

the Department of Welfare; and providing penalties," by increasing the license fee to be collected by the Department of Welfare.

Private nursing homes and hospitals.

Section 4, act of June 12, 1931 (P. L. 510), amended.

Issuance of license.

License fee and disposition thereof.

Expiration, form and renewal of license.

When effective.

Section 1. Be it enacted, &c., That section four of the act, approved the twelfth day of June, one thousand nine hundred and thirty-one (Pamphlet Laws, five hundred ten), entitled "An act providing for the licensure and regulation of certain private nursing homes and private hospitals; conferring certain powers and duties upon the Department of Welfare; and providing penalties," is hereby amended to read as follows:

Section 4. The Department of Welfare shall, when satisfied that the applicant or applicants for such license are proper and responsible persons, that the place sought to be used as a private nursing home or hospital is a suitable place for such purpose and is properly equipped therefor, and when all the requirements of this act and the rules and regulations of the department have been complied with, issue a license to the applicant upon the payment of a license fee of [ten dollars (\$10.00)] *fifteen dollars (\$15.00)*, which shall be paid into the State Treasury through the Department of Revenue.

All licenses issued by the department under this act shall expire one year next following the day on which issued, shall be on a form prescribed by the department, shall not be transferable, shall be issued only for the premises named in the application, shall be posted in a conspicuous place on the applicant's premises, and may be renewed, from year to year, upon application, investigation, and payment of license fee as in the procurement of an original license.

Section 2. This act shall become effective upon the date of its final enactment.

APPROVED—The 26th day of May, A. D. 1933.

GIFFORD PINCHOT

No. 260

AN ACT

To provide for the organization, incorporation, operation, and supervision of coöperative 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.

Credit unions.

Section 1. Be it enacted, &c., That—Definition.—The term "credit union," as used in this act, shall be a coöperative society, in the nature of a corporate entity, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them, at legitimate rates of interest, for provident purposes.

Section 2. Method of Incorporation.—A credit union may be incorporated in the following manner, to wit:

A. The article of association of an intended credit union must be subscribed to by seven citizens of this Commonwealth, and shall set forth—

I. The name of the proposed credit union, which shall contain the words "credit union."

II. The class of services to be performed by the credit union, which services shall be within the scope of activities of such associations as set forth in this act.

III. The principal place where its business is to be transacted, which shall be within this Commonwealth.

IV. The term for which it is to exist.

V. The amount of its capital stock and the number and par value of shares into which it is divided, which par value shall not exceed ten (\$10) dollars for each share, the names and post office addresses of the subscribers, and the number of shares subscribed by each.

VI. The number of its directors for the first year, not less than five, the name and residences of those who are chosen for directors for the first year, and the name and residence of the treasurer.

VII. The common bond of membership, whether of occupation, association, or residence within a well defined neighborhood, community, or rural district.

VIII. Any other provisions not inconsistent with law which the proposed credit union may see fit to adopt governing the regulation and conduct of its affairs.

B. Notice of the intention to apply for any such charter shall be inserted in one newspaper of general circulation printed in the county where the principal place of business is situated for one insertion, setting forth briefly the character and purpose of said corporation and the kind of service to be performed by it; such advertisement shall be published at least three days prior to the day fixed in the advertisement for the presentation of the application to the Governor.

C. The articles of association shall be acknowledged by not less than five of the subscribers thereto before any officer authorized to take acknowledgments and administer oaths and affirmations in this Commonwealth, and they shall also make and subscribe an oath or affirmation, before said officer, that the statements contained therein are true.

D. Said articles of association, accompanied with proof of publication of the notice hereinbefore provided to be given, a copy of the proposed by-laws for the general governance of the credit union, and a certificate of approval by the Department of Banking of this Commonwealth to such application and proposed by-laws, shall then be presented to the Governor of this Commonwealth, who shall examine the same, and, if he finds it in proper form and within the purpose mentioned in this act, he shall indorse his approval thereon and direct

letters patent to issue in form similar to those issued to corporations of the second class in this Commonwealth, which letters patent shall incorporate the subscribers and their associates and successors into a body politic and corporate, in deed and in law, by the name chosen. Said articles of association shall be recorded in the office of the Secretary of the Commonwealth in a book to be by him kept for the purpose.

