;*
*Readopted April 4, 1978;*
*Amended Eff. December 1, 1979;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SECTION .0900 - PENSION PLANS

### 04 NCAC 06C .0901 CREDIT UNION AS CUSTODIAN

A credit union is authorized to act as custodian, and may receive reasonable compensation for so acting, under any written trust instrument or custodial agreement created or organized in the United States and forming part of a pension fund that qualifies or qualified for specific tax treatment under Section 401(d) or 408 of the Internal Revenue Code for its members, groups, or organizations of members. The funds of such plans shall be invested in share accounts of the credit union. All funds held in a custodial capacity shall be maintained in accordance with applicable State and federal laws, rules, and federal regulations, as may be promulgated by the Secretary of Labor, the Secretary of the Treasury, or any other State and federal authority exercising jurisdiction over such custodial accounts. The credit union shall maintain individual records for each participant that shows all transactions relating to the funds of each participant or beneficiary.

*History Note: Authority G.S. 54-109.12; 54-109.21(21);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .0902 SUCCESSOR CUSTODIAN

The plan shall provide for the appointment of a successor custodian by a person, committee, corporation or organization other than the Credit Union or any person acting in his capacity as a director, employee or agent of the Credit Union, upon notice from the Credit Union or the Administrator that the Credit Union is unwilling or unable to continue to act as custodian.

*History Note: Authority G.S. 54-109.12; 54-109.21(21);*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SECTION .1000 - RETENTION OF RECORDS

### 04 NCAC 06C .1001 PERMANENT RECORD

(a) Each credit union shall retain its records in a manner consistent with reasonable business practices as set forth in G.S. 54-109.17, rules and federal regulations.
(b) The credit union shall permanently retain the original records of the credit union's charter, bylaws, and any amendments to those documents.
(c) The following records shall be retained permanently in their original form or in any electronic or digital form that permits their retrieval and replication:

(1) the minutes of meetings of members and of the board of directors;
(2) audit reports;
(3) copies of the examination reports of the Credit Union Division;
(4) rulings and opinions from the Credit Union Division; and
(5) supervisory committee minutes and audits.

*History Note: Authority G.S. 54-109.12; 54-109.17;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amendment Eff. March 1, 2016;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .1002 NONPERMANENT RECORDS

(a) Each credit union shall retain nonpermanent records as defined in Paragraph (b) of this Rule, in a manner consistent with reasonable business practices as set forth in G.S. 54-109.17, rules, and federal regulations. The board of directors of the credit union shall determine the length of time that any nonpermanent record not specified in this Rule shall be retained based upon reasonable business practices.
(b) All records not referenced in Rule .1001 of this Section shall be considered nonpermanent records.
(c) The following nonpermanent records shall be retained in their original form or in any electronic or digital form that permits their retrieval and replication:

GENERAL LEDGER

| | |
|---|---|
| General Ledger | 15 years |
| Journal Cash (Journal of original entry) | 15 years |
| Signature Cards (after the account is closed) | 10 years |
| Shares and Deposits Subsidiary Ledger | 10 years |
| Bank Reconciliations | 10 years |
| Registers: (Check, Money Orders, and Collateral) | 10 years |
| Record of Receipts (Deposit tickets, Payroll Deduction Records) | 10 years |
| Withdrawal Slips: (Cash Payments, Check Payments) | 10 years |
| Cancelled Checks, Money Orders, Cancelled Checks | 10 years |
| Bank Statements | 10 years |
| Bank Deposit Slips | 10 years |
| Invoices for Sale or Purchase of Securities | 10 years |

ADMINISTRATIVE

| | |
|---|---|
| Certificates and Licenses to Operate Under Programs of Various Government Agencies After the Term of the Program Expires | 10 years |
| Minutes of the Credit Committee Meetings | 10 years |
| Charged off Loans (Note and Application)(after the date of the charge off) | 10 years |
| Charge off Ledger Sheet | 10 years |

LEGAL JUDICIAL AUTHORIZATION

| | |
|---|---|
| Attachments or Garnishments | 10 years |
| Bond Claims | 10 years |
| Court Orders | 10 years |

MEMBER RECORDS

| | |
|---|---|
| Transaction Records | 10 years |
| Members Periodic Statements | 10 years |
| Month End Trial Balance | 2 years |
| Signature Cards (after the account is closed) | 10 years |

LOANS (COMMERCIAL, CONSUMER, AND MORTGAGE)

| | |
|---|---|
| Subsidiary Loan Ledgers | 10 years |
| Delinquent Loan Schedules | 5 years |
| Loan Applications (after the loan is paid) | 2 years |

OTHER

| | |
|---|---|
| Tax Records | 10 years |
| Personnel Records | 10 years |
| Expense Reimbursement Forms | 5 years |
| Reports: Statistical Reports submitted to NCUA or Credit Union Division | 10 years |
| Escheat records, including communications between the credit union and the NC Department of State Treasurer and records containing the information required to be included in the report filed with the State Treasurer pursuant to G.S. 116B-60. | 10 years |

