

Section 24. Effective Date.—This act shall become effective immediately upon its passage and approval by the Governor. When effective.

APPROVED—The 18th day of May, A. D. 1937.

GEORGE H. EARLE

No. 182

AN ACT

To amend sections two, four, five, eight, thirteen, fifteen, sixteen, seventeen, and twenty-three of the act, approved the twenty-sixth day of May, one thousand nine hundred and thirty-three (Pamphlet Laws, one thousand seventy-six), 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," changing certain requirements for incorporation; providing for the scope of membership; permitting compensation to directors and committee members; clarifying the basis for the collection of interest and fines; providing for refunds of interest on obligations paid before maturity; and permitting officers, directors and committee members a limited right of borrowing; further regulating the maintenance of reserve funds, and the determination and payment of dividends; and providing for further tax exemptions.

Section 1. Be it enacted, &c., That sections two, four, five, eight, thirteen, fifteen, sixteen, seventeen, and twenty-three of the act, approved the twenty-sixth day of May, one thousand nine hundred and thirty-three (Pamphlet Laws, one thousand seventy-six), 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," are hereby amended to read as follows:

Sections 2, 4, 5,  
8, 13, 15, 16, 17  
and 23, act of  
May 26, 1933  
(P. L. 1076),  
amended.

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

A. The articles 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 *its* 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 names 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] *advertised one time in a newspaper of general circulation and one time in a legal newspaper, as defined by law*, 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] *Department of Banking*.

C. The articles of association shall be acknowledged by not less than [five] *seven* 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] *two copies* 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] *Secretary of Banking*, who shall examine the same, and, if he finds [it] *the application* in proper form and within the purpose mentioned in this act, he shall indorse his approval thereon and [direct letters patent to] *forward the application to the Department of State. The Secretary of the Commonwealth shall then issue a certificate of incorporation* in form similar to those issued to *business* corporations [of the second class] in this Commonwealth, which [letters patent] shall incorporate the subscribers and their asso-

ciates 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. *Certified copies of the records thereof shall be competent evidence for all purposes in the courts of this Commonwealth.*

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 articles of association. Certified copies of the records thereof shall be competent evidence for all purposes in the courts of this Commonwealth.] *The articles of association may be amended by including the proposed amendments in the call for the regular or special meeting at which such amendments are to be considered. Amendments to the articles of association must be approved by three-fourths of the members present at the regular or special meeting at which the amendments are considered, and the proposed amendments shall be acted upon only in the event that a quorum of the members is present, as provided in the by-laws of the credit union. Articles of amendment shall be filed with the Secretary of Banking who, if he approves the amendments, shall forward the articles of amendment to the Department of State. The Secretary of the Commonwealth shall then issue a new certificate of incorporation, and shall record the articles of amendment in the office of the Secretary of the Commonwealth upon payment of the usual filing fee. The articles of amendment shall set forth—*

*I. The name and principal place of business of the credit union.*

*II. The amendment or amendments as adopted by the members.*

*III. The date of the meeting at which the amendment or amendments was adopted.*

*IV. That notice of the meeting at which the amendment or amendments was considered was given to each member as provided in the by-laws.*

*V. That, at the meeting at which the amendment or amendments was considered, a quorum of the members was present as provided in the by-laws.*

*VI. That the amendment or amendments was approved by three-fourths of the members then present.*

*The articles of amendment shall be signed by the president and clerk of the credit union and acknowledged before any officer authorized to take acknowledgments and administer oaths and affirmations in this Com-*

*monwealth, and they shall also make and subscribe an oath or affirmation before said officer that the statements contained therein are true.*

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 *association by reason of occupation* [or to groups] within a well defined neighborhood, community, or rural district.

Section 5. Reports and Examination.—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 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.] *A member of the board of directors and members of the credit committee and the supervisory committee may be compensated if the credit union paid a dividend of not less than three per centum (3%) from the earnings of the last preceding year: Provided, however, That the Secretary of Banking may prohibit or regulate the payment of compensation if he deems such compensation excessive, or if, in his opinion, the financial condition of the credit union is not such as to warrant the payment of such compensation.*

Section 13. Rates and Fines.—Interest rates on loans made by a credit union to its members shall not exceed the rate of six per centum (6%) per annum, when discounted on loans which are repayable in equal installments, [over one year, except that, in addition] or the rate of twelve per centum (12%) per annum, when calculated on the unpaid principal balances. For failure to pay an installment or installments on a discounted 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. *When interest is calculated on the unpaid principal balances, it shall be computed for the actual number of days which have elapsed at the time of payment, and no other charges or fines shall be collected. For failure to make*

*payments on subscribed shares, a fine may be charged at the same rate and in the same manner as the fine permitted for failure to pay loan installments when due.*

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. *A director, officer, or member of any committee may only borrow from the credit union in which he holds office, an amount not exceeding his total share holdings plus the total share holdings free and unpledged of any endorser on the obligation of such director, officer or member of any committee.* No director, officer, or member of any committee may [borrow from] *endorse a loan granted by 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] *collected*, and [each year before the declaration of a dividend] *twenty per centum (20%) of the annual net earnings*, shall be set aside as a reserve fund, which shall be kept liquid and intact and not loaned out to members: *Provided, however, That when the reserve fund thus established shall equal ten per centum (10%) of the total amount outstanding in loans to members, the credit union may, upon written approval of the Secretary of Banking, reduce the amount annually set aside from net earnings to ten per centum (10%): And provided further, That when the reserve fund shall equal twenty per centum (20%) of the amount outstanding in loans to members, the credit union may, upon written approval of the Secretary of Banking, discontinue increasing the reserve fund.* 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. *The equivalent of the par value of one share of stock shall be considered*

as a full paid share in the calculation of dividends. Dividends may be added to the credit of the members' share accounts or paid in cash, at the option of the board of directors.

Section 23. Taxation.—A credit union, organized under this act, 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 capital stock bonus tax or a stock transfer tax when issued by the corporation.

Section 2. This act shall become effective immediately upon its final enactment. When effective.

APPROVED—The 18th day of May, A. D. 1937.

GEORGE H. EARLE

No. 183

AN ACT

To amend section thirty of the act, approved the second day of May, one thousand nine hundred and twenty-nine (Pamphlet Laws, one thousand two hundred thirty-seven), entitled "An act affecting marital relations; prescribing grounds and regulating proceedings for divorce and the annulment of bigamous marriages; and amending, revising, and consolidating the law relating thereto," providing for service on respondents who are lunatics or persons non compos mentis, or confined in institutions for mental treatment.

Section 1. Be it enacted, &c., That section thirty of the act, approved the second day of May, one thousand nine hundred and twenty-nine (Pamphlet Laws, one thousand two hundred thirty-seven), entitled "An act affecting marital relations; prescribing grounds and regulating proceedings for divorce and the annulment of bigamous marriages; and amending, revising, and consolidating the law relating thereto," is hereby amended to read as follows: Divorce.  
Section 30, act  
of May 2, 1929  
(P. L. 1237),  
amended.

Section 30. Service Where Respondent a Lunatic.— Service.  
In cases where the respondent is a hopeless lunatic, or non compos mentis, the service of the subpoena in divorce shall be made as provided in this act, but such service shall be made upon the committee of such lunatic or person non compos mentis. *In case no committee has been appointed for such lunatic, or person non compos mentis, or for a person confined in any institution for mental treatment, then the libellant shall cause service of notice of the intent to bring an action in divorce to be made upon any one of the next of kin (who is sui juris) of the said respondent, and requiring said next of kin to petition for the appointment of a committee to represent the respondent within twenty days after date of service*