

1-1 By: Marchant (Senate Sponsor - Averitt) H.B. No. 1307
1-2 (In the Senate - Received from the House April 14, 2003;
1-3 April 22, 2003, read first time and referred to Committee on
1-4 Business and Commerce; May 8, 2003, reported adversely, with
1-5 favorable Committee Substitute by the following vote: Yeas 8,
1-6 Nays 0; May 8, 2003, sent to printer.)

1-7 COMMITTEE SUBSTITUTE FOR H.B. No. 1307 By: Averitt

1-8 A BILL TO BE ENTITLED
1-9 AN ACT

1-10 relating to the administration, operation, and regulation of credit
1-11 unions.

1-12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-13 SECTION 1. Section 15.402, Finance Code, is amended by
1-14 amending Subsections (a) and (c) and adding Subsections (b-1) and
1-15 (d) to read as follows:

1-16 (a) The commission may adopt reasonable rules necessary to
1-17 administer ~~[for administering]~~ this chapter and to accomplish the
1-18 purposes of Subtitle D, Title 3.

1-19 (b-1) In adopting rules under this section, the commission
1-20 shall consider the need to:

1-21 (1) promote a stable credit union environment;

1-22 (2) provide credit union members with convenient,
1-23 safe, and competitive services;

1-24 (3) preserve and promote the competitive parity of
1-25 credit unions with regard to other depository institutions
1-26 consistent with the safety and soundness of credit unions; and

1-27 (4) promote or encourage economic development in this
1-28 state.

1-29 (c) The commission by rule shall establish ~~[set]~~ reasonable
1-30 and necessary fees for the administration of this chapter and
1-31 Subtitle D, Title 3 ~~[, charges, and revenues required to be paid by a~~
1-32 ~~credit union].~~

1-33 (d) The presence or absence in this chapter or Subtitle D,
1-34 Title 3, of a specific reference to rules regarding a particular
1-35 subject does not enlarge or diminish the rulemaking authority
1-36 provided by this section.

1-37 SECTION 2. Section 15.403, Finance Code, is amended to read
1-38 as follows:

1-39 Sec. 15.403. SUPERVISION AND REGULATION OF CREDIT UNIONS.
1-40 ~~[(a) The commission and commissioner have the jurisdiction,~~
1-41 ~~powers, and duties formerly conferred by law on the banking~~
1-42 ~~commissioner of Texas in relation to managing, regulating, and~~
1-43 ~~supervising credit unions.~~

1-44 ~~[(b)]~~ The commissioner shall supervise and regulate a
1-45 credit union doing business in this state, other than a federal
1-46 credit union, in accordance with this chapter and Subtitle D, Title
1-47 3, including rules adopted under this chapter and Subtitle D, Title
1-48 3.

1-49 SECTION 3. Subchapter E, Chapter 15, Finance Code, is
1-50 amended by adding Sections 15.4031 and 15.4032 to read as follows:

1-51 Sec. 15.4031. CREDIT UNION COMMISSIONER HEARING. (a) The
1-52 commissioner may convene a hearing to receive evidence and argument
1-53 regarding any matter under this chapter or Subtitle D, Title 3,
1-54 before the commissioner for decision or review. The hearing must be
1-55 conducted under Chapter 2001, Government Code. A matter made
1-56 confidential by law must be considered by the commissioner in a
1-57 closed hearing.

1-58 (b) A hearing officer may conduct any hearing on behalf of
1-59 the commissioner.

1-60 Sec. 15.4032. EXAMINATION OF RELATED ENTITIES. (a) In
1-61 accordance with rules adopted by the commission, the commissioner
1-62 may examine, to the same extent as if the services or activities
1-63 were performed by a credit union on its own premises:

2-1 (1) a credit union service organization in which a
2-2 credit union has a material interest;

2-3 (2) an organization engaged primarily in the business
2-4 of managing one or more credit unions; and

2-5 (3) a third-party contractor providing electronic
2-6 data processing, electronic fund transfers, or other member
2-7 services on behalf of a credit union.

2-8 (b) The commissioner may collect a fee from an examined
2-9 contractor or organization in connection with each examination to
2-10 cover the cost of the examination or may collect that fee from the
2-11 credit unions that use the examined contractor.

2-12 SECTION 4. Section 15.404, Finance Code, is amended to read
2-13 as follows:

2-14 Sec. 15.404. ADMINISTRATION AND ENFORCEMENT OF STATUTES AND
2-15 RULES. The commissioner shall administer and enforce this chapter
2-16 and Subtitle D, Title 3, and rules adopted under this chapter and
2-17 Subtitle D, Title 3.

2-18 SECTION 5. Subchapter E, Chapter 15, Finance Code, is
2-19 amended by adding Sections 15.4041, 15.4042, 15.4043, 15.413, and
2-20 15.414 to read as follows:

2-21 Sec. 15.4041. ISSUANCE OF INTERPRETIVE STATEMENTS. (a)
2-22 The commissioner may issue interpretive statements containing
2-23 matters of general policy to guide the public and credit unions, and
2-24 may amend or repeal a published interpretive statement by issuing
2-25 an amended statement or notice of repeal of a statement.

2-26 (b) An interpretive statement may be disseminated by
2-27 newsletter, through an electronic medium such as the Internet, in a
2-28 volume of statutes or related materials published by the
2-29 commissioner or others, or by any other means reasonably calculated
2-30 to notify persons affected by the interpretive statement. Notice
2-31 of an amended or withdrawn statement must be disseminated in a
2-32 substantially similar manner as the affected statement was
2-33 originally disseminated.

2-34 Sec. 15.4042. ISSUANCE OF OPINION. (a) In response to a
2-35 specific request from a member of the public or the credit union
2-36 industry, the commissioner may issue an opinion directly or through
2-37 the deputy commissioner or a department attorney.

2-38 (b) If the commissioner determines that the opinion is
2-39 useful for the general guidance of the public or credit unions, the
2-40 commissioner may disseminate the opinion by newsletter, through an
2-41 electronic medium such as the Internet, in a volume of statutes or
2-42 related materials published by the commissioner or others, or by
2-43 any other means reasonably calculated to notify persons affected by
2-44 the opinion. A published opinion must be redacted to preserve the
2-45 confidentiality of the requesting party unless the requesting party
2-46 consents to be identified in the published opinion.

2-47 (c) The commissioner may amend or repeal a published opinion
2-48 by issuing an amended opinion or notice of repeal of an opinion and
2-49 disseminating the opinion or notice in a substantially similar
2-50 manner as the affected opinion was originally disseminated. The
2-51 requesting party may rely on the original opinion if:

2-52 (1) all material facts were originally disclosed to
2-53 the commissioner;

2-54 (2) the safety and soundness of the affected credit
2-55 union will not be endangered by further reliance on the original
2-56 opinion; and

2-57 (3) the text and interpretation of relevant governing
2-58 provisions of this chapter or Subtitle D, Title 3, have not been
2-59 changed by legislative or judicial action.

