

CHAPTER 138.

[S. B. 97.]

CREDIT UNIONS.

AN ACT relating to credit unions; amending section 5, chapter 173, Laws of 1933, as amended by section 5, chapter 131, Laws of 1943, and RCW 31.12.090; amending section 14, chapter 173, Laws of 1933, as last amended by section 3, chapter 48, Laws of 1953, and RCW 31.12.180; amending section 15, chapter 173, Laws of 1933, as last amended by section 5, chapter 23, Laws of 1957, and RCW 31.12.190; amending section 16, chapter 173, Laws of 1933, as last amended by section 5, chapter 48, Laws of 1953, and RCW 31.12.200; amending section 20, chapter 173, Laws of 1933, as last amended by section 9, chapter 23, Laws of 1957, and RCW 31.12.260; amending sections 8, 12 and 13, chapter 23, Laws of 1957 and RCW 31.12.245, 31.12.280 and 31.12.290.

Be it enacted by the Legislature of the State of Washington:

RCW 31.12.090
amended.

SECTION 1. Section 5, chapter 173, Laws of 1933, as amended by section 5, chapter 131, Laws of 1943, and RCW 31.12.090 are each amended to read as follows:

Savings—
Loans—Real
estate.

Subject to the provisions of RCW 31.12.080, a credit union may receive savings from 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 its organization as its articles of incorporation may provide. A credit union may invest a reasonable amount of its funds in real property or leasehold interests therein for use principally in the transaction of its business when:

- (1) The aggregate of its guaranty fund and undivided profits accounts equals five percent of the aggregate of its share accounts;
- (2) its directors, by at least three-fourths affirmative vote, approve the making of such investment; and

(3) the total investment in such property does not exceed seven and one-half percent of the aggregate of its share accounts.

The foregoing restrictions of this section shall not affect existing investments of credit unions. No credit union may invest its funds in real property or leasehold interests therein for use principally in the transaction of its business without the prior written approval of the supervisor. However a credit union may acquire real property through collection of loans secured thereby.

SEC. 2. Section 14, chapter 173, Laws of 1933, as last amended by section 3, chapter 48, Laws of 1953, and RCW 31.12.180 are each amended to read as follows: RCW 31.12.180 amended.

The directors at their first meeting after the annual meeting shall elect from their own number a president, one or more vice presidents, a secretary, 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 elected and qualified unless sooner removed as hereinafter provided: *Provided*, That the treasurer need not be a director. The board shall select a credit committee composed of three or more members of the credit union, who need not be board members. The offices of secretary and treasurer may be held by the same person. No director shall be a member of both the credit and auditing committee. Each officer and employee handling funds of the credit union shall give bond to the directors in such amount and with such surety and conditions as the supervisor may prescribe, which bond shall be filed with the supervisor. Officers—
Bonds.

SEC. 3. Section 15, chapter 173, Laws of 1933, as last amended by section 5, chapter 23, Laws of 1957, RCW 31.12.190 amended.

and RCW 31.12.190 are each amended to read as follows:

Powers and
duties of
directors.

The board 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 in 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 herein, determine the rate of interest to be paid on deposits, which shall not exceed four percent per year, determine the types of security which shall be acceptable on loans subject to the limitations herein, and fill vacancies in the board and in such committees for which provision as to filling of vacancies is not made herein, until the next election. It shall make recommendations to the members relative to the need of amendments to the bylaws and other matters upon which it deems the members should act at any regular or special meeting. The board from time to time shall set the amount of shares and deposits which any one member may hold in the credit union, and set the amount which may be loaned, secured or unsecured, to any one member, all subject to the limitations contained in this chapter. At each annual or semiannual period the board may declare a dividend from net earnings, which shall be paid on all shares outstanding at the time of declaration, and which may be paid to members on shares withdrawn during the period. Shares which become paid up during the year shall be entitled to a proportional part of the dividend calculated from the first day of the month following such payment in full: *Provided*, That the board may compute such full shares if purchased on or before the tenth day of any month, as of the first day of the month. The board may borrow money in behalf of the credit union, for the purpose of making loans, and the payment of debts or withdrawals.

The aggregate amount of such loans shall not exceed thirty-three and one-third percent of the credit union's paid-in and unimpaired capital and surplus except with the approval of the supervisor. It may, by a two-thirds vote, remove from office any officer for cause; or suspend any member of the board, credit committee, or audit committee, for cause, until the next membership meeting, which meeting shall be held within fifteen days of the suspension, and at which meeting the suspension shall be acted upon by the members. The board shall make a written report to the members at each annual meeting.

SEC. 4. Section 16, chapter 173, Laws of 1933, as last amended by section 5, chapter 48, Laws of 1953, and RCW 31.12.200 are each amended to read as follows:

RCW 31.12.200
amended.

An auditing committee of not less than three members shall be elected at the annual meeting of the credit union and shall hold office for a term of three years, unless sooner removed as herein provided, or until their successors commence the performance of their duties. The auditing committee shall be divided into classes so that an equal number as nearly as may be shall be elected each year. If a member of the auditing committee ceases to be a member of the credit union, his office shall thereupon become vacant.