*History Note: Authority G.S. 54-109.12; 54-109.15; 54-109.17;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. March 1, 2016;*
*Readopted Eff. February 1, 2018.*

## SECTION .1100 - FORMS USED BY CREDIT UNION DIVISION

**04 NCAC 06C .1101 ORGANIZATION CERTIFICATE**
**04 NCAC 06C .1102 BYLAWS**
**04 NCAC 06C .1103 OATH OF OFFICE FORM**
**04 NCAC 06C .1104 CHARTER**
**04 NCAC 06C .1105 FINANCIAL AND STATISTICAL REPORT**
**04 NCAC 06C .1106 TAX IDENTIFICATION FORM**

*History Note: Authority G.S. 54-109.2(a),(b),(c),(d),(e); 54-109.3; 54-109.4; 54-109.12; 54-109.15;*
*Eff. February 1, 1976;*
*Readopted Eff. April 4, 1978;*
*Amended Eff. October 1, 1983; December 1, 1979;*
*Repealed Eff. April 1, 1985.*

## SECTION .1200 – INVESTMENTS

### 04 NCAC 06C .1201 INVESTMENT ACTIVITIES

Investments shall be made pursuant to G.S. 54, Article 14 I. The Administrator shall consider agreements or options to buy or sell government securities at a future date that are speculative in nature as unsafe and unsound practices.

*History Note: Authority G.S. 54-109.12; 54-109.82; 54-109.92(a);*
*Eff. April 1, 1979;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .1202 PERMISSIBLE TRANSACTIONS

Credit unions may:

(1) purchase or sell securities in accordance with G.S. 54-109.1 et seq. and when the purchase or sale is to be completed within five business days after the agreement is made;

(2) buy or sell a future contract only if it is used as a hedging contract incidental to the assembly of a pool of loans for sale in the secondary market;

(3) enter into reverse repurchase agreements to meet ordinary and unexpected liquidity needs such as temporary share withdrawal or loan demands, but such agreements represent borrowing and are limited to the borrowing limitations as specified in Rule .0308 of this Subchapter;

(4) enter into loan-type repurchase agreements only with their own members, other credit unions, or credit union organizations;

(5) enter into investment-type repurchase agreements if the following elements of a sale of security are included:

(a) The Credit Union takes possession of the securities or receives a custodial or safekeeping receipt from a bank or other financial institution evidencing that the securities have been segregated from the general assets of the vendor.

(b) The Credit Union is not required to deliver the identical securities in the event of repurchase.

(c) The Credit Union assumes the risks of market fluctuation in the value of the securities at purchase.

(d) The Credit Union receives the coupons or stated interest rate dividend on the securities purchased for the time period owned.

(6) deliver written application to the Administrator to make investments and purchase insurance, mutual funds and fixed or variable annuity products. The Administrator shall promptly grant or deny the application within 60 calendar days following receipt with or without conditions or provisions, upon consideration of the following factors:

(a) The investment or product is for the sole purpose of funding employee benefit, retirement or deferred compensation plans for employees of the Credit Union; and

(b) The investment or purchase is made consistent with G.S. 54-109.12.

*History Note: Authority G.S. 54-109.12; 54-109.82; 54-109.92(a);*
*Eff. April 1, 1979;*
*Amended Eff. January 1, 2007;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

### 04 NCAC 06C .1203 RESTRICTED TRANSACTIONS

Transactions such as options to buy or sell securities for merely speculative purposes are unsafe and unsound practices. Credit unions may not enter into standby commitments or cash forward agreements to purchase or sell securities or reverse repurchasing agreements when used in a speculative pyramiding manner with the intent of using the funds received to purchase other securities.

*History Note: Authority G.S. 54-109.12; 54-109.82; 54-109.92(a);*
*Eff. April 1, 1979;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

**04 NCAC 06C .1204 FEDERAL FUNDS**
A credit union may invest in federal funds through any federally-insured financial institution.

*History Note Authority G.S. 54-109.21(8); 54-109.21(25); 54-109.82(5); 54-109.82(12);*
*Eff. May 15, 1981;*
*Amended Eff. March 1, 2016; October 1, 1983;*
*Readopted Eff. February 1, 2018.*

**04 NCAC 06C .1205 AUTOMATIC LIENS UPON ALL SHARES TO SECURE ALL DEBTS**
In addition to the lien on shares, deposits and accumulated dividends of members as granted by G.S. 54-109.59, a credit union shall also have an automatic lien upon all such shares, deposits and accumulated dividends to secure the full amount of all debts owed to the credit union by its member. This lien shall be equivalent to that lien upon members' shares granted to all federally chartered credit unions by the National Credit Union Act and its regulations.

