

1 04 NCAC 06B .0402 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06B .0402 RESPONSE OF ADMINISTRATOR TO PETITION**

4 (a) ~~Written Response.~~ A written response to the petition for a declaratory ruling, whether in the form of a declaratory
5 ruling or a refusal to issue a declaratory ruling, shall be ~~signed by the Administrator or his designated representative~~
6 ~~within 60 days following the date on which the petition was received by the Division.~~ issued as set forth in G.S. 150B-
7 4.

8 (b) ~~Refusal of Issue Declaratory Ruling.~~ The Administrator ~~may refuse to~~ shall issue a declaratory ~~ruling~~ ruling, if
9 ~~one of the following circumstances exists: except when:~~

10 (1) the request for a declaratory ruling does not meet the requirements set forth in this Subchapter;

11 (2) ~~The~~ the subject matter is one in which the Administrator has no authority to issue a binding
12 decision;

13 (2) ~~The situation is one in which the amount of work that would be required by the Administrator and~~
14 ~~staff to issue the declaratory ruling would be the same as or greater than the work required to process~~
15 ~~the request through normal procedures or a contested case proceeding;~~

16 (3) ~~The petition does not state with enough specificity the factual situation involved, or the question is~~
17 ~~presented in such a manner that the Administrator cannot determine what the question is, or that the~~
18 ~~Administrator cannot respond with a specific ruling that will be binding on all parties; ruling;~~

19 (4) ~~The~~ the petitioner does not, in the opinion of the Administrator, possess sufficient interest in the
20 ~~question to be ruled on; or not qualify as a person aggrieved, as defined in G.S. 150B-2(6);~~

21 (5) ~~For any other reason the Administrator finds the issuance of a declaratory ruling to be undesirable.~~
22 ~~the Administrator has previously issued a declaratory ruling, or issued a final agency decision in a~~
23 ~~contested case, in which the same facts were considered;~~

24 (6) the facts underlying the request for a declaratory ruling were considered at the time the Rule was
25 adopted; or

26 (7) the subject matter of the petition is involved in pending litigation.

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

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30 *History Note: Authority G.S. ~~150B-17; 150B-4; 54-109.12;~~*

31 *Eff. June 1, 1990, 1990;*

32 *[Readopted Eff. January 1, 2018]. Eff. February 1, 2018*

04 NCAC 06C .0101 is readopted with changes as published in 32:6 NCR 513-524 as follows:

04 NCAC 06C .0101 DEFINITIONS

When used in this Subchapter, the following words and phrases shall have the following meaning, ~~except to the extent that any such word or phrase is specifically qualified by its context:~~

- (1) "Administrator" means the Administrator of State-Chartered ~~Credit credit Unions, unions.~~ 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 credit Union union~~ union has on its books.
- (4) "Branch Office" means a facility ~~which~~ that a ~~Credit credit Union union~~ union maintains and staffs at a location other than its main office to furnish ~~Credit credit Union union~~ union services to its members.
- (5) "Capital" consists of 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 credit Union union~~ 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] under G.S. 54-109.1. [and] organized for promoting thrift among its members by affording them an opportunity for accumulating their savings; and to create for them a source of credit for loans for provident and productive purposes. It may undertake such other activities relating to the purpose of the corporation as its bylaws may provide, such Credit [credit] Union [union] being chartered under the General Statutes of North Carolina.
- (9) "Credit Union Service Organization" or "CUSO" means an organization formed and operated by ~~Credit Union(s); credit union(s), or associations or organizations of Credit Unions, credit unions,~~ to [primarily] provide revenue-generating services of the highest quality to Credit Union members, Credit Unions and others which are needed or wanted and can be provided efficiently and economically with a satisfactory overall rate of return on investment. financial or operational products or services to credit unions or credit union members.
- (10) "Deposits" means a preferred savings account on which the ~~Credit credit Union union~~ 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)~~(12) "Dividend" means an operating expense of a ~~Credit Union which~~ credit union that is declared payable on share accounts from time to time by the Board of Directors. Dividends are shall be paid as set forth in G.S. 54-109.54.
- ~~(12)~~(13) "EDP" means electronic data processing.
- ~~(13)~~(14) "Funds" means cash on hand or cash in the bank and investments.

1 ~~(15)~~ "Interest on deposit accounts" is an expense paid by the Credit Union for obtaining funds in a deposit
2 account.

3 ~~(16)~~ "Interest on loans" means an amount charged to a member for borrowing funds from a Credit Union
4 at a specified rate as declared by the Board of Directors, not to exceed the maximum legal rate.

5 ~~(17)~~ "Interest refund" means a percentage of the interest collected on loans which is refunded to those
6 members who borrowed during a specific period pursuant to action of the Board of Directors.

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

9 ~~(15)~~~~(18)~~ "Members" means persons or organizations who have been accepted for membership by either the
10 Board, membership officer, or an executive committee, after having met qualifications of being
11 within the field of membership.

12 ~~(16)~~~~(19)~~ "Membership" ~~in~~ means a Credit credit Union union is limited to those persons or groups as
13 stipulated in the bylaws of such Credit Union. the credit union and set forth in G.S. 54-109.26.

