

**KENTUCKY DEPARTMENT OF FINANCIAL INSTITUTIONS  
FORM BYLAWS  
PROMULGATED PURSUANT TO KRS 286.6-025**

**BYLAWS FOR  
\_\_\_\_\_ CREDIT UNION**

**Article I – Definitions**

**Section 1:** When used in these bylaws the terms:

(a) “Applicable law and regulations” means Chapter 286.6 of the Kentucky Revised Statutes and rules and regulations issued thereunder or any other applicable federal and state statutes, rules, and regulations as the context indicates;

(b) “Board” means Board of Directors of the credit union;

(c) “KRS Chapter 286.6” means Chapter 286.6 of the Kentucky Revised Statutes, approved and in force, as now or hereafter amended, or any successor legislation governing credit unions;

(d) “Commissioner” means the Commissioner of the Kentucky Department of Financial Institutions, or any successor thereto;

(e) “DFI” or “Department of Financial Institutions” means the Kentucky Department of Financial Institutions, or any successor thereto;

(f) “Person” means an individual, corporation, business trust, estate, trust, partnership, limited liability company, association, organization, joint venture, government and any subdivision, agency, or instrumentality thereof, or any other legal or commercial entity;

**Article II – Name – Purposes – Place of Business**

**Section 1:** The name of the credit union shall be stated in Article I of the Articles of Incorporation. The name of the credit union shall not be the same as that of any other credit union in Kentucky.

**Section 2:** The purpose of this credit union shall be stated in Article II of the Articles of Incorporation.

**Section 3:** The credit union’s principal place of business shall be stated in Article IV of the Articles of Incorporation.

**Section 4:** The credit union may maintain and operate service facilities as authorized and provided in KRS Chapter 286.6.

### **Article III – Membership**

**Section 1:** The credit union shall have members. A person shall not be eligible for membership unless they satisfy the field of membership requirements set forth herein. The field of membership of this credit union is limited to:

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**Section 2:** All persons eligible for and desiring membership in this credit union (except the subscribers to the Articles of Incorporation, the initial Board, and the initial supervisory committee members) shall make an application for membership. Applications shall be signed by the applicant on forms approved by the Board. An applicant may be admitted to membership upon completion of the following: (1) submission of a complete and signed application; (2) agreement by the applicant to keep the credit union informed of the applicant's current address; (3) review and approval of the application by a majority of the Board, or by a majority of the members of a duly authorized executive committee, or by an officer or employee duly authorized to act on behalf of the Board; (4) subscription by the applicant to at least one share of the credit union; and (5) payment by the applicant of any membership fee imposed by the Board. If a membership application is denied, the reasons must be furnished in writing to the applicant upon written request.

**Section 3:** Members who leave the field of membership may retain their membership in the credit union in accordance with reasonable standards established by the Board.

**Section 4:** Persons under eighteen (18) years of age satisfying the field of membership requirements of this credit union may become members of this credit union to the extent that shares, share certificates, and deposit certificates may be issued to and deposits received from such persons who may withdraw the shares and deposits, including the dividends and interest thereon. Deposits and share payments made by a person under eighteen (18) years of age and withdrawals thereof by such a person shall be valid in all respects and for such purposes, a person under eighteen (18) years of age is deemed of full age.

**Section 5:** Members of the credit union shall not be personally or individually liable for payment of the credit union's debts.

**Section 6:** Once admitted, a member shall retain membership in this credit union until they are withdrawn or expelled. Withdrawal occurs when a member withdraws all shareholdings from the credit union, when the member otherwise ceases

to possess ownership interest in credit union shareholdings equal to or exceeding the par value of one share, or when the member ceases to satisfy the standards established by the Board, these bylaws, or KRS Chapter 286.6 for retaining membership in the credit union. By resolution, the Board may require persons re-admitted to membership to pay another membership fee. A member may also be expelled from membership in accordance with the provisions set forth in Chapter 286.6. Members who are expelled or withdrawn from membership shall have no further rights in the credit union or to any of its benefits, but such expulsion or withdrawal shall not operate to relieve the member from any remaining liability to the credit union.

