

nowise extinguish any liability heretofore incurred or relieve any individual subject thereto from liability thereunder.

Effective
April 1, 1943.

SEC. 97. *Effective date.*

A national emergency now exists and by reason thereof, this act is necessary for the immediate preservation of the public peace and safety of State Government and its existing public institutions, and shall be effective April 1, 1943.

Passed the Senate March 10, 1943.

Passed the House March 9, 1943.

Approved by the Governor March 18, 1943.

CHAPTER 131.

[S. B. 156.]

CREDIT UNIONS.

AN ACT relating to credit unions; amending sections 9, 15 and 23, chapter 173, Laws of 1933, as amended by sections 1, 3 and 5, chapter 65, Laws of 1939 (sections 3923-9, 3923-15 and 3923-23, Remington's Revised Statutes, Supplement) and amending sections 1, 2, 3, 4, 5, 7, 8, 10, 12, 13, 16, 17, 18, 19, 21, 25, 26, 28, 30, 31 and 32, chapter 173, Laws of 1933, (sections 3923-1, 3923-2, 3923-3, 3923-4, 3923-5, 3923-7, 3923-8, 3923-10, 3923-12, 3923-13, 3923-16, 3923-17, 3923-18, 3923-19, 3923-21, 3923-25, 3923-26, 3923-28, 3923-30, 3923-31, and 3923-32, Remington's Revised Statutes, Supplement); repealing section 33, chapter 173, Laws of 1933, (section 3923-33, Remington's Revised Statutes, Supplement) and renumbering section 34 of said act as section 33, and further amending said chapter 173, Laws of 1933, by adding thereto three (3) new sections to be numbered sections 34, 35 and 36.

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

Amendments. **SECTION 1.** Section 1, chapter 173, Laws of 1933 (section 3923-1, Remington's Revised Statutes, Supplement) is amended to read as follows:

"Credit
Unio.."
in name.

Section 1. A corporation organized under this act shall include in its corporate name the words

"Credit Union." Other distinguishing words may be used. The words "Credit Union" shall mean a corporation organized under this act. No person, partnership or association, and no corporation except one incorporated under this act, shall hereafter receive payment on shares or deposits from its members, or loan such payment on shares or deposits in the manner provided by this act, or transact business under any name or title containing the words "Credit Union," without full compliance with the provisions of this act. Exception is made of an organization incorporated and composed of corporations organized under this act or under Federal laws. Nothing herein contained shall be construed as repealing, amending or in anywise modifying or affecting laws of this state relating to savings and loan associations or societies. A Credit Union is hereby declared to be a cooperative society incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident, productive and educational purposes.

Use of
"Credit
Union"
limited.Compliance
compulsory.

Exceptions.

Purpose
declared.

When the term Supervisor is used it shall refer in all cases to the Supervisor of Savings and Loan Associations.

Supervisor
defined.

SEC. 2. Section 2, chapter 173, Laws of 1933 (section 3923-2, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 2. Seven or more persons resident in this state may apply to the Supervisor, who shall have and is hereby given authority to grant permission to organize a Credit Union and become such a corporation upon complying with the provisions of this act. A Credit Union shall organize and commence business within six months from the date of its incorporation, otherwise its charter shall become void.

Credit union:
How formed.

Time limit.

Amendments. SEC. 3. Section 3, chapter 173, Laws of 1933 (section 3923-3, Remington's Revised Statutes, Supplement) is amended to read as follows:

Manner of organization. Section 3. A Credit Union shall be organized in the following manner:

The applicants shall execute in quadruplicate articles of incorporation and by-laws by the terms of which they agree to be bound, which shall be submitted to and approved by the Supervisor.

Articles of incorporation. The articles of incorporation shall state:

(1) The name and location of the proposed Credit Union;

(2) The number of its directors, which shall not be less than seven nor more than fifteen;

(3) The names, occupation and post office address of the subscribers to the articles of incorporation, and a statement of the number of shares which each has agreed to take; and

(4) The par value of the shares of the Credit Union, which shall be five dollars.

