

WEST VIRGINIA LEGISLATURE

REGULAR SESSION, 1949



ENROLLED

HOUSE BILL No. 44

(By Mr. Loop)



PASSED March 7 1949

In Effect from Passage



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House Bill No. 44

(By MR. LOOP)

[Passed March 7, 1949; in effect from passage.]

AN ACT to amend and reenact sections one, six, nineteen and twenty, article ten, all of chapter thirty-one of the code of West Virginia, one thousand nine hundred thirty-one, relating to credit unions.

Be it enacted by the Legislature of West Virginia:

That sections one, six, nineteen and twenty, article ten, all of chapter thirty-one, of the code of West Virginia, one thousand nine hundred thirty-one, be amended and reenacted to read as follows:

Article 10. Credit Unions.

- Section 1. *Credit Unions, Who May Form; Agreement;*
2 *By-Laws, Charter, Approval by Commissioner of Banking,*
3 *Filing, Certificate of Authority; Form of Incorporation and*
4 *By-Laws Prescribed by Commissioner of Banking.*—Any
5 eight persons, residents of the state of West Virginia and

6 having a common bond of occupation or association, may
7 apply to the secretary of state for permission to organize
8 a credit union. A credit union shall be organized in the
9 following manner:

10 (a) The applicants shall execute in duplicate an incor-
11 poration agreement by the terms of which they agree to
12 be bound. The agreement shall state:

13 (1) The name of the proposed credit union;

14 (2) The post-office address of its principal office or place
15 of business;

16 (3) The names and post-office addresses of the incor-
17 porators, and the number of shares subscribed by each;

18 (4) The total number of shares of stock which the credit
19 union shall have authority to issue and the par value of
20 each share, which par value shall not exceed ten dollars.

21 (b) The applicants shall then prepare and adopt by-
22 laws for the general government of the credit union con-
23 sistent with the provisions of this article and execute the
24 same in duplicate. The by-laws shall specify:

25 (1) The date of the annual meeting, which shall be in

26 January of each calendar year, requirements as to notice
27 and manner of conducting such meeting;

28 (2) The number of directors, which shall be not less
29 than five, all of whom must be shareholders and members
30 of the credit union, their powers and duties; and the com-
31 pensation and duties of all officers;

32 (3) The conditions and qualifications for membership;

33 (4) The number of members of the credit committee
34 and of the supervisory committee, with their respective
35 powers and duties;

36 (5) The conditions upon which shares may be issued,
37 transferred and withdrawn;

38 (6) The charges, if any, to be made for failure to meet
39 obligations punctually;

40 (7) The conditions upon which deposits may be received
41 and withdrawn, and whether the credit union shall have
42 the power to borrow;

43 (8) The manner in which the funds of the credit union
44 shall be invested;

45 (9) The conditions upon which loans may be made and
46 repaid;

47 (10) The method of receipting for money paid in on ac-
48 count of shares, deposits and loans;

49 (11) The manner in which the reserve fund shall be
50 accumulated;

51 (12) The manner in which dividends shall be deter-
52 mined and paid out.

53 (c) The agreement and by-laws, both executed in du-
54 plicate, shall be forwarded to the secretary of state;

55 (d) The secretary of state, within thirty days after the
56 receipt of such agreement, shall determine whether it con-
57 forms to the provisions of this article, and whether or not
58 the organization of the credit union in question would
59 benefit the organizers of it, and be consistent with the
60 purposes of this article;

61 (e) Thereupon the secretary of state shall notify the
62 applicants of his decision. If it is favorable, he shall issue
63 a charter, attach the charter to the duplicate of the agree-
64 ment and return the same, together with the duplicate of
65 the by-laws to the applicants: *Provided, however, That*
66 the secretary of state shall issue no charter to any credit
67 union to do business in this state until such incorporation

68 agreement and by-laws have been approved in writing by
69 the commissioner of banking;

70 (f) The applicants shall thereupon file such charter in
71 the office of the clerk of the county court of the county in
72 which the principal office of the credit union is to be
73 located, and such clerk shall record such charters, the
74 usual fees to be charged for such recordation;

75 (g) When any credit union authorized by this article
76 desires to begin business, it must notify the commissioner
77 of banking, who shall at his earliest convenience make
78 an examination of its affairs. Having satisfied himself
79 that all the conditions precedent have in good faith been
80 complied with, said commissioner shall then issue to such
81 credit union, under his hand, and official seal, a certifi-
82 cate of authority reciting that such examination has been
83 made and that the credit union is authorized to commence
84 business, which certificate shall be displayed in the busi-
85 ness place of such credit union. But the commissioner
86 may withhold from any credit union his certificate au-
87 thorizing the commencement of business whenever he has

88 reason to suppose that the members have formed the same
89 for any other than the legitimate objects contemplated in
90 this article.

