

CHAPTER 47.

[S. B. 105.]

INTERSTATE OIL COMPACT COMMISSION.

AN ACT relating to the Interstate Oil Compact Commission.

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

SECTION 1. The governor is authorized, on behalf of the state of Washington, to join the Interstate Oil Compact Commission as an associate member and to become an active member thereof if and when oil and gas are produced in Washington in commercial quantities and to attend meetings and participate in the activities carried on by said commission either in person or by a duly authorized representative.

Governor authorized to join.
When.

Passed the Senate February 13, 1953.

Passed the House February 25, 1953.

Approved by the Governor March 3, 1953.

CHAPTER 48.

[S. B. 137.]

CREDIT UNIONS.

AN ACT relating to credit unions; prescribing powers and duties of certain officers and committees, classes of loans and limitations therefor; and amending sections 31.12.130, 31.12.160, 31.12.180, 31.12.190, 31.12.200, 31.12.270, 31.12.280, 31.12.290, 31.12.330 and 31.12.360, RCW.

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

SECTION 1. Section 31.12.130, RCW, as derived from section 1, chapter 213, Laws of 1947, is amended to read as follows:

Amendment.

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 bylaws prescribe. A shareholder may purchase shares in a credit union

Capital shares.
Shareholders.

and may also make deposits therein to an amount in the aggregate not exceeding five hundred dollars or twenty percent of the total shares and deposits of the credit union, whichever is greater. 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 the notices may be extended beyond such time limits with the written consent of the supervisor.

Notice of intention to withdraw.

Amendment.

SEC. 2. Section 31.12.160, RCW, as derived from section 10, chapter 131, Laws of 1943, is amended to read as follows:

Annual meetings.

Special meetings.

Notice of meetings.

Voting rights.

The annual meeting of the corporation shall be held at such time and place as the bylaws 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 voting members. 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. 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.

Amendment.

SEC. 3. Section 31.12.180, RCW, as derived from section 2, chapter 65, Laws of 1939, is amended to read as follows:

Election of officers.

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. 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. 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, which bond shall be filed with the supervisor.

SEC. 4. Section 31.12.190, RCW, as derived from section 12, chapter 131, Laws of 1943, is 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, 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 exceed four percent per year, 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. It shall make recommendations to the members relative to the need of amendments to the bylaws and other 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

Credit committee.

Bond required.

Amendment.

Directors' meetings.

Powers and duties. Members applications.

Interest rates.

Vacancies.

Recommendations.

Fix amount of holdings.

annual or semiannual 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 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 or any member of a committee for cause except members of the auditing committee. The board shall make a written report to the members at each annual meeting.

Amendment. SEC. 5. Section 31.12.200, RCW, as derived from section 13, chapter 131, Laws of 1943, is amended to read as follows:

Auditing committee; composition. An auditing committee shall be elected at the annual meeting of the credit union and shall hold office for not less than one year nor more than three years, as the bylaws shall provide, unless sooner removed as herein provided, or until their successors commence the performance of their duties. If the term is for more than one year, the auditing committee shall be divided into classes so that an equal number as nearly as may be shall be elected each year. If a member of the auditing committee ceases to be a member of the credit union, his office shall thereupon become vacant.

Duties. The auditing committee shall keep fully informed at all times as to the financial condition of the credit

union; examine carefully the cash and accounts monthly; certify the monthly statements submitted by the treasurer; make a thorough audit of the books, including income and expense, semiannually; report to the board its findings, together with its recommendations; under regulations prescribed by the supervisor, cause to be verified the passbooks of the credit union, according to such regulations; hold meetings at least once a month and keep records thereof; and make an annual report at the annual meeting.

Audit.

Report.

Verify
passbooks.Monthly
meetings.

By a unanimous vote the auditing committee may suspend an officer of the corporation or a member of the credit committee or of the board until the next members' 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. By a majority vote of the auditing committee it may call a special meeting of the members to consider any violation of this chapter or of the bylaws, 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.

Suspension
power.

Meetings.

Vacancies.