2-60 Sec. 15.4043. EFFECT OF INTERPRETIVE STATEMENT OR OPINION.
2-61 An interpretive statement or opinion issued under this subchapter
2-62 does not have the force of law and is not a rule for the purposes of
2-63 Chapter 2001, Government Code, unless adopted by the commission as
2-64 provided by Chapter 2001, Government Code. An interpretive
2-65 statement or opinion is an administrative construction of this
2-66 chapter or Subtitle D, Title 3, may be relied on by credit unions
2-67 authorized to engage in business in this state, and is entitled to
2-68 great weight if the construction is reasonable and does not
2-69 conflict with this chapter or Subtitle D, Title 3.

3-1 Sec. 15.413. GIFTS OF MONEY OR PROPERTY. The department may
3-2 accept money or property by gift, bequest, devise, or otherwise for
3-3 any department purpose authorized by this chapter and Subtitle D,
3-4 Title 3. A gift, bequest, or devise shall be used for the purposes
3-5 specified by the grantor. The commission must approve acceptance
3-6 and use of any gift, bequest, or devise under this section.

3-7 Sec. 15.414. AUTHORITY TO CONTRACT FOR PROFESSIONAL OR
3-8 PERSONAL SERVICES. For the purpose of carrying out the powers,
3-9 duties, and responsibilities of the department, the commissioner
3-10 may negotiate, contract, or enter into an agreement for
3-11 professional or personal services. The commission by rule shall
3-12 adopt policies and procedures consistent with applicable state
3-13 procurement practices for soliciting and awarding contracts under
3-14 this section.

3-15 SECTION 6. Section 121.002, Finance Code, is amended by
3-16 adding Subdivisions (9)-(12) to read as follows:

3-17 (9) "Membership share" means a designated share
3-18 account of a credit union consisting of the balance held by the
3-19 credit union and established by a credit union member in accordance
3-20 with the standards specified by the credit union.

3-21 (10) "Organization" means a corporation, partnership,
3-22 association, limited liability company, or other legal entity.

3-23 (11) "Unsafe or unsound condition," with respect to a
3-24 credit union, includes:

3-25 (A) being insolvent;

3-26 (B) having incurred or being likely to incur a
3-27 loss that will deplete all or substantially all of the credit
3-28 union's net worth; or

3-29 (C) being in imminent danger of losing the credit
3-30 union's share and deposit insurance or guarantee.

3-31 (12) "Unsafe or unsound practice" means an action or
3-32 inaction in the operation of a credit union that is contrary to
3-33 generally accepted standards of prudent operation, the likely
3-34 consequences of which, if continued, would be abnormal and material
3-35 risk of loss or danger to a credit union, the credit union's
3-36 members, or an organization insuring or guaranteeing the credit
3-37 union's shares and deposits.

3-38 SECTION 7. Section 121.006(a), Finance Code, is amended to
3-39 read as follows:

3-40 (a) If the commissioner [~~commission~~] proposes to [~~suspend~~
3-41 ~~or~~] revoke a credit union's certificate of incorporation, the
3-42 credit union is entitled to a hearing conducted by the State Office
3-43 of Administrative Hearings.

3-44 SECTION 8. Section 122.001(c), Finance Code, is amended to
3-45 read as follows:

3-46 (c) The application must contain:

3-47 (1) two copies of the articles of incorporation, which
3-48 must state:

3-49 (A) the name of the credit union;

3-50 (B) the municipality and county where the credit
3-51 union's principal place of business is to be located;

3-52 (C) that the credit union's term of existence is
3-53 perpetual;

3-54 (D) that the credit union's fiscal year is the
3-55 calendar year;

3-56 (E) the initial share accounts;

3-57 (F) the name and address of, and the number of
3-58 shares subscribed by, each incorporator;

3-59 (G) the number of directors constituting the
3-60 initial board and the name and address of each person who will serve
3-61 as director until the first annual meeting or until a successor is
3-62 elected and qualified; and

3-63 (H) the definable community of interest shared by
3-64 the members of the credit union at the time of incorporation; [~~and~~]

3-65 (2) two copies of the standard bylaws for the general
3-66 operation of the credit union; and

3-67 (3) a business plan covering three years and providing
3-68 a detailed explanation of actions intended to accomplish the
3-69 primary functions of the credit union.

SECTION 9. Section 122.003(a), Finance Code, is amended to read as follows:

(a) The name of a credit union must include the words "credit union" or the abbreviation "CU" and an appropriate descriptive word or words, or an acronym made up of initials of the appropriate descriptive word or words and ending in "CU," approved by the commissioner.

SECTION 10. Sections 122.006(a)-(c), Finance Code, are amended to read as follows:

(a) The commissioner shall approve an application to incorporate a credit union if the commissioner determines:

(1) that the incorporators have complied with this chapter and rules adopted under this chapter; and

(2) ~~[the commissioner finds,]~~ from information furnished with the application, the results of any investigation, the evidence submitted at any hearing, and information in the department's official records, that:

(A) the character and general fitness of the incorporators and the members of the initial board warrant belief that the credit union's business and affairs will be properly administered in accordance with this subtitle and rules adopted under this subtitle;

(B) the character and size of the field of membership to be served by the credit union conform with this subtitle and rules adopted under this subtitle and favor the credit union's economic viability; and

(C) the incorporators and the members of the initial board are acting in good faith and are making the application in accordance with the purposes of this subtitle.

(b) In addition to the determinations made ~~[findings]~~ under Subsection (a) and in accordance with commission rules, the commissioner shall consider the effect of overlapping fields of membership on the applicant credit union and existing state or federal credit unions doing business in this state. The commissioner may consider the availability and adequacy of financial services in the local community and the effect that the incorporation of the credit union would have on the local community. As a condition of approval of the application, the commissioner may require the applicant credit union to limit or eliminate overlaps, in accordance with the rules, to achieve the purposes of this subtitle and promote the welfare and stability of those credit unions.

(c) The commissioner by written order shall state the determinations ~~[findings]~~ required by Subsection (a) and approve or deny the application. The commissioner may make approval of an application conditional and shall include any conditions in the order approving the application.

SECTION 11. Sections 122.011(a) and (b), Finance Code, are amended to read as follows:

(a) The board may amend the articles of incorporation or bylaws by a two-thirds vote of the directors present at a meeting at which a quorum is present. The board ~~[and]~~ shall submit amendments to the commissioner.

(b) Unless the amendment is a standard bylaw adopted by the commission, the ~~[The]~~ commissioner in writing shall approve or disapprove an amendment.

