

No. 1980-205

AN ACT

SB 1429

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 interest rates.

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

Section 1. Section 19, act of September 20, 1961 (P.L.1548, No.658), known as the "Credit Union Act," is amended to read:

Section 19. Rates and Fines.—Interest rates on loans made by a credit union to its members shall not exceed [the rate of six per centum per annum, when discounted on loans which are repayable in equal installments, or the rate of] twelve per centum per annum, when calculated on the unpaid principal balances[. On a discounted loan which is prepaid by cash, renewal or otherwise, at any time prior to maturity, the credit union shall refund to the borrower the amount of unearned interest or discount, calculated at the original contract rate, on the total amount of full installments to become due, for the term of all subsequent full installment periods, provided the credit union shall not be required to refund any such unearned interest or discount when the amount due, computed as herein provided, is less than one dollar (\$1). For failure to pay an installment or installments on a discounted loan when due, a fine may be charged which shall in no case exceed one-fourth of one per centum 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], *except that the board of directors of a credit union may increase the rate of interest to a maximum of fifteen per centum per annum if at a meeting of the board of directors the board approves a resolution increasing the rate of interest to a rate not to exceed fifteen per centum per annum by a vote of at least two-thirds of the entire board. Subsequent to the board of directors' approval, the board shall, in writing, notify members of the board's decision and of the new interest rate to be charged. The written notice shall be mailed to the members not less than thirty days prior to the effective date of the rate increase.* 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. 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 **[the greater] 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.

Section 2. The provisions of this act which amend section 19 by granting the board of directors limited discretionary power to revise interest rates on loans to a maximum of 15% per annum shall expire on April 1, 1981.

Section 3. This act shall take effect immediately.

APPROVED—The 9th day of December, A. D. 1980.

DICK THORNBURGH