#### **Article IV – Member Shares**

**Section 1:** The par value of each share shall be stated in Article VI of the Articles of Incorporation. The number of shares that may be issued shall be unlimited. Shares shall be in such amounts and in such form as prescribed by the Board.

**Section 2:** The Board may establish a required fee for membership. The Board may also establish charges that may be assessed to a member for failure to meet the member's obligations to the credit union in a timely manner.

**Section 3:** Shares may be subscribed to by any member.

**Section 4:** Shares shall be paid for at the time of subscription or within a reasonable period of time established by the Board.

**Section 5:** A member may designate any person or persons to own shares, share certificates, deposits, and deposit certificates with him or her in joint tenancy with the right of survivorship, as a tenant in common or under any other form of joint ownership permitted by law; but no co-owner, unless a member in his own right, shall be permitted to vote, obtain loans, or hold office or be required to pay an entrance or membership fee.

**Section 6:** Shares, share certificates, deposits, and deposit certificates may be held in the name of a member in trust for a beneficiary or in the name of a nonmember in trust for a beneficiary who is a member. Beneficiaries may be under eighteen (18) years of age; but no beneficiary, unless a member in his own right, shall be permitted to vote, obtain loans, hold office or be required to pay an entrance or membership fee.

**Section 7:** Shares, share certificates, deposits, and deposit certificates may be withdrawn for payment to the member or to one or more third parties designated by the member in such manner and in accordance with such procedures as may be established by the Board, subject to the approval of the Commissioner. The Board may require members to give written notice, not to exceed thirty days, of the member's intention to withdraw the whole or part of any shares. The Board may also restrict one class of share so it may not be redeemed, withdrawn, or transferred except upon termination of membership in the credit union.

**Section 8:** All amounts paid in on shares of an expelled or withdrawing member, together with any dividends credited to the member's shares as of the date of expulsion or withdrawal, shall be paid to the expelled or withdrawing member after deducting any amounts due to the credit union by such members. Withdrawals and expulsions shall be paid in the order of their filing, but only as funds therefor become available.

**Section 9:** Whenever the losses of this credit union, resulting from a depreciation in value of its loans or investments or otherwise, exceed its undivided earnings and reserve fund so that the estimated value of its assets is less than the total amount due the shareholders, the credit union may by a majority vote of the Board order a reduction in the shares of each of its shareholders to divide the loss proportionately among its members. If the credit union thereafter realizes from such assets a greater amount than was fixed by the order of reduction, such excess shall be divided proportionately among the shareholders whose assets were reduced, but only to the extent of such reduction.

#### **Article V – Meetings of Members; Voting**

**Section 1:** An annual meeting of members shall be held at such time and place as the Board shall determine.

**Section 2:** Special meetings of members shall also be held upon the call of the Board, the Supervisory Committee, or upon written request of at least ten (10) percent of the members. Special meetings shall be held at such time and place as the Board or Supervisory Committee shall determine. Notice of such meetings shall conspicuously state that it is a special meeting and the purpose of the meeting. No business other than that which is set forth in the notice therefor shall be transacted at a special meeting.

**Section 3:** Except as otherwise provided in these bylaws, notice of all member meetings shall be delivered to each member in the following manner:

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at least ten days prior to the date of said meeting.

**Section 4:** Fifteen members shall constitute a quorum for the transaction of business at any member meeting. If a quorum is not present on the date first appointed for an annual or special meeting of the members, the meeting shall be adjourned for no less than ten days, and a second notice shall be provided to all members, containing the date the meeting is scheduled to be reconvened. The members then present at any meeting reconvened for lack of a quorum shall constitute a quorum for the transaction of business at the reconvened meeting.

**Section 5:** At all member meetings, a member shall have but one vote, irrespective of the number of shares that member may own. No member may vote by

proxy, but a member may, if so provided in these bylaws, vote by absentee ballot. A member other than a natural person shall be entitled to cast its vote through a duly authorized agent.