SECTION 12. Section 122.013, Finance Code, is amended by amending Subsection (c) and adding Subsections (e) and (f) to read as follows:

(c) The commissioner may suspend or revoke a foreign credit union's authority to do business in this state if the commissioner finds that the foreign credit union:

(1) has violated a rule adopted under this subtitle;
(2) is in an unsafe or unsound condition;
(3) is engaged in a pattern of unsafe or unsound practices; or

(4) does not meet a commission requirement.

(e) A foreign credit union from a jurisdiction that allows a credit union to exercise additional powers and authorities not

5-1 granted in this state may not exercise any of those powers or
5-2 authorities in this state until the foreign credit union requests
5-3 and obtains permission from the commissioner to exercise those
5-4 powers or authorities. If the commissioner determines that there
5-5 are no safety and soundness concerns, the commissioner shall
5-6 approve the request and shall publish the powers or authorities
5-7 granted in the manner authorized by Section 15.4041 or 15.4042 for
5-8 the issuance of an interpretive statement or an opinion. When
5-9 approved, those powers or authorities shall be available to all
5-10 credit unions authorized to engage in business under this subtitle.

5-11 (f) A foreign credit union may not use this section to alter
5-12 or negate the application to the credit union of any law of this
5-13 state regarding:

- 5-14 (1) permissible interest rates;
- 5-15 (2) loan fees; or
- 5-16 (3) licensing or regulatory requirements that relate
5-17 to insurance, securities, marketing or sales activities, or real
5-18 estate development and that are administered by an agency of this
5-19 state.

5-20 SECTION 13. Subchapter A, Chapter 122, Finance Code, is
5-21 amended by adding Section 122.014 to read as follows:

5-22 Sec. 122.014. UNDERSERVED-AREA CREDIT UNION. (a) In this
5-23 section, "secondary capital account" means a nontransactional
5-24 account in an amount greater than \$100,000 as established by the
5-25 commission that is:

- 5-26 (1) owned by a person other than an individual; and
- 5-27 (2) subordinated to other creditors.

5-28 (b) A credit union may apply to the commissioner for the
5-29 designation of the credit union as an underserved-area credit
5-30 union.

5-31 (c) The commissioner may designate a credit union as an
5-32 underserved-area credit union only if:

- 5-33 (1) at least 50 percent of a substantial and
5-34 well-defined segment of the credit union's members or potential
5-35 members who are at least 15 years of age earn not more than 80
5-36 percent of the state or national household median income, whichever
5-37 is higher;
- 5-38 (2) the credit union submits an acceptable written
5-39 strategic plan for marketing to and serving the segment described
5-40 by Subdivision (1); and
- 5-41 (3) the credit union submits other information and
5-42 satisfies other criteria as may reasonably be required by the
5-43 commissioner.

5-44 (d) In addition to the powers and authorities granted to
5-45 credit unions under this subtitle or otherwise, an underserved-area
5-46 credit union may:

- 5-47 (1) issue secondary capital accounts to members or
5-48 nonmembers of the credit union on the filing of an application with
5-49 and the advance approval of the commissioner; and
- 5-50 (2) accept shares and deposits from nonmembers.

5-51 (e) The commission may adopt rules for the organization and
5-52 operation of underserved-area credit unions, including rules
5-53 requiring disclosures to purchasers of secondary capital accounts
5-54 and other rules concerning those accounts.

5-55 SECTION 14. Section 122.051, Finance Code, is amended by
5-56 amending Subsection (d) and adding Subsections (e) and (f) to read
5-57 as follows:

5-58 (d) In this subsection, "good cause" includes the act of
5-59 physically or verbally abusing a credit union member or employee. A
5-60 person's membership in a credit union may be terminated or
5-61 suspended [~~member may be expelled~~] for good cause or for not
5-62 maintaining membership requirements, under the conditions and in
5-63 accordance with the procedures provided in [~~by~~] the bylaws. A
5-64 credit union may also discontinue providing any or all services to a
5-65 member for good cause without terminating or suspending the
5-66 person's membership. Termination or suspension of a person's
5-67 membership in the credit union or discontinuing services does not
5-68 relieve the person from any outstanding obligations owed to the
5-69 credit union.

6-1 (e) Two or more persons within the credit union's field of
6-2 membership who have jointly subscribed for one or more share or
6-3 deposit accounts under a joint account and who have complied with
6-4 all membership requirements may each be admitted to membership.

6-5 (f) A credit union authorized to engage in business under
6-6 this subtitle may accept as a member any other credit union
6-7 organized or chartered under the laws of this or another state or of
6-8 the United States. Those credit union members are not entitled to
6-9 any voting privileges.

6-10 SECTION 15. Section 122.052, Finance Code, is amended by
6-11 amending Subsections (c) and (d) and adding Subsection (e) to read
6-12 as follows:

6-13 (c) The board may authorize voting by mail or by electronic
6-14 means. Mail and electronic balloting shall be conducted in
6-15 accordance with commission rules.

6-16 (d) A member that is not an organization may not vote by
6-17 proxy. A member that is an organization may be represented by and
6-18 vote through a designated representative [~~one of its members or~~
6-19 ~~shareholders~~] who is authorized, in writing, by the organization's
6-20 governing body to represent the organization.

6-21 (e) The credit union's bylaws may establish a minimum age
6-22 requirement to vote.

6-23 SECTION 16. Section 122.053, Finance Code, is amended by
6-24 amending Subsections (b) and (c) and adding Subsections (e) and (f)
6-25 to read as follows:

6-26 (b) The membership of the credit union shall elect the board
6-27 at an annual membership meeting, from the membership, and in the
6-28 manner provided by the bylaws. A board member shall hold office
6-29 until a successor is qualified and elected or appointed.

6-30 (c) A director shall take and subscribe to an oath or
6-31 affirmation that the director:

6-32 (1) will diligently and honestly perform the
6-33 director's duties in administering the credit union's affairs;

6-34 (2) although the director may delegate the performance
6-35 of those duties, remains responsible for the performance of the
6-36 duties; ~~and~~

6-37 (3) will not knowingly violate or willingly permit the
6-38 violation of an applicable law; and

6-39 (4) will exercise the care and diligence reasonable
6-40 and necessary to administer the affairs of the credit union in a
6-41 safe and sound manner.

6-42 (e) The board shall meet at least once each month.

6-43 (f) If and to the extent provided in the bylaws, a director
6-44 may participate in and act at any meeting of the board by means of
6-45 electronic communications equipment through which all persons
6-46 participating in the meeting can communicate with each other.
6-47 Participation in a meeting in the manner authorized by this
6-48 subsection constitutes attendance at a meeting.

