

through 6 of this 1973 amendatory act. This 1973 amendatory act is necessary for the immediate preservation of the public peace, health and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

NEW SECTION. Sec. 8. If any provision of this 1973 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

Passed the House March 14, 1973.

Passed the Senate March 17, 1973.

Approved by the Governor March 26, 1973.

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CHAPTER 8

[Engrossed Senate Bill No. 2111]

CREDIT UNIONS--  
LAW REVISIONS

AN ACT Relating to credit unions; amending section 3, chapter 23, Laws of 1957 as amended by section 2, chapter 180, Laws of 1967 and RCW 31.12.020; amending section 12, chapter 173, Laws of 1933 as last amended by section 4, chapter 180, Laws of 1967 and RCW 31.12.160; amending section 14, chapter 173, Laws of 1933 as last amended by section 6, chapter 180, Laws of 1967 and RCW 31.12.180; amending section 15, chapter 173, Laws of 1933 as last amended by section 3, chapter 65, Laws of 1969 and RCW 31.12.190; amending section 17, chapter 173, Laws of 1933 as last amended by section 6, chapter 23, Laws of 1957 and RCW 31.12.210; amending section 18, chapter 173, Laws of 1933 as last amended by section 5, chapter 65, Laws of 1969 and RCW 31.12.220; amending section 21, chapter 173, Laws of 1933 as last amended by section 6, chapter 65, Laws of 1969 and RCW 31.12.240; amending section 8, chapter 23, Laws of 1957 as last amended by section 7, chapter 65, Laws of 1969 and RCW 31.12.245; amending section 20, chapter 173, Laws of 1933 as last amended by section 8, chapter 65, Laws of 1969 and RCW 31.12.260; amending section 11, chapter 23, Laws of 1957 as last amended by section 9, chapter 65, Laws of 1969 and RCW 31.12.270; amending section 12, chapter 23, Laws of 1957 as last amended by section 10, chapter 65, Laws of 1969

and RCW 31.12.280; amending section 13, chapter 23, Laws of 1957 as last amended by section 13, chapter 180, Laws of 1967 and RCW 31.12.290; amending section 26, chapter 173, Laws of 1933 as last amended by section 5, chapter 213, Laws of 1947 and RCW 31.12.320; adding new sections to chapter 173, Laws of 1933 and to chapter 31.12 RCW; and creating new sections.

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

Section 1. Section 3, chapter 23, Laws of 1957 as amended by section 2, chapter 180, Laws of 1967 and RCW 31.12.020 are each amended to read as follows:

A credit union is 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 not to exceed one percent per month on the unpaid balance or the equivalent thereto, for provident, productive, and educational purposes. Credit unions, in the event of default of such credit, may impose financing and reasonable late charges in accordance with their bylaws and may recover reasonable costs and expenses incurred in the collection of any sums due if provided for in the note or agreement signed by the borrower.

Sec. 2. Section 12, chapter 173, Laws of 1933 as last amended by section 4, chapter 180, Laws of 1967 and RCW 31.12.160 are each amended to read as follows:

The annual meeting of the corporation shall be held at such time and place as the bylaws prescribe, but not later than ninety 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 percent or more of the voting members of the corporation (~~PROVIDED, That in any event, the application of not less than ten nor more than one hundred voting members of the corporation shall be required to call a special meeting~~). Notice of all meetings of the corporation and of all meetings of the directors and of committees shall be given as provided in the bylaws. No member may vote by proxy or have more than one vote, and after a credit union has been incorporated for one year, no member may vote until he has been a member for three months. Ballot voting by mail may be authorized by the board of directors as prescribed in the bylaws. 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 its authorized agent.

Sec. 3. Section 14, chapter 173, Laws of 1933 as last amended by section 6, chapter 180, Laws of 1967 and RCW 31.12.180 are each amended to read as follows:

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, 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: PROVIDED, That the treasurer need not be a director. The board shall select a credit committee composed of three or more members of the credit union, who need not be board members. The offices of secretary and treasurer may be held by the same person. No director shall be a member of both the credit and auditing committee, and no more than one director shall serve on the auditing committee. The board may select an investment committee of not less than three members of the credit union, who need not be board members. No director shall be a member of both the investment and auditing committee. Each officer and employee handling funds of the credit union shall give bond to the directors in such amount and with such surety and conditions as the supervisor may prescribe (with which bond shall be filed with the supervisor)).