## **Article VI – Deposits; Dividends; Powers**

**Section 1:** Deposits and deposit certificates may be offered to the credit union's members and to other credit unions subject to such terms, rates, and conditions as the Board establishes and any regulations the Commissioner may prescribe.

**Section 2:** After provision for the required reserves and the receipt of any required prior approval from the Commissioner, the Board may declare dividends to be paid on shares and share certificates from net earnings at such intervals and for such periods as the Board may authorize, provided that the payment of said dividends are in compliance with the provisions set forth in KRS Chapter 286.6.

**Section 3:** The Board may authorize the credit union to do and perform any and all other services and acts, both specified and implied, and have and exercise any and all other powers, both specified and implied, not otherwise set forth in these bylaws as are granted and allowed credit unions provided in KRS Chapter 286.6 and all other applicable law and regulations.

## **Article VII – Member Loans; Credit Manager or Credit Committee (pick one)**

**Section 1:** Except as otherwise provided in the applicable law and regulations governing this credit union, the credit union shall make loans only to members. Each loan shall be evidenced by a written document.

**Section 2:** Loans may be made only upon written application by the member. Every application for a loan shall be made upon a form which the credit committee/ credit manager (**pick one**), or loan officer prescribes. The application shall state the purpose for which the loan is desired, and the security, if any offered.

**Section 3:** Loans to members shall be made for the purposes set forth in KRS Chapter 286.6.

**Section 4:** The interest rate on loans shall be established and determined by the Board and shall be in compliance with KRS Chapter 286.6 and all other applicable laws and regulations.

**Section 5:** Loans shall be made in conformity with any and all capital limits set forth in KRS Chapter 286.6.

**Section 6:** A member may receive a loan in installments, or in one lump sum, and may pay the whole or any part of his loan on any day on which the credit union is open for business. A member may further apply for and receive a self-replenishing line

of credit, and loan advances may be granted to the member within the limit of such line of credit. Where a line of credit has been approved, no additional loan application is required as long as the aggregate indebtedness does not exceed the approved limit.

**Section 7:** The Board shall establish written policies, procedures, and directives setting forth underwriting standards and conditions for the making of loans by the credit union, including but not limited to, directives for determining the credit worthiness of applicants and their ability to pay any loan made, the amount and type of loan that may be approved for such applicants, the time and terms for such loans, the terms of repayment, the terms governing default, the form and value of security demanded or required, if any, and the interest rate.

**Section 8:** The Board shall appoint a credit committee or in lieu of a credit committee, a credit manager (**pick one**). The credit committee or credit manager (pick one) shall have the general supervision of all loans to members and shall have the power to approve or disapprove all loan applications, provided however, that the credit committee or credit manager (**pick one**) and any loan officer delegated authority as set forth herein shall comply with the policies, procedures, and directives established by the Board for the making of loans. The Board may, for good cause, demand or require additional security of any loan applicant beyond that demanded or required by the credit committee or credit manager (**pick one**) or any loan officer.

**Section 9:** The credit committee or credit manager (**pick one**) may delegate the power to approve or disapprove loans, subject to such limitations and conditions as the credit committee or credit manager (**pick one**) prescribes, to one or more loan officers.

**Section 10:** When considering a loan application for approval or disapproval, the party delegated the authority to approve or disapprove the application shall determine, in writing, the adequacy of any security offered for the loan.

**Section 11:** The credit committee shall consist of \_\_\_ members (odd number, not less than 3), who shall serve for a term of \_\_\_ years. The credit committee shall meet as often as the business of the credit union requires to consider applications for loans and to review the work of loan officers. For loans in which the power to approve or disapprove is not delegated to a loan officer as set forth in Section 9 of this Article, the loan shall not be made unless it is approved by a majority of the credit committee who are present at the meeting at which the application is considered.

**OR**

The credit manager shall be under the general supervision of the president. The president may serve as the credit manager.

