

MAINE STATE LEGISLATURE

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SEVENTY-EIGHTH LEGISLATURE

HOUSE

NO. 604

House of Representatives, March 16, 1917.

Referred to Committee on Legal Affairs and one thousand copies ordered printed. Sent up for concurrence.

W. R. ROIX, Clerk.

Presented by Mr. Rounds of Portland.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND NINE
HUNDRED AND SEVENTEEN

AN ACT relative to the incorporation and management of
credit unions.

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

Section 1. A corporation organized under this act shall
2 include in the corporation name the two words "Credit
3 Union," to which may be added if authorized by the bank
4 commissioner, the word "Bank." Other distinguishing words
5 may be used. The words "Credit Union" whenever here-
6 inafter used shall apply to a corporation organized under the
7 provisions of this act.

Sect. 2. Eleven or more persons resident in this state, who

2 have associated themselves by an agreement in writing with
3 the intention of forming a corporation for the purpose of
4 accumulating and investing the savings of its members and
5 making loans to members for provident purposes may, with
6 the consent of the bank commissioner become a corporation
7 upon complying with all the provisions of section 3 of this
8 act.

The bank commissioner is hereby authorized to grant such
2 consent when he is satisfied that the proposed field of opera-
3 tion is favorable to the success of such corporation, and
4 that the standing of the proposed incorporators is such as
5 to give assurance that its affairs will be administered in
6 accordance with the spirit of this act.

Sect. 3. Credit Unions shall be organized under the pro-
2 visions, so far as applicable to the banking laws of the State
3 of Maine, except that the fee for filing and recording the
4 articles of organization, including the issuing by the secre-
5 tary of state of the certificates of incorporation shall be five
6 dollars.

All provisions relating to supervision by the bank commis-
2 sioner of the banking laws of the State of Maine shall, so
3 far as applicable, apply to credit unions incorporated under
4 this act.

Sect. 4. No person, partnership or association, and no
2 corporation, except such as are incorporated under the pro-
3 visions of this act, shall hereafter transact business in this
4 state under any name or title which contains the two words

5 "Credit Union." In case of a breach of this prohibition,
6 any citizen or official of the state may notify the person or
7 organization guilty of such breach, and if it continues there-
8 after the attorney-general shall, at the request of any credit
9 union or member thereof or any citizen damaged thereby,
10 and proof of notice as above provided, institute proceed-
11 ings for an injunction; and if an injunction is issued the
12 court may, in its discretion impose a penalty not to exceed
13 fifty dollars for each day's continuance of the breach after
14 notice thereof.

In addition to the above provisions, any citizen or credit
2 union injured by such breach may recover in a proper civil
3 action, all damages by him or it suffered in consequence
4 thereof, whether by reason of a breach occurring or con-
5 tinuing before or after, or partly before and partly after
6 notice.

Sect. 5. The credit union may receive the savings of its
2 members in payment for shares or on deposit; may lend
3 to its members at reasonable rates, or invest, as hereinafter
4 provided, the funds so accumulated; and may undertake
5 such other activities relating to the purpose of the associa-
6 tion, as its by-laws may authorize, subject to the limitations
7 of the laws of the State of Maine.

The general provisions of the laws of the State of Maine
2 regarding accumulations and investments of savings shall
3 apply to credit unions, except in so far as they are amended
4 by specific provisions in this act.

Sect. 6. The by-laws shall prescribe the name of the corporation, the purposes for which it is formed, the conditions of residence or occupations which qualify persons for membership, the par value of the shares of capital stock and the maximum number of shares which may be held by any one member, the conditions under which shares may be paid in, the conditions on which deposits may be received, transferred and withdrawn, the method of receipting for money paid on account of shares or deposited, the number of directors and the number of members of the credit committee, the duties of the several officers, the fines, if any, which shall be charged for failure to meet obligations to the corporation punctually, the date of the annual meeting of members, the manner in which members shall be notified of meetings, the number which shall constitute a quorum at meetings, and such other regulations as may seem necessary.

