

net necrosis associated with leaf roll, and/or more than one percent blackleg and/or more than three percent deep pitted scab and/or the general infection of light scab affecting ten percent or more of the tubers by weight and/or any other insect, pests or plant disease or plant diseases which may impair or endanger the production of Irish potatoes in this state.

NOTE: See also section 31, chapter 240, Laws of 1967.

Passed the House January 17, 1967.

Passed the Senate March 6, 1967.

Approved by the Governor March 21, 1967.

CHAPTER 180.

[Engrossed House Bill No. 6.]

SMALL LOAN AGENCIES—CREDIT UNIONS.

AN ACT relating to loan agencies; and amending section 17, chapter 208, Laws of 1941 as amended by section 9, chapter 212, Laws of 1959 and RCW 31.08.200; amending section 3, chapter 23, Laws of 1957 and RCW 31.12.020; amending section 3, chapter 173, Laws of 1933 as amended by section 3, chapter 131, Laws of 1943, and RCW 31.12.050; amending section 12, chapter 173, Laws of 1933 as last amended by section 2, chapter 48, Laws of 1953, and RCW 31.12.160; amending section 13, chapter 173, Laws of 1933 as amended by section 11, chapter 131, Laws of 1943, and RCW 31.12.170; amending section 14, chapter 173, Laws of 1933 as last amended by section 2, chapter 138, Laws of 1959, and RCW 31.12.180; amending section 15, chapter 173, Laws of 1933 as last amended by section 3, chapter 138, Laws of 1959, and RCW 31.12.190; amending section 18, chapter 173, Laws of 1933 as amended by section 15, chapter 131, Laws of 1943, and RCW 31.12.220; amending section 19, chapter 173, Laws of 1933 as amended by section 16, chapter 131, Laws of 1943, and RCW 31.12.230; amending section 8, chapter 23, Laws of 1957 as amended by section 5, chapter 138, Laws of 1959, and RCW 31.12.245; amending section 11, chapter 23, Laws of 1957 as amended by section 1, chapter 38, Laws of 1965 extraordinary session, and RCW 31.12.270; amending section 12, chapter 23, Laws of 1957 as last amended by

section 2, chapter 38, Laws of 1965 extraordinary session, and RCW 31.12.280; amending section 13, chapter 23, Laws of 1957 as amended by section 8, chapter 138, Laws of 1959, and RCW 31.12.290; amending section 27, chapter 173, Laws of 1933 as amended by section 9, chapter 48, Laws of 1953, and RCW 31.12.330; and amending section 31, chapter 173, Laws of 1933 as last amended by section 10, chapter 48, Laws of 1953 and RCW 31.12.360.

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

RCW 31.08.200 amended.

Section 1. Section 17, chapter 208, Laws of 1941 as amended by section 9, chapter 212, Laws of 1959 and RCW 31.08.200 are each amended to read as follows:

Small loan companies—
Interest rate controlled by chapter.

No person except as authorized by this chapter shall directly or indirectly charge, contract for, or receive any interest, discount, or consideration greater than the lender would be permitted by law to charge if he were not a licensee hereunder upon the loan, use, or forbearance of money, goods, or things in action, or upon the loan, use, or sale of credit of the amount or value of one thousand dollars or less.

The foregoing prohibition shall apply to any person who by any device, subterfuge, or pretense whatsoever shall charge, contract for, or receive greater interest, consideration, or charges than is authorized by this chapter for any such loan, use, or forbearance of money, goods, or things in action or for any such loan, use, or sale of credit.

Interest rates for small loans as described in RCW 31.08.160 are hereby declared to be the maximum rates permissible under the public policy of the state of Washington. With respect to any loan of the amount or value of one thousand dollars or less for which a greater rate of interest, consideration, or charges than is permitted by RCW 31.08.160 has been charged, contracted for, or received, the lender or his successor in interest shall not be entitled to

collect or receive in this state: (1) any principal, interest, consideration or charges whatsoever if any part of the loan transaction occurred in this state; or (2) any interest, consideration or charges in excess of that stated in RCW 31.08.160 if no part of the loan transaction occurred in this state.

Sec. 2. Section 3, chapter 23, Laws of 1957 and RCW 31.12.020 are each amended to read as follows:

RCW 31.12.020
amended.

A credit union is a cooperative society incorporated for the twofold 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
—Declaration
of policy.

Sec. 3. Section 3, chapter 173, Laws of 1933 as amended by section 3, chapter 131, Laws of 1943, and RCW 31.12.050 are each amended to read as follows:

RCW 31.12.050
amended.

A credit union shall be organized in the following manner:

Credit unions
—Manner of
organizing—
Articles, ap-
proval, filing
—Appeal—
Forms.

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

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 five 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.

Credit unions
—Manner of
organizing—
Articles, ap-
proval, filing
—Appeal—
Forms.

When articles of incorporation complying with the foregoing requirements, together with duplicate copies of such bylaws, have been filed with the supervisor, he shall ascertain whether such articles of incorporation and bylaws of such credit union are consistent with the purposes of this chapter 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 chapter, 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 chapter. After the supervisor shall have satisfied himself of the above facts, and within thirty days after receipt of such certificates and bylaws, 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 bylaws 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 bylaws of the incorporators. The incorporators shall file one of the quadruplicate copies with the county auditor of the county in which such credit union is to be located, with a filing fee of twenty-five cents.