**Section 12:** Upon written request, any member denied a loan by a loan officer may appeal to the credit manager or credit committee (**pick one**). The credit manager

or credit committee (**pick one**) shall, within a reasonable time, review the member's loan application and make a determination, in writing, as to whether the loan officer's determination should be set aside. In making its determination, the credit committee or credit manager (**pick one**) shall comply with all conditions and requirements set forth in these bylaws and by the Board for the making of loans and by all applicable law and regulations regarding same.

**Section 13:** Loans to officers, directors, employees, loan officers, the credit manager, and to members of the credit union's supervisory and credit committees, as well as loans to such persons acting as comakers, guarantors or endorsers of loans to other members, shall be in compliance with the requirements set forth in KRS Chapter 286.6.

### **Article VIII – Board of Directors**

**Section 1:** The credit union shall be directed by a board consisting of \_\_\_\_\_ (odd number, no fewer than five) directors.

**Section 2:** Directors shall be selected from members of the credit union and shall at all times maintain membership in the credit union.

**Section 3:** The initial board of directors shall be selected by the subscribers to the Articles of Incorporation of the credit union and shall serve until the first annual meeting of members or until the election of their successors, whichever is later. Except as otherwise provided in Section 6 of this Article, all subsequent directors shall be elected by the members at the annual meeting.

**Section 4:** Directors shall hold office for the following terms: \_\_\_\_\_ (not longer than three years, may be staggered).

**Section 5:** The board shall hold an organization meeting within thirty (30) days following each annual meeting.

**Section 6:** The Board shall fill any vacancies occurring in the Board by appointment, with said appointment expiring upon qualification of successors elected at the next annual meeting.

**Section 7:** The Board shall have the general direction of the business affairs, funds, and records of the credit union and shall carry out those duties bestowed upon it in KRS Chapter 286.6.

**Section 8:** The Board may appoint an executive committee consisting of not less than three (3) directors. Subject to any limitations or conditions prescribed by the Board or otherwise set forth in KRS Chapter 286.6 and applicable laws governing

nonprofit corporations, the executive committee may be authorized to act for the Board in any capacity the Board may otherwise act.

**Section 9:** Each month, either the Board or the executive committee shall meet. These bodies shall meet on other occasions as often as necessary to carry out the duties of the Board.

**Section 10:** For any suspension or ceasing of the credit union's operations, the Board shall give notice to all members by registered mail, which shall include a list of the reasons for such suspension or termination. All other notices shall be in a form and manner determined by the Board to reasonably achieve actual notice to each member.

**Section 11:** Upon the suspension of any member of the credit committee or credit manager (**pick one**) by the supervisory committee, the Board shall meet within a reasonable period of time to determine whether the member or manager (**pick one**) shall be removed.

**Section 12:** The Board may remove any member of the supervisory committee for failure to perform his or her duties in accordance with these bylaws.

#### **Article IX – Officers**

**Section 1:** The Board shall elect from their own officers consisting of a chair, one or more vice chairs, a treasurer, and a secretary. The treasurer and secretary may be the same individual.

**Section 2:** The officers shall be elected at the organization meeting.

**Section 3:** Officers shall serve for a term of one year, or until their successors are elected and have duly qualified.

**Section 4:** The chair shall preside at meetings of the members and the Board, and shall perform all other usual duties connected with that office.

**Section 5:** The vice chair(s) shall perform the duties of the chair in the chair's absence and such other duties as the Board may from time to time prescribe.

**Section 6:** The treasurer shall submit financial reports to supervisory agencies and may serve as the process agent.

**Section 7:** The secretary shall prepare and keep correct minutes of all meetings of the members and the Board. The secretary shall also give notice of all meetings of members and the Board, shall authenticate records of the credit union, and shall perform all other duties incident to the office.

**Section 8:** The Board shall appoint a president. The president shall be under the general supervision of the Board, shall serve at the pleasure and discretion of the Board, and shall act as the general manager of the credit union in active charge of its operations.

### **Article X – Supervisory Committee**

**Section 1:** The credit union shall be supervised by a supervisory committee consisting of \_\_\_\_ (no fewer than three) members.