NEW SECTION. Sec. 4. There is added to chapter 173, Laws of 1933 and to chapter 31.12 RCW a new section to read as follows:

The investment committee shall hold such meetings as are necessary to accomplish its work. The investment committee shall have the authority to make those investments permitted by RCW 31.12.260 as now or hereafter amended, but the actions of the committee shall be subject to the supervision of the board.

Sec. 5. Section 15, chapter 173, Laws of 1933 as last amended by section 3, chapter 65, Laws of 1969 and RCW 31.12.190 are each amended to read as follows:

The board 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, except that a membership officer may be authorized by the board to approve applications for membership under such conditions as the board may prescribe which are consistent with the provisions of this chapter, and such membership officers so authorized shall submit to the board at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require. The board shall determine the rate of interest on loans subject to the limitations herein, determine the rate of interest to be paid on deposits, which shall not be greater than one-half of one percent less than the rate at which dividends have been declared during the immediately preceding period, determine the types of

security which shall be acceptable on loans subject to the limitations herein, and fill vacancies in the board and in such committees for which provision as to filling of vacancies is not made herein, until the next election. The board shall make recommendations to the members relative to matters upon which it deems the members should act at any regular or special meeting. The board from time to time shall set the amount of shares and deposits which any one member may hold in the credit union, and set the amount which may be loaned, secured or unsecured, to any one member, all subject to the limitations contained in this chapter. At each annual, semiannual, or quarterly period the board may declare a dividend from net earnings, which shall be paid on all shares outstanding at the time of declaration, and which may be paid to members on shares withdrawn during the period. Shares which become paid up during the year shall be entitled to a proportional part of the dividend calculated from the first day of the month following such payment in full: PROVIDED, That the board may compute such full shares if purchased on or before the tenth day of any month, as of the first day of the month. The board may borrow money in behalf of the credit union, for the purpose of making loans, and the payment of debts or withdrawals. The aggregate amount of such loans shall not exceed thirty-three and one-third percent of the credit union's paid-in and unimpaired capital and surplus except with the approval of the supervisor. It may, by a two-thirds vote, remove from office any officer for cause; or suspend any member of the board, credit committee, investment committee, or audit committee, for cause, until the next membership meeting, which meeting shall be held within fifteen days of the suspension, and at which meeting the suspension shall be acted upon by the members. The board shall make a written report to the members at each annual meeting.

Sec. 6. Section 17, chapter 173, Laws of 1933 as last amended by section 6, chapter 23, Laws of 1957 and RCW 31.12.210 are each amended to read as follows:

No director shall receive compensation for his services as such or as a member of a committee, nor shall he borrow from the corporation to an amount in excess of his shares and deposits in the credit union and the accumulated earnings standing to his credit on the books of the corporation(~~nor may he become an endorser, surety, or comaker for a loan made by the credit union~~) except by written approval of three-fourths of the members of the board. The treasurer elected by the board may receive such compensation as the board may authorize.

Sec. 7. Section 18, chapter 173, Laws of 1933 as last amended by section 5, chapter 65, Laws of 1969 and RCW 31.12.220 are each amended to read as follows:

Before the payment of any dividend there shall be set apart as a guaranty fund not less than twenty percent 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 ten percent of the outstanding loans not fully covered by shares 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: PROVIDED, That credit unions with shares insured by the administrator, National Credit Union Administration, may in the alternative comply with reserve requirements and regulations promulgated by the National Credit Union Administration. All entrance fees shall be added to the guaranty fund at the close of the dividend period, and shall never exceed twenty-five cents 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 the case of dissolution.

Sec. 8. Section 21, chapter 173, Laws of 1933 as last amended by section 6, chapter 65, Laws of 1969 and RCW 31.12.240 are each amended to read as follows:

The credit committee shall hold meetings at least once a month; act on all applications for loans; and approve in writing all personal loans granted and any security pledged therefor (and submit to the board all applications for loans other than personal loans, with their recommendations thereon, except as provided in RCW 31.12.245)).

No personal loans 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 the committee, approve such loan, except as provided in RCW 31.12.245. The credit committee may be established in such numbers and at such places as is necessary to serve member needs, with a minimum of two members needed for loan approval: PROVIDED, That such extension of service is approved by the supervisor. No loan shall be granted unless it promises to be of benefit to the borrower. A borrower shall have not less than one fully paid share.

Sec. 9. Section 8, chapter 23, Laws of 1957 as last amended by section 7, chapter 65, Laws of 1969 and RCW 31.12.245 are each amended to read as follows:

The board of any credit union organized under this chapter whose assets are in excess of two hundred thousand dollars may appoint such loan officers as it deems advisable for the purpose of approving certain types of loans without further authorization from

the credit committee. Credit unions with assets of two hundred thousand dollars or less may appoint such loan officers: PROVIDED, That the supervisor has given his prior approval thereto.

