

No. 1984-135

## AN ACT

HB 1939

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 defining alternative sources of share insurance.

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

Section 1. Section 3 C of the act of September 20, 1961 (P.L.1548, No.658), known as the Credit Union Act, amended October 5, 1978 (P.L.1096, No.256), is amended to read:

Section 3. Method of Incorporation.—\* \* \*

C. The articles of incorporation and two copies of the proposed bylaws for the general governance of the credit union shall be presented to the Department of Banking, together with such reasonable fees as shall be established, by the department, for such examination and such investigation as it may deem necessary to ascertain:

(1) Whether the character and general fitness of the incorporators, directors, and the treasurer named in the articles of incorporation is satisfactory.

(2) Whether the character and number of the group proposed to be served affords reasonable promise of sufficient support for the enterprise so as to make the establishment of the proposed credit union economically advisable.

(3) Whether the incorporators, directors and group proposed to be served have a common bond of association as provided in section 6 of this act.

(4) Whether the proposed credit union unduly encroaches upon the field of membership of any other credit union.

(5) Whether the application is in proper form and within the purpose of this act.

(6) Whether the savings of members paid for shares will be insured by the National Credit Union Administration or other share insurance fund approved by the Department of Banking. *Nonprofit corporations created by specific legislation of any state to insure share accounts or depository accounts of credit unions shall not be subject to regulation by the Department of Insurance or to the laws of the Commonwealth concerning insurance.*

Within sixty days after receipt of the articles, the Department of Banking shall, upon the basis of the facts disclosed by the application and its investigation, either approve or disapprove the articles.

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Section 2. Section 19 of the act, amended December 14, 1982 (P.L.1240, No.283), is amended to read:

Section 19. Rates and Fines.—*A.* Interest rates on loans made by a credit union to its members shall not exceed fifteen per centum per annum, when calculated on the unpaid principal balances. Before any credit union shall charge any higher rate authorized hereunder, it shall obtain approval for such higher rate from at least two-thirds of the credit union's board of directors and such higher approved rate shall then apply only to loans made by the credit union thereafter. Members shall be notified in writing of the board of directors' action not later than the next regular mailing of the member's account statement, which is at least twenty days subsequent to the board's action. Interest shall be computed for the actual number of days which have elapsed at the time of payment. No other charges or fines shall be collected other than fees to public officials and reasonable fees of attorneys and outside collectors or outside collection agencies, provided the aggregate of such fees does not exceed twenty per centum of the outstanding loan balance. However, on loans secured by mortgages on real estate, a credit union may also collect late payment charges not in excess of four per centum of the principal and interest due on any installment payment that is more than fifteen days delinquent. The taking, receiving, reserving, or charging interest greater than allowed by this section shall be deemed a forfeiture of the entire interest on the loan, except when such overcharge is the result of a clerical error in computation. In case an interest greater than that which is allowed by this section has been paid, the borrower may within six months after payment recover from the credit union the entire amount of interest paid, except when such overcharge is the result of a clerical error in computation in which case only the excess interest paid may be recovered.

*B.* *A credit union insured by a share insurance fund other than the National Credit Union Share Insurance Fund may make any loan authorized by this act, at such interest, finance charge, rate and terms as a credit union insured by the National Credit Union Share Insurance Fund, except that the authority permitted under this subsection shall not apply to the extension of credit for the purchase of goods and services through the issuance and use of credit cards.*

Section 3. This act shall take effect immediately.

APPROVED—The 6th day of July, A. D. 1984.

DICK THORNBURGH