

**PROPOSED REGULATION OF THE  
COMMISSIONER OF FINANCIAL INSTITUTIONS**

**LCB File No. R002-00**

January 25, 2000

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §§1-20, NRS 678.250.

**Section 1.** Chapter 678 of NAC is hereby amended by adding thereto the provisions set forth as sections 2 to 5 of this regulation.

**Sec. 2.** *As used in this chapter, unless the context otherwise requires, the words and terms defined in sections 3 and 4 of this regulation have the meanings ascribed to them in those sections.*

**Sec. 3.** *“Commissioner” means the commissioner of financial institutions.*

**Sec. 4.** *“Division” means the division of financial institutions of the department of business and industry.*

**Sec. 5.** *A credit union may charge for services it provides if it discloses such fees to the customer before imposing the fees on the customer.*

**Sec. 6.** NAC 678.010 is hereby amended to read as follows:

678.010 1. Any person desiring to form a credit union ~~under the provisions of~~ *pursuant to* chapter 678 of NRS must:

(a) Complete the Organization Certificate, Confidential Report of Officials, Agreement by Director and Committeemen to Serve, Report of Officials and Credit Union Investigation Report provided by the ~~administrator of financial institutions.~~ *commissioner.*

(b) Submit the forms required by paragraph (a) to the ~~[administrator,]~~ *commissioner*, together with \$25 as payment of an investigation fee of \$12.50 and a charter fee of \$12.50.

2. The ~~[administrator]~~ *commissioner* will investigate and determine whether the proposed Organization Certificate conforms to the requirements of chapter 678 of NRS concerning the general character and fitness of the subscribers thereto, and determine the economic feasibility of establishing the proposed credit union.

3. If the ~~[administrator]~~ *commissioner* is satisfied that the qualifications have been met, he will issue a charter to the proposed credit union.

**Sec. 7.** NAC 678.030 is hereby amended to read as follows:

678.030 1. All fidelity bonds must provide coverage for the faithful performance of any officer or employee while carrying out any of the duties of the treasurer as prescribed in chapter 678 of NRS, the bylaws, or rules and regulations.

2. No form of fidelity bond coverage may be used by a credit union except a form which is approved by the ~~[administrator of financial institutions.]~~ *commissioner*.

3. For the purpose of this section, ~~[Credit Union Blanket Bond, Standard Form No. 23 of the Surety Association of America (revised to May 1950), plus Faithful Performance Rider, for use with this form to broaden Clause (A) (revised to May 1950) and Credit Union Blanket Bonds—NCUA Optional Forms 576, 577, 578, and 579—]~~ *forms of fidelity bond coverage for credit unions that are provided by surety companies authorized to do business in this state* are approved.

4. The ~~[administrator]~~ *commissioner* may require additional fidelity bond coverage for any credit union when, in his opinion, the bonds in force are insufficient to provide adequate

coverage. The board of directors of the credit union shall obtain such additional coverage within 30 days after the date of written notice from the ~~administrator.~~ *commissioner.*

5. All surety companies writing credit union fidelity bonds must hold a Certificate of Authority from the Secretary of the Treasury ~~under the Act of Congress approved July 30, 1947 (6 USC §§ 6-13)]~~ *pursuant to 31 U.S.C. §§ 9304-9308* as an acceptable surety on federal bonds in this state.

6. The board of directors of each credit union shall provide proper protection to meet any circumstance described in subsection 1 of NRS 678.370 by obtaining adequate bond and insurance coverage.

**Sec. 8.** NAC 678.050 is hereby amended to read as follows:

678.050 1. ~~[A credit union may not, without the express written approval of the administrator of financial institutions, maintain demand deposits against which requests for withdrawals may be made in the form of checks or drafts.~~

~~—2.— A request for approval to maintain a program for demand deposits must include:~~

~~—(a) The name of the financial institution which will act as the clearing center for the demand deposits.~~

~~—(b) The physical location of the credit union's reserve to provide liquidity for the demand deposits.~~

~~—(c) Any other information which the administrator reasonably believes necessary for determining whether the approval should be granted.~~

~~—3.— Each credit union which maintains demand deposits against which requests for withdrawals may be made in the form of checks or drafts shall maintain the following special reserve unless the credit union is required by subsection 4 to maintain a greater reserve:~~