14 ~~(17)~~~~(20)~~ "Membership fee" means a fee that may be charged to applicants for membership as an entrance fee
15 or as an annual membership fee as determined by the Board of Directors or as the bylaws may
16 provide.

17 ~~(18)~~ ~~(21)~~ "Reserve fund" means the portion of income to be entered on the books of the corporation to offset
18 uncollectible loans in accordance with ~~Section 54-109.86 of the General Statutes.~~ G.S. 54-109.86.

19 ~~(19)~~ ~~(22)~~ "Shares" means the primary capital owned by the members and is comprised of the savings of the
20 members. The par value shall be as the bylaws provide.

21 ~~(20)~~ ~~(23)~~ Types of investment transactions ~~are~~ shall be defined as follows:

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

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

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

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

34 (i) "Investment-type repurchase agreement" means a repurchase that contains the
35 essential elements of a sale of security as specified in Rule .1202(5) of this
36 Subchapter.

1 (ii) "Loan-type repurchase agreement" means any repurchase ~~agreement~~ that does not
2 qualify as an investment-type repurchase agreement.

3 (e) "Future" means a standardized contract for the ~~future~~ delivery of commodities, including
4 certain government securities, sold on designated commodities exchange.

5 ~~(21)(24)~~ "Unimpaired capital" consists of the shares, undivided ~~surplus~~ surplus, and reserves less any known
6 or probable losses, as determined by management.

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8 *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;~~*
9 *143B-439;*

10 *Eff. February 1, 1976;*

11 *Readopted Eff. April 4, 1978;*

12 *Amended Eff. July 1, 2013; January 1, 1992; October 1, 1983; April 1, ~~1979.~~ 1979;*

13 *Readoption [~~Eff. January 1, 2018.] Eff. February 1, 2018.~~*

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1 04 NCAC 06C .0201 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0201 INCORPORATION OF STATE CHARTERED CREDIT UNIONS**
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5 (a) All credit unions desiring a state charter ~~must~~shall be organized as a corporation under the General Statutes,
6 Articles 14A to ~~15-15A~~ of Subchapter III, Chapter 54.~~The Credit Union law requires that~~ In accordance with
7 54-109.2(e), the responsibility, character, and general fitness of the officers, directors, and committeemen is
8 ~~such to~~ shall command the confidence of the members and the community, and ~~to~~ warrant the belief by the
9 ~~Credit Union administrator~~ Administrator that the business of the ~~Credit Union~~ credit union will be operated
10 honestly, fairly, and efficiently, properly administered. The Administrator shall determine whether the
11 proposed field of membership is favorable to the success of such credit union and such determination will
12 include an evaluation of any overlap in field of membership with existing credit unions, the field of
13 membership requirements, the number of potential members, availability of payroll deductions, data
14 processing, and evaluation of feasibility studies as conducted by ~~North Carolina Credit Union~~ the League,
15 ~~the Credit Union Division or others,~~ Division, or other support groups for credit union start-ups, and other
16 factors involved in its successful operation.

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

- 18 (1) five dollars (\$5.00) charter fee; and
19 (2) twenty dollars (\$20.00)--investigation fee.
20

21 *History Note:* Authority G.S. 54-109.1; 54-109.2(e); 54-109.2; 54-109.3; 54-109.11(3); 54-109.12; 143B-439;
22 *Eff. February 1, 1976;*
23 *Readopted Eff. April 4, 1978;*
24 *Amended Eff. October 1, ~~1983.~~ 1983;*
25 *Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.*
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04 NCAC 06C .0202 is readopted with changes as published in 32:6 NCR 513-524 as follows:

04 NCAC 06C .0202 MINIMUM POTENTIAL MEMBERSHIP GUIDELINES

(a) Based on ~~experience,~~ established ~~policy~~ policy, ~~and~~ 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 ~~effectively~~ operate as a credit union.

(b) ~~Established~~ The minimum potential membership guidelines for chartering credit unions in each of the various types of groups ~~are~~ 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

~~Notwithstanding the minimum potential membership numbers,~~ In addition to the membership, the makeup of the membership group and the level or support ~~is~~ 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 ~~which~~ that is close to the minimum and has exceptional prospects for successful credit union operation ~~may~~ 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~~ 1983;
Readopted [~~Eff. January 1, 2018.~~] Eff. February 1, 2018.

1 04 NCAC 06C .0203 is readopted as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0203 FIELDS OF MEMBERSHIP**

4 (a) Parity, for the purpose of this ~~Section~~, Rule, allows the Administrator to approve fields of membership and permit
5 ~~state~~-State chartered credit unions the same latitude with regard to membership limitations and restrictions as is
6 available to federally chartered credit unions, as set forth in 12 C.F.R. Part ~~701.1~~, 701.1, and any subsequent
7 amendments are incorporated by reference and ~~can~~ may be found at no cost on the Code of Federal Regulations
8 website www.ecfr.gov.