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 chapter, 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 bylaws to be prepared consistent with the provisions of this chapter, 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 bylaws.

RCW 31.12.160
amended.

Sec. 4. Section 12, chapter 173, Laws of 1933 as last amended by section 2, chapter 48, Laws of 1953, and RCW 31.12.160 are each amended to read as follows:

Credit unions
—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 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. 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.

RCW 31.12.170
amended.

Sec. 5. Section 13, chapter 173, Laws of 1933 as amended by section 11, chapter 131, Laws of 1943, and RCW 31.12.170 are each amended to read as follows:

Directors—
Qualifications
—Numbers—
Election—
Terms.

The business and affairs of a credit union shall be managed by a board of not less than five 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 bylaws 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.

Sec. 6. Section 14, chapter 173, Laws of 1933 as last amended by section 2, chapter 138, Laws of 1959, and RCW 31.12.180 are each amended to read as follows:

RCW 31.12.180
amended.

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. 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.

Officers—
Bonds.

RCW 31.12.190
amended.

Sec. 7. Section 15, chapter 173, Laws of 1933 as last amended by section 3, chapter 138, Laws of 1959, and RCW 31.12.190 are each amended to read as follows:

Credit unions
—Powers and
duties of
directors.

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 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, 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, 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. 8. Section 18, chapter 173, Laws of 1933 as amended by section 15, chapter 131, Laws of 1943, and RCW 31.12.220 are each amended to read as follows:

RCW 31.12.220
amended.

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 and investments 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 next 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 for each member. The guaranty fund and the investments thereof shall be held to meet contingencies or losses in the business of the

Guaranty
fund.

credit union, and shall not be distributed to its members, except in case of dissolution.

RCW 31.12.230
amended.

Sec. 9. Section 19, chapter 173, Laws of 1933 as amended by section 16, chapter 131, Laws of 1943, and RCW 31.12.230 are each amended to read as follows:

Credit unions
—Reserve
fund.

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.

RCW 31.12.245
amended.

Sec. 10. Section 8, chapter 23, Laws of 1957 as amended by section 5, chapter 138, Laws of 1959, and RCW 31.12.245 are each amended to read as follows:

Loan officers—
Powers.

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. Such loan officers may be authorized to approve individually only the following types of loans without the approval of the credit committee:

(1) Personal loans to an amount not exceeding one thousand dollars, on the unendorsed or unsecured note of the borrower, and personal loans not exceeding one thousand five hundred dollars which are adequately secured in the judgment of a loan officer;

(2) Personal loans in excess of one thousand dollars so long as that amount of the loan exceeding one thousand 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 one thousand dollars.

Sec. 11. Section 11, chapter 23, Laws of 1957 as amended by section 1, chapter 38, Laws of 1965 extraordinary session, and RCW 31.12.270 are each amended to read as follows:

RCW 31.12.270 amended.

A credit union may make

Credit unions
—Classes of
loans—
Preference—
Term—
Endorsers.

(1) Personal loans to its members secured by the note of the borrower;

(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, 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

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 —Classes of
 loans—
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 Term—
 Endorsers.

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 two years from the date thereof: *Provided*, That loans with satisfactory security may be made payable within five 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.

RCW 31.12.280
 amended.

Sec. 12. Section 12, chapter 23, Laws of 1957 as last amended by section 2, chapter 38, Laws of 1965 extraordinary session, and RCW 31.12.280 are each amended to read as follows:

Limits and
 conditions of
 personal loans.

Loans to any one member shall not exceed six thousand dollars without the permission of the supervisor and shall be limited as follows:

(1) To an amount not exceeding one thousand dollars on the unendorsed or unsecured note of the borrower;

(2) Loans to an individual or family community in excess of one thousand dollars must be adequately secured.

RCW 31.12.290
 amended.

Sec. 13. Section 13, chapter 23, Laws of 1957 as amended by section 8, chapter 138, Laws of 1959, 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 incident-

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—Loans secured by real estate mortgages or contracts.

Credit unions
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cured by real
estate
mortgages or
contracts.

tal 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.

All taxes and assessments must be paid currently, and all such loans must be amortized within a maximum period of twenty years by weekly, semi-monthly 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 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.

RCW 31.12.330
amended.

Sec. 14. Section 27, chapter 173, Laws of 1933 as amended by section 9, chapter 48, Laws of 1953, and RCW 31.12.330 are each amended to read as follows:

Expenses,
limitation on.

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 six 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.

Sec. 15. Section 31, chapter 173, Laws of 1933 as last amended by section 10, chapter 48, Laws of 1953, and RCW 31.12.360 are each amended to read as follows:

RCW 31.12.360
amended.

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. In the event that the board of the credit union shall fail to remove such director, officer or employee, the supervisor may petition the superior court of the county wherein the principal office of the credit union is located, setting forth the reasons why such person should be removed. Such petition shall be answered by the credit union as in civil actions. Such cause shall be heard by the court de novo without the intervention of a jury and upon such hearing the

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superior court shall enter its decision as to whether such person shall remain in or be removed from his position. The court shall make and enter specific findings of fact and conclusions of law and its decision shall be reviewable by the supreme court. 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.

Severability.

Sec. 16. 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.

Application.

Sec. 17. The provisions of this 1967 amendatory act shall not apply to transactions entered into prior to the effective date hereof.

Passed the House March 8, 1967.

Passed the Senate March 8, 1967.

Approved by the Governor March 21, 1967.