Supervisor to investigate.

When articles of incorporation complying with the foregoing requirements, together with duplicate copies of such by-laws, have been filed with the Supervisor, he shall ascertain whether such articles of incorporation and by-laws of such Credit Union are consistent with the purposes of this act and whether the character, responsibility and general fitness of the persons named in such articles are such as to command confidence and warrant belief that the purpose of the proposed Credit Union will be honestly and efficiently conducted in accordance with the purpose of this act, and he shall further determine the economic advisability for such Credit Union, also taking into consideration all surrounding facts and circumstances pertaining to a successful operation of said Credit Union, and whether the proposed Credit Union is being formed for other

than the legitimate objects covered by this act. After the Supervisor shall have satisfied himself of the above facts, and within thirty days after receipt of such certificates and by-laws, he shall endorse upon each of the articles of incorporation his official signature with the word "approved" or the word "refused" with the date thereof. In case of refusal, he shall return one of the quadruplicate certificates so endorsed with a copy of the by-laws to the person from whom the same were received, which refusal shall be conclusive unless the incorporators, within ten days of the issuance of such notice of refusal, shall appeal to the Superior Court of the county in which the Credit Union is proposed to be located. In case an appeal is taken the Supervisor shall prepare, certify and deliver to such Credit Union a copy of the order of refusal with any documents filed by the applicant, and upon such transcript of proceedings, with any testimony that may be offered by either party, the case shall be tried in the Superior Court to which the appeal is taken, which shall be heard in the nature of a writ of review and summarily disposed of by the Superior Court upon such orders and proceedings as the judge may deem best and a judgment rendered, from which an appeal may be taken by either party to the Supreme Court; all conditioned that the appellant, upon taking the appeal, shall pay the reasonable charges for a transcript of the proceedings. In case of approval of the proposed corporation, the Supervisor shall give notice thereof to the proposed incorporators, and shall file one of the quadruplicate articles of incorporation in his own office, and shall transmit another quadruplicate copy to the Secretary of State, and shall return two quadruplicate copies and one of the duplicate by-laws of the incorporators. The incorporators shall file one of the quadruplicate copies with the County

Supervisor
must act
within
30 days.

Procedure
on refusal.

Incorporators
may appeal
to Superior
Court.

Trial by
review.

Condition of
further
appeal.

Procedure
on approval.

Filing fee.

Auditor of the county in which such credit union is to be located, with a filing fee of twenty-five cents.

Secretary of State to record.

Upon receipt from the proposed incorporators of a filing fee of five dollars the Secretary of State shall file and record the articles of incorporation. Upon the filing of articles of incorporation, approved as aforesaid by the Supervisor, with the Secretary of State and County Auditor, all persons named therein and their successors shall become and be a corporation, which shall have the powers and be subject to the duties and obligations prescribed by this act, and whose existence shall continue for the period not exceeding fifty years. In order to simplify the organization of Credit Unions the Supervisor shall cause forms of articles of incorporation and by-laws to be prepared consistent with the provisions of this act, and upon written application of any seven residents of this state shall supply them without charge with blank forms of articles of incorporation and form of suggested by-laws.

Supervisor to prepare forms.

Supply without charge.

Amendments.

SEC. 4. That section 4, chapter 173, Laws of 1933 (section 3923-4, Remington's Revised Statutes, Supplement) is amended to read as follows:

Who may be members.

Section 4. Credit Union membership shall consist of the incorporators and such other persons as may be elected to membership and subscribe for at least one share and pay the initial installment thereon and the entrance fee. Any fraternal organization, partnership or corporation having a usual place of business within the state and composed principally of individual members or stockholders who are themselves eligible to membership in a Credit Union, may become a member of a Credit Union, but, except with the consent of the Supervisor, the Credit Union shall make no loan to such a member in excess of the total of its shares and deposits therein; nor shall a Credit Union receive from

Group membership.

