

MAINE STATE LEGISLATURE

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EIGHTY-THIRD LEGISLATURE

House Document

No. 363

H. P. 1066 House of Representatives, March 9, 1927.

Referred to Committee on Judiciary and 500 copies ordered printed. Sent up for concurrence.

CLYDE R. CHAPMAN, Clerk.

Presented by Mr. Aldrich of Topsham.

STATE OF MAINE

IN THE YEAR OF OUR LORD ONE THOUSAND NINE
HUNDRED AND TWENTY-SEVEN

AN ACT to Provide for the Organization, Operation and
Supervision of Credit Unions and to Define Their Powers.

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

Section 1. *Organization and Definition.* Any twenty resi-
2 dents of the state may apply to the bank commissioner for
3 permission to organize a credit union.

A credit union is a cooperative society organized for the
2 two-fold purpose of promoting thrift among its members
3 and creating a source of credit for them at legitimate rates
4 of interest for provident purposes.

A credit union is organized in the following manner:

(a) The applicants execute in duplicate a certificate of
2 organization by the terms of which they agree to be bound.

3 The certificate shall state (1) the name and location of the
4 proposed credit union; (2) the names and addresses of the
5 subscribers to the certificate and the number of shares sub-
6 scribed by each; (3) the par value of the shares, which shall
7 be five dollars.

(b) They next prepare by-laws consistent with the pro-
2 visions of this act and execute the same in duplicate.

(c) The certificate and the by-laws, in duplicate, are
2 thereupon forwarded to the bank commissioner.

(d) The bank commissioner shall, within thirty days of
2 the receipt of said certificate and by-laws, determine whether
3 or not they conform with the provisions of this act and
4 whether or not the organization of the credit union in ques-
5 tion would be of benefit to its members and consistent with
6 the purposes of this act.

(e) Thereupon the said bank commissioner shall notify
2 the said applicants of his decision; if it is favorable he shall
3 issue a certificate of approval, attached to the duplicate of
4 the certificate of organization and return the same, together
5 with the duplicate by-laws, to the applicants.

(f) Thereupon the applicants shall become and be a
2 credit union, organized in accordance with the provisions
3 of this act.

Sect. 2. *Amendments.* No credit union shall receive de-
2 posits or payments on shares or make any loan or invest-
3 ment until its by-laws have been approved in writing by
4 the bank commissioner, nor shall any amendment of its

5 by-laws become operative until they have become so ap-
6 proved.

Sect. 3. *Powers.* A credit union shall have the follow-
2 ing powers: to receive the savings of its members either
3 as payment on shares or as deposits; to lend to its mem-
4 bers or to invest such deposits and the amounts paid in on
5 shares; to sue and be sued; to have a common seal; to
6 adopt by-laws for the management of its affairs consistent
7 with this act; to purchase, hold and convey all such prop-
8 erty, real and personal, as may be deemed necessary for
9 the use and accommodation of its business and, generally,
10 to do and perform all acts consistent with this act.

Sect. 4. *Membership.* Credit union membership shall
2 consist of the organizers and such other persons as may
3 be elected to membership and subscribe to at least one share,
4 pay the initial installment thereon and the entrance fee, if
5 any. Organizations (incorporated or otherwise) composed
6 for the most part of the same general group as the credit
7 union membership may be members. Credit union organ-
8 ization shall be limited to groups (of both large and small
9 membership) having a common bond of occupation, or
10 association or to groups within a well defined neighbor-
11 hood, community or rural district.

Sect. 5. *Capital.* The capital of a credit union shall be
2 unlimited in amount and shall consist of the payments that
3 have been made to it by the several members thereof on
4 shares. The credit union shall have a lien on the shares

5 and deposits of a member for any sum due to the credit
6 union from said member or for any loan endorsed by him.
7 A credit union may charge an entrance fee as may be pro-
8 vided in the by-laws which fee shall not exceed twenty-five
9 cents.

Sect. 6. *Deposits, loans, investments.* Deposits shall not
2 be received except from shareholders and the total deposits
3 of any shareholder shall not exceed twenty-five hundred
4 dollars. Deposits of shareholders and payments for shares
5 may be loaned to shareholders in the manner provided in
6 the by-laws of the credit union, or deposited in savings
7 banks and trust companies, incorporated under the laws of
8 this state, or in national banks doing business in this state,
9 or invested in securities legal for savings banks of this state.
10 Deposits shall bear interest at such rate and under such
11 conditions as the by-laws may provide.

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

Sect. 8. *Fiscal year; meetings.* The fiscal year of all
2 credit unions shall end December thirty-first and the annual
3 meeting of each credit union shall be held at such time in

4 the month of January in each year as the by-laws may de-
5 termine. Special meetings may be called in the way and
6 manner provided in the by-laws. At all meetings a member
7 shall have but a single vote, whatever his shareholdings,
8 and there shall be no voting by proxy. To amend the by-
9 laws the proposed amendment must be contained in the
10 call for the meeting and must be approved by three-fourths
11 of the members present, which number must at least consti-
12 tute a quorum.

Sect. 9. *Officers, how chosen, tenure, duties, etc.* At the
2 annual meeting (the organization meeting shall be the first
3 annual meeting) the credit unions shall elect a board of
4 directors from the membership, of such number and for
5 such tenure of office as the by-laws may provide. Said
6 board shall choose from its own number a president, vice-
7 president, treasurer and clerk and such other officers, agents
8 and committees as from time to time shall be required by
9 the by-laws and for such tenure as may be therein indicated
10 or as may be authorized by the board of directors, with
11 such qualifications, powers and duties as shall be provided
12 by the by-laws or by vote of said directors not inconsistent
13 with said by-laws. In like way and manner the members
14 shall elect a credit committee of three members and a super-
15 visory committee of three members by and from the mem-
16 bership in the way and manner prescribed in the by-laws
17 for such tenure and with such powers and subject to such
18 qualifications as may be set forth in said by-laws. The di-

19 rectors and members of said credit committee and said su-
20 pervisory committee shall hold their respective offices until
21 others have been elected and qualify in their stead. If a
22 director or committee member dies, resigns or becomes dis-
23 qualified for any cause, the remaining directors may fill
24 said vacancy until the next annual meeting of the credit
25 union. The duties of said boards and committees shall be
26 as set forth in said by-laws.

Sect. 10. *Supervision and control of bank commissioner.*

2 The credit unions shall be subject to the examination, su-
3 pervision and control of the bank commissioner and shall
4 annually, at such times as the commissioner may designate,
5 and at such other times as he may request in writing, report
6 to him in such form and manner as he may prescribe. The
7 provisions of sections forty-nine to fifty-seven inclusive of
8 chapter fifty-two of the revised statutes shall apply to credit
9 unions.

Sect. 11. *Power to borrow.* A credit union may borrow
2 from any source in total sum which shall not exceed fifty
3 percent of its assets.

Sect. 12. *Franchise tax, how computed.* The credit union
2 shall semi-annually on the last secular day of March and
3 September, make a return signed and sworn to by its treas-
4 urer of the average amount of its deposits and undivided
5 profits and of its guaranty or reserve fund, if any, for the
6 six months ending on each of said days. Said return shall
7 be filed with the board of state assessors on or before the

8 tenth day of April and October, and for wilfully making a
9 false return the treasurer shall forfeit to the state not less
10 than five hundred nor more than five thousand dollars. The
11 credit union shall pay a tax, assessed semi-annually, upon
12 the value of the franchise of the credit union created and
13 given by this act, determined as follows: the said board of
14 assessors on or before the first day of May and November
15 shall determine the value of said franchise to be the average
16 amount so returned and shall assess upon such value a tax
17 of one-fourth of one percent., and shall forthwith notify
18 the credit union. The tax so assessed semi-annually shall
19 be paid by the credit union on or before the twenty-fifth
20 day of May and November. The aforesaid franchise tax
21 shall be in lieu of all other state and municipal taxes to
22 said credit union and all the deposits of shareholders and
23 investments and other property of the credit union shall be
24 exempt from state or municipal taxation to the credit union,
25 excepting real estate owned by the credit union and not
26 held as collateral security, which may be taxed in the town
27 or city in which the same is located. The deposits of share-
28 holders shall be exempt from municipal taxation to share-
29 holders.

Sect. 13. *First meeting; how called.* The first meeting of
2 the credit union shall be known as the organization meeting
3 and shall constitute the first annual meeting. It may be
4 called by any one of the original organizers who joined in
5 the certificate of organization by a written notice signed by

6 the organizer aforesaid and served upon each one of the
7 organizers by giving the same to him in hand or by leaving
8 it at his last and usual place of abode, seven days before
9 the time appointed for the meeting, unless such notice is
10 waived in writing by all the organizers. At such organ-
11 ization meeting the officers shall be elected as hereinbefore
12 provided and other necessary business transacted.

Sect. 14. *Guaranty fund.* Before the payment of a divi-
2 dend there shall be set apart as a guaranty fund not less
3 than ten percent of the gross income which has accumu-
4 lated during the next preceding dividend period, until such
5 time as said guaranty fund shall equal fifteen percent of
6 the assets of said credit union; and thereafter there shall
7 be added to the guaranty fund at the end of each such pe-
8 riod such part of the gross income which has accumulated
9 during that period as will result in maintaining the guaranty
10 fund at such amount. All entrance fees shall be added to
11 the guaranty fund at the close of the dividend period. A
12 credit union may provide in its by-laws for fines to be
13 charged for failure to meet obligations to the credit union
14 promptly. The guaranty fund and the investments thereof
15 shall be held to meet contingencies in the business of the
16 credit union and shall not be distributed to its members ex-
17 cept in case of dissolution.

Sect. 15. *Dividends.* At the annual meeting, and if so pro-
2 vided in the by-laws that a dividend shall be paid semi-annu-
3 ally, at a meeting during the month of May in each year, a

4 dividend may be declared from the earnings which have ac-
5 tually been collected during the dividend period next preced-
6 ing and which remain after the deduction of all expenses, in-
7 terest on deposits and the amounts required to be set apart
8 to the guaranty fund, or such dividend may be declared in
9 whole or in part from the undivided earnings of preceding
10 years remaining after the aforesaid deductions for said
11 years. Such dividends shall be paid on all fully paid shares
12 outstanding at the close of the dividend period, but shares
13 which become fully paid during such dividend period shall
14 be entitled only to a proportional part of said dividend, cal-
15 culated from the first day of the month following such pay-
16 ment in full. Dividends due to a member shall, at his elec-
17 tion, be paid to him in cash or be credited to his account.

Sect. 16. *Withdrawal; expulsion.* A member may with-
2 draw or be expelled from the credit union in the way and
3 manner provided in the by-laws. The credit union may
4 dissolve voluntarily in the way and manner provided in the
5 by-laws but only with the consent of the bank commissioner
6 and in the way and manner approved by him.

Sect. 17. *Time of effect.* This act shall take effect——.