All loans not approved by a loan officer shall be acted upon by the credit committee. ~~((No individual shall have authority to disburse funds of the credit union for any loan which has been approved by him in his capacity as a loan officer.))~~

Sec. 10. Section 20, chapter 173, Laws of 1933 as last amended by section 8, chapter 65, Laws of 1969 and RCW 31.12.260 are each amended to read as follows:

The capital, deposits, and surplus of a credit union shall be invested in loans to members, with the approval of the credit committee or the loan officer where permitted herein, and also when required herein, of the board of directors ~~((, and any))~~ or of the investment committee. Any capital, deposits, or surplus funds in excess of the amount for which loans may be approved, may be deposited or invested:

(a) In banks or trust companies or in state or national banks located in this state ~~(( or invested))~~;

(b) In any bond 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 which are fully guaranteed as to payment of principal and interest by the United States government, and general obligations of this state and general obligations of counties, municipalities, or public purpose districts of this state;

(c) In obligations issued by banks for cooperatives, federal land banks, federal intermediate credit banks, federal home loan banks, the Federal Home Loan Bank Board, or any corporation designated in section 846 of Title 31 U.S.C. as a wholly owned government corporation; or in obligations, participations, or other instruments of or issued by, or fully guaranteed as to principal and interest by the Federal National Mortgage Association or the Government National Mortgage Association;

(d) In participation certificates evidencing beneficial interests in obligations, or in the right to receive interest and principal collections therefrom, which obligations have been subjected by one or more government agencies to a trust or trusts for which any executive department, agency or instrumentality of the United States (or the head thereof) has been named to act as trustee;

(e) In the shares, share certificates or share deposits of other credit unions or savings and loan associations organized or authorized to do business under the laws of this state or the United States, or in the notes of such credit unions in the process of liquidation;

(f) In the ICU government securities program of ICU Services Corporation owned by CUNA, Incorporated, or up to two percent thereof in a corporation owned by the Washington Credit Union League;

(g) In such other investments authorized in accordance with rules and regulations prescribed by the supervisor consistent with chapter 31.12 RCW as now or hereafter amended;

PROVIDED, That any such securities shall not be eligible for investment if they have been in default either as to principal or interest within five years prior to date of purchase.

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 deposit. Investments other than ~~((personal))~~ loans to members shall be made only with the approval of the board or of the investment committee.

Sec. 11. Section 11, chapter 23, Laws of 1957 as last amended by section 9, chapter 65, Laws of 1969 and RCW 31.12.270 are each amended to read as follows:

A credit union may make:

(1) Personal loans to its members secured by the note of the borrower or other collateral satisfactory to the credit committee, including but not limited to interests in real estate and security interests in mobile homes, travel trailers and motor homes as defined by RCW 82.50.010;

(2) Loans to its members under the act of congress known as the "Higher Education Act of 1965", Nov. 8, 1965, Pub. L. 89-329 (20 USC sections 1001 to 1144 inc.);

(3) Loans to its members secured by a first security interest in a ~~((house trailer))~~ mobile home, travel trailer and motor home, as defined by RCW 82.50.010, owned by the member. All such loans must be amortized by weekly, semimonthly, or monthly payments, which payments, including interest, shall be at the rate of not less than fifteen percent per year of the original principal. Such loans shall not exceed seventy-five percent of the purchase price or of the appraised value thereof, whichever is the lesser;

(4) Loans to its members secured by first mortgages or real estate contracts in which members are buyers if such mortgage or contract relates to real estate which is situated within the state; such real estate must be within fifty miles of the principal office of the credit union unless with prior approval of the supervisor; and

(5) Loans to other credit unions upon a two-thirds majority vote of the board: PROVIDED, That the total amount of such loans does not exceed twenty-five percent of the paid-in and unimpaired capital and surplus of the lending credit union.

Personal loans shall be given preference, and in the event there are not sufficient funds available to satisfy all loan

applicants approved by the credit committee, further preference shall be given to the smaller loan. Each personal loan shall be payable within four years from the date thereof: PROVIDED, That loans with satisfactory security may be made payable within eight years from the date thereof.