E. The original articles of association, together with all indorsements, shall be recorded in the office of the recorder of deeds in and for the county where the principal place of business is situate. From thenceforth the subscribers thereto, their associates and successors, shall be a body politic and corporate for the purposes and upon the terms named in the said article of association. Certified copies of the records thereof shall be competent evidence for all purposes in the courts of this Commonwealth.

Section 3. Powers.—Each credit association so formed under the provisions of this act, and when so formed by virtue of its existence as such, shall have the following powers:

I. To have succession for the period limited in its articles of association, and, when no period is limited thereby, to exist perpetually, subject to the power of the General Assembly, under the Constitution of the Commonwealth, and unless sooner dissolved by operation of law or under the provisions of this act.

II. To maintain and defend judicial proceedings by the name specified in the articles of association.

III. To adopt and use a common seal, and alter the same at pleasure.

IV. To receive the savings of its members as payments on shares.

V. To make loans to members for provident or productive purposes.

VI. To make loans to such coöperative society or societies, or other organization or organizations having membership in the credit union, as are organized under the laws of this Commonwealth.

VII. To deposit its funds in State banks or trust companies or in National banks in this Commonwealth, and, to an extent which shall not exceed twenty-five per centum of its capital, invest its funds in the following: (a) First mortgages of real estate located in this Commonwealth, the terms of which call for amortization by the payment, from time to time, of installments in reduction of principal; (b) the paid up shares of such building and loan associations and such other credit unions as are organized under the laws of this Commonwealth.

VIII. To invest its funds in any investment that is legal for savings banks or for the investment of trust funds under the laws of the Commonwealth.

IX. To borrow money as hereinafter indicated.

X. To make, amend, and alter by-laws, not inconsistent with law, for the regulation of its affairs and the conduct and management of the credit union. By-laws so made, amended, or altered shall not become operative, however, until approved by the Department of Banking.

XI. To hold, purchase, and transfer such real and personal property as the purposes of the credit union require.

Section 4. Membership.—Credit union membership shall consist of the incorporators and such other persons as may be elected from time to time to membership and who subscribe to at least one share of the capital stock and pay the initial installment thereon, together with the entrance fee. Organizations incorporated or otherwise composed principally of the same general group as the credit union membership may be members. Credit union organizations shall be limited to groups of both large and small membership having a common bond of occupation, or to groups within a well defined neighborhood, community, or rural district.

Section 5. Reports and Examinations.—Credit unions shall be under the supervision of the Department of Banking of the Commonwealth, and shall report to it as often as may be required by the Secretary of Banking, and at least annually, on blanks supplied by the said department for that purpose. Supplementary reports may be required by the secretary from time to time. Credit unions shall be examined as often as may be required by the Secretary of Banking, and at least annually, and the department may use such other method 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, except that no charge shall be made for any examination by the department made during the first six months of operation of a credit union. A credit union shall also pay annually its proportionate share of the overhead expense of the said Department of Banking, determined in the same way and manner as may be provided from time to time for banks or trust companies operating under the supervision 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 (\$5.00) for each day of its delinquency. If the department determines that the credit union is violating any of the provisions of this act, or is insolvent, the department may serve notice on the credit union of its intention to revoke its certificate of approval; and if such violation continues, or such insolvency continues, for a period of fifteen days after the mailing of such notice, the department may revoke the certificate and take possession of the business and property of the credit union and retain possession until such time as it shall comply

with the requirements of this act or until its affairs 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.

Section 6. Fiscal Year; Meetings.—The fiscal year of all credit unions shall end December thirty-first of each year. Special meetings may be held in the manner indicated in the by-laws. At all meetings a member shall have but a single vote no matter what his share holdings may be. To amend the by-laws, the proposed amendment must be contained in the call for the meeting, and it must be approved by three-fourths of the members then present and shall be acted upon only in the event that a quorum of the members are present as provided in the by-laws. The proposed amendment shall not take effect until approved by the Department of Banking. There shall be no voting by proxy. A member, other than a natural person, shall cast its single vote through an agent duly delegated and appointed as agent in writing.