9 (b) New charters and expansion requests shall be reviewed and approved in conformity with credit unions organized
10 under G.S. 54-109, Articles 14A to 14L.

11 (c) In allowing an expansion of the field of membership, any credit union shall be bound by membership limitations
12 or restrictions contained in its charter or bylaws as amended and approved by ~~the~~, the Administrator, based on
13 applicable rules and statutes.

14

15 *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;*
16 *54-109.21(25); 54-109.22; 54-109.26; 54-109.27; 54-109.28;*

17 *Eff. February 1, 1976;*

18 *Amended Eff. March 1, 1977;*

19 *Readopted Eff. April 4, 1978;*

20 *Amended Eff. March 1, 2015; November 1, 1990; October 1, 1983; April 1, ~~1979~~ 1979;*

21 *Readopted [~~Eff. January 1, 2018;~~] Eff. February 1, 2018.*

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1 04 NCAC 06C. 0209 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0209 OUT OF STATE OFFICE FACILITIES**

4 Before a credit union may open a branch office in another state, a written request ~~must~~ shall be submitted to the
5 Administrator of credit unions for his or her approval. ~~approval insofar as North Carolina law is concerned. (The~~ The
6 Administrator may request necessary information and conduct an investigation in evaluating the ~~request.~~ request. It
7 shall be the responsibility of the ~~Board~~ board of directors of each credit union operating in more than one state to seek
8 the advice of an attorney to see ensure that the ~~Credit Union~~ credit union complies with applicable state laws of the
9 other state(s).

10

11 *History Note:* Authority ~~G.S. 54-109.21(25); G.S.54-109.6 (a); 54-109.7; 54-109.11; 54-109.12; 54-109.16;~~

12 ~~54-109.21(25);~~

13 ~~Eff. April 4, 1978. 1978;~~

14 Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.

1 04 NCAC 06C .0301: is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0301 GENERAL PROVISIONS**

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

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

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

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

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

23 (3) ~~Notice~~ notice of the termination of the servicing contract or agreement, consistent with industry
24 ~~standards.~~ standards;

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

28 (5) ~~Maintenance~~ a maintenance agreement that is consistent with industry ~~standards.~~ standards;

29 (6) ~~Availability~~ availability of technically qualified ~~personnel.~~ personnel;

30 (7) ~~The~~ the due diligence and review by the ~~Board~~ board of ~~Directors~~ directors or legal ~~counsel.~~ counsel;
31 and

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

34 (d) ~~Requests for modification of the rules and regulations in regard to the general provisions shall be~~
35 submitted in writing to the Administrator.

36
37 *History Note: Authority G.S. 54-109.11; 54-109.12; 54-109.16; 54-109.17(a), b); 54-109.17(a); 54-109.17(b);*

1 *Eff. February 1, 1976;*
2 *Amended Eff. November 1, 1977;*
3 *Readopted Eff. April 4, 1978;*
4 *Amended Eff. March 1, ~~2015.~~ 2015;*
5 *Readopted [~~Eff. January 1, 2018.]~~ Eff. February 1, 2018.*
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04 NCAC 06C .0302: is readopted with changes as published in 32:6 NCR 513-524 as follows:

04 NCAC 06C .0302 PROCEDURES

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

- (1) ~~An~~ an adequate general ledger and detailed cash journal shall be maintained for the control of all transactions of the ~~Credit credit Union. union;~~ union;
- (2) ~~A~~ a record of all correcting and adjusting entries, with an explanation of each entry, shall be ~~maintained.~~ maintained;
- (3) ~~For~~ manual and computerized accounting systems, all receipts and disbursements shall be recorded and posted daily to cash journal and subsidiary ~~accounts.~~ accounts;
- (4) ~~Deposits~~ 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 ~~are~~ shall be held more than three banking ~~days.~~ days;
- (5) ~~Security~~ security shall be provided (cash drawer and lockbox) at a minimum for storage of ~~funds.~~ funds;
- (6) ~~Credit credit~~ union funds shall be kept separate from all other ~~funds.~~ funds;
- (7) ~~Cash~~ 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.~~ cash;
- (8) ~~A~~ 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.~~ difference;
- (9) ~~A~~ a pre-numbered receipt slip or other original ~~record.~~ record shall be made and preserved covering each payment ~~received.~~ received;
- (10) ~~All~~ all bank or credit union accounts shall be reconciled at least monthly and ~~such~~ the reconciliations ~~preserved,~~ shall be maintained as set forth in Rule .1002 of this ~~Subchapter.~~ Subchapter;
- (11) ~~A~~ a duplicate of itemized bank or credit union deposit slips, or other comparable detailed item record, shall be ~~preserved,~~ maintained, as set forth in Rule .1002 of this ~~Subchapter.~~ Subchapter;
- (12) ~~The~~ the ~~exact~~ status of all the credit union's funds, including investments and funds held by agents or ~~attorneys~~ attorneys, shall be determinable at all ~~times.~~ times;
- (13) ~~Checks~~ 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.~~ control;
- (14) ~~Disbursements~~ disbursements shall be supported by invoices, vouchers, or other explanations of record, each showing the nature or purpose of each ~~disbursement.~~ disbursement;
- (15) ~~Dual~~ dual control shall be maintained over all negotiable investment ~~securities.~~ securities;