*History Note: Authority G.S. 54-109.21(25);*
*Eff. December 1, 2006;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SECTION .1300 – RESERVES

### 04 NCAC 06C .1301 LIQUIDITY RESERVES

(a) Credit unions shall have a Liquidity Policy and Contingency Funding Plan as set forth in 12 C.F.R. Part 741.12, including any subsequent amendments, which are incorporated by reference and may be found at no cost on the Code of Federal Regulations website www.ecfr.gov.

(b) Credit unions with assets of two million ($2,000,000) or more and credit unions that offer share draft accounts shall maintain a reserve of liquid assets (liquidity reserve) equal to a minimum of five percent of the total dollar value amount of the credit union's liability base.

(c) The liability base shall consist of shares, deposits, and notes payable with a maturity of less than one year. Pledged shares, deposits, or both shall be exempted up to the amount of the loans.

(d) The liquidity reserve shall consist of the following:

(1) cash;

(2) shares;

(3) deposits in the National Credit Union Administration Central Liquidity Facility, corporate credit unions, or other financial institutions;

(4) investments with a maturity of less than one year as authorized by G.S. 54-109.82 (3),(4),(5),(9),(10), and (12); and

(5) Government securities with a maturity of more than one year may be included, provided securities are carried at the lower of cost or market and adjusted on a monthly basis. Documentary evidence shall be kept on file supporting the adjustments for a period of 18 months.

(e) The liquidity reserve shall be determined monthly, not later than the tenth day of each month, and shall be based on the credit union's liability base as the last day of business of the preceding month.

(f) The liquidity reserve shall be used to satisfy contractual line of credit agreements, shares, and deposit withdrawals. In the event the liquidity reserve falls below the required amount as set forth in G.S. 54-109.86, the credit union shall immediately notify the Administrator. The credit union shall have 60 days to replenish the liquidity reserve.

(g) In any special case, the Administrator shall have the authority to require a liquidity reserve for credit unions with assets of less than two million dollars ($2,000,000) if necessary to meet the liquidity needs of its creditors, as set forth in G.S. 54-109.86(c).

*History Note: Authority G.S. 54-109.12; 54-109.86(b); 54-109.86(c)(2);*
*Eff. December 1, 1979;*
*Amended Eff. February 1, 1992; March 1, 1980;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .1302 OTHER RESERVES

(a) Regular reserves shall be maintained as set forth in G.S. 54-109.86.

(b) Special reserves for delinquent loans and reserves for line of credit shall be maintained as required in Rules .0401 and .0404(b) of this Subchapter.

*History Note: Authority G.S. 54-109.12; 54-109.86(a)(b)(c);*
*Eff. December 1, 1979;*
*Readopted Eff. February 1, 2018.*

### 04 NCAC 06C .1303 CORPORATE CREDIT UNION RESERVES

(a) Definitions.

(1) A "corporate credit union" is a credit union whose primary mission is to serve corporate (credit union) accounts. The membership of a corporate credit union shall be institutional and only credit unions can become members, unless the bylaws otherwise prescribe.

(2) Risk assets of a corporate credit union shall be defined in G.S. 54-109.88.

(b) Corporate Reserve.

(1) Immediately, before the payment of each dividend but more often if the Board of directors so determine, the gross earnings derived from activity with the Credit Union corporate members will be determined. From this amount there shall be transferred to a reserve known as the Corporate Reserve, 2 per centum of specified gross earnings until the Corporate Reserve shall equal one and one half per centum of the corporates total assets.

(2) Whenever the Reserves fall below one and one half per centum of total assets it shall be replenished by regular transfers of 2 per centum of specified gross earnings or by contributions in such amounts as may be needed to maintain the Reserves at one and one half per centum of total assets, whichever is less.
(3) The Administrator may increase or decrease the reserve requirement set forth herein when such action is deemed necessary or desirable.
(4) Charges may be made against the Reserves to offset losses on loans, and investments.

*History Note: Authority G.S. 54-110.8;*
*Eff. December 1, 1979;*
*Amended Eff. October 1, 1983;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*

## SECTION .1400 - SIGNATURE GUARANTEE SERVICES

**04 NCAC 06C .1401 SIGNATURE GUARANTEE**

Provided the following conditions are satisfied, a credit union may offer its members signature guarantee services in connection with the transfer of securities, name change on a security certificate, replacement of lost certificates, or erasures on a security certificate:

(1) The credit union obtains a bond endorsement protecting it against any loss or liability resulting from granting an improper signature guarantee.

(2) The credit union participates in a signature guarantee program endorsed by the Securities Transfer Association.

(3) The credit union obtains the prior written approval of the Administrator before commencing its signature guarantee program.

*History Note: Authority G.S. 54-109.12; 54-109.21(25);*
*Eff. March 1, 1994;*
*Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September 6, 2016.*