~~—(a) The credit union shall maintain a demand deposit liquidity reserve fund equal to 125 percent of the average daily balance of demand deposits cleared by it during the preceding month.~~

~~—(b) The average daily balance of demand deposits is determined by adding the total amount of demand deposits cleared by the credit union in the preceding month and dividing the total by the number of business days in that month.~~

~~—(c) The demand deposit liquidity reserve fund must be adjusted to reflect the amount required by paragraphs (a) and (b) no later than the 10th day of each month.~~

~~—(d) The fund may be maintained in an interest-bearing account if the money is available to the credit union immediately upon request.~~

~~—4.] A credit union [which is subject to the regulation of the National Credit Union Administration concerning the reserve for liquidity as set forth in 12 C.F.R. § 742] shall hold liquid assets [as prescribed in that regulation] in an amount [equaling] *equal to* at least 5 percent of its members' accounts . [and notes payable, excluding certain nonvolatile accounts, whenever the reserve prescribed in that regulation is greater than the reserve prescribed in subsection 3. The administrator hereby adopts by reference 12 C.F.R. § 742 as it exists on November 15, 1980. A copy of that regulation may be obtained at no charge from the:~~

~~—Division of Financial Institutions~~

~~—Department of Business and Industry~~

~~—406 E. Second Street~~

~~—Carson City, NV 89710~~

~~—5.— The administrator]~~

2. *The commissioner* may issue an order requiring a credit union to ~~[cease and desist from]~~ *stop* offering demand deposit accounts if it fails to maintain the reserve for liquidity *as* required by subsection ~~[3 or 4.~~

~~—6.] 1.~~

3. Every credit union which maintains a demand deposit program shall post a notice in the manner prescribed by subsection 1 of NRS 205.134 concerning issuance of a check or draft without funds or with intent to defraud.

**Sec. 9.** NAC 678.070 is hereby amended to read as follows:

678.070 ~~[Whenever the administrator of financial institutions]~~ *If the commissioner* deems the reserves required by NRS 678.670 inadequate to cover a credit union's delinquent loans, he will require, upon 5 days' written notice, that the credit union maintain a special reserve against losses equal to 10 percent of the loan balance on all accounts that are between 2 and 6 months delinquent, plus 25 percent of the loan balances on all accounts that are between 7 and 12 months delinquent, plus 80 percent of the loan balances on all accounts that are more than 12 months delinquent.

**Sec. 10.** NAC 678.100 is hereby amended to read as follows:

678.100 The stocks and bonds which the ~~[administrator of financial institutions]~~ *commissioner* approves as investments for credit unions pursuant to subsection ~~[7]~~ *8* of NRS 678.760 are the stocks and bonds which are accorded one of the top two ratings by ~~[Moody's Investor Service, Inc., or one of its affiliates, or Standard and Poor's Corporation, or one of its affiliates.]~~ *a statistical rating organization that is nationally recognized by the Securities and*

*Exchange Commission.* Investment by a credit union in ~~[Securities]~~ *securities* which are provisionally rated is prohibited.

**Sec. 11.** NAC 678.110 is hereby amended to read as follows:

678.110 ~~[1.]~~ Each credit union shall file with the ~~[administrator of financial institutions a quarterly]~~ *commissioner a* financial report ~~[which includes:~~

~~—(a) A balance sheet;~~

~~—(b) A statement of income and expense for the year to date;~~

~~—(c) Statistics showing contractual delinquency, by number of loans and dollar amounts broken down according to the age of accounts, as follows:~~

~~——(1) Two months or more but less than 6 months;~~

~~——(2) Six months or more but less than 12 months; and~~

~~——(3) Twelve months or more.~~

~~—(d) A schedule of loans by dollar amount and interest rate;~~

~~—(e) A schedule of loans by dollar amount and collateral, with a classification of the loans as unsecured or secured, and if secured, by vehicles, real estate, shares or other property; and~~

~~—(f) A schedule of shares by dollar amount and dividend rate.~~

~~—2.— Each quarterly financial report is due within 30 days after the closing of the quarterly reporting period.]~~

*that is substantially similar to the report provided by the credit union to the National Credit Union Administration or the private insurer of the credit union, as applicable.*