Limitation on loans to group members.

any such member money in payment for shares or on deposit to such an amount that the total of such payment by all members of the class described in this section shall exceed at any time twenty-five per cent of the assets of the Credit Union. Credit Union organization shall be limited to groups of both large and small membership having a common bond of occupation or association, or to groups within a well defined neighborhood, community or rural district.

Group
holdings
limited.

Limitation.

SEC. 5. Section 5, chapter 173, Laws of 1933 (section 3923-5, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 5. Subject to the provisions of section four, a Credit Union may receive savings from its members in payment for shares or on deposit, or may lend to its members at reasonable rates, or invest, as hereinafter provided, the funds so accumulated. It may undertake such other activities relating to the purpose of its organization as its articles of incorporation may provide. Unless with the approval of the Supervisor, it shall not acquire or own real estate except as acquired through collection of loans so secured.

May sell
shares,
receive
deposits,
make loans.

Limitation
on realty
ownership.

SEC. 6. Section 7, chapter 173, Laws of 1933 (section 3923-7, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 7. Subject to section eight the by-laws may be amended at any annual meeting or at a special meeting called for the purpose, by a two-thirds vote of all members present and entitled to vote: *Provided*, That a copy of the proposed amendment, together with a written notice of the meeting, shall have been sent to each member to his last known post office address, or handed to him in person, at least seven days before the meeting.

Amendments
of by-laws.

Written
notice.

Amendments. SEC. 7. Section 8, chapter 173, Laws of 1933 (section 3923-8, Remington's Revised Statutes, Supplement) is amended to read as follows:

Supervisor to approve by-laws and amendments. Section 8. No Credit Union shall receive any deposits or payments on account of shares, or make any loans, until its by-laws have been approved by the Supervisor, nor shall any amendments become operative until they have been so approved.

Amendments. SEC. 8. Section 9, chapter 173, Laws of 1933, as amended by section 1, chapter 65, Laws of 1939 (section 3923-9, Remington's Revised Statutes, Supplement) is amended to read as follows:

Capital unlimited. 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 shares in a Credit Union and may also make deposits in such Credit Union to an amount in the aggregate not exceeding one hundred dollars (\$100) or ten per cent (10%) of the total shares and deposits of the credit union, whichever is the greater, which shares and deposits, however, held by any one member, together with accumulated dividends and interest thereon may not exceed two thousand five hundred dollars (\$2,500) in the aggregate. 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 shares or deposits may be extended beyond the time limits herein indicated with the written consent of the Supervisor.

Amendments. SEC. 9. Section 10, chapter 173, Laws of 1933 (section 3923-10, Remington's Revised Statutes, Supplement) is amended to read as follows:

Minor may hold shares. Section 10. Shares may be issued and deposits received in the name of a minor, and such shares and deposits may, in the discretion of the directors,

be withdrawn by such minor or by his parent or guardian, and in either case payments made on such withdrawals shall be valid and shall release the corporation from liability to the minor, parent or guardian in respect of such share and deposits. A minor under eighteen shall not have the right to vote.

Withdrawals
by minors.

Voting
limitation.

Two or more eligible persons may jointly become depositors or members in a Credit Union and such persons shall enjoy the same rights as though the deposits had been made by, or the shares issued to, an individual member, and unless written instructions to the contrary are given to the Credit Union relative to such account, and written receipt thereof acknowledged by such Credit Union, any of such persons may exercise the rights of ownership, transfer and withdrawal incidental to such ownership without the other joint holders joining therein, and in the event of death, the survivor or survivors may exercise all rights incidental to such deposits or shares.

Joint
depositors.

Survivor
rights.

SEC. 10. Section 12, chapter 173, Laws of 1933 (section 3923-12, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 12. The annual meeting of the corporation shall be held at such time and place as the by-laws may prescribe, but not later than thirty days after the close of the fiscal year. Special meetings may be called at any time by a majority of the directors and shall be called by the Secretary upon written application of ten or more members entitled to vote. Notice of all meetings of the corporation and of all meetings of the Board of Directors and of committees shall be given in the manner provided in the by-laws. No member shall be entitled to vote by proxy or have more than one vote, and, after a Credit Union has been incorporated for one year, no member thereof shall be en-

Annual
meetings.

