

No. 101

AN ACT

HB 1592

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 their powers, membership therein, the maximum certain persons may borrow therefrom and the circumstances under which mergers and consolidations thereof are authorized.

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

Section 1. Clause (4) of subsection B. of section 5, act of September 20, 1961 (P.L.1548, No.658), known as the "Credit Union Act," amended December 14, 1967 (P.L.735, No.343), is amended to read:

Section 5. Powers.—* * *

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

* * *

(4) To make loans to members secured by mortgages which are first liens on improved real property situated within this Commonwealth, or within one hundred miles of a boundary thereof, the improvement being an established dwelling house for not more than four families which is owned by the member of the credit union making the mortgage and occupied or to be occupied in whole or in part by such member. Such mortgages shall not exceed **[seventy-five] ninety** per centum of the fair market value of the property: Provided, That shares of the credit union owned by the mortgagor may be assigned or pledged as additional collateral security for the mortgage loan and, in such event, the mortgage loan granted upon such property may be increased by the withdrawal value of the additional pledged shares to an amount not to exceed a maximum total mortgage loan of **[ninety] one hundred** per centum of the fair market value of such real property and the credit union may release this additional collateral whenever the mortgage loan meets all of the requirements of this act and could be made legally at the time of release without the requirement of additional collateral. Mortgage loans shall be amortized by approximately equal payments sufficient in amount to pay all interest and effect full repayment of principal within a period not in excess of **[twenty] thirty** years. Mortgage loans on any one property shall not exceed **[twenty thousand dollars (\$20,000)] thirty-five thousand dollars (\$35,000)** or five per centum of the paid-in capital of the credit union, whichever is lesser. The aggregate total of mortgage loans shall not exceed twenty-five per centum of the

paid-in capital of the credit union. The provisions of this clause shall not be construed to apply to any mortgage loan owed to the credit union upon the effective date of this act or to the readjustment or refinancing of any such mortgage loan, nor to a purchase money mortgage taken by the credit union upon real estate owned by it.

Without regard to the limitations as to the amount and term of any mortgage loan or the aggregate amount of all mortgage loans set forth in this clause, a credit union may grant any mortgage loan which is insured or guaranteed, in whole or in part, by the United States or any instrumentality thereof, or if there is a commitment to so insure or guarantee.

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Section 2. Subsection D. of section 6 of the act, amended November 22, 1968 (P.L.1082, No.334), is amended to read:

Section 6. Membership.—* * *

D. Any member who leaves or has left the field of membership and has not withdrawn all of his share account shall not cease to be a member of the credit union by reason thereof, and he shall have all of the rights and obligations of membership including, but not limited to, the right to retain and to add to his share account, and the right to vote. **[Provided, that such member shall not be eligible to obtain a loan in an amount exceeding his total shareholdings plus the total shares of any other member, free and unpledged.]** Upon leaving the field of membership as aforesaid, the provisions of this subsection shall apply to persons who have become members of the credit union solely by reason of the provisions of subsection B of this section, but the provisions of subsection C of this section shall not be affected hereby.

Section 3. Section 6 of the act is amended by adding a subsection to read:

Section 6. Membership.—* * *

E. The unmarried widow/widower of a deceased member may become a member of the credit union.

Section 4. Clause (10) of subsection A. of section 12 of the act, amended December 14, 1967 (P.L.735, No.343), is amended to read:

Section 12. Directors and Officers.—A. * * *

(10) To determine whether, to what extent, and to what class or classes of borrowers, if any, an interest refund to members of record at the close of business on ***March thirty-first***, June thirtieth, ***[and] September thirtieth or*** December thirty-first shall be paid in proportion to the interest paid by each borrower during the preceding ***[six]*** months, except that no interest refund may be authorized unless a share dividend at the rate of not less than three per centum has been declared from the earnings of the last preceding dividend period.

* * *

Section 5. Section 21 of the act 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 **[his total shareholdings plus the total shares of any other member, free and unpledged, which are pledged to secure the loans of such director, officer or committee member]** *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 6. The first paragraph of subsection C. of section 27, amended December 14, 1967 (P.L.735, No.343), is amended to read:

Section 27. Conversion, Merger and Consolidation.—

* * *

C. Merger and Consolidation.

Any two or more credit unions, or one or more credit unions and one or more Federal credit unions, whose common bonds of association coincide **[may,] or who find it difficult to continue operation in the best interest of all members concerned may with the prior approval of the Department of Banking** in the manner hereinafter provided and pursuant to the laws of the United States, be merged into one of such credit unions or Federal credit unions, hereinafter designated as the surviving credit union or Federal credit union, or consolidated into a new credit union to be formed under this act or a new Federal credit union to be formed under the laws of the United States.

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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. 101.



Secretary of the Commonwealth.