Section 7. Elections.—The organization meeting shall be the first annual meeting. At the annual meeting, 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 three members, all to hold office for such terms, respectively, as the by-laws provide and until successors are duly qualified. No director shall be a member of either of the committees, nor shall a member serve on more than one of the committees. 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 (\$5.00) for each day of its delinquency.

Section 8. Directors and Officers.—A. At the first meeting, the directors shall elect from their own number a president, a vice-president, a treasurer, and a clerk. The same individual may be both treasurer and clerk. The directors shall have general management of the affairs of the credit union, and are specifically required—

- (a) To act on applications for membership;
- (b) To determine interest rates on loans;
- (c) To fix the amount of the surety bond which shall be required of all officers and employes handling money;
- (d) To declare dividends; and to transmit, or cause to be transmitted, to the members all proposed amendments to the by-laws;
- (e) To fill vacancies in the board and in the credit committee until successors are duly chosen and qualified:

(f) To determine the maximum individual share holdings, and the maximum individual loan which can be made with or without security; and

(g) To have charge of investments, other than loans to members.

B. Duties of the officers shall be as determined in the by-laws. No member of the board or of either committee shall, as such, be compensated.

Section 9. Credit Committee.—The credit committee shall have the supervision of all loans to members. 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, an assignment of shares in the credit union or the indorsement 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. The credit committee shall meet as often as may be necessary, after due notice to each member.

Section 10. Supervisory Committee.—The duties of the supervisory committee shall be as follows:

(a) To make an 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.

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

(c) By unanimous vote, if it deems such action to be necessary to the proper conduct of the affairs of the credit union, to suspend any officer, director, or member of any committee, other than the supervisory committee. In such event the committee shall call the members of the union together within seven days of the suspension to act on such suspension. The members at the meeting called for this purpose may sustain such suspension and remove such officer permanently, or may reinstate such officer.

(d) By majority vote, the supervisory committee may call a special meeting of the members to consider any matter submitted to it by the committee. The committee shall fill vacancies in its own membership.

Section 11. Capital.—The capital of the credit union shall consist of the payments that have been made to it by the several members thereof on shares. The credit union shall have a lien on the shares of a member for any sum due to the credit union from such member or for any loan indorsed by him. A credit union may charge an entrance fee of such an amount as may be

provided by the by-laws, which entrance fee shall in no event exceed the sum of one dollar (\$1.00).

Section 12. Minors.—Shares may be issued and payments on subscribed shares received in the name of a minor, or in trust for a minor, in such manner as the by-laws may provide.

Section 13. Rates and Fines.—Interest rates on loans made by a credit union to its members shall not exceed six per centum (6%) per annum, discounted on loans repayable in equal installments over one year, except that, in addition, for failure to pay an installment or installments on a loan when due, or to make payments on subscribed shares when due, a fine may be charged which shall in no case exceed one-fourth of one per centum ( $\frac{1}{4}$  of 1%) for each week of delinquency on the amount in arrears, except that a minimum fine of five cents may be charged.

Section 14. Power to Borrow.—A credit union may borrow from any source a sum not exceeding fifty per centum (50%) of its assets.

Section 15. 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 by-laws. A borrower may repay his loan, in whole or in part, any day the office of the credit union is open for business. No director, officer, or member of any committee may borrow from the credit union in which he holds office, nor may he indorse for borrowers.

Section 16. Reserves.—All entrance fees, fines, which may be provided for in the by-laws for failure to make repayments on loans and payments on shares when due, and, each year before the declaration of a dividend, twenty per centum (20%) of the net earnings, shall be set aside as a reserve fund, which shall be kept liquid and intact and not loaned out to members. The reserve fund thus created shall belong to the credit union and shall be used as a reserve against bad loans and shall not be distributed except in case of liquidation. Any amount received from the repayment of a loan after it has been charged off against the reserve fund shall be credited back to said fund.