6-49 SECTION 17. Section 122.054, Finance Code, is amended to
6-50 read as follows:

6-51 Sec. 122.054. QUALIFICATION OF DIRECTORS. (a) The
6-52 commission by rule shall establish qualifications for a director.
6-53 The rules must provide that a person may not serve as director if
6-54 the person:

6-55 (1) has been convicted of a criminal offense involving
6-56 dishonesty or breach of trust;

6-57 (2) is not eligible for coverage under the blanket
6-58 bond required by Section 122.063 and rules adopted under this
6-59 subtitle; or

6-60 (3) has defaulted on payment of a voluntary obligation
6-61 to the credit union or has otherwise caused the credit union to
6-62 incur a financial loss.

6-63 (b) The president or an employee of a credit union may not
6-64 serve as director of the credit union unless permitted by the credit
6-65 union's bylaws. If the bylaws permit the president or an employee
6-66 to serve on the board, the bylaws must require that persons serve on
6-67 the board so that the president and employees of the credit union
6-68 never constitute a majority of the board.

6-69 SECTION 18. Section 122.055(a), Finance Code, is amended to

7-1 read as follows:

7-2 (a) The office of a director becomes vacant if the director
7-3 dies, resigns, is removed, has been absent from more meetings than
7-4 the total number of absences permitted by commission rule, or does
7-5 not possess or maintain the qualifications required to serve on the
7-6 board.

7-7 SECTION 19. Section 122.057, Finance Code, is amended by
7-8 amending Subsections (a) and (c) and adding Subsection (d) to read
7-9 as follows:

7-10 (a) At the annual organizational meeting, the [The] board
7-11 shall elect from its membership a chairman, vice chairman,
7-12 treasurer, and secretary. The offices of treasurer and secretary
7-13 may be held by the same individual.

7-14 (c) The board may appoint from its membership an executive
7-15 committee of at least three persons to exercise, between board
7-16 meetings, authority specifically delegated by the board under
7-17 conditions specified by the board. At each board meeting, the
7-18 executive committee shall report to the board regarding any meeting
7-19 held or action taken by the committee between board meetings.

7-20 (d) The bylaws may establish a minimum age requirement to
7-21 hold office in the credit union.

7-22 SECTION 20. Section 122.059, Finance Code, is amended to
7-23 read as follows:

7-24 Sec. 122.059. DELEGATION OF MANAGEMENT AND LOAN APPROVAL
7-25 AUTHORITY. (a) Without written approval of the commissioner, a
7-26 credit union may not:

7-27 (1) contract with an individual who is not an officer,
7-28 director, or employee of the credit union or with an organization
7-29 for the provision of the management of the credit union; or

7-30 (2) delegate to an individual who is not an officer,
7-31 director, or employee of the credit union or to an organization the
7-32 authority to manage the credit union.

7-33 (b) The board may delegate all or part of its power to
7-34 approve or disapprove a loan to a credit committee, one or more
7-35 other committees, or one or more individuals.

7-36 SECTION 21. Section 122.060, Finance Code, is amended by
7-37 amending Subsection (a) and adding Subsection (c) to read as
7-38 follows:

7-39 (a) The board chairman and the secretary:

7-40 (1) shall execute a certificate of election that
7-41 states the name and address of each officer, director, and
7-42 committee member elected or appointed; and

7-43 (2) not later than the 30th day after the date of the
7-44 annual organizational meeting of election or appointment of any
7-45 interim officer, director, or committee member, shall file a copy
7-46 of the certificate of election with the department.

7-47 (c) The commissioner may accept a form prescribed by an
7-48 insuring organization that contains substantially similar
7-49 information as the certificate of election in lieu of the
7-50 certificate. The acceptance of such a form does not limit the
7-51 commissioner's power to require additional information concerning
7-52 a newly elected or appointed officer, director, or committee
7-53 member.

7-54 SECTION 22. Section 122.101(a), Finance Code, is amended to
7-55 read as follows:

7-56 (a) A credit union shall submit to the department on a
7-57 quarterly [~~semiannual~~] basis a call report, on a form supplied by
7-58 the department, that states the credit union's financial condition.
7-59 The commissioner may require a credit union to file additional
7-60 financial [~~call~~] reports.

7-61 SECTION 23. Section 122.103, Finance Code, is amended to
7-62 read as follows:

7-63 Sec. 122.103. EQUITY CAPITAL. A credit union's equity
7-64 capital consists of:

7-65 (1) retained earnings [~~the aggregate amount of the~~
7-66 ~~share accounts of its members];~~

7-67 (2) appropriated retained earnings, including net
7-68 worth and other [~~all its~~] reserves; [~~and~~]

7-69 (3) [~~all its~~] undivided earnings; and

8-1 (4) other forms of capital in accordance with
8-2 generally accepted accounting principles and approved by the
8-3 commissioner.

8-4 SECTION 24. Section 122.104, Finance Code, is amended to
8-5 read as follows:

8-6 Sec. 122.104. NET WORTH RESERVE ALLOCATIONS. (a) The
8-7 commission by rule shall require a credit union to contribute to and
8-8 maintain net worth reserves necessary to protect the interests of
8-9 its members. The rule may:

8-10 (1) prescribe the purposes for which the net worth
8-11 reserves may be used; and

8-12 (2) authorize the commissioner to approve other uses.

8-13 (b) The credit union's board may establish reserves in
8-14 addition to the required net worth reserves.

8-15 SECTION 25. The heading to Section 122.105, Finance Code,
8-16 is amended to read as follows:

8-17 Sec. 122.105. MEMBERSHIP SHARE REDUCTION.

8-18 SECTION 26. Section 122.152(a), Finance Code, is amended to
8-19 read as follows:

8-20 (a) After agreement by the directors and approval by the
8-21 members, if applicable, of each credit union or federal credit
8-22 union, the chairman [president] and secretary of each credit union
8-23 or federal credit union shall execute a certificate of merger or
8-24 consolidation that:

8-25 (1) includes a copy of the resolution or other action
8-26 by which the board agreed to the merger or consolidation plan; and

8-27 (2) states:
8-28 (A) the time and place of the board meeting at
8-29 which the board agreed to the merger or consolidation plan;
8-30 (B) the board's vote for and against adoption of
8-31 the plan;

8-32 (C) the time and place of the meeting at which the
8-33 members approved the plan, if applicable;

8-34 (D) the membership's vote for and against
8-35 approval of the plan, if applicable; and

8-36 (E) the name of the surviving credit union.

8-37 SECTION 27. The heading to Section 122.255, Finance Code,
8-38 is amended to read as follows:

8-39 Sec. 122.255. DETERMINATION OF MISCONDUCT [~~BY~~
8-40 ~~COMMISSIONER~~].