Sect. 7. No credit union shall receive deposits or payments on account of shares, or make any loans, until its by-laws have been approved in writing by the bank commissioner, nor shall any amendments to its by-laws become operative until they have so been approved.

Sect. 8. All property of a credit union, except real estate, and all capital stock in a credit union shall be exempt from state and local taxation except legacy and succession taxes. Deposits in a credit union shall be exempt from taxation, either to the union or to the individual depositors, to the same extent as are the deposits in savings banks.

Sect. 9. The capital of a credit union shall be unlimited
2 in amount. Shares of capital stock may be subscribed for
3 and paid in such manner as the by-laws shall prescribe, ex-
4 cept that the par value of shares shall not exceed ten dollars.

Sect. 10. Shares may be issued and deposits received in
2 the name of a minor, and such shares and deposits may, in
3 the discretion of the directors, be withdrawn by such minor,
4 or by his parent or guardian, and in either case payments
5 made on such withdrawals shall be valid and shall release
6 the said corporation from any and all liability to the minor,
7 parent, or guardian.

A minor under the age of eighteen years shall not have the
2 right to vote. If shares are held or deposits made in trust,
3 the name and residence of the beneficiary shall be disclosed,
4 and the account shall be kept in the name of such holder as
5 trustee for such person. If no other notice of the existence
6 and terms of such trust has been given in writing to the cor-
7 poration, such shares or deposits may, upon the death of the
8 trustee, be transferred to or withdrawn by the person who
9 was named by the trustee as beneficiary or by his legal rep-
10 resentatives, and such transfer or withdrawal shall release
11 the corporation from any and all liability to any other claim-
12 ant upon such stock or deposit.

Sect. 11. The capital, deposits and surplus funds of a
2 credit union shall be invested in loans to members, with the
3 approval of the credit committee, as provided in section
4 seventeen of this act, and any capital, deposits and surplus

5 funds in excess of the amount for which loans shall be ap-
6 approved by the credit committee may be deposited in Sav-
7 ings Banks or Trust Companies, incorporated under the
8 laws of this State, or in National Banks located therein, or
9 may be invested in any securities which are at the time of
10 their purchase legal investments for Savings Banks in this
11 State or, with the approval of the Bank Commissioner, may
12 be invested in the shares of other credit unions; provided,
13 that the total amount invested in the shares of the other
14 credit unions, shall not exceed 20% of the capital and sur-
15 plus nor more than 10% in any other single credit union.

Sect. 12. The fiscal year of every credit union shall end
2 at the close of business on the last business day of December.

Sect. 13. The annual meeting of the corporation shall be
2 held at such time and place as the by-laws prescribe, but
3 must be held within thirty days after the close of the fiscal
4 year. Special meetings may be called by a majority of the
5 directors or of the supervisory committee, and shall be called
6 by the clerk upon written application of ten or more mem-
7 bers entitled to vote. Notice of all meetings of the corpora-
8 tion and of all meetings of the board of directors and of
9 committees shall be given in the manner prescribed by the
10 by-laws. No member shall be entitled to vote by proxy or
11 to have more than one vote, and, after a credit union has
12 been incorporated one year, no member thereof shall be en-
13 titled to vote until he has been a member for more than
14 three months.

The members at each meeting shall fix the amount of the
2 entrance fee for the ensuing year, which may be made pro-
3 portional to the number of shares issued to a member. The
4 maximum amount to be loaned any one member and the
5 maximum number of shares which may be held by any one
6 member, the maximum amount of deposits which may be
7 held at any one time by any one member, and, upon recom-
8 mendation of the board of directors, may declare dividends
9 in accordance with the provisions of section twenty-one of
10 this act, provided such dividends shall not exceed eight per
11 centum per annum.

At any annual or special meeting the members may review
2 the acts of the supervisory committee, the credit committee,
3 or of the board of directors, and may reverse any decision
4 of any of these named bodies by a three-fourths vote of
5 those present and entitled to vote; provided that such three-
6 fourths vote comprise a majority of all the members of the
7 credit union. Nothing herein contained, however, shall be
8 so construed as to impair the obligations of a contract en-
9 tered into by the directors in the name of the corporation
10 with third parties, where such parties have acted in good
11 faith and have performed their part of the consideration;
12 nor to recall a loan authorized by the credit committee and
13 already consummated.

In the event of the death, resignation, or removal from
2 office of the board of directors or of any member thereof, or
3 of the credit committee or of any member thereof, the mem-

4 bers of the credit union at a special meeting, called for the
5 purpose, may elect other members to fill the vacancies until
6 the next meeting.

At any annual or special meeting the members of a credit
2 union may amend the by-laws by a three- fourths vote of the
3 members present and entitled to vote; provided, that a copy
4 of the proposed amendment or amendments shall have been
5 sent to each member with the notice of the meeting, and
6 that a copy of such amendment or amendments duly certified
7 shall be sent to the Bank Commissioner in accordance with
8 the provisions of section seven of this act and shall become
9 effective upon approval by him.

Sect. 14. The business and affairs of a credit union shall
2 be managed by a board of not less than five directors, mem-
3 bers of the union; a credit committee of not less than three
4 persons, members of the union; and a supervisory committee
5 to be composed of two members of the union elected at the
6 annual meeting of the corporation and one person appointed
7 by the Bank Commissioner; the third person may or may not
8 be a member of the union at the discretion of the Bank Com-
9 missioner. No member of said board shall be a member of
10 either of said committees nor shall one person be a member
11 of more than one committee, and all members of said board
12 and of said committees, as well as all officers whom they
13 may elect shall be sworn to the faithful performance of their
14 duties and shall hold their several offices until others are
15 elected and qualified in their stead. A record of every such

16 qualification shall be filed and preserved with the records of
17 the corporation. Members of the supervisory committee
18 shall be chosen annually for a term of one year. Directors
19 and members of the credit committee shall be elected for a
20 term of three years; except at the organization meeting or
21 when elected to fill a vacancy they shall be divided into
22 classes, and an equal number as nearly as may be, elected
23 each year. If a director or an elected member of any of these
24 committees ceases to be a member of the credit union his
25 office shall thereupon become vacant.

Sect. 15. The directors at their first meeting after the
2 annual meeting of the corporation, shall elect from their own
3 number a president, a vice president, a clerk, and a treasurer,
4 who shall be the executive officers of the corporation, and
5 who shall hold office until their successors shall have been
6 elected and qualified. The offices of clerk and treasurer may
7 be held by the same person.

The board of directors shall have the general direction of
2 the affairs of the corporation, and shall meet as often as may
3 be necessary. It shall be their special duty to act upon all
4 applications for membership and upon the expulsion of
5 members, to fix the amount of the surety bond required of
6 any officer having custody of funds, to determine the rate of
7 interest on loans and deposits, to fill vacancies in the board
8 of directors until new members shall be elected and qualified,
9 to make recommendations to the members of the credit union
10 relative to the amount of entrance fee to be charged mem-

11 bers, the maximum amount to be loaned any one member,
12 the advisability of declaring a dividend and the amount to be
13 declared, the need of amendments to the by-laws, and any
14 other matters upon which, in their opinion, the members
15 should act at any annual or special meeting. When author-
16 ized to do so by the members at any annual meeting or at a
17 special meeting called for the purpose, the board of directors
18 with the approval of the Bank Commissioner, may borrow
19 money in the name of the union for the purpose of reloading
20 to members.

The duty of electing new members of the union may, how-
2 ever, be delegated to a committee of three directors to be
3 known as a committee of membership.

Sect. 16. The supervisory committee shall inspect from
2 time to time securities, cash and accounts of the corporation
3 and shall supervise the acts of its board of directors, credit
4 committee and officers, and shall keep fully informed of the
5 financial condition of the corporation. At any time the
6 supervisory committee, by a unanimous vote, may suspend
7 any officer of the corporation, or any member or members of
8 the credit committee or of the board of directors, and by a
9 majority vote, may call a meeting of the shareholders to con-
10 sider any violation of this act or of the by-laws, or any
11 practice of the corporation which in the opinion of the com-
12 mittee, is unsafe or unauthorized.

Within three days after the suspension of any officer or
2 any member of the credit committee or of the board of

3 directors, the supervisory committee shall cause notice to be
4 given of a special meeting of the members of the credit
5 union to be held not less than seven days after date of such
6 notice, to take such action relative to such suspension as may
7 seem necessary. The supervisory committee may make tem-
8 porary appointments to fill vacancies caused by the absence,
9 illness or suspension of any officer, director, or member of
10 any committee and shall fill any vacancies in its own num-
11 ber until new members shall have been duly chosen and
12 qualified.

In case, however, the retiring member is the one appointed
2 by the Bank Commissioner, said Bank Commissioner shall
3 have notice of his retirement and shall within a reasonable
4 time appoint a substitute and notify the union of such
5 choice. If the commissioner fails to appoint the member
6 within ten days after being informed of the circumstances,
7 the committee may choose a temporary successor who shall,
8 however, hold office only until the appointment of the per-
9 manent member by said Bank Commissioner. The board of
10 directors and the supervisory committee, acting jointly, or
11 separately, shall make appointments to fill vacancies in the
12 credit committee until new members of the committee shall
13 be duly elected and qualified.

Sect. 17. The credit committee shall hold meetings, of
2 which due notice shall be given to its members, for the pur-
3 pose of considering applications for loans. Each notice shall
4 contain the names of all applicants for loans, and no other

5 applications shall be considered at that meeting unless all
6 members of the committee are present.

No loan shall be made unless two-thirds of the members of
2 the committee, at least, are present and all members approve.
3 In order to approve, the committee must be satisfied, not
4 only of the safety of the loan, but also that it is for a provi-
5 dent purpose and will benefit the borrower. All applications
6 for loans shall be made in writing and shall state the purpose
7 for which the loan is desired and the surety offered.

Sect. 18. No member of the board of directors or of
2 either the credit or supervisory committee, shall receive any
3 compensation for his services as a member of the said board
4 or of such committee nor shall any member of such board or
5 such committee, directly or indirectly borrow from the cor-
6 poration or become surety for any loan or advance made by
7 it unless such borrowing shall have been approved at a meet-
8 ing of the members of the credit union by a majority vote of
9 those present, and the notice of such meeting shall have
10 stated that the question of loans to directors or committee-
11 men would be considered at such meeting. The officers
12 elected by the board of directors may receive such compen-
13 sation as the board of directors shall authorize, provided,
14 that it shall be understood that such payment is for services
15 performed as officials not for services rendered as members
16 of the board of directors.

Sect. 19. Before the payment of an annual dividend in
2 any year, there shall be set apart as a guaranty fund at least

3 25 per cent of the net income which has accumulated during
4 the fiscal year, except as hereinafter provided. Said fund
5 and the investments thereof shall belong to the corporation
6 and shall be held to meet contingencies or losses in its busi-
7 ness. All entrance fees shall be added at once to the guar-
8 anty fund. Upon recommendation of the board of directors
9 the members at any annual meeting may increase and, when-
10 ever said fund equals or exceeds fifty per cent of the
11 amount of capital stock actually paid in, and of deposits,
12 may decrease, and the proportion of profits which is required
13 by this section to be set apart as a guaranty fund.

Sect. 20. Immediately before a meeting of the directors
2 called to consider the recommendation of a dividend, the
3 supervisory committee shall make a thorough audit of the
4 receipts, disbursements, income, assets and liabilities of the
5 corporation for the fiscal year, and shall make a full report
6 to the directors. Said report shall be read at the annual
7 meeting and shall be filed and preserved with the records of
8 the corporation.

Sect. 21. At the annual meeting, a dividend may be de-
2 clared from income which has been actually collected during
3 the fiscal year next preceding and which remains after the
4 deduction of all expenses, losses, interest on deposits
5 and the amount required to be set apart as a guar-
6 anty fund, or such dividend may be declared in whole or in
7 part from undivided earnings of preceding years, not to ex-
8 ceed twenty per cent thereof in any one year, provided such

9 earnings are a part of the surplus of the corporation in ex-
10 cess of all requirements of the guaranty fund and provided
11 further that such dividend does not exceed eight per cent
12 upon the shares outstanding as provided in section thirteen
13 of this act.

Sect. 22. Within forty days after the last business day of
2 in each year, every credit union shall
3 make to the Bank Commissioner a report in such form as he
4 may prescribe, signed by the president, treasurer and a
5 majority of the supervisory committee, who shall certify and
6 make oath that the report is correct according to their best
7 knowledge and belief. Any credit union which neglects to
8 make the said report within the time herein prescribed shall
9 forfeit to the State five dollars for each day during which
10 neglect continues.

Sect. 23. The board of directors may expel from a credit
2 union any member who has not carried out his engagements
3 with, the credit union, or who has been convicted of a crim-
4 inal offense, or who neglects or refuses to comply with the
5 provisions of this act or of the by-laws, or whose private life
6 is a source of scandal, or who habitually neglects to pay his
7 debts, or who shall become insolvent or bankrupt, or who
8 shall have deceived the corporation or any committee
9 thereof with regard to the use of borrowed money; but no
10 member shall so be expelled until he has been informed in
11 writing of the charges against him, and an opportunity has

12 been given to him, after reasonable notice, to be heard
13 thereon.

In case of withdrawal or expulsion of members, the
2 amounts paid in on shares or deposited by them shall be
3 repaid as rapidly as may be. Repayments to each individual
4 shall be applied first upon his shares until these have been
5 fully retired. Upon the first of each month the treasurer
6 shall prepare a list of all members, if any, who have with-
7 drawn or been expelled during the preceding month together
8 with the amount of shares and deposits of each. All mem-
9 berships terminating in a given month shall be treated as a
10 distinct group, and such members shall be repaid as nearly
11 as may be from available funds, and the surplus only, if any,
12 applied to retirement of memberships terminating during a
13 succeeding month or months.

As between members withdrawing in the same month, the
2 available funds shall be pro-rated, as nearly as may be, ac-
3 cording to their respective holdings, and for this purpose the
4 treasurer may marshal the incoming assets as frequently as
5 his discretion suggests; provided, however, that not more
6 than one month shall elapse between payments if the cor-
7 poration has received appreciable quick assets during such
8 period.

While claims of withdrawing or expelled members remain
2 unsatisfied in whole or in part, not more than fifty per cent
3 of the incoming assets of a credit union may be used for the
4 purpose of making new loans.

Sect. 24. At any meeting specially called for the purpose
2 the members upon recommendation of not less than two-
3 thirds of directors, may dissolve the corporation by the vote
4 of two-thirds of the members of the credit union entitled to
5 vote. A committee of three shall thereupon be elected to
6 liquidate the assets of the corporation under the direction of
7 the Bank Commissioner, and each share of the capital stock,
8 according to the amount paid in thereon, shall be entitled to
9 its proportional part of the assets in liquidation after all de-
10 posits and debts have been paid.

Sect. 25. All acts of preceeding sessions of the legislature
2 of Maine are hereby repealed in so far as they relate to the
3 operation of credit unions, or are in contradiction of the ex-
4 press terms of this act.

The provisions of this act, shall not be rendered inoper-
2 ative or be limited or otherwise affected by any acts or parts
3 of acts inconsistent therewith which are not prepared with
4 the specific view of affecting the operation of credit unions
5 in this State.