Special
meetings.

Notice of
meetings.

Voting rights.

Voting rights. titled to vote until he has been a member for three months. To be eligible to vote a member must have not less than one fully paid share. A fraternal organization, voluntary association, partnership or corporation having a membership in a Credit Union may cast one vote at any of its meetings by a duly delegated agent. The members at each annual meeting shall fix the maximum amount to be loaned to any one member.

Members
fix loan
maximum.

Amendments. SEC. 11. Section 13, chapter 173, Laws of 1933 (section 3923-13, Remington's Revised Statutes, Supplement) is amended to read as follows:

Directors
manage
affairs.

Terms of
directors
and officers.

Qualifications
filed.

Terms of
directors.

Section 13. The business and affairs of a Credit Union shall be managed by a board of not less than seven directors. The directors shall be elected at the annual meetings. All members of the said board, as well as the officers, whom they may elect, shall be sworn to the faithful performance of their duties and shall hold their several offices unless sooner removed as hereinafter provided, until their successors are qualified. A record of every such qualification shall be filed and preserved with the records of the corporation. Directors shall be elected for not less than one year nor more than three years, as the by-laws shall provide. If the term is more than one year, they shall be divided into classes, and an equal number, as nearly as may be, elected each year. If a director ceases to be a member of the Credit Union, his office shall thereupon become vacant. A director must have not less than one fully paid share to qualify.

Amendments. SEC. 12. Section 15, chapter 173, Laws of 1933 as amended by section 3, chapter 65, Laws of 1939 (section 3923-15, Remington's Revised Statutes, Supplement) is amended to read as follows:

Duties of
directors.

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

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 four 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 may borrow money for and in behalf of the Credit Union, for the purpose of making loans, the payment of debts or withdrawals. The aggregate amount of such loans shall not exceed ten per cent of the assets except with the prior approval of the Supervisor. It may by a two-thirds vote remove from office any officer or any member of any committee for cause.

Directors meet at least monthly.

Maximum interest rate.

Make recommendations.

Declare dividends.

Part-year dividends.

Proviso.

Directors may borrow money.

Borrowing limitation.

Removal for cause.

SEC. 13. Section 16, chapter 173, Laws of 1933 (section 3923-16, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 16. The auditing committee shall keep fully informed at all times as to the financial con-

Auditing committee.

Duties of
auditing
committee.

dition of the Credit Union, shall examine carefully the cash and accounts of the Credit Union monthly, shall certify the monthly statements submitted by the Treasurer, shall make a thorough audit of the books, including income and expense, semi-annually, shall report to the Board of Directors its findings, together with its recommendations, shall under regulations prescribed by the Supervisor, cause to be verified the pass books of the Credit Union, according to such regulations, shall hold meetings at least once a month and keep records thereof, and shall make an annual report at the annual meeting.

Report to
directors.

Annual
report.

Suspension
power.

By a unanimous vote the auditing committee may suspend any officer of the corporation or any member of the credit committee or of the Board of Directors until the next members' meeting, which meeting shall be held within fifteen (15) days of said suspension, and at which meeting said suspension shall be acted upon by the members. By a majority vote of the auditing committee it may call a special meeting of the members to consider any violation of this act, or of the by-laws, or any practice of the Credit Union deemed by the committee to be unsafe or unauthorized. The auditing committee shall fill vacancies in its own membership until successors are elected. It shall also call a special meeting of the membership upon the request of the Supervisor.

Call special
meetings.

Amendments.

SEC. 14. Section 17, chapter 173, Laws of 1933 (section 3923-17, Remington's Revised Statutes, Supplement) is amended to read as follows:

Directors
receive no
compensa-
tion.