Section 17. Dividends.—On recommendations of the directors, a credit union may, at the end of the fiscal year, declare a dividend from net earnings, which dividend shall be paid on all shares outstanding at the end of the fiscal year. Shares which become fully paid up during the year shall be entitled to a proportional part of such dividend, calculated from the first day of the month following such payment in full.

Section 18. Expulsion and Withdrawal.—A member may be expelled by a two-thirds' vote of the members present at a regular or a special meeting called to con-

sider the matter, but only after a hearing after due notice to the member of the time and place of the meeting and of the reason or reasons for such proposed expulsion. Any member may withdraw from the credit union at any time, but notice of withdrawal may be required. All amounts paid on shares of an expelled or withdrawing member, with any dividends accredited thereto to the date thereof, shall, as funds become available, and after deducting all amounts due from the member to the credit union, be paid to him. The credit union may require sixty days' notice of intention to withdraw shares. Withdrawing or expelled members shall have no further rights in the credit union, but they shall not by such withdrawal or expulsion be released from any remaining liability to the credit union. The shares of members shall be nontransferable.

Section 19. Dissolution.—The process of voluntary dissolution shall be as follows:

(a) At a meeting called for such purpose, notice of which purpose must be contained in the call, four-fifths of the entire membership of the credit union must vote to dissolve the credit union.

(b) Thereupon the credit union shall file with the Department of Banking a statement of the consent of four-fifths of the entire membership to the proposed dissolution, attested by a majority of the officers, and including the names and addresses of the officers and directors.

(c) The Department of Banking shall then determine whether or not the credit union is solvent. If such be the fact, the Secretary of Banking shall issue, in duplicate, a certificate to the effect that this section has been complied with.

(d) One of such certificates shall be filed with the recorder of deeds of the county in which the original articles of incorporation were filed. The remaining certificate shall be filed with the Secretary of the Commonwealth, whereupon the credit union shall be considered dissolved and shall cease to carry on business except for the purpose of liquidation.

(e) The credit union shall continue in existence for the purpose of discharging its debts, collecting and distributing its assets, and doing all other acts required in order to wind up its business, and may sue and be sued for the purpose of enforcing its debts and obligations until its affairs are fully adjusted and wound up.

Section 20. Change in Place of Business.—A credit union may change its place of business on filing a certificate of such change with the Secretary of the Commonwealth and the Department of Banking.

Section 21. Collections.—All fees, fines, and penalties collected or received by or for the Department of Banking under the provisions of this act shall be paid into



the Treasury Department, through the Department of Revenue, and credited to the Banking Department Fund.

Section 22. Restriction.—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 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 (\$1,000), 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 23. Taxation.—A credit union shall be deemed an institution for savings, and its assets, together with all the accumulations therein, shall not be subject to taxation except as to real estate owned by it. The shares of a credit union shall not be subject to a stock transfer tax when issued by the corporation.

Section 24. Conflicting Legislation.—All laws and parts of laws inconsistent herewith shall be, and the same are hereby, repealed.

Section 25. Time of Effect.—This act shall take effect immediately upon final passage, and approval by the Governor.

Section 26. Small Loans Legislation.—Nothing contained in this act shall apply to any person or persons or corporations engaged in the business of loaning money under the act, approved the seventeenth day of June, one thousand nine hundred and fifteen (Pamphlet Laws, one thousand twelve), entitled “An act regulating the business of loaning money in sums of three hundred (\$300) dollars or less, either with or without security, to individuals pressed by lack of funds to meet immediate necessities; fixing the rates of interest and charges therefor; requiring the licensing of lenders; and prescribing penalties for the violation of this act,” and its amendments.

APPROVED—The 26th day of May, A. D. 1933.

GIFFORD PINCHOT

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No. 261

AN ACT

To further amend section seventeen of the act, approved the fourteenth day of June, one thousand nine hundred and twenty-three (Pamphlet Laws, seven hundred ten), entitled “An act allowing and regulating boxing, sparring and wrestling matches