

(H. B. 2102)

(No. 185)

(Approved September 1, 2006)

AN ACT

To amend subsections (c) and (d) of Section 6.02 of Act No. 255 of October 28, 2002, known as the “Cooperative Savings and Credit Unions Act of 2002,” in order to extend the considerations related to indivisible capital.

STATEMENT OF MOTIVES

It is the public policy of the Government of Puerto Rico to direct the social and economic development of the Island according to the principles of social justice, self-help and democratic control of the Cooperative movement. Thus, the Cooperative Government becomes an essential component and a strong cornerstone for economic and social development of the Island. Therefore, the growth and strength of the cooperative movement in Puerto Rico is imbued with high public interest.

The Government, through Agencies such as the Cooperative Development Administration, the Public Corporation for the Supervision and Insurance of the Savings and Credit Cooperatives (COSSEC, Spanish acronym), and the Cooperative Bank are facilitators in the efforts for channeling the creative energies of the members of cooperatives.

At present, the Cooperative Savings and Credit Unions possess assets that exceed six billion dollars, and that serve close to a million Puerto Ricans, a fact which makes evident the strength of this sector.

However, it is necessary to point out that the legislation in effect establishes parameters that hinder the operations of the Cooperative Savings and Credit Unions. One of these limitations is contained in the provision of Section 6.02 on indivisible capital. The managerial sector of Cooperative Savings and Credit Unions has consistently set forth the urgent need for amending the law in the matter pertaining to indivisible capital.

The purpose of this measure is to enable the Cooperative Savings and Credit Unions to become more competitive and take the lead in the socioeconomic development of the Island.

BE IT ENACTED BY THE LEGISLATURE OF PUERTO RICO:

Section 1.- Subsections (c) and (d) of Section 6.02 of Act No. 255 of October 28, 2002, are hereby amended to read as follows:

“Section 6.02.- Indivisible Capital

(a) ...

(b) ...

(c) Every cooperative whose indivisible capital reserve is less than eight percent (8%) shall annually separate twenty-five percent (25%) of its net savings and incorporate that amount to the indivisible capital until the reserves have reached and stay at eight percent (8%) of its risk assets. Every cooperative whose indivisible capital has reached and remains at eight percent (8%) of its risk assets, shall have the discretion any power to reduce the contribution that it shall incorporate to the indivisible capital to not less than five (5%) percent.

...

(d) ...

(3)...

(i) loans fully-secured by first mortgages on residential properties of one to four families. These loans must qualify for sale on the secondary mortgage market; not show a delinquency in excess of ninety (90) days; and have a maximum loan-to-value rate of eighty percent (80%); Provided, that the Corporation may authorize, through regulations or administrative determination, greater total loan-to-value rates that are consonant with the secondary market parameters. In addition, it is hereby provided, that loans that do not meet the secondary market parameters shall be deemed to be moderate risk weighted assets of fifty (50%) percent. Also, loans that meet the secondary market parameters are deemed to be no-risk assets and therefore, zero (0%) percent risk weighted assets.

...”

Section 2.- This Act shall take effect immediately after its approval.

CERTIFICATION

I hereby certify to the Secretary of State that the following Act No. 185 (H.B. 2102) of the 4th Session of the 15th Legislature of Puerto Rico:

AN ACT to amend subsections (c) and (d) of Section 6.02 of Act No. 255 of October 28, 2002, known as the “Cooperative Savings and Credit Unions Act of 2002,” in order to extend the considerations related to indivisible capital,

has been translated from Spanish to English and that the English version is correct.

In San Juan, Puerto Rico, today 22nd of December of 2006.

Francisco J. Domenech
Director