- 1 (16) ~~Members'~~ members' accounts shall be posted and balanced ~~not less frequently than~~ monthly and
2 supported by member trial balance or adding machine tapes, identified, dated, and ~~preserved.~~
3 maintained;
- 4 (17) A ~~a~~ trial balance of the general ledger shall be prepared within 15 ~~working~~ business days from the
5 close of business of the last day of each month and financial statements ~~prepared~~ prepared;
6 ~~therefrom.~~
- 7 (18) ~~Erasures and eradications for~~ correction of errors in records ~~are prohibited; corrections must be~~ shall
8 be visible and approved by an authorized ~~person,~~ person that shall be approved by the ~~Board~~ board
9 of ~~Directors.~~ directors;
- 10 ~~(19) Members' passbooks shall be held in the Credit Union office only if authorized by the Board of~~
11 ~~Directors.~~
- 12 ~~(20)~~ (19) A ~~a~~ signed membership card file covering all accounts shall be ~~maintained.~~ maintained;
- 13 ~~(21)~~ (20) Payment payment of dividends or interest on accounts shall be accomplished by check or by credit
14 to the individual account. A record in support of dividend or interest paid by check or credited to
15 accounts shall be ~~preserved.~~ maintained;
- 16 ~~(22)~~ (21) A ~~a~~ cross-index card record shall be maintained for each ~~co-maker~~ comaker showing the date, name,
17 and original amount of each note on which the individual appears as ~~co-maker.~~ co-maker; comaker;
- 18 ~~(23)~~ (22) Minutes minutes of meetings of the ~~Board~~ board of ~~Directors~~ directors shall record in detail all of
19 its business transactions and be signed by the presiding officer and the secretary. Upon meeting as
20 a ~~Board~~ board of ~~Directors,~~ directors, the secretary or designated member shall make a matter of
21 record in the minutes of the meeting all written communications from the ~~Division.~~ Division;
- 22 ~~(24)~~ (23) ~~The~~ the supervisory committee shall have work papers to support its audit report. The reports and
23 work papers shall be retained and made available for review by the ~~state,~~ Administrator, as set forth
24 in Rule ~~.1002~~ .1001 of this ~~Subchapter.~~ Subchapter;
- 25 ~~(25)~~ (24) A ~~a~~ report of actions taken by the credit committee or loan officers shall be prepared, ~~signed~~ signed,
26 and ~~preserved;~~ main
27 tained, as set forth in Rule .1002 of this ~~Subchapter.~~ Subchapter;
- 28 ~~(26)~~ (25) Minutes minutes of each annual meeting of the members of the ~~Credit~~ credit ~~Union~~ union shall
29 record all business ~~transacted.~~ transacted;
- 30 ~~(27)~~ (26) ~~All~~ all books and records of the ~~Credit~~ credit ~~Union~~ union shall have protection from fire and other
31 hazards at all times. Active books and records of the ~~Credit~~ credit ~~Union~~ union should be located
32 at the principal office at all ~~times.~~ times;
- 33 ~~(28)~~ (27) ~~Dormant~~ dormant accounts shall be controlled to prevent improper ~~withdrawal.~~ withdrawal;
- 34 ~~(29)~~ (28) ~~Annual~~ annual vacations of at least five consecutive working days (during periods when proofs of
35 subsidiary ledgers are being made) shall be taken by each employee having access to cash and the
36 general ledger. During the vacation, the employees shall remain ~~continuously absent.~~ absent;

1 04 NCAC 06C .0304: is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0304 MANAGEMENT DUTIES**

4 All credit unions shall conduct their business and the selection of their employees using a ~~sufficiently~~ high degree of
5 management and business skills to assure the safe and sound operation of the ~~Credit Union.~~ credit union. To maintain
6 familiarity with current developments in the field of credit union management, ~~services~~ services, and operations as
7 may be necessary, all management personnel and employees of credit unions ~~should~~ [shall] may avail themselves of
8 the educational opportunities as may be provided by the ~~N.C. Credit Union League,~~ the Credit Union Division, ~~and~~
9 ~~others.~~ other trade associations, credit union support groups, and other industry training organizations.

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11 *History Note:* Authority *G.S. 54-109.12; 54-109.19; 54-109.35; 54-109.36; 54-109.92;*

12 *Eff. February 1, 1976;*

13 *Readopted Eff. April 4, 1978;*

14 *Amended Eff. October 1, ~~1983.~~ 1983;*

15 *Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.*

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1 04 NCAC 06C.0306: is readopted with changes as published in 32:6 NCR 513-524 as follows:

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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. ~~Such~~
The statement shall be posted in both a conspicuous and available manner, so as to be 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- 1983;
Readopted [~~Eff. January 1, 2018.~~] Eff. February 1, 2018.

