

CHAPTER 65.

[H. B. 201.]

CREDIT UNIONS.

AN ACT relating to credit unions; limiting the holding any one shareholder may have in such a union; providing for the calculation of interest and for collateral security; and amending chapter 173 of the Laws of 1933.

Be it enacted by the Legislature of the State of Washington:

Amends
§ 3923-9, Rem.
Rev. Stat.;
§ 4612-49 P. C.

SECTION 1. Section 9 of chapter 173 of the Laws of 1933 (section 3923-9 of Remington's Revised Statutes; section 4612-49 of Pierce's Code) is hereby amended to read as follows:

Capital.

Section 9. The capital of a credit union shall be unlimited in amount. Shares of capital stock may be subscribed and paid for in such manner as the by-laws shall prescribe. A shareholder may purchase and hold not exceeding two hundred shares in a credit union and may also make deposits in such credit union to an amount not exceeding one thousand dollars, which deposits, together with the addition of interest thereon and dividends on shares, may accumulate to an amount not exceeding fifteen hundred dollars: *Provided*, (a) That the total amount of shares and deposits held by any one member in any one credit union, including the aforesaid accumulations, shall not, exclusive of undrawn dividends and interest, exceed two thousand dollars in the aggregate; and (b) That in the event the by-laws of a credit union do not provide for the receipt of deposits, a shareholder may purchase not exceeding four hundred shares in such credit union, exclusive of undrawn dividends not exceeding five hundred dollars (\$500). A credit union may require from a member ninety days' notice of his intention to withdraw any or all of his shares and sixty days' notice of intention to withdraw any or all of his deposits, except that said notice of withdrawal of

Limitation
on deposits
and shares.

Notice of
withdrawal.

shares or deposits may be extended beyond the time limits herein indicated with the written consent of the Director of Efficiency.

SEC. 2. Section 14 of chapter 173 of the Laws of 1933 (section 3923-14 of Remington's Revised Statutes; section 4612-54 of Pierce's Code) is hereby amended to read as follows:

Amends
§ 3923-14 Rem.
Rev. Stat.,
§ 4612-54 P. C.

Section 14. The directors at their first meeting after the annual meeting shall elect from their own number a president, one or more vice presidents, a secretary, a treasurer, a credit committee of not less than three members, an auditing committee of three members, and such other officers as may be necessary for the transaction of the business of the credit union, who shall be the officers of the corporation and who shall hold office until their successors are elected and qualified, unless sooner removed as hereinafter provided, but the members of the credit committee and the auditing committee may be selected from members of the association other than board members. The offices of secretary and treasurer may be held by the same person. No member of the said board of directors shall be a member of both the credit and auditing committee unless the number of members of the credit union is less than eleven. Each officer handling funds of the credit union shall give bond to the directors in such amount and with such surety or sureties and conditions as the supervisor of savings and loan associations may prescribe, which bond shall be filed with the supervisor.

Officers.

Bond
required.

SEC. 3. Section 15 of chapter 173 of the Laws of 1933 (section 3923-15 of Remington's Revised Statutes; section 4612-55 of Pierce's Code) is hereby amended to read as follows:

Amends
§ 3923-15
Rem. Rev.
Stat.,
§ 4612-55 P. C.

Section 15. The board of directors shall have the general direction of the affairs of the corporation and shall meet as often as may be necessary, but

Duties of
board.

not less than once in each month. It shall act upon all applications for membership and upon the expulsion of members, determine the rate of interest on loans subject to the limitations contained in this act, determine the rate of interest to be paid on deposits which shall not, however, exceed six per cent per annum, and shall fill vacancies in the board of directors, and committees, until the next election. It shall make recommendations to the members of the credit union relative to the maximum amount to be loaned to any one member, the need of amendments to the by-laws and other matters upon which, in its opinion, the members should act at any regular or special meeting. At each annual or semi-annual period the board may declare a dividend from net earnings, which shall be paid on all shares outstanding at the time of declaration. Shares which become paid up during the year shall be entitled to a proportional part of said dividend calculated from the first day of the month following such payment in full: *Provided*, That the board of directors may, at its option, compute such full shares if purchased on or before the 10th day of January or July, and on or before the 5th day of any other month, as of the first day of said month. The board of directors, with the approval of the Director of Efficiency, may borrow money for and in behalf of the credit union, for the purpose of making loans, paying debts or withdrawals. It may by a two-thirds vote remove from office any officer or any member of any committee for cause.

Dividends.

Amends
§ 3923-20
Rem. Rev.
Stat.;
§ 4612-60 P. C.

SEC. 4. Section 20 of chapter 173 of the Laws of 1933 (section 3923-20 of Remington's Revised Statutes; section 4612-60 of Pierce's Code) is hereby amended to read as follows:

Loans to
members.