*Such a report must be submitted for each of the following periods:*

*1. From January 1 through June 30; and*

*2. From July 1 through December 31.*

**Sec. 12.** NAC 678.130 is hereby amended to read as follows:

678.130 Any examination required by the provisions of chapter 678 of NRS must be conducted in accordance with the procedures ~~[embodied in Federal Credit Union Forms 701 (Rev. 11/71), 702 (Rev. 11/71), 703 (Rev. 7/69), 704 (Rev. 11/71), 705 (Rev. 7/69), 706 (Rev. 7/69), 707 (Rev. 11/71), 709 (Rev. 11/71), 710 (Rev. 7/69), 711 (Rev. 7/69), 712 (Rev. 7/69), 713, 714 (Rev. 11/71), 715, 715.1 (Rev. 5/75), 716, 717, 718, 719, 720 and 721 as revised]~~ *established* by the ~~[administrator of financial institutions.]~~ *commissioner*.

**Sec. 13.** NAC 678.140 is hereby amended to read as follows:

678.140 1. Each credit union will be notified at least 30 days before the effective date of any schedule of fees fixed pursuant to this chapter.

2. Upon receipt of such notification, interested persons may submit written data, views ~~[.]~~ and arguments for consideration by the ~~[administrator of financial institutions. The administrator]~~ *commissioner*. *The commissioner* may, after consideration, make such revisions in the proposed schedule or such change in the effective date as he deems necessary and proper, with the advice and consent of the credit union advisory council.

3. Each credit union will be notified not less than 15 days before the final effective date.

**Sec. 14.** NAC 678.150 is hereby amended to read as follows:

678.150 1. On or before June 30 of each year, the commissioner ~~[of financial institutions]~~ will collect a fee from each credit union for the supervision and examination of the credit union pursuant to chapter 678 of NRS.

2. The fee is based on the portion of the annual appropriation from the state general fund to the division ~~[of financial institutions]~~ that is attributable to the supervision and examination of credit unions. Each credit union shall pay a share of that amount as determined by the following schedule:

	<u>Total Assets</u>	<u>Base Fee</u>	<u>+ Fee Exceeding Base</u>
FLUSH	Less than \$5,000,000	\$5,000	N/A
FLUSH	\$5,000,000 or more, but less than \$10,000,000	5,000	\$.25 per thousand of assets exceeding \$5,000,000
FLUSH	\$10,000,000 or more, but less than \$50,000,000	6,250	\$.19 per thousand of assets exceeding \$10,000,000
FLUSH	\$50,000,000 or more, but less than \$100,000,000	13,850	\$.12 per thousand of assets exceeding \$50,000,000
FLUSH	\$100,000,000 or more, but less than \$500,000,000	19,850	\$.10 per thousand of assets exceeding \$100,000,000
FLUSH	\$500,000,000 or more, but less than \$1,000,000,000	59,850	\$.07 per thousand of assets exceeding \$500,000,000
FLUSH	\$1,000,000,000 or more, but less than \$3,000,000,000	94,850	\$.05 per thousand of assets exceeding \$1,000,000,000
FLUSH	\$3,000,000,000 or more, but less than \$10,000,000,000	194,850	\$.03 per thousand of assets exceeding \$3,000,000,000
FLUSH	\$10,000,000,000 or more, but less than \$20,000,000,000	404,850	\$.02 per thousand of assets exceeding \$10,000,000,000
FLUSH	Any adjustment to the fee required to account for the distribution of unused portions of or increases in the annual appropriation from the state general fund must be made in a proportionate amount that is based on the relationship that the fee determined for each credit union pursuant to		



~~[paragraph (a)]~~ *this subsection* bears to the total fee imposed on all credit unions licensed pursuant to chapter 678 of NRS.

3. If the fee is not paid on or before June 30, the commissioner will assess a penalty of 10 percent of the amount of the fee and an additional 1 percent of the fee for each month or portion of a month that the fee is not paid. The commissioner may waive the penalty for good cause.

4. The fee does not include the cost of any extraordinary examination, audit, investigation or hearing conducted by the division. The cost of any such examination, audit, investigation or hearing is \$60 per hour.