8-41 SECTION 28. Section 122.256, Finance Code, is amended to
8-42 read as follows:

8-43 Sec. 122.256. DETERMINATION [DEMAND] LETTER; BOARD
8-44 MEETING. (a) If the commissioner determines from examination or
8-45 other credible evidence that a credit union is in a condition that
8-46 may warrant the issuance of an order under this chapter or Chapter
8-47 126 [makes a finding listed in Section 122.255], the commissioner
8-48 may notify [shall issue a demand letter giving written notice to]
8-49 the credit union in writing of the commissioner's determination,
8-50 the requirements the credit union must satisfy to abate the
8-51 determination, and the time by which the requirements must be
8-52 satisfied to avert further administrative action. The
8-53 determination letter must be delivered in person or sent by
8-54 registered or certified mail, return receipt requested [and each
8-55 offending person and stating each violation or practice found].

8-56 (b) If considered necessary, the [The] commissioner may
8-57 [promptly shall] call a meeting of the credit union's board. The
8-58 directors shall attend the meeting. The commissioner shall present
8-59 to the board the findings stated in the determination [demand]
8-60 letter and shall demand the discontinuance of any violation or
8-61 unsafe or unsound practice found.

8-62 SECTION 29. Section 122.257(a), Finance Code, is amended to
8-63 read as follows:

8-64 (a) If the commissioner makes a finding listed in Section
8-65 122.255 and determines that an order to cease and desist is
8-66 necessary and in the best interest of the credit union involved and
8-67 its depositors, creditors, and members, the commissioner may serve
8-68 on the credit union, its board, and each offending person an order
8-69 to cease and desist from a violation or practice specified in the

9-1 order and to take affirmative action that the commissioner
 9-2 considers necessary to correct a condition resulting from a
 9-3 violation or unsafe or unsound practice found.

9-4 SECTION 30. Sections 122.258(a) and (c), Finance Code, are
 9-5 amended to read as follows:

9-6 (a) The commissioner by order may remove or prohibit a
 9-7 person who is a current or former officer, director, manager, or
 9-8 employee of a credit union from office, [~~or~~] employment, or further
 9-9 participation in the affairs of a credit union if the commissioner
 9-10 by examination or other credible evidence:

9-11 (1) finds that:

9-12 (A) the person has continued a violation or
 9-13 practice previously charged and found by the commissioner after
 9-14 issuance of a determination letter [~~notice and demand~~] under
 9-15 Section 122.256 or a cease and desist order under Section 122.257;
 9-16 and

9-17 (B) removal or prohibition is necessary and in
 9-18 the best interest of the credit union and its depositors,
 9-19 creditors, and members; or

9-20 (2) makes a finding listed in Section 122.255 and
 9-21 determines that removal or prohibition of the person is immediately
 9-22 necessary because the person has committed or is about to commit:

9-23 (A) a fraudulent or criminal act involving the
 9-24 conduct of the business of the credit union;

9-25 (B) an act that may cause the credit union to
 9-26 become insolvent or to be placed in imminent danger of insolvency;
 9-27 or

9-28 (C) an act that otherwise threatens immediate and
 9-29 irreparable harm to the public or the credit union or its members,
 9-30 depositors, or creditors.

9-31 (c) On issuance of the order, the person has no right, duty,
 9-32 or authority of office or employment in the credit union. After the
 9-33 order becomes final, the person removed or prohibited may not hold
 9-34 office in, be employed by, or participate in the affairs of any
 9-35 [~~the~~] credit union without the prior written approval of the
 9-36 commissioner. The order is final as of the date of issuance unless
 9-37 the person removed or prohibited or the credit union, as evidenced
 9-38 by a certified copy of the board resolution, files written notice of
 9-39 appeal with the commissioner not later than the 10th day after the
 9-40 day the removal order is served.

9-41 SECTION 31. Section 122.260, Finance Code, is amended by
 9-42 amending Subsection (c) and adding Subsection (d) to read as
 9-43 follows:

9-44 (c) The commissioner may bring suit for injunction or to
 9-45 collect the administrative penalty in a district court of Travis
 9-46 County. In the suit, a certificate by the commissioner showing a
 9-47 failure to pay an administrative penalty is prima facie evidence
 9-48 of:

9-49 (1) the imposition of the penalty or the delinquency
 9-50 of the stated penalty amount; and

9-51 (2) compliance by the department with the law relating
 9-52 to the computation and imposition of the penalty.

9-53 (d) The attorney general is entitled to recover reasonable
 9-54 attorney's fees from the credit union or the designated person, or
 9-55 both, if the attorney general prevails in a judicial action
 9-56 necessary for collection of the administrative penalty.

9-57 SECTION 32. Section 122.261, Finance Code, is amended by
 9-58 amending Subsection (a) and adding Subsection (c) to read as
 9-59 follows:

9-60 (a) A determination letter, a cease and desist order, a
 9-61 removal order, [~~and~~] each copy of a notice or [~~r~~] correspondence,
 9-62 and all [~~or~~] other documents or records [~~record~~] relating to an
 9-63 order or determination letter issued under this subchapter
 9-64 [~~concerning a violation or unsound practice~~] are confidential and
 9-65 are not subject to public disclosure except in an action authorized
 9-66 by this subtitle or other authority.

9-67 (c) The commissioner may release information regarding the
 9-68 existence of a final order to the public if the commissioner
 9-69 concludes that the release would enhance effective enforcement of

10-1 the order.

10-2 SECTION 33. Section 123.003, Finance Code, is amended to
10-3 read as follows:

10-4 Sec. 123.003. ENLARGEMENT OF POWERS. (a) A credit union
10-5 may engage in any activity in which it could engage, exercise any
10-6 power it could exercise, or make any loan or investment it could
10-7 make, if it were operating as a federal credit union.

10-8 (b) Notwithstanding any other law, and in addition to the
10-9 powers and authorities conferred under Subsection (a), a credit
10-10 union has the powers or authorities of a foreign credit union
10-11 operating a branch in this state if the commissioner finds that
10-12 exercise of those powers or authorities is convenient for and
10-13 affords an advantage to the credit union's members and maintains
10-14 the fairness of competition and parity between the credit union and
10-15 any foreign credit union. A credit union does not have the field of
10-16 membership powers or authorities of a foreign credit union
10-17 operating a branch in this state.

10-18 SECTION 34. Section 123.106, Finance Code, is amended to
10-19 read as follows:

10-20 Sec. 123.106. CHANGE OF LOCATION. A [On written notice to
10-21 the commissioner, a] credit union may change its principal place of
10-22 business or a subsidiary place of business to another location by
10-23 notifying the commissioner in writing of the new address and the
10-24 effective date of the change [in this state].

10-25 SECTION 35. Subchapter B, Chapter 123, Finance Code, is
10-26 amended by adding Section 123.111 to read as follows:

10-27 Sec. 123.111. RIGHT TO ACT TO MITIGATE OR AVOID LOSS. This
10-28 subtitle does not prohibit a credit union from investing its money,
10-29 operating a business, managing or dealing in property, or taking
10-30 any other action at any time that is reasonably necessary to avoid
10-31 or mitigate a loss on a loan or on an investment made or obligation
10-32 created in good faith and in the usual course of the credit union's
10-33 business, as authorized by this subtitle or a rule adopted by the
10-34 commission.