Section 17. No member of the Board of Directors shall receive any compensation for his services as a member of the said Board or as a member of any committee, nor shall any member of the said Board borrow from the corporation to an amount in excess of his shares and deposits in said Credit Union and the accumulated earnings standing to his credit

Borrowings
limited.

on the books of the corporation, nor may he become endorser, surety or co-maker for any loan made by such Credit Union. The officers elected by the Board may receive such compensation as it may authorize, subject to the approval of the members at the next meeting or at a special meeting called for the purpose.

Officers
may be
compensated.

SEC. 15. Section 18, chapter 173, Laws of 1933 (section 3923-18, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 18. Before the payment of any dividend there shall be set apart as a guaranty fund not less than twenty per cent of the net income which has accumulated during the next preceding dividend period, except as hereinafter provided, until such time as said guaranty fund and undivided profits shall equal fifteen per cent of the assets of the said Credit Union, and thereafter there shall be added to the guaranty fund at the end of each such period such percentage of the net income which has accumulated during that period as will result in at least maintaining such guaranty fund and undivided profits at such amount. All entrance fees shall be added to the guaranty fund at the close of the dividend period, and shall never exceed twenty-five cents (25¢) for each member. The guaranty fund and the investments thereof shall be held to meet contingencies or losses in the business of the Credit Union, and shall not be distributed to its members, except in case of dissolution.

Guaranty
fund to be
set aside.

Fund to
equal 15 per
cent of
assets.

Entrance
fees in
guaranty.

Contingency
fund.

SEC. 16. Section 19, chapter 173, Laws of 1933 (section 3923-19, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 19. The Supervisor shall have the right to require a Credit Union to charge off or set up a reserve fund for such delinquent loans or other assets as in his opinion require such action. A loan shall not be considered delinquent if in the hands

Supervisor
may require
reserve fund.

Limitation
on delin-
quency.

of an attorney for collection for a period not in excess of one (1) year, or is in the process of reduction by payments from any source satisfactory to the Board of Directors, even though such payments may be less in amount than the payments indicated by the terms of the note.

Amendments.

SEC. 17. Section 21, chapter 173, Laws of 1933 (section 3923-21, Remington's Revised Statutes, Supplement) is amended to read as follows:

Duties of
credit
committec.

Section 21. The credit committee shall:

- (1) Hold meetings at least once a month;
- (2) Act on all applications for loans;
- (3) Approve in writing all personal loans granted and the security, if any, pledged therefor; and
- (4) Submit to the Board of Directors all applications for loans other than personal loans, with their recommendation thereon.

Limitations
on personal
loans.

No personal loan shall be made unless all the members of the credit committee who are present when the application is considered, which number shall constitute at least two-thirds of the members of said committee, approve said loan. No loan shall be granted unless the members of said committee are satisfied that the loan promises to be of benefit to the borrower. All borrowers shall have not less than one fully paid share.

Amendments.

SEC. 18. Section 23, chapter 173, Laws of 1933 as amended by section 5, chapter 65, Laws of 1939 (section 3923-23, Remington's Revised Statutes, Supplement) is amended to read as follows:

Classes
of loans.

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

(3) Loans may be made to other Credit Unions upon a favorable two-thirds ($\frac{2}{3}$) majority vote of the Board of Directors.

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.

Preference to personal loans.

Payable within year.

Proviso.

Qualification of endorser.

Personal loans to any one member shall be limited in the aggregate as follows:

Limitation on personal loans.

(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;

Limitations
on personal
loans.

(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 fifty dollars (\$50) in excess of 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;

No borrower shall have an aggregate liability to the Credit Union in excess of one hundred dollars or ten per cent (10%) of the assets of the Credit Union, whichever is greater, subject however, to other restrictions in this section.

Assignment
of wages as
collateral.

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 mort-

gages on real estate shall not exceed fifteen per cent (15%) of the assets of the Credit Union. All loans secured by second mortgages on real estate shall be subject to the following restrictions:

Limitation on second mortgage loans.

(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.