Sec. 12. Section 12, chapter 23, Laws of 1957 as last amended by section 10, chapter 65, Laws of 1969 and RCW 31.12.280 are each amended to read as follows:

No loan which is not adequately secured may be made to any member, if, upon the making of that loan, the member would be indebted to the credit union upon loans made to him in an aggregate amount which, in the case of a credit union whose unimpaired capital and surplus is less than eight thousand dollars would exceed ~~((two))~~ five hundred dollars, or which, in the case of any other credit union, would exceed two thousand five hundred dollars or two and one-half per centum of its unimpaired capital and surplus, whichever is less. No loan may be made to any member if, upon the making of that loan, the member would be indebted to the credit union upon loans made to him in an aggregate amount which would exceed ~~((two))~~ five hundred dollars or ten percent of the credit union's unimpaired capital and surplus, whichever is greater: PROVIDED, That loans which are not secured totally by share deposits to any family community shall not exceed ten thousand dollars without the permission of the supervisor.

Sec. 13. Section 13, chapter 23, Laws of 1957 as last amended by section 13, chapter 180, Laws of 1967 and RCW 31.12.290 are each amended to read as follows:

The total amount which a credit union may lend on the security of mortgages on, or contracts relating to, real estate shall not exceed the following limits:

(a) Ten percent of its total assets if its assets are under one hundred thousand dollars.

(b) Twenty percent of its total assets if its assets are over one hundred thousand dollars but under one million dollars.

(c) Thirty percent of its total assets if its assets are in excess of one million dollars.

All loans secured by mortgages or contracts on real estate shall be subject to the following restrictions:

(1) Loans secured by first mortgages shall be only on real estate improved by a home, a combination home and business building, or a two unit residential building in which the owner-borrower is the occupant of one unit; loans may be made for the construction of any such improvements. Additional parcels of noncontiguous, improved, habitable, residential real estate may be included in the same loan as such security together with the principal property.



(2) Any loans made on a real estate contract must be through warranty deed and assignment of the seller's interest, and the principal amount of the purchase price must have been reduced by twenty-five percent; the monthly payments must not be delinquent at time of the loan and the real estate must be such as would qualify for a mortgage loan under paragraph (1) hereof.

(3) The total amount which may be loaned on any one property or to any one family community borrower shall not exceed two and one-half percent of the assets of the credit union, or ten thousand dollars, whichever is greater, except with the prior approval of the supervisor. Such loan shall not exceed((:

~~{a})~~ seventy-five percent of the appraised value of the real estate if there is located thereon a home (~~(only which is not over sixty months old and incidental out buildings;)~~) or if the loan is made for the construction or completion of ~~((such))~~ improvements(~~(7 and~~

~~{b}~~ Sixty percent of the appraised value of the real estate if there is located thereon other habitable buildings of a nature permitted under paragraph ~~{1}~~ hereof)).

All taxes and assessments must be paid currently, and all such loans must be amortized within a maximum period of twenty years by weekly, semimonthly or monthly payments, which payments, including interest, shall be at the rate of not less than seven and one-half percent per year of the original principal.

The real estate covered by any such mortgage or contract must be inspected and appraised by ~~((two appraisers each of whom))~~ an appraiser who has had two or more years experience in appraising real estate for loan purposes within the area in which the property is located. The credit union must have a policy of title insurance issued concurrently by an insurance company licensed to do business in the state of Washington, insuring the interest of the credit union in the real estate in the full amount of the loan, or must have an abstract brought up to date of the loan and certified by a practicing attorney; also with fire insurance covering at least the interest of the credit union.

Sec. 14. Section 26, chapter 173, Laws of 1933 as last amended by section 5, chapter 213, Laws of 1947 and RCW 31.12.320 are each amended to read as follows:

Within thirty 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 thirty days after notification shall forfeit to the state one dollar for each day

during which neglect continues. The penalty for any single delinquency shall not exceed twenty-five dollars.

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. Examination costs shall not be payable by a credit union with respect to the first examination following approval of its articles of incorporation by the supervisor, and the supervisor may adjust examination costs payable for succeeding examinations giving due consideration to the time and expense incident to such examinations, and to the ability of the credit unions to pay such costs.

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.

NEW SECTION. Sec. 15. There is added to chapter 173, Laws of 1933 and to chapter 31.12 RCW a new section to read as follows:

The articles of incorporation of any state chartered credit union may be suspended or revoked, the credit union placed in involuntary liquidation and a liquidating agent therefor appointed upon the finding by the supervisor that the organization is bankrupt, or insolvent.

