

No. 100

AN ACT

HB 1591

Amending the act of September 20, 1961 (P.L. 1548, No. 658), entitled "An act to provide for the organization, incorporation, operation and supervision of cooperative savings and credit associations, to be termed credit unions; designating such credit unions as corporations and defining their powers and duties; conferring certain powers and duties on the Department of Banking; and providing penalties," further providing for the reports and examinations required of them and the duties thereof concerning reserves.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Sections 7 and 22, act of September 20, 1961 (P.L. 1548, No. 658), known as the "Credit Union Act," section 7 partially repealed June 7, 1971 (P.L. 118, No. 6), are amended to read:

Section 7. Reports and Examination.—Credit unions shall be under the supervision of the Department of Banking of the Commonwealth. The Department of Banking is hereby authorized and empowered to issue general rules and regulations and specific orders for the protection of members of credit unions for insuring the conduct of the business of credit unions on a safe and sound basis and for the effective enforcement of this act. Credit unions shall report to the Department of Banking as often as may be required by it and at least annually on blanks supplied by the department for that purpose. Supplementary reports may be required by the department from time to time. Credit unions shall be examined as often as may be required by the department and at least annually, and the department may use such other methods of assuring itself of the condition of the credit unions as it shall deem advisable. The cost of all such examinations and inspections shall be paid by the credit union. A credit union shall also pay annually its proportionate share of the overhead expense of the Department of Banking determined by general rule or regulation of the department. For failure to file reports when due, unless excused for cause, a credit union shall pay to the Department of Banking five dollars (\$5) for each day of its delinquency.

If the department determines that a credit union (i) is violating any of the provisions of this act or any rule or regulation of the department issued under and within the authority of this act, (ii) is conducting its business in an unsafe manner, (iii) is in an unsafe and unsound condition to transact its business, or (iv) is insolvent, the department may serve written notice of its intention to take possession of the credit union. If the condition continues for a period of fifteen days after the giving of such notice, the department may, in its discretion, take possession of the business and property of the credit union and retain possession until

such time as the condition predicated such action is remedied or until the affairs of the credit union are finally liquidated. The department may take similar action if any report is not filed within a period of fifteen days after it is due.

Any person aggrieved by the action of the Department of Banking in taking possession of a credit union may, appeal to the [Dauphin County] *Commonwealth* Court whereupon the matter shall be set down for hearing de novo.

Whenever the shares of a credit union are insured by the National Credit Union Share Insurance Fund, the Department of Banking is authorized to furnish to the Administrator of the National Credit Union Administration any reports of examination made by the Department of Banking under this section.

Section 22. Reserves.—All entrance fees collected and twenty per centum of the [annual] net earnings *at the close of each dividend period before the declaration of any dividends*, shall be set aside as a *regular* reserve fund. When the *regular* reserve fund equals [ten] *seven* per centum of the capital of the credit union or [ten] *seven* per centum of the total amount outstanding in loans to members, whichever is larger, the credit union may, with written approval of the Department of Banking, [reduce the amount annually set aside from net earnings to ten per centum. When the reserve fund equals twenty per centum of the capital or twenty per centum of the amount outstanding in loans to members, whichever is larger, the credit union may, with written approval of the Department of Banking, discontinue increasing the reserve fund.] *discontinue the transfer of net earnings to such regular reserve except that such amounts not in excess of twenty per centum of net earnings as may be needed to maintain this seven per centum ratio shall be continued to be transferred.* The *regular* reserve fund thus established shall not be loaned out to members and shall be deposited in a bank account or invested in such investments as are authorized by section 5B clause (7) of this act. The *regular* reserve fund shall belong to the credit union and shall not be distributed except in case of liquidation. The board of directors shall decide the loans which are to be charged off against the *regular* reserve fund: Provided, That the Department of Banking may at the time of examination of a credit union recommend for charge-off such loans which in its opinion are unsound, which loans shall be charged against the *regular* reserve fund within sixty days of the receipt of such recommendation from the Department of Banking. Any amount received from the repayment of a loan after it has been charged off against the *regular* reserve fund shall be credited back to said fund.

In addition to the regular reserve, special reserves to protect the interest of members shall be established when required (1) by regulation, or (2) in any special case, when found by the Department of Banking to be necessary for that purpose.

The directors are authorized, after the required reserve has been provided for, to make additional transfers from undivided profits to a contingent reserve for other anticipated losses and expenses: Provided, That the members at the annual meeting may retransfer any part or all of such contingent reserve to the undivided profit account.

APPROVED—The 31st day of May, A. D. 1974.

MILTON J. SHAPP

The foregoing is a true and correct copy of Act of the General Assembly No. 100.

A handwritten signature in black ink, reading "C. McLaughlin Tucker". The signature is written in a cursive style with a large initial "C" and "T".

Secretary of the Commonwealth.