

MAINE STATE LEGISLATURE

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ONE - HUNDRE DTH LEGISLATURE

Legislative Document

No. 1108

H. P. 794

House of Representatives, February 1, 1961

Referred to Committee on Business Legislation. Sent up for concurrence and ordered printed.

HARVEY R. PEASE, Clerk

Presented by Mr. Lacharite of Brunswick.

STATE OF MAINE

IN THE YEAR OF OUR LORD NINETEEN HUNDRED
SIXTY-ONE

AN ACT Revising the Laws Relating to Organization and Powers of Credit Unions.

Be it enacted by the People of the State of Maine, as follows:

Sec. 1. R. S., c. 55, § 1, repealed and replaced. Section 1 of chapter 55 of the Revised Statutes is repealed and the following enacted in place thereof:

'Sec. 1. Definitions. The following words and phrases used in this chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

I. Commissioner. "Commissioner" means the Bank Commissioner.

II. Credit union. "Credit union" means a corporation organized under this chapter or corresponding provisions of earlier laws.

III. Department. "Department" or "Banking Department" means the Department of Banks and Banking.

IV. Field of membership. "Field of membership" means those persons having a common bond of occupation or association; residence within a well-defined neighborhood, community or rural district; employment of a common employer; membership in a bonafide fraternal, religious, cooperative, labor, rural, educational, or similar organization; and members of the immediate family of such persons.'

Sec. 2. R. S., c. 55, § 2, repealed and replaced. Section 2 of chapter 55 of the Revised Statutes is repealed and the following enacted in place thereof:

‘Sec. 2. Incorporation, organization, etc. Ten or more resident persons of the State may apply to the commissioner for permission to organize a credit union for the purposes of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest, for provident and productive purposes.

A credit union shall be organized in the following manner:

I. Organization; fee. Other than as provided herein, credit unions shall be organized under chapter 53, section 8 and subsequent sections. The fee for filing and recording the articles of organization, including the issuing by the Secretary of State of the certificate of incorporation, shall be \$25.

II. Certificate of organization. The applicants shall execute in quadruplicate a certificate of organization by the terms of which they agree to be bound.

The certificate shall state:

A. the name of the proposed credit union, which shall include the words “credit union,” and its location;

B. the names and addresses of the subscribers to the certificate and the number of shares subscribed for by each;

C. the proposed field of membership.

III. By-laws. They shall next prepare and adopt by-laws, consistent with this chapter, for the general supervision of the credit union and execute the same in duplicate.

IV. Duty of commissioner. When any such certificate of organization and by-laws, in proper form, shall have been filed with the commissioner, and prior to approval of such certificate, he shall ascertain, by such investigation as he may deem necessary, that:

A. the organization certificate and by-laws conform to this chapter;

B. the character, responsibility and general fitness of the persons named in such certificate are such as to reasonably assure the proper conduct of the affairs and operation of a credit union.

C. the proposed field of membership provides a common bond of interest and a potential membership such as will reasonably assure success of the credit union;

D. the proposed credit union will not materially jeopardize the financial stability of any existing credit union.

V. Approval or disapproval. After making such investigation, the commissioner shall, within 90 days after the filing of the certificate of organization, endorse upon each certificate, over his official signature, the word “Approved” or “Disapproved” as the case may be, and shall forthwith notify the proposed organizers. In the case of approval, one of the quadruplicate certificates shall be filed by the commissioner in his own office, the 2nd with the Secretary

of State, the 3rd with the Attorney General and the 4th shall be returned to the organizers. Such certificate so returned shall constitute the authorization to commence business. In case of disapproval, the reasons therefor shall be set forth.

VI. Commence business within 6 months. Any credit union which shall not commence business within 6 months after the date on which its approved certificate of organization is issued shall forfeit its rights and privileges as a credit union and its corporate powers shall cease, which fact the commissioner shall certify to the Secretary of State, provided that the commissioner may, for satisfactory cause to him shown, extend by order for not more than one year the time within which business may be commenced, such order to be so certified and filed as in the case of the organization certificate.'