**Section 2:** The initial supervisory committee shall be appointed by the subscribers to the Articles of Incorporation of the credit union and shall serve until the first annual meeting of members or until the election of their successors, whichever is later. All subsequent supervisory committee members shall be appointed by the Board. No member of the Board shall be appointed to the supervisory committee.

**Section 3:** The supervisory committee members shall be appointed at the organization meeting.

**Section 4:** Supervisory committee members shall hold office for the following terms:\_\_\_\_\_.

**Section 5:** The supervisory committee shall be responsible for making or causing to be made a comprehensive annual audit of the books and affairs of the credit union. In any year in which the credit union is audited by a licensed public accountant or other qualified person, the supervisory committee may forego the making of an audit for that year.

**Section 6:** The supervisory committee shall submit a report of each annual audit to the Board and the Commissioner and a summary of that report to the members at each annual meeting of the credit union.

**Section 7:** The supervisory committee shall make or cause to be made such supplementary audits, examinations, or verifications of members' accounts as it deems necessary or as are required by the Commissioner or the Board, and submit reports of these supplementary audits to the Commissioner or the Board.

**Section 8:** The supervisory committee may by unanimous vote suspend any member of the credit committee or the credit manager (**pick one**) and shall report such suspension to the Board for appropriate action.

**Section 9:** The supervisory committee may by unanimous vote suspend any officer or director until the next members' meeting. Upon such suspension, the committee shall call and notice a special meeting of members, which shall be held not less than seven (7) nor more than twenty-one (21) days after such suspension. The notice shall be served at least seven days before the date of the meeting and shall be

provided in accordance with Article V, Section 3, of these bylaws. At such meeting, the members shall determine, after an opportunity to be heard has been given to the suspended director or officer, whether the director or officer shall be removed.

**Section 10:** The supervisory committee may also, by majority vote, call and notice a special meeting of members to consider any violation of KRS Chapter 286.6, the credit union's articles of incorporation or bylaws, or any practice of the credit union deemed by the supervisory committee to be unsafe or unauthorized. The notice shall be provided in accordance with Article V, Section 3, of these bylaws. At such meeting, the members shall be empowered to take any appropriate action necessary to address violations or unsafe practices that have been determined by the members.

### **Article XI – Insurance**

**Section 1:** The credit union shall apply for, obtain, and at all times maintain insurance on shares and deposits as provided by the National Credit Union Administration under Title II of the Federal Credit Union Act, or alternatively, a form of comparable insurance approved by the Commissioner. Any denial for a commitment for such insurance or any loss or cancellation of such insurance once obtained shall result, within thirty (30) days, in the commencement of steps to dissolve, liquidate, or merge the credit union, unless application is made and approved by the Commissioner for more time to obtain an insurance commitment.

### **Article XII – Supervision; Confidentiality; Miscellaneous**

**Section 1:** The credit union shall at all times be under the supervision of and be subject to examination by the Commissioner. The credit union shall make such reports and file such records as are required by the Commissioner and shall comply with all notices, orders, and directives of the Commissioner.

**Section 2:** The subscribers to the Articles of Incorporation shall make formal application for a charter to the Commissioner within thirty (30) days of the adoption of these bylaws. The credit union shall not transact any business other than business related to the application for a charter and insurance until formal approval of the charter has been received from the Commissioner and insurance has been obtained pursuant to Article XI, Section 1, of these bylaws.

**Section 3:** No officer or director shall release any information contained in a report of examination of the Commissioner, except so far as permitted by applicable law and regulations.

**Section 4:** The credit union has a special obligation of confidentiality to its members as set forth and established in KRS Chapter 286.6. Its officers, directors, committee members, and employees must hold in confidence all transactions of this credit union with its members and all information respecting their personal affairs, except when permitted or required by state or federal law. Pursuant to that authority,

and notwithstanding any contrary provisions of KRS Chapter 271B, the credit union shall not provide any information to shareholders regarding other shareholders other than the names and addresses of its member shareholders.