10-35 SECTION 36. Subchapter C, Chapter 123, Finance Code, is
10-36 amended by adding Section 123.211 to read as follows:

10-37 Sec. 123.211. CERTIFICATES OF INDEBTEDNESS. The commission
10-38 by rule may authorize a credit union to issue certificates of
10-39 indebtedness that are subordinated to all other claims of credit
10-40 union creditors.

10-41 SECTION 37. Subchapter C, Chapter 123, Finance Code, is
10-42 amended by adding Section 123.212 to read as follows:

10-43 Sec. 123.212. CHECK AND MONEY TRANSFER SERVICES. A credit
10-44 union may sell to a person within its field of membership negotiable
10-45 checks, money orders, and other similar money transfer instruments
10-46 or services and may also cash checks and money orders for a person
10-47 within its field of membership for a fee.

10-48 SECTION 38. Section 124.201, Finance Code, is amended to
10-49 read as follows:

10-50 Sec. 124.201. AUTHORIZATION. Only if done in accordance
10-51 with limitations imposed by [Subject to] Section 124.202, a credit
10-52 union may make a loan or extend a line of credit to:

10-53 (1) a director, senior management employee, or member
10-54 of the credit committee; or

10-55 (2) the immediate family of the director, senior
10-56 management employee, or member of the credit committee.

10-57 SECTION 39. Section 124.203, Finance Code, is amended to
10-58 read as follows:

10-59 Sec. 124.203. AUTHORIZATION TO ACT AS COMAKER, GUARANTOR,
10-60 OR ENDORSER. A [Subject to Section 124.204, a] credit union may
10-61 permit a director, senior management employee, or member of the
10-62 credit committee to act as comaker, guarantor, or endorser of a loan
10-63 to a member only in accordance with limitations imposed by Section
10-64 124.204.

10-65 SECTION 40. Section 124.204, Finance Code, is amended to
10-66 read as follows:

10-67 Sec. 124.204. PRIOR APPROVAL REQUIRED. The board must give
10-68 its approval before the credit union permits a director, senior
10-69 management employee, or member of the credit committee to act as

comaker, guarantor, or endorser of a loan to a member if the amount of the loan or aggregate of outstanding loans to the comaker, guarantor, or endorser is greater than the sum of:

- (1) \$10,000 or a higher amount established by commission rule; and
- (2) the amount of the shares and deposits pledged for the loan.

SECTION 41. Section 125.002, Finance Code, is amended to read as follows:

Sec. 125.002. SHARE ACCOUNT. (a) Shares and membership shares shall be subscribed to and paid for in the manner prescribed by the bylaws. A credit union may limit the number of shares that may be owned by a member, but any such limitation must be applied equally to all members.

(b) A credit union may require credit union members to subscribe to and make [A share account consists of] payments on [a member's shares, including] membership shares. Membership shares may not be pledged as security on any loan.

(c) The board of directors may establish [The shares may be: [1] of] different [types or] classes of share accounts classified in relation to different rights, restrictions, [and [2] with or without] par value, and dividend rates.

(d) A joint account may hold more than one membership share, supporting membership for more than one member of the credit union [as determined by the board].

SECTION 42. Section 125.003, Finance Code, is amended to read as follows:

Sec. 125.003. DEPOSIT ACCOUNT. A deposit account consists of payments made under an agreement between the credit union and a depositor, including a draft account, checking account, savings account, certificate of deposit, individual development account, or other similar account or arrangement.

SECTION 43. Subchapter D, Chapter 125, Finance Code, is amended by adding Section 125.309 to read as follows:

Sec. 125.309. TRUST ACCOUNT WITH LIMITED DOCUMENTATION. (a) For a trust account that is purported to be opened under a written trust agreement, the trustee may provide the credit union with a certificate of trust to evidence the trust relationship. The certificate must be an affidavit of the trustee and must include:

- (1) the effective date of the trust;
- (2) the name of the trustee;
- (3) the name of or method for choosing a successor trustee;
- (4) the name and address of each beneficiary;
- (5) the authority granted to the trustee;
- (6) the information needed for disposition of the trust account on the death of the trustee or the last survivor of two or more trustees;
- (7) an indemnification of the credit union; and
- (8) any other information required by the credit union.

(b) The credit union may accept and administer the trust account, in accordance with the certificate of trust, without requiring a copy of the trust agreement. The credit union is not liable for administering the account as provided by the certificate of trust, unless the credit union has actual knowledge that the certificate of trust is contrary to the terms of the trust agreement.

(c) On the death of the trustee or the last survivor of two or more trustees and notwithstanding Section 125.308, the credit union may pay all or part of the proceeds of the trust account as provided by the certificate of trust. If the trustee did not provide a certificate of trust, the credit union's right to treat the account as owned by a trustee ceases on the death of the trustee. On the death of the trustee or the last survivor of two or more trustees, the credit union, unless the certificate of trust provides otherwise, shall pay the proceeds of the account in equal shares to each person who survives the trustee, is named as a

12-1 beneficiary in the certificate of trust, and can be located by the
12-2 credit union from the credit union's records. If there is no
12-3 certificate of trust, payment of the proceeds of an account shall be
12-4 made as provided by Section 125.308. Payment made under this
12-5 section for all or part of the proceeds of an account discharges any
12-6 liability of the credit union to the extent of the payment. The
12-7 credit union may pay all or part of the proceeds of an account in the
12-8 manner provided by this section, regardless of whether it has
12-9 knowledge of a competing claim, unless the credit union receives
12-10 actual knowledge that payment has been restrained by court order.

12-11 (d) This section does not require a credit union to accept
12-12 an account from a trustee or to search for the location of a named
12-13 beneficiary that is not named in its records.

12-14 (e) This section does not affect a contractual provision to
12-15 the contrary that otherwise complies with the laws of this state.

12-16 (f) For purposes of this section, "actual knowledge" is
12-17 presumed if a credit union possesses a copy of a trust agreement
12-18 that is certified as to authenticity by a settlor, trustee,
12-19 beneficiary, or an attorney for the settlor, trustee, or
12-20 beneficiary.

12-21 SECTION 44. Section 125.401, Finance Code, is amended to
12-22 read as follows:

12-23 Sec. 125.401. THIRD-PARTY CLAIM. (a) In this section:

12-24 (1) "Credit union" includes:

12-25 (A) a credit union organized under the laws of
12-26 this state;

12-27 (B) a foreign credit union; and

12-28 (C) a federal credit union.

12-29 (2) "Out-of-state credit union" means a credit union
12-30 that:

12-31 (A) is not organized under the laws of this
12-32 state; and

12-33 (B) has its main or principal office in another
12-34 state or country.