91 In order to simplify the organization of credit unions,
92 the commissioner of banking shall cause to be prepared
93 an approved form of incorporation agreement and form of
94 by-laws consistent with this article, which may be used
95 by credit union incorporators for their guidance and, upon
96 written request of any resident of the state of West Vir-
97 ginia, the commissioner of banking shall supply such resi-
98 dent with two blank incorporation agreements and two
99 copies of such form of suggested by-laws free of charge.

Sec. 6. *Supervision by and Reports to Commissioner of*
2 *Banking; Examinations; Revocation of Certificate.*—Credit
3 unions shall be under the supervision of the commissioner
4 of banking. They shall report to him at least semi-
5 annually on or before the first day of January and the first
6 day of July of each calendar year, on blanks supplied by
7 the said commissioner for that purpose. Additional re-
8 ports may be required by said commissioner. Credit
9 unions shall be examined annually by the commissioner

10 of banking, except that, if a credit union has assets of
11 less than twenty-five thousand dollars, he may accept
12 the audit of a certified public accountant in place of such
13 examination. The fee for such examination shall be ten
14 dollars for credit unions with assets less than five thousand
15 dollars; fifteen dollars for credit unions with assets of
16 more than five thousand dollars but less than twenty-five
17 thousand dollars; twenty-five dollars for credit unions
18 with assets of more than twenty-five thousand dollars but
19 less than fifty thousand dollars; thirty-five dollars for
20 credit unions with assets of more than fifty thousand
21 dollars but less than one hundred thousand dollars; and
22 fifty dollars for credit unions with assets of over one hun-
23 dred thousand dollars.

Sec. 19. *Security for Loans to Members; Application for*
2 *Loan by Members of Credit Committee; Illegal to Loan*
3 *to Non-Members.*—As provided in section eighteen of this
4 article, a credit union may loan to its members for such
5 purposes and upon such security and terms as the by-
6 laws shall provide and the credit committee shall approve;
7 but security must be taken for any loan in excess of three

8 hundred dollars. Endorsement of a note or assignment of
9 shares in any credit union shall be deemed security with-
10 in the meaning of this section.

11 A member who needs funds with which to purchase
12 necessary supplies for growing crops may receive a loan
13 in fixed monthly installments instead of in one sum.

14 If any member of the credit committee makes applica-
15 tion to borrow money from a credit union or becomes
16 surety for any other member whose application for a loan
17 is under consideration, the supervisory committee shall
18 appoint a substitute to act on the credit committee in the
19 place of such member, during the consideration of such
20 application. All officers and members of any committee
21 in any way knowingly permitting or participating in
22 making a loan of funds of a credit union to a non-member
23 thereof shall be guilty of a misdemeanor. The credit
24 union shall have the right to recover the amount of any
25 such illegal loan from the borrower or from any officer
26 or member of a committee who knowingly committed or
27 participated in the making thereof, or from all of them
28 jointly.

29 A borrower may repay the whole or any part of his

30 loan on any day on which the office of the corporation is
31 open for the transaction of business.

Sec. 20. *Reserve Fund, of What Constituted; Increase
2 or Decrease.*—All entrance fees, transfer fees and charges
3 shall, after the payment of organization expenses, be
4 known as reserve income, and shall be added to the re-
5 serve fund of the corporation. At the close of each fiscal
6 year there shall be set apart to the reserve fund ten per
7 cent of the net income of the corporation which has ac-
8 cumulated during the year. But upon the recommenda-
9 tion of the board of directors, the members at an annual
10 meeting may increase, and whenever such funds equal
11 twenty per cent of the capital, may decrease, the propor-
12 tion of profits which is required by this section to be set
13 apart to the reserve fund.

14 The reserve fund shall belong to the corporation and
15 shall be held to meet contingencies, and shall not be dis-
16 tributed to the members, except upon dissolution of the
17 corporation.

18 All acts or parts of acts in conflict herewith are hereby
19 repealed.

The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Forest L. Menar

Chairman Senate Committee

W. B. Rautenbach

Chairman House Committee

Originated in the House of Delegates

Takes effect from passage.

Howard Meyers

Clerk of the Senate

J. A. Kirk

Clerk of the House of Delegates

W. B. Rautenbach

President of the Senate *Speaker House of Delegates*

George Hays Chestnut

Speaker House of Delegates

President of the Senate

The within APPROVED this the 17th

day of MARCH, 1949.

Okey R. Patton
Governor.



Filed in the Office of the Secretary of State
of West Virginia MAR 15 1949

D. PITT O'BRIEN,
SECRETARY OF STATE