**Section 5:** No director, committee member, officer, agent, or employee of the credit union shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his or her pecuniary interest or the pecuniary interest of any corporation, partnership, or association (other than the credit union) in which he or she is directly or indirectly interested.

**Section 6:** The credit union shall not act as a trustee or custodian of any individual retirement account, pension fund, or any other retirement, pension, or profit-sharing plan without authorization from the Commissioner.

**Section 7:** The credit union shall make investments in accordance with KRS Chapter 286.6.

**Section 8:** The credit union shall establish and maintain reserves in accordance with KRS Chapter 286.6. The regular reserve shall be used and distributed in accordance with KRS Chapter 286.6.

**Section 9:** Liquidation, dissolution, merger, or conversion of the credit union shall be in accordance with KRS Chapter 286.6.

**Section 10:** The credit union shall at all times keep correct and complete books and records of account and shall keep minutes of the proceedings of its members, Board, and committees. Records of the names and addresses of its members entitled to vote shall be kept within the Commonwealth of Kentucky at the credit union's registered or principal office. All records shall be kept for a period of time that is consistent with both reasonable business practices and applicable law and regulations.

**Section 11:** By resolution of the Board, the credit union may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the credit union, or who is or was serving at the request of the credit union as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the person and incurred by the person in his official capacity or arising out of the person's status as such, whether or not the credit union would have the power to indemnify the person against the liability.

### **Article XIII – General**

**Section 1:** All power, authority, duties, and functions of the members, directors, officers, and employees of the credit union shall be exercised in strict conformity with the credit union's Articles of Incorporation, these bylaws, KRS Chapter 286.6, and the provisions of all other applicable law and regulations. In the event any of the above authorities should conflict, KRS Chapter 286.6 shall control (except where

otherwise preempted by federal law), followed, in order, by the provisions of all other applicable law and regulations, the Articles of Incorporation, and these bylaws.

**Section 2:** Unless otherwise stated in these bylaws, the members, Board, and any committees referenced in these bylaws shall be deemed to act upon the affirmative vote of a majority of the applicable body's members, unless a quorum requirement is established in these bylaws, in which case, the body shall be deemed to act upon the affirmative vote of a majority of those present at any meeting in which a quorum is established. All votes shall be taken at meetings duly noticed and held pursuant to these bylaws unless the same is waived in writing by all of the body's members.

**Section 3:** Copies of the Articles of Incorporation of this credit union, its bylaws and any amendments thereto, as well as any special authorizations by the Department of Financial Institutions, shall be kept permanently and preserved together in a place of safekeeping. Returns of nominations and elections and proceedings of all meetings of the members and the Board shall be recorded and preserved in minute books of the credit union. Meeting minutes of members, directors, officers, and committees shall be signed by the respective chairs or presiding officers of such meetings, as well as persons who serve as secretaries of such meetings.

**Section 4:** All books of account and other records of this credit union shall be made available at all times to the directors and committee members of the credit union, as well as to the Commissioner and his or her duly authorized agents to the extent required by KRS Chapter 286.6. The Articles of Incorporation and the bylaws of this credit union shall be made available for inspection upon written request by any member and, if the member requests a copy, it shall be provided for a reasonable fee.

#### **Article XIV – Amendment of Bylaws and Articles**

**Section 1:** Amendments to these bylaws and to the Articles of Incorporation of this credit union may be adopted by the affirmative vote of two-thirds of the members of the Board at any duly held meeting of the Board, but only if, unless waived in writing by all of the members of the Board, the members have been given at least ten days written notice of both the meeting and a copy of the proposed amendment or amendments. No amendment of these bylaws or of the Articles of Incorporation shall become effective until approved in writing by the Commissioner.

We, the undersigned, hereby declare and adopt, in duplicate, these bylaws of the \_\_\_\_\_ Credit Union consisting of a total of 13 pages this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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**Signature of Subscriber/Incorporator                      Print Name                      Date**

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**Signature of Subscriber/Incorporator                      Print Name                      Date**