12-35 (3) "Texas credit union" means a credit union that:

12-36 (A) is organized under the laws of this state or
12-37 federal law; and

12-38 (B) has its main or principal office in this
12-39 state.

12-40 (b) A credit union [~~or federal credit union~~] doing business
12-41 in this state must be served with citation or other appropriate
12-42 process issued from a court in connection with a suit instituted by
12-43 a third party to recover or establish an interest in a deposit or
12-44 share account before the credit union [~~or federal credit union~~] is
12-45 required to:

12-46 (1) recognize the third party's claim;

12-47 (2) withhold payment of the account to any party to the
12-48 account; or

12-49 (3) withhold payment to the order of any party to the
12-50 account.

12-51 (c) A claim against a depositor, joint account owner, or
12-52 member of a credit union shall be delivered or otherwise served as
12-53 required or permitted by law at the address of the registered agent
12-54 of the credit union as designated in a registration filed under
12-55 Section 201.102 or 201.103, as applicable.

12-56 (d) A claim against a depositor, joint account owner, or
12-57 member of an out-of-state credit union that files a registration
12-58 statement under Section 201.102 or a Texas credit union that files a
12-59 registration statement under Section 201.103 is not effective with
12-60 respect to the credit union if the claim is served or delivered to
12-61 an address other than the address of the credit union's registered
12-62 agent as provided in the registration.

12-63 (e) To prevent or limit a credit union's compliance with or
12-64 response to a claim subject to this section, the depositor, joint
12-65 account owner, or member must seek an appropriate remedy, including
12-66 a restraining order, injunction, or protective order, to prevent or
12-67 suspend the credit union's response to a claim against the
12-68 depositor, joint account owner, or member.

12-69 (f) A credit union that does not register with the secretary

13-1 of state under Section 201.102 or 201.103 is subject to service or
 13-2 delivery of all claims against depositors, joint account owners, or
 13-3 members of the credit union or against the credit union itself by
 13-4 serving the president or vice president of the credit union or as
 13-5 otherwise provided by law.

13-6 SECTION 45. Section 126.002, Finance Code, is amended by
 13-7 amending Subsections (a) and (b) and adding Subsections (e) and (f)
 13-8 to read as follows:

13-9 (a) Except as provided by Subsections (b) and (c),
 13-10 information obtained directly or indirectly by the department in
 13-11 any manner, including by application or examination, concerning
 13-12 ~~[that relates to]~~ the financial condition or business affairs of a
 13-13 credit union and the files and records of the department relating to
 13-14 that information, except a statement intended for publication, are
 13-15 confidential.

13-16 (b) Confidential information may not be disclosed to a
 13-17 member of the commission, and a member of the commission may not be
 13-18 given access to the files or records of the department, except that
 13-19 the ~~[The]~~ commissioner may disclose to the commission information,
 13-20 files, and records pertinent to a hearing or matter pending before
 13-21 the commission or the commissioner.

13-22 (e) Confidential information that is provided by the
 13-23 department to a credit union, organization, or service provider of
 13-24 a credit union, whether in the form of a report of examination or
 13-25 otherwise, is the confidential property of the department. The
 13-26 recipient or an officer, director, employee, or agent of the
 13-27 recipient may not make the information public and may not disclose
 13-28 the information to a person not officially connected to the
 13-29 recipient as an officer, director, employee, attorney, auditor, or
 13-30 independent auditor, except as authorized by rules adopted under
 13-31 this subtitle.

13-32 (f) Discovery of confidential information from a person
 13-33 subject to this subtitle or Chapter 15 under subpoena or other legal
 13-34 process must comply with rules adopted under this subtitle, Chapter
 13-35 15, and any other applicable law. The rules may:

13-36 (1) restrict release of confidential information to
 13-37 the portion directly relevant to the legal dispute at issue; and

13-38 (2) require that a protective order, in a form and
 13-39 under circumstances specified by the rules, be issued by a court
 13-40 before release of the confidential information.

13-41 SECTION 46. Section 126.051, Finance Code, is amended to
 13-42 read as follows:

13-43 Sec. 126.051. EXAMINATIONS. (a) The department, through
 13-44 examiners it appoints and in accordance with commission rules,
 13-45 shall periodically examine the books and records of each credit
 13-46 union.

13-47 (b) In lieu of an examination under this section, the
 13-48 commissioner may accept:

13-49 (1) the examination report of a regulator authorized
 13-50 to examine a credit union, foreign credit union, federal credit
 13-51 union, or other financial institution; or

13-52 (2) the audit report of an accountant, satisfactory to
 13-53 the commissioner, who has made and submitted a report of the
 13-54 condition of the affairs of a credit union, foreign credit union,
 13-55 federal credit union, or other financial institution.

13-56 (c) The commissioner may accept all or part of a report in
 13-57 lieu of all or part of an examination. An accepted part of the
 13-58 report has the same validity as an examination under this section.

13-59 SECTION 47. Section 126.053, Finance Code, is amended to
 13-60 read as follows:

13-61 Sec. 126.053. WITNESSES; PRODUCTION OF DOCUMENTS. (a) In
 13-62 an examination conducted under this subchapter, the commissioner or
 13-63 the commissioner's designee ~~[an examiner]~~ may:

13-64 (1) subpoena ~~[summon]~~ witnesses;

13-65 (2) administer an oath or affirmation to a person,
 13-66 including any ~~[an]~~ officer, director, agent, or employee of a
 13-67 credit union, and examine the person under oath or affirmation on
 13-68 any subject the commissioner considers pertinent to the financial
 13-69 condition or the safety and soundness of the activities of a credit

14-1 union; or

14-2 (3) require and compel by subpoena ~~[court order]~~ the
14-3 production of documents that are not voluntarily produced,
14-4 including books, papers, securities, and records.

14-5 (b) The commissioner may apply to a district court in Travis
14-6 County for an order requiring a person to obey a subpoena, to
14-7 appear, or to answer questions in connection with the examination
14-8 or investigation.

14-9 (c) The court shall issue an order under Subsection (b) if
14-10 the court finds good cause to issue the subpoena or to take
14-11 testimony.

14-12 SECTION 48. Section 126.108, Finance Code, is amended to
14-13 read as follows:

14-14 Sec. 126.108. CONFIDENTIALITY; DISCLOSURE. A
14-15 conservatorship order and a copy of a notice, ~~[or]~~ correspondence,
14-16 transcript, pleading, or other document relating to the order are
14-17 ~~[is]~~ confidential and may be disclosed only in a related legal
14-18 proceeding or as otherwise authorized by law. The commissioner may
14-19 release to the public information regarding the existence of an
14-20 order if the commissioner concludes that release of the information
14-21 would enhance effective enforcement of the order.

