WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1949

ENROLLED

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

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

(1) The name of the proposed credit union;
(2) The post-office address of its principal office or place
of business;
(3) The names and post-office addresses of the incor-
porators, and the number of shares subscribed by each;
(4) The total number of shares of stock which the credit
union shall have authority to issue and the par value of
each share, which par value shall not exceed ten dollars.

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

(1) The date of the annual meeting, which shall be in
January of each calendar year, requirements as to notice and manner of conducting such meeting;

(2) The number of directors, which shall be not less than five, all of whom must be shareholders and members of the credit union, their powers and duties; and the compensation and duties of all officers;

(3) The conditions and qualifications for membership;

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

(5) The conditions upon which shares may be issued, transferred and withdrawn;

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

(7) The conditions upon which deposits may be received and withdrawn, and whether the credit union shall have the power to borrow;

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

(9) The conditions upon which loans may be made and repaid;
(10) The method of receipting for money paid in on account of shares, deposits and loans;
(11) The manner in which the reserve fund shall be accumulated;
(12) The manner in which dividends shall be determined and paid out.

(c) The agreement and by-laws, both executed in duplicate, shall be forwarded to the secretary of state;
(d) The secretary of state, within thirty days after the receipt of such agreement, shall determine whether it conforms to the provisions of this article, and whether or not the organization of the credit union in question would benefit the organizers of it, and be consistent with the purposes of this article;
(e) Thereupon the secretary of state shall notify the applicants of his decision. If it is favorable, he shall issue a charter, attach the charter to the duplicate of the agreement and return the same, together with the duplicate of the by-laws to the applicants: Provided, however, That the secretary of state shall issue no charter to any credit union to do business in this state until such incorporation
agreement and by-laws have been approved in writing by
the commissioner of banking;
(f) The applicants shall thereupon file such charter in
the office of the clerk of the county court of the county in
which the principal office of the credit union is to be
located, and such clerk shall record such charters, the
usual fees to be charged for such recordation;
(g) When any credit union authorized by this article
desires to begin business, it must notify the commissioner
of banking, who shall at his earliest convenience make
an examination of its affairs. Having satisfied himself
that all the conditions precedent have in good faith been
complied with, said commissioner shall then issue to such
credit union, under his hand, and official seal, a certifi-
cate of authority reciting that such examination has been
made and that the credit union is authorized to commence
business, which certificate shall be displayed in the busi-
ness place of such credit union. But the commissioner
may withhold from any credit union his certificate au-
thorizing the commencement of business whenever he has
reason to suppose that the members have formed the same
for any other than the legitimate objects contemplated in
this article.

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

Sec. 6. Supervision by and Reports to Commissioner of
Banking; Examinations; Revocation of Certificate.—Credit
unions shall be under the supervision of the commissioner
of banking. They shall report to him at least semi-
annually on or before the first day of January and the first
day of July of each calendar year, on blanks supplied by
the said commissioner for that purpose. Additional re-
ports may be required by said commissioner. Credit
unions shall be examined annually by the commissioner
of banking, except that, if a credit union has assets of less than twenty-five thousand dollars, he may accept the audit of a certified public accountant in place of such examination. The fee for such examination shall be ten dollars for credit unions with assets less than five thousand dollars; fifteen dollars for credit unions with assets of more than five thousand dollars but less than twenty-five thousand dollars; twenty-five dollars for credit unions with assets of more than twenty-five thousand dollars but less than fifty thousand dollars; thirty-five dollars for credit unions with assets of more than fifty thousand dollars but less than one hundred thousand dollars; and fifty dollars for credit unions with assets of over one hundred thousand dollars.

Sec. 19. Security for Loans to Members; Application for Loan by Members of Credit Committee; Illegal to Loan to Non-Members.—As provided in section eighteen of this article, a credit union may loan to its members for such purposes and upon such security and terms as the by-laws shall provide and the credit committee shall approve; but security must be taken for any loan in excess of three
Endorsement of a note or assignment of shares in any credit union shall be deemed security within the meaning of this section.

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

If any member of the credit committee makes application to borrow money from a credit union or becomes surety for any other member whose application for a loan is under consideration, the supervisory committee shall appoint a substitute to act on the credit committee in the place of such member, during the consideration of such application. All officers and members of any committee in any way knowingly permitting or participating in making a loan of funds of a credit union to a non-member thereof shall be guilty of a misdemeanor. The credit union shall have the right to recover the amount of any such illegal loan from the borrower or from any officer or member of a committee who knowingly committed or participated in the making thereof, or from all of them jointly.

A borrower may repay the whole or any part of his
Sec. 20. **Reserve Fund, of What Constituted; Increase or Decrease.**—All entrance fees, transfer fees and charges shall, after the payment of organization expenses, be known as reserve income, and shall be added to the reserve fund of the corporation. At the close of each fiscal year there shall be set apart to the reserve fund ten per cent of the net income of the corporation which has accumulated during the year. But upon the recommendation of the board of directors, the members at an annual meeting may increase, and whenever such funds equal twenty per cent of the capital, may decrease, the proportion of profits which is required by this section to be set apart to the reserve fund.

The reserve fund shall belong to the corporation and shall be held to meet contingencies, and shall not be distributed to the members, except upon dissolution of the corporation.

All acts or parts of acts in conflict herewith are hereby repealed.
The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman Senate Committee

Chairman House Committee

Originated in the House of Delegates

Takes effect from passage.

Clerk of the Senate

Clerk of the House of Delegates

President of the Senate

Speaker House of Delegates

The within approved this the 17th day of March, 1949.

Governor.

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

D. Pitt O'Brien,
Secretary of State