1 04 NCAC 06C .0307 is readopted with changes as published in 32.6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0307 LISTING OF OFFICIALS AND OPERATING HOURS**

4 (a) Each credit union shall notify the Administrator of the names and addresses of its officers, directors, committee
5 members of the ~~Credit credit Committee committee~~ and ~~Supervisory Committee, supervisory committee, managers~~
6 ~~managers, or~~ and internal auditors.

7 (b) Each credit union shall notify the Administrator of its days and hours of operation.

8 (c) The credit union shall notify the Administrator of any changes to the information required by this Rule within ~~10~~
9 15 business days.

10

11 *History Note: Authority G.S. 54-109.12; ~~54-109.36~~;*

12 *Eff. February 1, 1976;*

13 *Readopted Eff. April 4, 1978;*

14 *Amended Eff. July 1, ~~2013~~. 2013;*

15 *Readopted [~~Eff. January 1, 2018.~~ Eff. February 1, 2018.]*

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04 NCAC 06C .0311 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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

(a) The ~~Board~~ board of ~~Directors~~ directors of a ~~Credit Union~~ credit union shall purchase a blanket fidelity bond as required by G.S. 54-109.44(2). Fidelity bonds shall provide coverage for the fraud and dishonesty of all employees, directors, officials, and supervisory and credit committee members.

(b) Every ~~Credit Union~~ 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~~ listing, including any subsequent amendments to the bond forms. The approved bond forms are incorporated by reference and [can] 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 ~~section~~ 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 based upon the applicable [State] rules and laws. [laws, and] as set forth in 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~~ financial strength;
- (2) ~~Net~~ net worth;
- (3) ~~Return~~ return on assets;
- (4) ~~Quality~~ quality of assets; and
- (5) ~~Capital, capital, Assets,~~ [assets,] asset quality, Management, management, Earnings, earnings, and Liquidity 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;

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Amended Eff. March 1, 2016; July 1, 2013; February 1, 1992; April 1, ~~1985~~, 1985;
Readopted [~~Eff. January 1, 2018.~~] Eff. February 1, 2018.

1 04 NCAC 06C .0312 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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04 NCAC 06C .0312 INSURANCE AND GROUP PURCHASING

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

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

04 NCAC 06C .0313 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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 ~~Paragraph Rule .0101(21) (9) of these Rules. this Subchapter.~~

(b) The purpose of a credit union service organization [CUSO] is to [primarily] provide revenue generating services of the highest quality to credit union members, credit unions, and others which are needed or wanted and can be provided efficiently and economically with a satisfactory overall rate of return on investment. [financial or operational products or services to credit unions or credit union members]. It may A CUSO may provide, provide but is not limited to, any or all of the following functions or services:

- (1) credit union operational functions including ~~but not limited to,~~ 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 including, but not limited to,~~ financial planning, and ~~counseling,~~ counseling, including retirement ~~counseling,~~ 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~~ 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 board of Directors- directors.~~

(c) A credit union may, either by itself or by agreement with other entities, form, invest in, or lend to a ~~credit union service organization,~~ 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 [can] 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 ~~credit union service organization- CUSO~~ must 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; 1983; Readopted [Eff. January 1, 2018] Eff. February 1, 2018.

04 NCAC 06C .0401 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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 ~~which that~~ shall list ~~in columnar form~~ the account number, ~~names~~ name(s) of ~~borrowers, borrower(s)~~, date of loan, date of last payment, original amount of loan ~~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 ~~which will~~ that shall indicate the extent of delinquency as determined by the delinquent installments according to the note contract, as follows:

- (1) Loans ~~loans~~ which the delinquent installments are ~~two months~~ 60 days but less than ~~six months~~ 180 days past due;
- (2) Loans ~~loans~~ which the delinquent installments are ~~six months~~ 180 days but less than ~~12 months~~ 365 days past due; and
- (3) Loans ~~loans~~ which the delinquent installments are past due ~~12 month~~ 365 days or more.

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

~~(b)~~ (c) Allowance for Loan Losses.

- (1) Each credit union shall establish and maintain ~~such the~~ reserves as may be required by ~~the Act or by regulation, State laws and the rules of this Subchapter,~~ or in special cases by the Administrator as set forth in G.S. 54-109.86. ~~All Credit Unions~~ 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~~ regular reserve as required by ~~Credit Union Laws.~~ State credit union laws and rules of this Subchapter.
- (3) ~~As a minimum, adjustments~~ 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 ~~fairly~~ presents the value of loans and anticipated losses.
- (4) Adjustments to the valuation Allowance for Loan Losses ~~will~~ 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

1 Allowance for Loan Losses Account. The independent party shall have no connection to the credit
2 approval, the estimation process, the methodology, and its application.

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4 *History Note:* Authority G.S. 54-109.11(4); 54-109.12; 54-109.16; 54-109.17; 54-109.86; 54-109.87;
5 Eff. February 1, 1976;
6 Readopted Eff. April 4, 1978;
7 Amended Eff. February 1, 1992; October 1, 1983; January 1, 1983; March 1, ~~1982~~; 1982;
8 Readopted[Eff. January 1, 2018.] February 1, 2018.
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04 NCAC 06C.0402 is readopted with changes as published in 32:6 NCR 513-524 as follows:

04 NCAC 06C .0402 CHARGE-OFF OF UNCOLLECTABLE 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 required by the Administrator, as set forth in G.S. 54-109.86(c).