SEC. 19. Section 25, chapter 173, Laws of 1933 (section 3923-25, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 25. Dividends may be declared only from the earnings which remain after the deduction of all expenses, interest on deposits and the amounts required to be set apart to the guaranty fund and to the reserve fund, or such dividend may be declared in whole or in part from the undivided earnings of preceding years remaining after the aforesaid deductions for said years. Dividends due to a member shall, at his election, be paid to him in cash or be credited to his account in either shares or deposits. No dividend exceeding six per cent (6%) per annum shall be paid, unless the guaranty fund and undivided profits exceed fifteen per cent (15%) of assets, but surplus earnings may be distributed to the borrowers as a patronage dividend ratably in proportion to interest paid by them.

Dividends.

Payable in cash or credited to account.

Dividend limitation.

Amendments.

SEC. 20. Section 26, chapter 173, Laws of 1933 (section 3923-26, Remington's Revised Statutes, Supplement) is amended to read as follows:

Semi-annual reports to supervisor.

Section 26. Within twenty days after the first business day of January and July in each year, the auditing committee of each Credit Union shall make to the Supervisor a report in such form as he may prescribe, and shall make oath that the report is true and correct. Any Credit Union neglecting to make said report within the time herein prescribed and such other requested reports within twenty (20) days after notification shall forfeit to the state five dollars for each day during which neglect continues.

Penalty for failure.

Examination yearly.

The Supervisor shall make or cause to be made an examination and full investigation into the affairs of each Credit Union at least once each calendar year. The actual cost of examination and supervision shall be paid by the Credit Union examined: *Provided*, That the Supervisor may accept in lieu of an examination the report of any competent accountant, satisfactory to the Supervisor, who has made and submitted a report of the condition of the affairs of such Credit Union, and if approved, shall have the same force and effect as though the examination were made by the Supervisor or one of his appointees.

Credit union to pay cost.

Report of accountant in lieu.

Supervisor may suspend.

If it is found that the capital of a Credit Union be impaired or that business is being conducted contrary to law the Supervisor may require said Credit Union to suspend operations until such condition is corrected.

Any communications from the Supervisor to the Board of Directors must be read before said board at its next meeting and the reading noted in the minutes of the meeting.

Amendments.

SEC. 21. Section 28, chapter 173, Laws of 1933 (section 3923-28, Remington's Revised Statutes, Supplement) is amended to read as follows:

Section 28. Any person who shall knowingly subscribe to or make or cause to be made any false statement or false entry in the books of any Credit Union, or who shall knowingly make any false statement or entry in any report required to be made to the Supervisor, or who shall knowingly exhibit any false or fictitious paper, instrument or security to any person authorized to examine such institution, shall be guilty of a felony.

Penalty for false entry or statement.

Felony.

SEC. 22. Section 30, chapter 173, Laws of 1933 (section 3923-30, Remington's Revised Statutes, Supplement) is amended to read as follows:

Amendments.

Section 30. At any meeting specially called for the purpose, the members, upon recommendation of not less than two-thirds of the Board of Directors, may, by a two-thirds vote of the members present vote to liquidate the corporation. A committee of three shall thereupon be elected to liquidate the assets of the corporation under the direction of the Supervisor, which committee may be reasonably compensated for its services by action of the Board of Directors, and each share of capital stock, according to the amount paid thereon, shall be entitled to its proportionate part of the assets in liquidation after all deposits and debts have been paid, and the charter of such corporation voting to liquidate in accordance with this section shall become void except for the purpose of discharging existing obligations and liabilities. Funds representing unclaimed dividends in liquidation and remaining in the hands of the liquidating committee for six months after the date of the final dividend, shall be deposited by them, together with all books and papers of the Credit Union, with the Supervisor, who may after one year therefrom destroy any such records, books and papers as in his judgment are obsolete or unnecessary for future reference. Such funds shall be deposited in one or more trust com-

Two-thirds vote to liquidate.

Liquidation committee.

Distribution of assets.

Unclaimed funds and books to Supervisor.

Disposition by Supervisor.