Section 20. The capital, deposits and surplus of a credit union shall be invested in loans to members, with the approval of the credit committee,

as provided in the following section, and also when required herein, of the board of directors, and any capital, deposits or surplus funds in excess of the amount for which loans may be approved by the credit committee and the board of directors, may be deposited in banks or trust companies or in state or national banks located in this state, or invested in any bonds or securities or other investments which are at the time legal investments for savings and loan associations in this state, except first mortgage real estate loans, or in the shares of other credit union or savings and loan associations organized under the laws of this state or the Federal government. No credit union shall carry on a banking business or carry any demand, commercial or checking accounts, nor issue any time or demand certificates of deposits. At least five per cent of the total assets of a credit union shall be carried as cash on hand or as balances due from banks and trust companies, or invested in the bonds or notes of the United States, or of any state, or subdivision thereof, which are legal investments for savings and loan associations as above provided. Whenever the aforesaid ratio falls below five per cent, no further loans shall be made until the ratio as herein provided has been re-established. Investments other than personal loans shall be made only with the approval of the board of directors.

Deposits.

Banking
business
prohibited.Cash
balances.

SEC. 5. Section 23 of chapter 173 of the Laws of 1933 (section 3923-23 of Remington's Revised Statutes; section 4612-63 of Pierce's Code) is hereby amended to read as follows:

Amends
§ 3923-23
Rem. Rev.
Stat.;
§ 4612-63 P. C.

Section 23. A credit union may make loans of the following classes to its members:

Loans to
members.

(1) Personal loans secured by the note of the borrower; and

(2) Loans secured by second mortgages of real estate situated within the state.

Personal
loans.

Personal loans shall be given the preference and, in the event there are not sufficient funds available to satisfy all loan applicants approved by the credit committee, preference shall be given to the smaller loan. Each personal loan shall be payable within one year from date thereof and shall be paid or renewed on or before such date: *Provided*, That loans with satisfactory collateral security pledged to secure the same may be made payable within two years, and shall be paid or renewed on or before that date. Each indorser of a note given as security for a personal loan shall be a resident of the state at the time the loan is made, unless such indorser is a member of the credit union, and if such indorser shall leave the state a new resident indorser must be immediately provided or the loan shall be at once collectible.

Limitations.

Each personal loan shall be limited as follows:

(1a) To an amount not exceeding fifty dollars, if secured by the unindorsed or unsecured note of the borrower;

(2a) To an amount not exceeding three hundred dollars, if secured by the note of the borrower with one or more responsible indorsers thereon, or with satisfactory collateral security pledged to secure the same, or if secured by the joint and several note of two or more members;

(3a) To an amount not exceeding one thousand dollars, if secured by the note of the borrower with two or more responsible indorsers thereon, or with satisfactory collateral security pledged to secure the same, or if secured by the joint and several note of three or more members;

(4a) To an amount not exceeding fifteen hundred dollars, if secured by the note of the borrower with two or more responsible indorsers thereon, or by a joint and several note of three or more members, and, in either case, with collateral valued at not more

than eighty per cent of its market value, pledged fully to secure the same;

(5a) To an amount not exceeding two thousand dollars, if secured by the note of the borrower and with sufficient collateral pledged to secure the same made up of bonds or notes of the United States, or of any state or subdivision thereof, which are legal investments for savings and loan associations in this state valued at not more than eighty per cent of their market value, or by the assignment of the pass book of a stockholder in a savings bank or a book showing payments on stock to a savings and loan association doing business in this state or in the savings department of any bank or trust company doing business in this state, or the book of a stockholder in a savings and loan association incorporated under the laws of this state; and

(6a) To an amount not exceeding the value of the shares and deposits of the borrower in the credit union, if secured by the note of the borrower and by the assignment of said shares and deposits.

For the purposes of this section a valid assignment of wages may be received as satisfactory collateral for any loan not in excess of two hundred and fifty dollars or not in excess of two months' salary, whichever is larger. The total amount which a credit union may invest in second mortgages on real estate shall not exceed twenty-five per cent of the aggregate amount of shares, deposits and guaranty fund. All loans secured by second mortgages on real estate shall be subject to the following restrictions:

(1b) The total liability of any member upon loans of this class shall not exceed five per cent of the assets of the credit union, nor shall it exceed two thousand dollars; and

(2b) The aggregate of all loans secured by mortgages of real estate outstanding, together with the loan to be secured by second mortgage, shall not

exceed sixty per cent of the value of the property mortgaged, as determined by the credit committee, and all delinquent taxes and assessments must be paid, and all such loans must be amortized by weekly or monthly payments which payments shall be at the rate of not less than ten per cent per annum of the principal.

Amends
§ 3923-27
Rem. Rev.
Stat.;
§ 4612-67 P. C.

SEC. 6. Section 27 of chapter 173 of the Laws of 1933 (section 3923-27 of Remington's Revised Statutes; section 4612-67 of Pierce's Code) is hereby amended to read as follows:

Limitation
of expenses.

Section 27. The expenses of a credit union shall be paid from its earnings. No credit union shall pay or become liable to pay in any calendar year as salaries, fees, wages or other compensations to officers, directors, agents, attorneys, clerks and employees and for rent, advertising and all other operating expenses sums of money, the aggregate of which shall exceed three and a half per cent (3½%) of the average amount of assets of such union during such year: *Provided*, That any credit union shall not thereby be limited in its expenditures to a sum less than three hundred dollars in any calendar year. No credit union shall pay any fee, commission or other compensation, directly or indirectly, to any person for soliciting the purchase of or selling its shares of stock or for soliciting loans or deposits.

Passed the House February 16, 1939.

Passed the Senate March 5, 1939.

Approved by the Governor March 10, 1939.