

credit life or credit accident and health benefits procured by or through a creditor and for which the premium has been paid by the debtor or debtors out of the proceeds of the indebtedness shall be cancelled upon surrender of the policy, certificate or other evidence, and a refund shall be paid or credited as provided in section 62B.08; and (b) the creditor then holding the evidence of indebtedness shall notify the debtor in writing of his right to surrender and cancel any outstanding policy of credit life or accident and health insurance procured by or through a creditor and to receive a refund if the unearned premium is \$3 or more. This notice shall be written in clear and conspicuous language. If the policy or certificate by its own terms terminates upon prepayment in full before its scheduled maturity date, it need not be surrendered but a refund shall be paid or credited as provided in section 62B.08.

If an indebtedness is prepaid in full before its scheduled maturity date by a new loan from or by refinancing by the same creditor through which the debtor or debtors procured a policy or certificate of credit life or credit accident and health insurance issued after August 1, 1977, the insurance shall be deemed cancelled if any new policy or certificate for the same type of insurance is issued in connection with the new loan or refinancing, and a refund shall be paid or credited as provided in section 62B.08. For the purposes of this subdivision, an assignee creditor and an assignor creditor shall not be construed to be the same creditor.

Approved March 28, 1978.

CHAPTER 642-H.F.No.1998

An act relating to commerce; credit unions; modifying reserve fund requirements; amending Minnesota Statutes 1976, Section 52.17.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1976, Section 52.17, is amended to read:

52.17 **RESERVE FUND.** Every credit union shall maintain a reserve fund, which shall be used as a reserve against bad loans and other losses, and shall not be used to pay expenses of the credit union or otherwise distributed, except in case of liquidation. ~~All entrance fees, if any, fines, and each year, before the declaration of a dividend, ten percent of the gross earnings, shall be set aside as a reserve fund against bad loans and other losses. When the reserve fund equals 7 1/2 percent of the outstanding loans to members and risk assets, excluding loans to other credit unions, five percent of gross earnings shall be set aside in the reserve fund. When the reserve fund equals ten percent of the outstanding loans and risk assets, no further transfer of gross earnings to the reserve fund shall be required. If the reserve fund becomes less than ten percent of the outstanding loans to members and risk assets then the schedule of allocation to the reserve fund shall apply until the ten percent ratio of reserves to loans outstanding to members and risk assets is again established. At the end of each monthly accounting period the gross income shall be determined. From this amount, there shall be set aside,~~

Changes or additions indicated by underline deletions by ~~strikeout~~

as a statutory reserve against losses on loans and against other losses as may be specified in rules prescribed by the commissioner of banks, sums in accordance with the following schedule:

(a) A credit union in operation for more than four years and having assets of \$500,000 or more shall set aside (1) ten percent of gross income until the statutory reserve shall equal four percent of the total of outstanding loans and risk assets, then (2) five percent of gross income until the statutory reserve shall equal six percent of the total of outstanding loans and risk assets;

(b) A credit union in operation less than four years or having assets of less than \$500,000 shall set aside (1) ten percent of gross income until the statutory reserve shall equal seven percent of the total of outstanding loans and risk assets, then (2) five percent of gross income until the statutory reserve shall equal ten percent of the total outstanding loans and risk assets.

Whenever the statutory reserve falls below the percent of the total of outstanding loans and risk assets required by clause (a) or (b), it shall be replenished in the manner provided by clause (a) or (b) by regular contributions to maintain the stated reserve goals.

Loans to other credit unions shall not be included in computing outstanding loans and risk assets pursuant to clauses (a) and (b).

There shall also be established, and at all times maintained, a reserve of not less than ten percent of the amount of the deposits, which shall be in cash and balances due from solvent banks or which may be, in whole or in part, in short term obligations guaranteed as to principal and interest by the U.S. government or in certificates of deposit of a federally insured bank or in a passbook or other account in a federally insured savings and loan association or in balances due from Minnesota central credit union or ICU services corporation or U.S. central credit union.

Approved March 28, 1978.

CHAPTER 643-H.F.No.2000

[Coded]

An act relating to rates of interest on money; permitting higher interest rates for loans secured by savings and time deposit accounts; amending Minnesota Statutes 1976, Chapter 334, by adding a section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 1976, Chapter 334; is amended by adding a section to read:

Changes or additions indicated by underline deletions by ~~strikeout~~