(b) A record shall be maintained of all loans charged off. ~~Such~~ 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~~ 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 ~~12 months~~ 365 days or more, unless there is a high probability of no loss, [or if the loan is secured by real estate where the borrower is demonstrating a reasonable level of repayment, or the loan is in the process of legal action,] shall ~~will~~ be charged off in accordance with Paragraph (a) of this ~~Rule.~~ 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.~~ 1983;
Readopted [Eff. January 1, 2018.]Eff. February 1, 2018.

1 04 NCAC 06C .0404 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0404 LINE OF CREDIT LOANS**

4 (a) ~~Limitations.~~ A credit union shall not make a line of credit loan that exceeds the stated sum or specified period of
5 time approved by the ~~Board~~ board of directors of that credit union.

6 (b) ~~Reserves.~~ A credit union shall maintain for a period of one month, beginning on the seventh day of each month,
7 a reserve, ~~which~~ that shall consist of cash on hand or legal investments that mature in one year or less, in an
8 amount not less than five percent of the aggregate unused portion of its line of credit loans determined as of the
9 close of the previous month. Not more than 20 percent of the required reserve shall be in direct United States
10 Government obligations. The ~~Credit Union~~ credit union shall keep current records of the aggregate unused portion
11 of its line of credit loans and reserves, and the Administrator may require periodic or special reports based on these
12 records.

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14 *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
15 (b); 54-109.82;
16 *Eff. February 1, 1976;*
17 *Readopted Eff. April 4, 1978;*
18 *Amended Eff. January 1, 1992; December 1, 1979; 1979;*
19 *Readopted [Eff. January 1, 2018.]Eff. February 1, 2018.*
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1 04 NCAC 06C .0407 is readopted as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0407 COMMERCIAL LENDING AND MEMBER BUSINESS LOANS**

4 (a) Commercial lending and member business loans. State chartered federally insured credit unions shall adhere to
5 the federal regulations prescribed by the National Credit Union Administration relating to commercial lending and
6 member business loan program pursuant to 12 C.F.R. Part 723, and this Rule, and any subsequent amendments, are
7 incorporated by reference and ~~can~~ **may** be found at no cost on the Code of Federal Regulations website www.ecfr.gov.

8 (b) Written loan policies. The Board of Directors shall give notification to the Administrator of Credit Unions prior
9 to initiating a commercial lending and member business loan program and adopt specific commercial lending and
10 member business loan policies and review them at least annually. The Board of Directors shall review its commercial
11 lending and member business loan policies prior to any material change in the credit union's commercial lending and
12 member business loan program or related organizational structure, and in response to any material change in portfolio
13 performance or change in economic conditions. Credit unions with an asset size of two hundred fifty million dollars
14 (\$250,000,000) or below shall have commercial lending and member business loan polices submitted to the
15 Administrator of Credit Unions 30 days prior to initiating a commercial lending and member business loan program.

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17 *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*
18 *C.F.R. Part 741.203;*
19 *Eff. January 1, 1988;*
20 *Amended Eff. August 1, 1998; March 2, 1992;*
21 *Temporary Amendment Eff. January 1, 2017;*
22 *Amended Eff. August 1, 2017.*
23 *Readopted [Eff. January 1, 2018] Eff. February 1, 2018.*
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1 004 NCAC 06C is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0409 LOAN LIMITATIONS**

4 (a) No loan or line of credit advance shall be made to an individual member ~~[member,]~~ or immediate family member,
5 ~~as defined in Rule .0407(b)(1)(D),~~ if such a loan or line of credit advance ~~would cause~~ causes that member along with
6 that member's immediate family to be indebted to the credit union in an aggregate amount exceeding 10 percent of the
7 credit union's unimpaired shares and ~~surplus,~~ surplus as set forth in G.S. 54-109.67. For purposes of this ~~Section~~ Rule
8 "unimpaired shares" shall mean shares without any assignments or pledges. "Surplus" shall mean undivided earnings
9 and reserves.

10 (b) In the case of member business loans, additional loan limitations apply as set forth in Rule .0205(d) of this
11 Subchapter and ~~Rule .0407(b)(2)(C)(i) of this Section pursuant to 12 C.F.R. Part 723,~~ 723, including any subsequent
12 amendments that are incorporated by reference and can be found at no cost on the Code of Federal Regulations website
13 www.ecfr.gov.

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15 *History Note:* Authority G.S. 54-109.12; G.S.54-109.26; 54-109.67;

16 *Eff. August 1, 1998; 1998;*

17 *Readopted [~~Eff. January 1, 2018.~~]* Eff. February 1, 2018.

