

CHAPTER 23.

[ S. B. 44. ]

CREDIT UNIONS.

AN ACT relating to credit unions; amending section 1, chapter 173, Laws of 1933 as last amended by section 1, chapter 131, Laws of 1943 and RCW 31.12.010, 31.12.020, and 31.12.030; amending section 15, chapter 173, Laws of 1933 as last amended by section 4, chapter 48, Laws of 1953, and RCW 31.12.100; amending section 17, chapter 173, Laws of 1933 as amended by Section 14, chapter 131, Laws of 1943, and RCW 31.12.210; amending section 21, chapter 173, Laws of 1933 as amended by section 17, chapter 131, Laws of 1943, and RCW 31.12.240; amending section 20, chapter 173, Laws of 1933 as amended by section 2, chapter 213, Laws of 1947, and RCW 31.12.260; amending section 23, chapter 173, Laws of 1933 as last amended by sections 6, 7 and 8, chapter 48, Laws of 1953, and RCW 31.12.270, 31.12.280 and 31.12.290.

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

Division and amendment.

SECTION 1. Section 1, chapter 173, Laws of 1933 as amended by section 1, chapter 131, Laws of 1943 (heretofore divided and codified as RCW 31.12.010, 31.12.020 and 31.12.030) is divided and amended as set forth in sections 2, 3 and 4 of this amendatory act.

RCW 31.12.010 amended. Definitions. "Supervisor."

SEC. 2. (RCW 31.12.010) as used in this chapter: "Supervisor" means the state supervisor of savings and loan associations;

"Credit union."

"Credit union" means a corporation organized under this chapter;

"Central credit union."

"Central credit union" means a corporation organized under this chapter or the Federal Credit Union Act to serve directors and committeemen of credit unions within this state, and to serve credit unions within this state;

"Board."

"Board" means the board of directors of a credit union.

RCW 31.12.020 enacted without amendment.

SEC. 3. (RCW 31.12.020) A credit union is a cooperative society incorporated for the twofold pur-

pose 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.

SEC. 4. (RCW 31.12.030) A corporation organized under this chapter shall include in its name the words "credit union," and other distinguishing words may be used. No person, partnership, or association and no corporation except one incorporated under this chapter shall receive payment on shares or deposits from its members, or loan such payment on shares or deposits in the manner provided hereby, or transact business under a name or title containing the words "credit union," without compliance with the provisions hereof. Exception is made of an organization incorporated and composed of corporations organized under this chapter or under federal laws. Nothing herein shall affect corporations organized under federal laws, nor shall this chapter repeal, amend, or affect laws relating to savings and loan associations.

RCW 31.12.030  
amended.

Use of words  
in name—  
Compliance  
required.

SEC. 5. Section 15, chapter 173, Laws of 1933 as last amended by section 4, chapter 48, Laws of 1953, and RCW 31.12.190 are each amended to read as follows:

RCW 31.12.190  
amended.

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, 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

Powers and  
duties of  
directors.

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 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, 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 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.

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RCW 31.12.210  
amended.

SEC. 6. Section 17, chapter 173, Laws of 1933 as amended by section 14, chapter 131, Laws of 1943, and RCW 31.12.210 are each amended to read as follows:

Compensation  
of directors  
and officers—

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. The treasurer elected by the board may receive such compensation as the board may authorize.

Loans to directors.

SEC. 7. Section 21, chapter 173, Laws of 1933 as amended by section 17, chapter 131, Laws of 1943, and RCW 31.12.240 are amended to read as follows:

RCW 31.12.240 amended.

The credit committee shall hold meetings at least once a month; act on all applications for loans; 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 recommendation thereon, except as provided in section 8 of this amendatory act.

Credit committee— Powers and duties.

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 the committee, approve such loan, except as provided in section 8 of this amendatory act. 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. 8. There is added to chapter 173, Laws of 1933 and to chapter 31.12 RCW a new section to read as follows:

New section.

The board of any credit union organized under this chapter whose assets are in excess of two hundred thousand dollars may appoint a loan officer 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 a loan officer: *Provided*, That the supervisor has given

Loan officer— Powers.