Funds held
in trust for
members.

panies, mutual savings banks, savings and loan associations, or national banks or state banks to the credit of the Supervisor in his official capacity in trust for the members of the liquidating credit union entitled thereto, according to their several interests. Upon receipt of evidence satisfactory to him, the Supervisor may pay the money so held by him to the persons respectively entitled thereto. In case of doubt or of conflicting claims, he may require an order of the Superior Court of the county in which the Credit Union is located, authorizing and directing the payment thereof. He may apply the interest earned by the moneys so held toward defraying the expenses incurred in the payment of such unclaimed dividends. At the expiration of five years from the date of the receipt thereof, such funds as still remain in the hands of the Supervisor shall be escheated to the state and revert to the permanent school fund.

Payment
of claims.

Court order.

Final
disposition.

Permanent
school fund.

Amendments.

SEC. 23. Section 31, chapter 173, Laws of 1933 (section 3923-31, Remington's Revised Statutes, Supplement) is amended to read as follows:

Supervisor
may suspend
officer for
cause.

Section 31. In the event that any officer, or officers, of such a Credit Union shall be found, in the opinion of the Supervisor, to be dishonest, inefficient, incapable of doing his work, or wilfully disobeying orders of the Supervisor, or in any way violating this act or the by-laws of the Credit Union, such person, or persons, may be suspended by the Supervisor until the next members' meeting, which said meeting shall be held within fifteen (15) days of said suspension and at which meeting said suspension acted upon by the members, whose approval or disapproval shall be final.

Members'
meeting
has final
decision.

Amendments.

SEC. 24. Section 32, chapter 173, Laws of 1933 (section 3923-32, Remington's Revised Statutes, Supplement) is amended to read as follows:

Section 32. A Credit Union may, with the approval of the Supervisor and in accordance with such uniform rules and regulations as he shall make and promulgate, be merged with another Credit Union under the charter of such Credit Union upon any plan agreed upon by the majority of the Board of Directors of each such Credit Union joining in such merger, and approved by not less than two-thirds ($\frac{2}{3}$) of the members of each Credit Union present and eligible to vote at meetings duly called for that purpose. All property, property rights and interests of the Credit Union so merging shall upon such merger be transferred to and vested in the Credit Union under whose charter the merger is effected without deed, endorsement, or other instrument of transfer, and the debts and obligations of the Credit Union so merging shall be deemed to have been assumed by the Credit Union under whose charter the merger is effected, and thereafter the charter of the Credit Union so merging shall be null and void and it shall cease to exist.

Merger of
credit unions.

Two-thirds
vote.

SEC. 25. Section 33, chapter 173, Laws of 1933 (section 3923-33, Remington's Revised Statutes, Supplement) is hereby repealed, and Sec. 34 of Chapter 173, Laws of 1933, is hereby renumbered Sec. 33.

Section
repealed.

SEC. 26. Chapter 173, Laws of 1933, is amended by adding thereto three new sections, numbered respectively sections 34, 35 and 36, and reading as follows:

Amendments

Section 34. Neither a Credit Union nor its members shall be taxed upon its shares and deposits as property. A Credit Union shall be taxable upon its real property and tangible personal property, and every Credit Union shall be termed a mutual institution for savings and neither it nor its property shall be taxable under any law which shall exempt savings banks or institutions for savings from taxation. For all purposes of taxation, the assets represented

Taxation of
credit unions.

Taxation of
credit unions.

by the guaranty fund and other reserves, other than reserves for expenses and losses of a Credit Union, shall be deemed its only permanent capital, and in computing any tax, whether it be property, income, or excise, appropriate adjustment shall be made to give effect to the mutual nature of such credit union.

Conversion
to Federal
credit union.

Section 35. Any Credit Union, heretofore or hereafter organized under the laws of this state may convert itself into a Federal Credit Union, as authorized by the act of congress known by, and cited as the Federal Credit Union Act, approved June 26, 1934, and any amendments of, or supplements thereto, or laws hereafter enacted in substitution therefor, and pursuant to any rules and regulations prescribed, or which may hereafter be prescribed by virtue of, or in accordance with the said Federal Credit Union Act, or the acts amending or supplementing the same, or enacted in substitution therefor.