1 04 NCAC 06C .0501: is readopted with changes as published in 32:6 NCR 513-524 as follows:

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04 NCAC 06C .0501 IMPAIRMENT

- (a) An impairment of share capital shall ~~be deemed to~~ exist if the ~~Credit Union~~ 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 ~~capital impairment which~~ impairment of capital that may exist, loans receivable shall be valued at book value less the amount of reserves required. ~~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. If share deposit balances exceed net assets so determined, an impairment shall be deemed to exist. 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~~ board of directors shall notify the Administrator. If required by the Administrator, pursuant to G.S. 54, Article 14A to 14N, the ~~Board~~ board of directors shall disclose to all shareholders the impairment of capital and ~~such~~ other matters regarding the financial condition of the ~~Credit Union.~~ credit union. ~~as deemed relevant by the Administrator.~~

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; 1983;
Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.

1 04 NCAC 06C .0502 is readopted as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0502 INSOLVENCY**

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

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6 *History Note: Authority G.S. 54-109.12; 54-109.92;*

7 *Eff. February 1, 1976;*

8 *Readopted Eff. April 4, ~~1978~~ 1978;*

9 *Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.*

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1 04 NCAC 06C .0601 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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04 NCAC 06C .0601 DIVIDENDS

(a) The ~~Board~~ board of directors of ~~any credit union~~ may declare dividends as its bylaws provide, pursuant to G.S.54-109.44 (5) and G.S.54-109.54.

(b) No dividend ~~may~~ shall be declared or paid unless the ~~Credit Union~~ credit union has satisfied the statutory reserve requirements set forth in G.S. 54-109.86 and any other reserve account that ~~is required to~~ shall be maintained ~~in the discretion of~~ 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.~~ 1983;
Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.*

1 04 NCAC 06C .0707 is repealed through readoption as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0707 STATEMENTS OF ACCOUNTS**

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5 *History Note: Authority G.S. 54-109.12;*

6 *Eff. February 1, 1976;*

7 *Readopted Eff. April 4, ~~1978~~ 1978;*

8 *Repealed [~~Eff. January 1, 2018.~~] Eff. February 1, 2018*

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1 04 NCAC 06C .0801 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .0801 FINANCIAL STATEMENTS AND OTHER INFORMATION**

4 Each credit union shall furnish a report of condition to the Administrator due on the same date as designated by the
5 federal insurer in January, April, July, and October. The report shall be submitted ~~to the Administrator~~ on forms
6 supplied by the federal insurer for that purpose. The Administrator shall assess fines and penalties for reports not
7 ~~timely filed,~~ filed within 15 days, as set forth in G.S. 54-109.13 and G.S. 54-109.15(b).

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9 *History Note:* Authority G.S. 54-109.11(4); 54-109.12; 54-109.13; 54-109.15; 54-109.16;

10 *Eff. February 1, 1976;*

11 *Readopted Eff. April 4, 1978;*

12 *Amended Eff. July 1, 2013; December 1, ~~1979.~~ 1979;*

13 *Readopted [~~Eff. January 1, 2018~~] Eff. February 1, 2018*

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1 04 NCAC 06C .0901 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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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 plan funds ~~which that~~ qualifies or qualified for specific tax treatment under Section 401(d) or 408 of the Internal Revenue Code, Code. ~~[including any subsequent amendments that are incorporated by reference and can be found at no cost on the Internal Revenue Code website www.irs.gov. and at www.gpo.gov.]~~ for its members ~~members, or groups~~ groups, or organizations of its ~~members, provided the~~ members. The funds of such plans ~~are~~ shall be invested solely in share accounts of the ~~Credit Union~~ credit union. All funds held in a custodial capacity ~~must~~ shall be maintained in accordance with applicable ~~laws and rules and regulations~~ State and federal laws, [Rules] 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~~ credit union shall maintain individual records for each participant ~~which show that shows in detail~~ all transactions relating to the funds of each participant or beneficiary.

*History Note: Authority G.S. 54-109.12; 54-109.17; 54-109.21 (21);
Eff. February 1, 1976;
Readopted Eff. April 4, ~~1978~~. 1978;
Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.*

1 04 NCAC 06C .1001 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .1001 PERMANENT RECORD**

4 (a) Each ~~Credit~~ credit Union union shall retain its records in a manner consistent with reasonable business practices
5 and applicable state [State] as set forth in G.S. 54-109.17, and federal laws, rules and federal regulations.

6 (b) The ~~Credit~~ credit Union union shall permanently retain the original records of the ~~Credit Union's~~ credit union's
7 charter, bylaws, and any amendments to those documents.

8 (c) The following records shall be retained permanently in their original form or in any electronic or digital form that
9 permits their retrieval and replication:

10 (1) the minutes of meetings of members and of the board of directors;

11 (2) audit reports;

12 (3) copies of the examination reports of the Credit Union Division;

13 (4) rulings and opinions from the Credit Union Division; and

14 ~~(5) signature cards;~~

15 ~~(6) journal and cash record;~~

16 ~~(7) general ledger;~~

17 ~~(8) loan and shares subsidiary ledgers;~~

18 ~~(9) bank reconciliations; and~~

19 ~~(10) a list of all records destroyed.~~

20 (5) supervisory committee minutes and audits.

