

1 04 NCAC 06C 0205 is amended with changes as published in 36:22 NCR 1776 as follows:

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3 **04 NCAC 06C .0205 LOANS TO CREDIT UNION OFFICIALS**

4 (a) Officials. For purposes of this Rule, an "official" is a member of the board of directors, ~~Board of Directors~~,
5 credit committee, or supervisory committee. ~~committee; the President, Chief Executive Officer, Chief Financial~~
6 ~~Officer, Comptroller, General Manager, Treasurer/Manager, or Executive Vice President; and Outside Attorneys~~
7 ~~and Outside Accountants of the credit union. For the purpose of this Paragraph, the following definitions apply:~~

8 (1) ~~"Outside Attorneys" means independent attorneys or law firms that are retained to provide 25~~
9 ~~percent or more of the legal services for the credit union, based on the annual legal expense; and~~

10 (2) ~~"Outside Accountants" means independent accountants or accounting firms that are retained to~~
11 ~~provide accounting or audit services for the credit union.~~

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

18 (1) Add:

19 (A) the loan amount extended for the current loan; the loan subject to review;

20 (B) the outstanding balances of loans, including the used portion of an approved line of
21 credit, extended to or endorsed, cosigned or guaranteed by the official; and

22 (C) the total unused portion of approved lines of credit extended to or endorsed, cosigned, or
23 guaranteed by the official.

24 (2) Subtract from the above total:

25 (A) the amount of shares pledged by the official on loans or lines of credit extended to, or
26 endorsed, cosigned, or guaranteed by the official; and

27 (B) the amount of shares pledged by the official on the current loan or line of credit.

28 (c) Review of Loans to Officials by Duly Appointed Committee. The board of directors ~~Board of Directors~~ may
29 also appoint a committee to review and report on loans made to officials. All members of the committee shall be on
30 the board of directors. ~~Board of Directors~~. The committee shall meet before the regular monthly board meeting to
31 review all officials' loans that have been approved since the previous meeting. The committee shall make a report to
32 the board that shall [include] consist of at least the official's loan number, his or her title or position, the amount of
33 the loan, purpose of the loan, aggregate amount of indebtedness to the credit union, and a statement regarding
34 compliance with loan policies. Each credit union's board of directors ~~Board of Directors~~ shall review this loan
35 approval report on a monthly basis. This review shall be done at the regular monthly board meeting. In the event
36 the board does not meet monthly, a procedure shall be established whereby the manager of the credit union or their
37 designee shall send a written report to each director on a monthly basis. ~~a written report shall be sent to each~~
38 ~~director on a monthly basis.~~

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

- 3 (1) an official;
- 4 (2) an immediate family member of an official. For the purpose of this Rule, "immediate family
5 member" means immediate blood relatives and members attained by marriage, [including]
6 spouses, biological children, adopted children, [and] step-children, [as well as] and domestic
7 partners. [partners;] a spouse or other family member living in the same household; For the
8 purpose of this Rule, "domestic partners" means non-marital relationship between two adults that
9 live together; or
- 10 (3) any individual having a common ownership, investments, or other pecuniary interest in a business
11 enterprise with an official or with an immediate family member of an official; official, shall not be
12 more favorable than the rates, terms and conditions for comparable loans or lines of credit to other
13 credit union members.

14 shall not be more favorable than the rates, terms and conditions for comparable loans or lines of credit extended to
15 other credit union members.

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

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

- 21 ~~(1) have any interest or to benefit in any manner in the proceeds of a loan or from the sale by the~~
22 ~~credit union of any real or personal property unless the official or employee has disclosed to the~~
23 ~~[board of directors] Board of Directors of the credit union the nature and extent of the benefit that~~
24 ~~may be received and the loan or sale, regardless of the amount of money involved, has been~~
25 ~~approved by a vote of at least two thirds of the directors of the credit union; or~~
- 26 ~~(2) have any interest direct or indirect, in the purchase at less than face value of any savings account~~
27 ~~or evidence of indebtedness issued by a credit union.~~
- 28 ~~(1) No official or employee shall have any interest in nor derive any benefit from the extension of~~
29 ~~credit, or the sale of credit union real or personal property, unless and until the terms of the loan or~~
30 ~~sale have been disclosed to and approved by the Board of Directors by a two-thirds vote.~~
- 31 ~~(2) The purchase by a director or employee from the credit union of any savings account or evidence~~
32 ~~of indebtedness for less than face value is prohibited.~~

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

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36 *History Note: Authority G.S. 54-109.12; 54-109.19; 54-109.35; 54-109.39;*
37 *Eff. February 1, 1976;*

1 *Readopted Eff. April 4, 1978;*
2 *Amended Eff. March 1, 2015; August 1, 1998; October 1, 1983;*
3 *Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. September*
4 *6, 2016.*
5 *Amended Eff. September 1, 2022.*