Commission
by two-thirds
vote.

Such conversion shall be effected by the affirmative action of a two-thirds ($\frac{2}{3}$) vote of the members present at a regular or special meeting of the shareholders called for that purpose. Such meeting shall be called by the directors, of which a majority shall have previously approved the contemplated conversion, and notice thereof shall be given in the manner prescribed in the by-laws of the said Credit Union not more than thirty (30) days nor less than ten (10) days prior to the date of the meeting. Proof of the giving of such notice shall be by the affidavit of the Secretary of the corporation.

Notice of
meeting.

Proof of
notice.

Filing
verified
resolution.

If conversion be authorized, a copy of the resolutions adopted with respect thereto at said meeting, verified by the affidavit of the president, or vice-president, and secretary or assistant secretary, of the Credit Union shall within ten (10) days after the holding of such meeting, be filed in the office of the supervisor.

In the event that conversion be authorized by the shareholders, the officers and directors of such Credit

Union shall be authorized to, and within six (6) months from the date of the adoption of said resolutions by the shareholders shall, take the steps necessary to effect a conversion of said Credit Union into a Federal Credit Union, upon such terms as may be agreed upon between the Board of Directors of such Credit Union, and the properly authorized Federal authority under the provisions of the said Federal Credit Union Act. Upon the filing in the office of the Supervisor of a certified copy of the charter or authorization issued to such Credit Union by the proper Federal authority, or of a certificate showing the organization of such Credit Union as a Federal Credit Union, certified to by the proper Federal authority, the Supervisor shall file the same, and thereupon the said state-chartered Credit Union shall cease to be an active credit union under the laws of this state except for the purpose of winding up its affairs and prosecuting or defending any litigation by or against it, and for all other purposes shall be deemed converted into a Federal Credit Union.

Time limit
for
conversion.

In consummation of such conversion, the state-chartered Credit Union may execute, acknowledge and deliver to the successor Federal Credit Union, such instruments of transfer, conveyance and assignment as may be necessary and/or desirable to accomplish the transfer, conveyance and assignment to the successor Federal Credit Union, or any property, tangible or intangible, and all right, title or interest therein, as may have been agreed between the board of directors of the applicant Credit Union, and the proper Federal authority.

Transfer of
property to
Federal
Credit Union.

Similar procedure shall be followed when a Credit Union organized under the laws of this state wishes to merge with or convert to a Credit Union organized under the laws of another state.

Same
procedure
for merger.

Section 36. Whenever any Credit Union organized and existing under the laws of the United States, and located within this state, is authorized

Conversion
to state
credit union.

Conversion
from federal
to state
status.

to dissolve, and it shall have taken the necessary steps to effect such dissolution, or whenever the charter of any such Credit Union has become inoperative because of a change in, or a nullification of, or a repeal of the laws under which it was organized, or whenever any such Credit Union is authorized by the laws of the United States to convert itself into a Credit Union under the laws of this state, such Credit Union, upon resolution of three-fourths ($\frac{3}{4}$) of its directors, at a meeting called for such purpose, or upon action taken by or under the authority of the United States, with the approval in writing of the supervisor, may execute and file articles of incorporation, as provided for the organization of new Credit Unions in this state, together with a certificate executed by the president and secretary setting forth the facts authorizing such filing.

Procedure.

Transfer of
assets.

Upon the filing of said articles and said certificate, with the written approval of the supervisor, such Credit Union shall become a Credit Union under the laws of the State of Washington, and thereupon all of the assets of such Credit Union shall be vested in and become the property of such state-chartered Credit Union, subject to all existing liabilities against such Federal Credit Union, and every person who was a shareholder or member of such Federal Credit Union, shall be a shareholder in such state-chartered Credit Union in like amount.

Similar procedure shall be followed when a Credit Union organized under the laws of another state wishes to merge or convert to a Credit Union organized under the laws of this state.

Passed the Senate March 10, 1943.

Passed the House March 9, 1943.

Approved by the Governor March 18, 1943.