21 ~~(d) Credit Unions shall reference 12 C.F.R. Part 749 Appendix A for retention schedule guide lines.~~

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23 *History Note: Authority G.S. 54-109.12; 54-109.17;*

24 *Eff. February 1, 1976;*

25 *Readopted Eff. April 4, 1978;*

26 *Amendment Eff. March 1, ~~2016~~, 2016;*

27 *Readopted [~~Eff. January 1, 2018.~~] Eff. February 1, 2018*

04 NCAC 06C .1002: is readopted with changes as published in 32:6 NCR 513-524 as follows:

04 NCAC 06C .1002 NONPERMANENT RECORDS

(a) Each ~~Credit~~ 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, and in accordance with this Section and applicable state [State] and federal laws, rules, [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-practices. [and the applicable State and federal laws, Rules, and federal regulations.]

(b) ~~Nonpermanent records shall include any Credit Union~~ All records not referenced in Rule .1001 of this ~~Section.~~ Subchapter shall be considered nonpermanent records.

(c) ~~Nonpermanent records shall be kept in the original, or any electronic or digital form that permits their retrieval and replication. The Board of Directors of the Credit Union shall determine the length of time that each nonpermanent record is to be retained based upon reasonable business practices and the applicable state and federal laws, rules, and regulations.~~

(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

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

ADMINISTRATIVE

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

LEGAL JUDICIAL AUTHORIZATION

<u>Attachments or Garnishments</u>	<u>10 years</u>
<u>Bond Claims</u>	<u>10 years</u>

1 Court Orders 10 years

2
3 MEMBER RECORDS

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5 Transaction Records 10 years
6 Members Periodic Statements 10 years
7 Month End Trial Balance 2 years
8 Signature Cards (after the account is closed) 10 years

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10 LOANS (COMMERCIAL, CONSUMER, AND MORTGAGE)

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12 Subsidiary Loan Ledgers 10 years
13 Delinquent Loan Schedules 5 years
14 Loan Applications (after the loan is paid) 2 years

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16 OTHER

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

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26 *History Note: Authority G.S. 54-109.12;54-109.15; 54-109.17;*

27 *Eff. February 1, 1976;*

28 *Readopted Eff. April 4, 1978;*

29 *Amended Eff. March 1, 2016. 2016;*

30 *Readopted [Eff. January 1, 2018.] Eff. February 1, 2018.*

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1 04 NCAC 06C .1201 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .1201 INVESTMENT ACTIVITIES**

4 ~~The North Carolina Credit Union Law, Article 14 I, specifies the investments which credit unions are authorized to~~
5 ~~make, which includes loans to members and the purchase of securities guaranteed by the U.S.~~
6 ~~government.~~ Investments shall be made pursuant to G.S. 54, Article 14 I. ~~Transactions~~ The Administrator shall
7 consider [transactions,] such as agreements or options to buy or sell government securities at a future date, which date
8 that are merely speculative in nature, are considered nature as unsafe and unsound practices.

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

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'04 NCAC 06C .1301 is readopted with changes as published in 32.6 NCR 513-524 as follows:

04 NCAC 06C .1301 LIQUIDITY RESERVES SPECIAL RESERVES FOR LIQUIDITY

(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 can may be found at no cost on the Code of Federal Regulations website www.ecfr.gov.

~~(a)~~ (b) Credit unions with assets of two million (\$2,000,000) or more and credit unions ~~which~~ that offer share draft accounts shall maintain a reserve of liquid assets (liquidity reserve) equal to a minimum of five percent (~~5 percent~~) of the total dollar value amount of the ~~Credit credit Union's union's~~ liability base.

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

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

(1) cash, cash;

(2) shares shares, shares; and

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

(4) investments with a maturity of less than one year as authorized under G.S. 54-109.82(3),(4),(5),(9),(10) and (12) of the North Carolina Credit Union laws. 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 included, provided securities are carried at the lower of cost or market and adjusted on a monthly on a consistent [regular] basis.

Documentary evidence ~~must~~ shall be kept on file supporting the adjustments for a period of 18 months.

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

~~(e)~~ (f) The liquidity reserve ~~can only~~ shall be used to satisfy contractual line of credit agreements, share 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 credit Union union~~ must shall immediately notify the Administrator ~~of Credit Unions.~~ The ~~Credit credit Union union~~ will shall have 60 days to replenish the liquidity reserve.

~~(f)~~ (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 ~~deemed~~ necessary to meet the liquidity needs of its ~~creditors.~~ creditors, as set forth in G.S. 54-109.86 (c).

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

1 04 NCAC 06C .1302 is readopted with changes as published in 32:6 NCR 513-524 as follows:

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3 **04 NCAC 06C .1302 OTHER RESERVES**

4 (a) Regular reserves shall be maintained as set forth in G.S. 54-109.86, ~~54-109.86 of the North Carolina Credit Union~~
5 ~~laws.~~

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

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9 *History Note:* Authority G.S. 54-109.12; 54-109.86(a)(b)(c);

10 *Eff. December 1, 1979. 1979;*

11 *Readopted [Eff. January 1, 2018.] [Eff. February 1, 2018.]*

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