14-22 SECTION 49. Section 126.159, Finance Code, is amended to
14-23 read as follows:

14-24 Sec. 126.159. COST OF CONSERVATORSHIP. (a) The
14-25 commissioner shall determine and approve any reasonable expenses
14-26 attributable to the service of a conservator, including costs
14-27 incurred by the department and the compensation and expenses of the
14-28 conservator and any professional employees appointed to represent
14-29 or assist the conservator. The commissioner or an employee of the
14-30 department may not receive compensation in addition to salary for
14-31 serving as conservator, but the department may receive
14-32 reimbursement for the fully allocated personnel cost associated
14-33 with the service of the commissioner or the employee as conservator
14-34 ~~[the cost of the conservatorship].~~

14-35 (b) All approved expenses ~~[The cost of conservatorship]~~
14-36 shall be paid by ~~[from]~~ the credit union ~~[union's assets as the~~
14-37 ~~commissioner directs].~~ The department has a lien against the
14-38 assets and money of the credit union to secure payment of approved
14-39 expenses. The lien has a higher priority than any other lien
14-40 against the credit union.

14-41 (c) Notwithstanding this subchapter, the credit union may
14-42 retain attorneys and hire other persons to assist the credit union
14-43 in contesting or satisfying the requirements of an order of
14-44 conservatorship. The commissioner shall authorize the payment of
14-45 reasonable fees and expenses for the attorneys and other persons as
14-46 expenses of the conservatorship.

14-47 (d) The commissioner may waive or defer collection of
14-48 assessment or examination fees by the department from the credit
14-49 union during a period of conservatorship if the waiver or deferral
14-50 would appear to benefit the prospects for rehabilitation. As a
14-51 condition of release from conservatorship, the commissioner may
14-52 require the rehabilitated credit union to pay or develop a
14-53 reasonable plan for payment of any deferred fees.

14-54 SECTION 50. Section 126.160(a), Finance Code, is amended to
14-55 read as follows:

14-56 (a) A suit filed against a credit union ~~[or its conservator]~~
14-57 while the credit union is under ~~[a]~~ conservatorship, or against a
14-58 person in connection with an action taken or decision made by that
14-59 person as a conservator of a credit union, ~~[order is in effect]~~ must
14-60 be brought in Travis County regardless of whether the credit union
14-61 remains under conservatorship.

14-62 SECTION 51. Subchapter E, Chapter 126, Finance Code, is
14-63 amended by adding Section 126.206 to read as follows:

14-64 Sec. 126.206. NATIONAL CREDIT UNION ADMINISTRATION AS
14-65 LIQUIDATING AGENT. (a) The commissioner may tender a credit union
14-66 that has been closed for liquidation to the National Credit Union
14-67 Administration or its successor as liquidating agent if the shares
14-68 and deposits of the credit union were insured by the National Credit
14-69 Union Share Insurance Fund or its successor on the date of closing.

15-1 (b) After acceptance of tender of the credit union, the
 15-2 National Credit Union Administration or its successor, as
 15-3 liquidating agent of the credit union, shall perform the acts and
 15-4 duties that it considers necessary or desirable and that are
 15-5 permitted or required by federal law or this chapter. The National
 15-6 Credit Union Administration, as liquidating agent, is not subject
 15-7 to commission control.

15-8 (c) If the National Credit Union Share Insurance Fund pays
 15-9 the insured share and deposit liabilities of a credit union that is
 15-10 being liquidated under this subchapter, the National Credit Union
 15-11 Administration is subrogated, to the extent of the payment, to all
 15-12 rights that the owners of the share or deposit accounts have against
 15-13 the credit union.

15-14 SECTION 52. Section 126.454, Finance Code, is amended to
 15-15 read as follows:

15-16 Sec. 126.454. CREDIT UNION OPERATIONS BEFORE AND AFTER
 15-17 VOTE. Immediately after notice under Section 126.453 is mailed,
 15-18 the commissioner may restrict control or give direction with
 15-19 respect to the continued business of the credit union pending
 15-20 consideration of voluntary liquidation by the members. During that
 15-21 period, no member shall withdraw an aggregate amount in excess of
 15-22 the share insurance covered by ~~[shall cease to operate except to~~
 15-23 ~~accept loan payments or other obligations due]~~ the credit union. No
 15-24 new extensions of credit shall be funded during the period between
 15-25 the board of directors' adoption of the resolution recommending
 15-26 voluntary liquidation and the membership meeting called to consider
 15-27 voluntary liquidation, except for the issuance of loans fully
 15-28 secured by a pledge of shares and the funding of outstanding loan
 15-29 commitments approved before adoption of the resolution. If the vote
 15-30 to dissolve and liquidate the credit union is affirmative, the
 15-31 credit union may conduct only business incidental to liquidation.

15-32 SECTION 53. Section 126.455, Finance Code, is amended to
 15-33 read as follows:

15-34 Sec. 126.455. VOTE ON VOLUNTARY LIQUIDATION. At a special
 15-35 meeting called to consider the proposed liquidation, a majority of
 15-36 the credit union members, but not less than a quorum, may vote to
 15-37 dissolve and liquidate the credit union. Those members casting
 15-38 votes by mail or at the meeting constitute a quorum for the
 15-39 transaction of business at the special meeting, notwithstanding a
 15-40 bylaw provision to the contrary.

15-41 SECTION 54. Section 126.457, Finance Code, is amended to
 15-42 read as follows:

15-43 Sec. 126.457. APPOINTMENT OF LIQUIDATING AGENT. (a) If the
 15-44 members approve the liquidation, the board shall appoint a
 15-45 liquidating agent to:

15-46 (1) conserve and collect the credit union's assets;
 15-47 (2) wind up the credit union's affairs;
 15-48 (3) discharge the credit union's debts;
 15-49 (4) distribute the credit union's assets; and
 15-50 (5) take any other action necessary and incidental to
 15-51 liquidating the credit union.

15-52 (b) The National Credit Union Administration or other
 15-53 insuring organization has the right of first refusal to be
 15-54 appointed as liquidating agent of any credit union that it insures.

15-55 SECTION 55. Subchapter J, Chapter 126, Finance Code, is
 15-56 amended by adding Section 126.458 to read as follows:

15-57 Sec. 126.458. APPLICATION OF LAW TO CREDIT UNION IN
 15-58 VOLUNTARY LIQUIDATION. A credit union in the process of voluntary
 15-59 dissolution and liquidation remains subject to this subtitle and
 15-60 Chapter 15, including provisions for examination by the
 15-61 commissioner, and the credit union shall furnish reports as
 15-62 required by the commissioner.

15-63 SECTION 56. (a) This Act takes effect September 1, 2003.

15-64 (b) The change in law made by this Act by the amendment of
 15-65 Section 125.401, Finance Code, applies only to a claim that arises
 15-66 on or after the effective date of this Act. A claim that arose
 15-67 before the effective date of this Act is governed by the law as it
 15-68 existed immediately before that date, and the former law is
 15-69 continued in effect for that purpose.

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