**Sec. 15.** NAC 678.155 is hereby amended to read as follows:

678.155 1. Except as otherwise provided in NAC 658.030, each credit union shall pay to the division ~~[of financial institutions of the department of business and industry]~~ an annual assessment of \$300 to cover the costs related to the employment of a certified public accountant and the performance of audits and examinations conducted by the division.

2. The division will bill each credit union for the assessment. The assessment must be paid within 30 days after the date the bill is received.

3. A charge of 10 percent of the assessment will be imposed on any credit union whose assessment is received by the division after the date on which the assessment is due.

**Sec. 16.** NAC 678.160 is hereby amended to read as follows:

678.160 1. Not later than January 31 of each year, each credit union shall pay to the division ~~[of financial institutions of the department of business and industry]~~ a license fee of \$200.

2. A credit union which has been chartered under the laws of another jurisdiction and converts to a credit union chartered under the laws of this state shall pay a percentage of the

license fee based on the number of days remaining in the year (assuming a 360-day year) and the total assets of the credit union as of the end of the month before the conversion. The prorated fee is due within 30 days after the conversion.

3. A credit union which receives a new charter (other than by conversion) is not required to pay the license fee until January 31 following its receipt of the charter.

**Sec. 17.** NAC 678.170 is hereby amended to read as follows:

678.170 A credit union chartered by another state may apply for provisional acceptance by the ~~[administrator of financial institutions]~~ *commissioner* by submitting all the items listed in subsection 1 of NAC 678.180 and:

1. A copy of the last examination report of its present state supervisory authority; and
2. If it is uninsured, a copy of its application for insurance of its members' accounts . ~~[by the National Credit Union Share Insurance Fund.]~~

**Sec. 18.** NAC 678.180 is hereby amended to read as follows:

678.180 1. A federal credit union desiring to convert to a state-chartered credit union must provide the ~~[administrator of financial institutions]~~ *commissioner* with the following:

- (a) A confidential report of the credit union's officials, with their social security numbers;
- (b) The completed forms for filing articles of incorporation with the secretary of state;
- (c) An agreement to serve, executed by the board of directors, and, if applicable, by the credit committee and supervisory committee;
- (d) A copy of the last three monthly financial and statistical reports;
- (e) A copy of the last two year-end financial and statistical reports furnished to the National Credit Union Administration;

(f) A copy of the delinquent loan schedule as of the last month's end, accompanied by notations on the collectibility of each loan;

(g) A copy of the last audit report of the credit union's supervisory committee;

(h) A copy of the last examination report of the National Credit Union Administration; and

(i) Any other information the ~~administrator~~ *commissioner* may consider necessary or desirable.

2. Within 30 days after receipt of the items listed in subsection 1, the ~~administrator~~ *commissioner* will inform the credit union, in writing, of his decision provisionally to accept or not to accept the credit union's conversion.

3. If the ~~administrator~~ *commissioner* has provisionally accepted the conversion of a credit union from a federal to a state charter, he will issue a charter to the credit union upon a satisfactory demonstration by the credit union that it has completed all of the conversion requirements imposed upon it by the National Credit Union Administration.

**Sec. 19.** NAC 678.190 is hereby amended to read as follows:

678.190 The board of directors shall give the ~~administrator~~ *commissioner* 10 days' written notice of its intention to put the question of voluntary dissolution to the members of its credit union.

**Sec. 20.** NAC 678.040, 678.080 and 678.090 are hereby repealed.

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**TEXT OF REPEALED SECTIONS**

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**678.040 Entrance fees; membership fees.**

1. No credit union may require the payment of an entrance fee which exceeds \$1.
2. No credit union may require the payment of an annual membership fee which exceeds \$1.

**678.080 Loan policies.** The board of directors of each credit union shall make available to its members a written explanation of the credit union's loan policies. The explanation must include, but is not limited to, the following information:

1. The types of loans available;
2. The maximum dollar amount of secured and unsecured loans a member may have outstanding at any one time;
3. The total number of lines of credit available;
4. The type of collateral acceptable to secure a loan;
5. The maximum maturity time for each loan category;
6. The maximum interest rate for each loan category; and
7. The kind or extent of information required for each type of loan.

**678.090 Late charges.** No credit union may assess charges to members for failure to meet their obligations to the credit union which exceed 20 percent of the interest then due and payable by the member, or which is less than 5 cents.