

No. 1978-88

## AN ACT

HB 1659

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," granting additional powers to credit unions; authorizing the department to allow certain additional activities, further providing for the election and appointment of certain officials and committees; increasing the limits on maximum borrowing and changing certain restrictions.

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

Section 1. Clauses (5) and (6) of subsection B. of section 5, act of September 20, 1961 (P.L.1548, No.658), known as the "Credit Union Act," are amended and clauses are added to read:

Section 5. Powers.—\* \* \*

B. A credit union shall have the following special powers:

\* \* \*

(5) To make loans to [other] credit unions [or Federal credit unions located within this Commonwealth] *organized under the laws of this Commonwealth or under the laws of any state or under the laws of the United States*: Provided, That the [term of such loans shall not exceed one year and the] aggregate amount outstanding on all such loans shall not exceed [ten] *twenty-five* per centum of the [paid-in] *unimpaired* capital of the lending credit union.

(6) To deposit its funds in *insured* State banks, bank and trust companies, savings banks, [or] national banking associations, [located in the Commonwealth of Pennsylvania] *savings associations, Federal saving and loan associations and central-type credit union organizations.*

\* \* \*

*(12) To act as an issuing agent of the United States Treasury for the sale, issuance and redemption of United States Savings Bonds to its members.*

*(13) To invest its funds in shares and become members of any insured central-type credit union organized under the laws of the United States or under the laws of the Commonwealth of Pennsylvania to the extent of which the withdrawal or repurchase value of such shares is insured by the National Credit Union Administration.*

Section 2. Section 10 of the act, amended December 14, 1967 (P.L.735, No.343), is amended to read:

Section 10. Elections.—At the organization meeting and at all subsequent annual meetings, the credit union shall elect a board of directors of not less than five members, a credit committee of not less than

three members, and a supervisory committee of not less than three nor more than five members, all to hold office for such terms respectively, as the bylaws provide and until successors are duly qualified. A member shall not serve on more than one of the committees. Not more than one member of the board, who shall not be the treasurer or an assistant treasurer, may serve as a member of the **[supervisory committee or of the]** credit committee. *A member of the board of directors, treasurer or an assistant treasurer may not serve on the supervisory committee.* A statement in writing of the names and addresses of the members of the board and the committees and the officers shall be filed with the Department of Banking within ten days after their election and qualification. For failure to file such statements when due, unless excused for cause, the credit union shall pay to the Department of Banking five dollars (\$5) for each day of its delinquency.

Section 3. The introductory paragraph of subsection A. of section 12 of the act is amended and a subsection is added to read:

Section 12. Directors and Officers.—A. At **[the first meeting,]** *their organizational meeting and within thirty days following each annual meeting of the members,* the directors shall elect from their own number a president, one or more vice presidents, a treasurer, **[and]** a secretary *and may elect a chairman of the board.* The same individual may be both treasurer and secretary. The directors may appoint one or more assistant treasurers. The directors may appoint a membership officer from among the members of the credit union, other than the treasurer, an assistant treasurer, or a loan officer. *The directors may employ an officer in charge of operations whose title shall be general manager or executive vice president. The officer in charge shall be under the direction and control of the board or of the treasurer, as determined by the board of directors. The membership officer or the officer in charge shall have the authority to approve applications for membership under such conditions as the directors may prescribe; except that such membership officer or officer in charge so authorized shall submit to the directors 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 directors shall have general management of the affairs of the credit union and are specifically required:*

\* \* \*

*C. The directors may appoint from their own number an executive committee of not less than three directors, who may be authorized to act for the board in all respects, subject to such conditions and limitations as prescribed by the board.*

Section 4. Section 13 of the act, amended December 14, 1967 (P.L.733, No.342), is amended to read:

Section 13. Credit Committee.—The credit committee shall have the supervision of all loans to members other than mortgage loans and loans to other credit unions and Federal credit unions. Applications for loans shall

be in writing on a form prepared for that purpose by the credit committee, and all applications shall set forth the purpose for which the loan is desired, the security, if any, offered, and such other data as may be required. Within the meaning of this section, a pledge of shares in the credit union or the endorsement of a note may be deemed security. At least a majority of the members of the credit committee shall pass on all loans, and no loan shall be approved unless it is approved unanimously by the members of the credit committee present: Provided, That the credit committee may appoint one or more loan officers, and delegate to [him or them] *such person* the power to approve [unsecured] loans, [up to seven hundred fifty dollars (\$750) or lesser amount established by the board of directors for this purpose, and in excess of such limit if such excess is fully secured by unpledged shares.] *share withdrawals, releases and substitutions of security, within limits specified by the committee.* Each loan officer shall furnish to the credit committee a record of each loan approved or not approved by [him] *such person* within seven days of the date of the filing of the application therefor. 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] *such individual in their* capacity as loan officer. Not more than one member of the credit committee may be appointed as loan officer. The credit committee shall meet as often as may be necessary after due notice to each member.

Section 5. Clauses (a), (b) and (e) of section 14 of the act are amended to read:

Section 14. Supervisory Committee.—The duties of the supervisory committee shall be as follows:

(a) To make *at least an annual* examination of the affairs of the credit union [at least quarterly, including an audit of its books, and, in the event, the committee feels such action to be necessary, it shall call the members of the credit union together thereafter and submit its report to them]. *The committee shall submit a report to the board of directors and to the members at the next annual meeting of the credit union.*

[(b) To make an annual audit and report and submit it at the annual meeting of the members of the credit union.]

\* \* \*

(e) Whenever the supervisory committee fails to make the examinations, *or* reports [and audits,] as provided in [clauses (a) and (b)] *clause (a)* of this section, the board of directors shall remove from office the members of the supervisory committee and appoint a new committee to make such examinations [and audits], or the board may employ the services of a public accountant to make such examinations [and audits]. The charges for the services of such public accountants shall be paid by the credit union. If the board of directors under such circumstances fails or refuses to act, the Department of Banking may remove the members of the supervisory committee and issue an order on the board of directors

requiring such examinations [and audits] to be made by a public accountant at the expense of the credit union.

Section 6. Subsection C. of section 16 of the act is amended and a subsection is added to read:

Section 16. Joint Accounts.—\* \* \*

C. [This section shall not be construed to affect share accounts in the names of a husband and his wife.] *The co-owner of a joint account may, with consent of the credit union, give said credit union written notice not to honor any or all requests for withdrawal of shares of any other co-owner of the joint account.*

D. *This section, excepting subsection C. shall not be construed to affect share accounts in the names of a husband and his wife.*

Section 7. Section 21 of the act, amended May 31, 1974 (P.L.315, No.101), is amended to read:

Section 21. Loans.—A credit union may make loans to its members only. Loans must be for a purpose deemed by the credit committee to be provident or for productive purposes, and must be made subject to the conditions contained in the bylaws. A borrower may repay his loan, in whole or in part, any day the office of the credit union is open for business. A director, officer, or member of any committee may only borrow from the credit union in which he holds office, an amount not exceeding the unsecured loan limit or twenty-five hundred dollars (\$2,500), whichever is less, plus the member's shareholdings or the unpledged and free shares of another member of this credit union pledged as security for such loan. **[In no case shall the loan exceed five thousand dollars (\$5,000).]** He/she shall have the same mortgage borrowing privilege as defined in section 5B clause (4). No director, officer, or member of any committee may endorse a loan granted by the credit union in which he holds office.

Section 8. Section 30 of the act is amended to read:

Section 30. Restrictions.—It shall be unlawful hereafter for any person, association, copartnership, or corporation, except corporations organized in accordance with the provisions of this act, to assume and use the words "credit union" in their name or title, or to operate in the manner of a credit union. Any person, copartnership, or corporation violating the provisions of this section *by using a name or title containing the words "credit union" or any other derivation thereof or representing themselves in their advertising or otherwise conducting business as a credit union, with the exception of a credit union organized under the provisions of this act or the Federal Credit Union Act (12 U.S.C. § 1751 et seq.) or an association of credit unions*, shall be guilty of a misdemeanor, and shall be punishable by a fine which shall not be less than ten dollars (\$10) nor more than one thousand dollars (\$1000), or by imprisonment for a period which shall not be less than three months nor more than two years, or both, in the discretion of the court. The officers of a corporation shall be liable to such punishment if the offense is committed by a corporation.

Section 9. This act shall take effect immediately.

APPROVED—The 23rd day of June, A. D. 1978.

MILTON J. SHAPP