NEW SECTION. Sec. 16. There is added to chapter 173, Laws of 1933 and to chapter 31.12 RCW a new section to read as follows:

Except as otherwise provided in this chapter, the supervisor, before suspending or revoking the articles of incorporation of a credit union and placing the credit union in liquidation, shall cause to be served on the credit union concerned a notice of intention to suspend or revoke the articles, a statement of the reasons for such proposed action and an order directing the credit union concerned to show cause why its articles of incorporation should not be suspended or revoked. Service of the order to show cause shall be either (1) by mail addressed to the credit union concerned at the last address of its office as shown by the records of the division of savings and loan or (2) by personal delivery to any of the officers or members of

the board of directors of the credit union. The order shall be returned to the division of savings and loan. No oral hearing shall be held on such order to show cause, but the credit union concerned may file with the division of savings and loan, within the period of time specified in the order to show cause, a statement in writing setting forth the grounds and reasons why its articles of incorporation should not be suspended or revoked. This statement shall be accompanied by a certified copy of a resolution of the board of directors of the credit union concerned authorizing the filing of the statement. If no statement is received within the period of time specified in the order, or if the proffered reasons why the articles of incorporation should not be suspended or revoked are found to be insufficient by the supervisor, he may order the articles of incorporation be suspended or revoked and may order the credit union placed in involuntary liquidation. If the credit union is ordered to be liquidated the supervisor shall designate the liquidating agent in the order directing the liquidation. A copy of the order directing the suspension or revocation and where proper, of the order directing the involuntary liquidation and of the appointment of a liquidating agent, and a statement of the findings on which the order is based, shall be served on the credit union concerned. Such service shall be either (1) by mail addressed to the credit union concerned at the last address of its office as shown by the records of the division of savings and loan or (2) by personal delivery to any officer or member of the board of directors of the credit union concerned.

NEW SECTION. Sec. 17. There is added to chapter 173, Laws of 1933 and to chapter 31.12 RCW a new section to read as follows:

On receipt of a copy of the order placing the credit union in involuntary liquidation, the officers and directors of the credit union concerned shall deliver to the liquidating agent possession and control of all books, records, assets, and property of every description of the credit union, and the liquidating agent shall proceed to convert said assets to cash, collect all debts due to said credit union and to wind up its affairs in accordance with the instructions and procedures issued to said liquidating agent by the supervisor.

NEW SECTION. Sec. 18. There is added to chapter 173, Laws of 1933 and to chapter 31.12 RCW a new section to read as follows:

On the completion of the liquidation and certification by the liquidating agent that the distribution of assets of the credit union has been completed, the supervisor shall cancel the articles of incorporation of the credit union concerned.

NEW SECTION. Sec. 19. If any provision of this 1973 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the

provision to other persons or circumstances is not affected.

Passed the Senate March 9, 1973.

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CHAPTER 9  
[House Bill No. 304]  
SCHOOL DISTRICTS--EMPLOYEES' INSURANCE  
COVERAGE--CONTRIBUTION LIMIT REMOVED

AN ACT Relating to education; amending section 28A.58.420, chapter 223, Laws of 1969 ex. sess. as last amended by section 2, chapter 269, Laws of 1971 ex. sess. and RCW 28A.58.420, and amending section 28B.10.660, chapter 223, Laws of 1969 ex. sess. as last amended by section 3, chapter 269, Laws of 1971 ex. sess. and RCW 28B.10.660.

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

Section 1. Section 28A.58.420, chapter 223, Laws of 1969 ex. sess. as last amended by section 2, chapter 269, Laws of 1971 ex. sess. and RCW 28A.58.420 are each amended to read as follows:

The board of directors of any of the state's school districts may make available liability, life, health, health care, accident, disability and salary protection or insurance or any one of, or a combination of the enumerated types of insurance, or any other type of insurance or protection, for the members of the boards of directors, the students, and employees of the school district, and their dependents. Whenever funds shall be available for these purposes the board of directors of the school district may contribute all or a part of the cost of such protection or insurance for the employees of their respective school districts and their dependents ((in an amount no to exceed twenty dollars per month per employee covered)). The premiums on such liability insurance shall be borne by the school district. The premiums due on such protection or insurance shall be borne by the assenting school board member or student. All contracts for insurance or protection written to take advantage of the provisions of this section shall provide that the beneficiaries of such contracts may utilize on an equal participation basis the services of those practitioners licensed pursuant to chapters 18.22, 18.25, 18.53, 18.57 and 18.71 RCW.

Sec. 2. Section 28B.10.660, chapter 223, Laws of 1969 ex. sess. as last amended by section 3, chapter 269, Laws of 1971 ex. sess. and RCW 28B.10.660 are each amended to read as follows: