

# MAINE STATE LEGISLATURE

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H. P. 1415

House of Representatives, February 11, 1941.

Referred to the Committee on Judiciary and 600 copies ordered printed.  
Sent up for concurrence.

HARVEY R. PEASE, Clerk.

Presented by Mr. Payson of Portland.

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**STATE OF MAINE**

IN THE YEAR OF OUR LORD NINETEEN HUNDRED  
FORTY-ONE

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**AN ACT to Authorize the Incorporation of Credit Unions.**

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

**Sec. 1. Name; definition.** A corporation organized under this chapter shall include in its corporate name the words "credit union". Other distinguishing words may be used. The words "credit union" shall mean a corporation organized under this chapter or corresponding provisions of earlier laws, and unless the context otherwise requires, the word "commissioner" shall mean the bank commissioner.

**Sec. 2. Incorporation, etc.** Ten or more persons, resident of this state, who have associated themselves by a written agreement with the intention of forming a corporation for the purpose of accumulating and investing the savings of its members and making loans to them for provident purposes, may, with the consent of the commissioner of banks, become such a corporation upon complying with the following section. The said commissioner may grant such consent when satisfied that the proposed field of operation is favorable to the success of such corporation, and that the standing of the proposed incorporators is such as to give assurance that its affairs will be administered in accordance with the spirit of this chapter. A credit union shall organize and commence business within 6 months from the date of its incorporation, otherwise its charter shall become void.

**Sec. 3. Law applicable to credit unions.** Credit unions shall be organized under the provisions, so far as applicable, of section 8 and subsequent sections of chapter 56 of the revised statutes, and additions thereof, and amendment thereto, except that the fee for filing and recording the articles of organization, including the issuing by the state secretary of the certificate of incorporation, shall be \$25. So much of chapter 57 of the revised statutes as amended, as relates to supervision by the commissioner shall apply to credit unions so far as applicable.

To defray in part the expenses of each regular examination of a credit union, which examination shall be made under the provisions of chapter 57 of the revised statutes, the credit union so examined shall pay a fee of 25c for each \$1,000 of assets shown by its statement of condition at the time of the examination, which fee shall in no event be less than \$10; provided, that no fee shall be collected hereunder from a credit union until it has been in operation for a period of 1 year. Such fee shall be payable within 30 days after notice from the commissioner.

**Sec. 4. Credit union banking restricted.** No person, partnership or association, and no corporation except one incorporated under this chapter or the corresponding provisions of earlier laws shall hereafter receive payments on shares or deposits from its members and loan such payments on shares and deposits in the manner of a credit union or transact business under any name or title containing the words "credit union". Whoever violates any provision of this section shall be punished by a fine of not more than \$1,000, and the supreme judicial and superior courts shall have jurisdiction in equity, by any appropriate process to enforce the provisions of this section.

**Sec. 5. Fraternal organizations, voluntary associations, partnerships and corporations as limited members.** Any fraternal organization, voluntary association, partnership or corporation, having a usual place of business within the state and composed principally of individual members or stockholders who are themselves eligible to membership in a credit union, may become a member of a credit union, but, except with the consent of the commissioner, a credit union shall make no loan to such a member in excess of the total of its shares and deposits therein; nor shall a credit union receive from any such member money in payment for shares or on deposit to such an amount that the total of such payments by all members of the class described in this section shall exceed at any time 25% of the assets of the credit union.

**Sec. 6. Deposits and loans.** Subject to section 5, hereof, a credit union may receive savings of its members in payment for shares or on deposit

or may lend to its members at reasonable rates or invest, as hereinafter provided, the funds so accumulated. It may undertake such other activities relating to the purpose of the association as its by-laws may authorize.

**Sec. 7. By-laws.** The shareholders of every such corporation shall make and adopt by-laws, consistent with law, for the government of its affairs. The by-laws shall provide for and determine —

- (a) The name of the corporation.
- (b) The purposes for which it is formed.
- (c) The condition of residence, occupation or association which qualify persons for membership.
- (d) The conditions on which shares may be paid in, transferred and withdrawn.
- (e) The condition on which deposits may be received and withdrawn.
- (f) The method of receipting for money paid on account of shares or deposits or repaid on loans.
- (g) The number of directors and the number of members of the credit committee and the auditing committee and the manner of electing same.
- (h) The time of holding regular meetings of the board of directors, the credit committee and the auditing committee.
- (i) The duties of the several officers.
- (j) The entrance fees, if any, to be charged.
- (k) The fines, if any, to be charged for failure to meet obligations to the corporation punctually.
- (l) The date of the annual meeting and the manner in which members shall be notified of all meetings.
- (m) The number of members who shall constitute a quorum at all meetings.
- (n) Such other regulations as may be deemed to be necessary.

**Sec. 8. Amendment to by-laws.** Subject to section 9, hereof, the by-laws may be amended at any annual meeting or at a special meeting, called for the purpose, by a  $\frac{3}{4}$  vote of all the members present and entitled to vote; provided, that a copy of the proposed amendment, together with a written notice of the meeting, shall have been sent to each member or handed to him in person at least 7 days prior to said meeting.

**Sec. 9. Approval by commissioner.** No credit union shall receive any deposits or payments on account of shares, or make any loans, until its by-laws have been approved in writing by the commissioner, nor shall any amendments to its by-laws become operative until they have been so approved.

**Sec. 10. Capital.** The capital of a credit union shall be unlimited in amount and shall consist of shares, and, may, if the board of directors elects, also consist of deposits. Shares of capital stock may be subscribed for and paid for in such manner as the by-laws shall prescribe; provided, that the par value of the shares shall be \$5. Section 36 of chapter 57 of the revised statutes, shall also apply to credit unions, subject to the limitations as regards shares and deposits herein provided. The maximum amount of shares which may be held by any one member shall be established from time to time by resolution of the board of directors, but at no time shall the amount held by any one member exceed \$2,500 in shares. A credit union may require from a member 90 days notice of his intention to withdraw any funds which he may have in the said credit union. Section 25 of chapter 57 of the revised statutes shall apply to credit unions.

**Sec. 11. Shares may be issued to minors, etc.** Shares may be issued and deposits received in the name of a minor, and such shares and deposits may, in the discretion of the directors, be withdrawn by such minor or by his parent or guardian, and in either case payments made on such withdrawals shall be valid and shall release the corporation from liability to the minor, parent, or guardian in respect to such shares and deposits. A minor under 18 shall not have the right to vote.

**Sec. 12. Fiscal year.** The fiscal year of every credit union shall end at the close of business on the last business day of December.

**Sec. 13. Meetings.** The annual meeting of the corporation shall be held at such time and place as the by-laws prescribed, but not later than 30 days after the close of the fiscal year. Special meetings may be called at any time by a majority of the directors and shall be called by the clerk upon written application of 10 or more members entitled to vote. Notice of all meetings of the corporation and of all meetings of the board of directors and of committees shall be given in the manner prescribed in the by-laws. No member shall be entitled to vote by proxy or have more than 1 vote.

A fraternal organization, voluntary association, partnership, or corporation, having membership in a credit union may cast 1 vote at any of its meetings by a duly delegated agent.

The members at each annual meeting may fix the maximum amount to be loaned to any one member and, upon recommendation of the board of directors, may declare dividends in accordance with section 25 of this act.

**Sec. 14. Directors.** The business and affairs of a credit union shall be managed by a board of not less than 5 directors. The directors shall be elected at the annual meetings. All members of the said board, as well as the officers whom they may elect, shall be sworn to the faithful performance of their duties, and shall hold their several offices unless sooner removed as hereinafter provided, until their successors are qualified. A record of every such qualification shall be filed and preserved with the records of the corporation. Directors shall be elected for not less than 1 or more than 3 years, as the by-laws shall provide. If the term is more than 1 year, they shall be divided into classes, and an equal number, as nearly as may be, elected each year. If a director ceases to be a member of the credit union, his office shall thereupon become vacant.

**Sec. 15. Election of officers; committees; bonds.** The directors at their first meeting after the annual meeting shall elect from their own number a president, one or more vice presidents, a clerk, a treasurer, and such other officers as may be necessary for the transaction of the business of the credit union, who shall be the officers of the corporation and who shall hold office until their successors are qualified, unless sooner removed as hereinafter provided. The offices of clerk and treasurer may be held by the same person. No member of the said board of directors shall be a member of both the credit and the auditing committee unless the number of members of the credit union is less than 11. The treasurer and all other officers and employees of a credit union having access to the cash or negotiable securities in its possession shall each give a bond to the directors in such amount and with such surety or sureties and conditions as the commissioner may prescribe, and shall file with him an attested copy thereof, with a certificate of its custodian that the original is in his possession, and the provisions of section 17 of chapter 57 of the revised statutes, relative to bonds of officers of savings banks shall apply to bonds given hereunder so far as applicable. The treasurer and any other officers and employees required to give bond, may be included in one or more blanket or schedule bonds.

Subject to the approval of the commissioner as to the form and conditions thereof, a schedule bond may be issued to an association of credit unions covering the officers and employees of the credit unions which are members of such association.

**Sec. 16. Powers and duties of directors.** The board of directors shall have the general direction of the affairs of the corporation and shall meet as often as may be necessary, but not less than once each month. It shall act upon all applications for membership and upon the expulsion of

members; determine the rate of interest on loans subject to the limitations contained in this chapter; shall decide on all applications for real estate mortgage loans after receipt of the certification by the credit committee of the application in the manner hereinafter provided; shall determine the rate of interest to be paid on deposits which shall not, however, exceed 5% per annum and shall fill vacancies in the board of directors and committees until the next annual election. It shall make recommendations to the members of the credit union relative to the maximum amount to be loaned to any one member; the advisability of declaring a dividend and the amount to be declared; the need of amendments to the by-laws, and other matters upon which, in its opinion, the members should act at any regular or special meeting. The board of directors, with the approval of the commissioner, may borrow money for and in behalf of the credit union. It may by a 2/3 vote remove from office for cause any officer.

**Sec. 17. Powers and duties of the auditing committee.** The auditing committee shall keep fully informed at all times as to the financial condition of the credit union; shall examine carefully the cash and accounts of the credit union monthly; shall certify the monthly statements submitted by the treasurer; and shall report to the board of directors its findings, together with its recommendations. It shall, under regulations prescribed by the commissioner, cause to be verified the pass books of the credit union at least once in every 3 years. It shall hold meetings at least once each month, shall keep records thereof and shall make an annual report at the annual meeting.

**Sec. 18. Directors not to receive compensation, etc.; compensation of officers.** No member of the board of directors shall receive any compensation for his services as a member of the said board or as a member of any committee. No member of said board shall become surety or co-maker for any loan. The officers elected by the board may receive such compensation as it may authorize.

**Sec. 19. Guaranty fund.** Before the payment of an annual or semi-annual dividend there shall be set apart as a guaranty fund not less than 10% of the net income which has accumulated during the next preceding dividend period, except as hereinafter provided, until such time as said guaranty fund shall equal 20% of the assets of the said credit union; and thereafter shall be added to the guaranty fund at the end of each such period such percentage of the net income which has accumulated during that period as will result in maintaining such guaranty fund at such amount. All entrance fees shall be added to the guaranty fund at

the close of the dividend period. Said guaranty fund and the investments thereof shall be held to meet contingencies or losses in the business of the credit union, and shall not be distributed to its members, except in case of dissolution.

**Sec. 20. Investment of funds.** The capital, deposits and surplus of a credit union shall be invested in loans to members, with approval of the credit committee, as provided in the following section, and also when so required herein, of the board of directors; and any capital, deposits or surplus funds in excess of the amount for which loans shall be approved by the credit committee and the board of directors, may be deposited in any bank in this state, which is a member of the F. D. I. C., or invested in any bonds, notes of the United States or of any state or subdivision thereof, of bankers' acceptances, which bonds, notes or bankers' acceptances are at the time of their purchase legal investments for savings banks in this state; or in the shares of other credit unions incorporated in this state or by the Federal Government, or in the shares of State and Federal Building and Loan Associations. Investments, other than personal loans, shall be made only with the approval of the board of directors.

**Sec. 21. Powers and duties of credit committee.** The credit committee shall:

- (a) Hold meetings at least one in each month;
- (b) Act on all applications for loans;
- (c) Approve in writing all personal loans granted and the security, if any, pledged therefor; and
- (d) Submit to the board of directors all applications for loans to be secured by mortgages of real estate, with their recommendations thereon, which shall include a certificate as to their best judgment of the value of the real estate involved.

No personal loan 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  $\frac{2}{3}$  of the members of said committee, approve said loan. No loan shall be granted unless the members of said committee are satisfied that the loan promises to be of benefit to the borrower.

**Sec. 22. Applications for loans.** All applications for loans shall be made in writing and shall state the purpose for which the loan is desired and the security, if any, offered.



The form of application for a loan to be secured by a mortgage of real estate shall contain —

- (a) The date.
- (b) The name of the applicant.
- (c) The name of the husband or wife of the applicant, if any.
- (d) The amount of loan desired.
- (e) Assessed value of the real estate in question.
- (f) A statement of all balances due of any mortgages outstanding against said real estate.
- (g) The income from said real estate.
- (h) A description of said real estate.
- (i) Such other information as the board of directors may require.

**Sec. 23. Loans.** A credit union may make loans of the following classes to its members :

- (a) Personal loans secured by the note of the borrower comaker and endorser ;
- (b) Loans secured by chattel mortgages and conditional sales contracts ; and
- (c) Loans secured by mortgages of real estate situated within the state.

Personal loans shall always be given the preference, and in the event there are not sufficient funds available to satisfy all loan applications approved by the credit committee, preference shall be given to the smaller loan.

#### (A) PERSONAL LOANS

Personal loans may be made under such conditions as prescribed in the by-laws of each individual credit union.

#### (B) CHATTEL MORTGAGES

Loans secured by chattel mortgages and conditional sales contracts may be made under such conditions as prescribed in the by-laws of each individual credit union.

#### (C) LOANS SECURED BY MORTGAGES OF REAL ESTATE

The total amount which a credit union may invest in loans secured by

first mortgages of real estate, shall not exceed 20% of the aggregate amount of the shares, deposits and guaranty fund. All loans secured by mortgages of real estate shall be subject to the following restrictions:

1. The total liability of any member upon loans of this class shall not exceed 5% of the assets of the credit union, nor shall it exceed \$8,000.

2. A loan secured by a first mortgage of real estate shall not exceed 60% 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 F. H. A.

**Sec. 24. Dividends.** At the annual meeting a dividend may be declared from the earnings which have been earned during the dividend period next preceding and which remain after the deduction of all expenses, interest on deposits 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.

Such dividends shall be paid on all fully paid shares outstanding at the close of the dividend period, but shares which become fully paid during such dividend period shall be entitled only to a proportional part of said dividend, calculated from the first day of the month following such payment in full. Dividends due to a member shall, at his election, be paid to him in cash or be credited to his account in either shares or deposits. No dividend shall be authorized or paid at a rate in excess of 6% per annum.

**Sec. 25. Report to commissioner.** Within 30 days after the last business day of December in each year, every credit union shall make to the commissioner a report in such form as he may prescribe, signed by the president, treasurer and a majority of the auditing committee, who shall make oath that the report is correct according to their best knowledge and belief. Any credit union neglecting to make said report within the time herein prescribed may be required at the discretion of the bank commissioner to forfeit to the state \$5 for each day during which such neglect continues.

**Sec. 26. Expulsion of members.** The board of directors may expel from a credit union any member who has not carried out his engagements with it, or who has been convicted of a criminal offense, or who neglects or refuses to comply with the provisions of this chapter or of the by-laws of the credit union, or whose private life is a source of scandal, or who habitually neglects to pay his debts, or who becomes insolvent or bank-

rupt, or who has deceived the corporation or a committee thereof with regard to the use of borrowed money; but no member shall so be expelled until he has been informed in writing of the charges against him, and an opportunity has been given him, after reasonable notice, to be heard thereon.

The amounts paid in on shares or deposited by members who have withdrawn or have been expelled shall be paid to them, in the order of withdrawal or expulsion, but only as funds therefore become available and after deducting any amounts due from such members to the credit union. Such expulsion shall not operate to relieve a member from any outstanding liability to the credit union.

**Sec. 27. Shares not taxable, etc.** Credit union shares of corporations organized under this act shall be tax exempted, and no taxes, or charges, except as hereinbefore provided, shall be assessed against them.

**Sec. 28. Power to borrow.** A credit union may borrow from any source in total sum which shall not exceed 50% of its assets.

**Sec. 29. Permissive clause.** Credit unions now existing in this state organized under the federal law, may become subjected to the provisions of this act upon approval of the commissioner after application to him and hearing thereon, and they then shall conform to the rules and regulations herein.

**Sec. 30. Saving clause.** No part of this act shall be construed as repealing, modifying or amending the provisions of any private and special acts authoring the organization and defining the purposes of corporations of similar nature.