SEC. 6. Section 31.12.270, RCW, as derived from section 4, chapter 213, Laws of 1947, is amended to read as follows:

Amendment.

A credit union may make (1) personal loans to its members secured by the note of the borrower; (2) loans to its members secured by first mortgages of real estate or by the purchase of 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 (3) loans

Authorized
loans.

Limitation. 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 given preference. 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 two years from the date thereof: *Provided*,

Terms. That loans with satisfactory collateral security may be made payable within four years from the date thereof. Each endorser 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 he is a member of the credit union, and if he leaves the state, a new resident endorser shall be immediately provided or the loan shall be at once collectible.

Endorsers. SEC. 7. Section 31.12.280, RCW, as derived from section 23, chapter 173, Laws of 1933, is amended to read as follows:

Amendment. Loans to any one member shall not exceed three thousand five hundred dollars without the permission of the supervisor and shall be limited as follows:

Loan limitations. (1) To an amount not exceeding five hundred dollars, if secured by the unindorsed or unsecured note of the borrower;

(2) Loans in excess of five hundred dollars to a family community must be secured by collateral satisfactory to the credit committee.

Collateral pledged to secure a loan must have a market value at least ninety percent of the amount of the loan.

For the purposes of this section a valid assignment of wages may be accepted as satisfactory collateral for a loan but not in excess of two months salary of the borrower.

Cosigners may be accepted in lieu of collateral on any loan not exceeding one thousand dollars, provided that in the judgment of the credit committee each such cosigner is able to pay the loan.

SEC. 8. Section 31.12.290, RCW, as derived from section 4, chapter 213, Laws of 1947, is amended to read as follows: Amendment.

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: Limitations on loans secured by real estate mortgages or contracts.

(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: Restrictions on real estate secured loans.

(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. First mortgages.

(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. Contracts.

(3) The total amount which may be loaned on any one property or to any one family community borrower shall not exceed two and a half percent of the assets of the credit union, or seventy-five hundred Limitation on amount.

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 thirty months old and incidental out buildings, or if the loan is made for the construction or completion of such improvements, 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.

Taxes and assessments.

All taxes and assessments must be paid currently, and all such loans must be amortized by weekly, semimonthly or monthly payments, which payments shall be at the rate of not less than ten percent per year of the original principal.

Appraisals.

The real estate covered by any such mortgage or contract must be inspected and appraised by two appraisers each of whom 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.

Title insurance.

Amendment.

SEC. 9. Section 31.12.330, RCW, as derived from section 27, chapter 173, Laws of 1933, is amended to read as follows:

Expenses.

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 exceeds five percent of the average amount of the assets of the union during such year: *Provided*, That a credit union shall not thereby be limited in its expenditures to a sum less than five hundred dollars in any calendar year. No credit union shall pay any fee, commission, or other compensation, directly or indirectly, to a person for soliciting the purchase of or selling its shares of stock or for soliciting loans or deposits.

Limitation.

SEC. 10. Section 31.12.360, RCW, as derived from section 23, chapter 131, Laws of 1943, is amended to read as follows:

Amendment.

If an officer of a credit union is, in the opinion of the supervisor, dishonest, inefficient, incapable of doing his work, or wilfully disobeying orders of the supervisor, or is in any way violating this chapter or the bylaws of the credit union, he may be suspended by the supervisor. The supervisor shall give the board of the credit union prompt notice of such suspension and promptly upon receipt thereof the board shall call a meeting of its members to consider the matter forthwith and give the supervisor at least seven days' notice of the time and place of such meeting. If the board shall find the supervisor's objection to be well founded, it shall remove such director, officer or employee immediately. The supervisor shall be charged with the administration and enforcement of this chapter, shall require each credit union to conduct its business in compliance therewith, and shall have power to commence and prosecute actions and proceedings to enforce the provisions of this chapter, to enjoin violations thereof, and to collect sums due the state of Washington from any credit union.

Suspensions and removal.

Supervisor to administer and enforce.

Passed the Senate February 16, 1953.

Passed the House February 25, 1953.

Approved by the Governor March 3, 1953.