Proviso.

his prior approval thereto. Such loan officer may be authorized to approve only the following types of loans without the approval of the credit committee:

(1) Personal loans to an amount not exceeding five hundred dollars, on the unindorsed or unsecured note of the borrower;

(2) Personal loans in excess of five hundred dollars so long as that amount of the loan exceeding five hundred dollars is secured by the borrower's pledged shares in the credit union;

(3) Personal loans refinancing loans previously made where the new loan balance will not exceed the loan balance originally authorized and the actual indebtedness is not increased by more than five hundred dollars.

RCW 31.12.260  
amended.

SEC. 9. Section 20, chapter 173, Laws of 1933 as amended by section 2, chapter 213, Laws of 1947, and RCW 31.12.260 are each amended to read as follows:

Funds to be  
loaned; excess  
to be deposited  
or invested.

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 capital, deposits, or surplus funds in excess of the amount for which loans may be approved may, be deposited in banks or trust companies or in state or national banks located in this state, or invested in any bonds or securities or other investments which are at the time legal investments for savings and loan associations in this state, except first mortgage real estate loans, or in the shares of other credit unions or savings and loan associations organized under the laws of this state or the United States. 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. At least five percent of the total assets of a credit union shall

be carried as cash on hand or as balances due from banks and trust companies, or invested in the bonds or notes of the United States, or of any state, or subdivision thereof, which are legal investments for savings and loan associations. Whenever the aforesaid ratio falls below five percent, no further loans shall be made until the ratio has been re-established. Investments other than personal loans shall be made only with the approval of the board.

SEC. 10. Section 23, chapter 173, Laws of 1933 as last amended by sections 6, 7 and 8, chapter 48, Laws of 1953 (heretofore divided and codified as RCW 31.12.270, 31.12.280 and 31.12.290) is divided and amended as set forth in sections 11, 12 and 13 of this act.

Division and amendment.

SEC. 11. (RCW 31.12.270) 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 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 (3) 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.

RCW 31.12.270 amended.

Classes of loans—Preference—Term—Indorsers.

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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*, That loans with satisfactory security may be made payable within four years from the date thereof. Each endorser of a note given as security for a per-

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sonal 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.

RCW 31.12.280 amended. Limits and conditions of personal loans.

SEC. 12. (RCW 31.12.280) 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:

- (1) To an amount not exceeding five hundred dollars on the unindorsed or unsecured note of the borrower;
- (2) Loans to an individual or family community in excess of five hundred dollars must be adequately secured.

RCW 31.12.290 amended. Loans secured by real estate mortgages or contracts—Restrictions on.

SEC. 13. (RCW 31.12.290) 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.
- (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 seventy-five hundred 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 outbuildings, 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.

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.

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 in-

Real estate appraisal.

Title insurance.

urance covering at least the interest of the credit union.

Severability.

SEC. 14. If any provision of this 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 February 6, 1957.

Passed the House February 21, 1957.

Approved by the Governor March 1, 1957.

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CHAPTER 24.

[ S. B. 78. ]

MENTALLY ILL PERSONS—EXPENSES AND COSTS.

AN ACT relating to the commitment of mentally ill persons, and amending section 51, chapter 139, Laws of 1951 and RCW 71.02.230.

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

RCW 71.02.230 amended.

SECTION 1. Section 51, chapter 139, Laws of 1951 and RCW 71.02.230 are each amended to read as follows:

Expenses—  
By whom payable.

After a person has been found mentally ill under RCW 71.02.200, the court shall, after reasonable notice of the time, place and purpose of the hearing has been given to persons subject to liability under this section, inquire into the ability of the person's estate, or his spouse, parents or children, or any combination thereof, to pay the charges for transportation and hospitalization in a state hospital, detention pending proceedings, and court costs. If the court finds that the patient's estate or above named relatives, or combination thereof, are able to pay such charges or any part thereof, an order to such effect shall be entered. If the court finds that neither the patient's estate nor said relatives are able to pay the charge