Sec. 3. R. S., c. 55, § 3, amended. Section 3 of chapter 55 of the Revised Statutes is amended by striking out the first sentence, as follows:

~~'Credit unions shall be organized under the provisions, so far as applicable, of section 8 and subsequent sections of chapter 53, except that the fee for filing and recording the articles of organization, including the issuing by the secretary of state of the certificate of incorporation shall be \$25.'~~

Sec. 4. R. S., c. 55, § 20, amended. Section 20 of chapter 55 of the Revised Statutes is amended by adding 2 new paragraphs at the end thereof, to read as follows:

'Subject to the approval of the board of directors, the capital and surplus may be invested in loans to other credit unions located in this State, provided that loans outstanding at any one time to any one credit union shall not exceed 10% of the share capital of the lending credit union.'

Credit unions organized under private and special laws shall have the authority granted by this section, in addition to such other investment authority as they now possess.'

Sec. 5. R. S., c. 55, § 21, amended. Section 21 of chapter 55 of the Revised Statutes is amended by adding a new subsection, to be numbered V, to read as follows:

'V. Loan officers. When so provided by the by-laws, the credit committee may appoint one or more loan officers who may receive such compensation as may be provided by the board of directors. The credit committee may delegate to the loan officer or officers such authority, as is within the limits set for the committee by the board of directors, as they may vote. The authority granted to any loan officer shall be reported to and included in the minutes of the meetings of the board of directors. No loan officer shall disapprove any loan application, but shall refer such applications to the full committee. All loan officers shall furnish to the credit committee a record of each application acted upon by him at the next meeting of said committee after the date of the filing of the application therefor. No loan officer shall have authority to disburse funds of the credit union for any loan approved by him in his capacity as loan officer.'

Sec. 6. R. S., c. 55, § 21, amended. Section 21 of chapter 55 of the Revised Statutes is amended by striking out the last paragraph thereof and enacting the following in its place:

'No personal loan, other than those approved by loan officers, shall be made unless all of the members of the credit committee who are present when the application is considered, which number shall constitute at least 2/3 of the members of said committee, approve said loan. No such loan shall be granted unless the members of said committee are satisfied that the loan promises to be of benefit to the borrower.'

Sec. 7. R. S., c. 55, § 23, repealed and replaced. Section 23 of chapter 55 of the Revised Statutes is repealed and the following enacted in place thereof:

'Sec. 23. Loans. A credit union may make loans to members, subject to the following limitations:

I. Unsecured loans. Unsecured loans may be made up to \$200 or 10% of share capital, whichever is greater, but in no event in excess of \$750.

II. Secured loans. Secured loans may be made up to \$200 or 10% of share capital, whichever is greater, provided that the loan is adequately secured by a chattel mortgage or conditional sales contract on personal property or by the endorsement or guaranty of a responsible surety. Loans fully secured by a pledge of shares of the credit union may be made without limitation as to amount.

III. Secured by first mortgage on real estate. Loans secured by a first mortgage on real estate within the State may be made subject to the following restrictions:

A. The total liability of any member upon loans of this class shall not exceed 10% of the share capital of the credit union, nor shall it exceed \$15,000;

B. No such loan shall exceed 66 2/3% of the value of the property mortgaged, as determined by the credit committee, except that this provision shall not apply to real estate loans insured by the Federal Housing Administration.

C. The total amount which a credit union may invest in loans secured by first mortgages of real estate shall not exceed 25% of its share capital.'

Sec. 8. R. S., c. 55, § 24, amended. Section 24 of chapter 55 of the Revised Statutes is amended by striking out the first paragraph and enacting the following in place thereof:

'A dividend may be declared by the board of directors from the earnings which have been earned during the dividend period next preceding such directors' meeting and which remain after the deduction of all expenses and the amounts required to be set apart to the guaranty fund, or such dividend may be declared in whole or in part from the undivided earnings of preceding years remaining after the aforesaid deductions for said years.'