Auditing
committee—
Elections—
Terms—
Powers and
duties.

The auditing committee shall keep fully informed at all times as to the financial condition of the credit union; examine carefully the cash and accounts monthly; certify the monthly statements submitted by the treasurer; make a thorough audit of the books, including income and expense, semiannually; report to the board its findings, together with its recommendations; under regulations prescribed by the supervisor, cause to be verified the passbooks of the credit union, according to such regulations; hold meetings at least once a month and keep records

thereof; and make an annual report at the annual meeting.

By a unanimous vote the auditing committee may suspend an officer of the corporation or a member of the credit committee or of the board until the next members' meeting, which meeting shall be held within fifteen days of the suspension, and at which meeting the suspension shall be acted upon by the members. By a majority vote of the auditing committee it may call a special meeting of the members to consider any violation of this chapter or of the bylaws, or any practice of the credit union deemed by the committee to be unsafe or unauthorized. The auditing committee shall fill vacancies in its own membership until successors are elected. It shall also call a special meeting of the membership upon the request of the supervisor.

RCW 31.12.245
amended.

SEC. 5. Section 8, chapter 23, Laws of 1957 and RCW 31.12.245 are each amended to read as follows:

Loan officer—
Powers.

The board of any credit union organized under this chapter whose assets are in excess of two hundred thousand dollars may appoint such loan officers as it deems advisable for the purpose of approving certain types of loans without further authorization from the credit committee. Credit unions with assets of two hundred thousand dollars or less may appoint such loan officers: *Provided*, That the supervisor has given his prior approval thereto. Such loan officers may be authorized to approve individually only the following types of loans without the approval of the credit committee:

(1) Personal loans to an amount not exceeding five hundred dollars, on the unindorsed or unsecured note of the borrower, and personal loans not exceeding one thousand dollars which are adequately secured in the judgment of a loan officer;

(2) Personal loans in excess of five hundred dollars so long as that amount of the loan exceeding

five hundred dollars is secured by the borrower's pledged shares in the credit union;

(3) Personal loans refinancing loans previously made where the new loan balance will not exceed the loan balance originally authorized and the actual indebtedness is not increased by more than one thousand dollars.

SEC. 6. Section 20, chapter 173, Laws of 1933, as last amended by section 9, chapter 23, Laws of 1957, and RCW 31.12.260 are each amended to read as follows:

RCW 31.12.260
amended.

The capital, deposits, and surplus of a credit union shall be invested in loans to members, with the approval of the credit committee or the loan officer where permitted herein, and also when required herein, of the board of directors, and any capital, deposits, or surplus funds in excess of the amount for which loans may be approved, may be deposited in banks or trust companies or in state or national banks located in this state, or invested in any bond or securities or other investments which are at the time legal investments for savings and loan associations in this state, except first mortgage real estate loans, or in the shares of other credit unions or savings and loan associations organized or authorized to do business under the laws of this state or the United States. No credit union shall carry on a banking business or carry any demand, commercial, or checking accounts, nor issue any time or demand certificates of deposit. At least five percent of the total assets of a credit union shall be carried as cash on hand or as balances due from banks, trust companies, savings and loan associations, central credit unions or mutual savings banks organized or authorized to do business in this state or the United States, or invested in the bonds or notes of the United States, or of any state, or subdivision thereof, which are legal investments for savings and loan

Funds to be
loaned, excess
to be deposited
or invested.

associations. Whenever the aforesaid ratio falls below five percent, no further loans shall be made until the ratio has been reestablished. Investments other than personal loans shall be made only with the approval of the board.

RCW 31.12.280 amended.

SEC. 7. Section 12, chapter 23, Laws of 1957 and RCW 31.12.280 are each amended to read as follows:

Limits and conditions of personal loans.

Loans to any one member shall not exceed five thousand dollars without the permission of the supervisor and shall be limited as follows:

(1) To an amount not exceeding five hundred dollars on the unindorsed or unsecured note of the borrower;

(2) Loans to an individual or family community in excess of five hundred dollars must be adequately secured.

RCW 31.12.290 amended.

SEC. 8. Section 13, chapter 23, Laws of 1957 and RCW 31.12.290 are each amended to read as follows:

Loans secured by real estate mortgages or contracts.

The total amount which a credit union may lend on the security of mortgages on, or contracts relating to, real estate shall not exceed the following limits:

(a) Ten percent of its total assets if its assets are under one hundred thousand dollars.

(b) Twenty percent of its total assets if its assets are over one hundred thousand dollars but under one million dollars.

(c) Thirty percent of its total assets if its assets are in excess of one million dollars.

All loans secured by mortgages or contracts on real estate shall be subject to the following restrictions:

(1) Loans secured by first mortgages shall be only on real estate improved by a home, a combination home and business building, or a two unit residential building in which the owner-borrower is the occupant of one unit; loans may be made for the construction of any such improvements.

(2) Any loans made on a real estate contract must be through warranty deed and assignment of the seller's interest, and the principal amount of the purchase price must have been reduced by twenty-five percent; the monthly payments must not be delinquent at time of the loan and the real estate must be such as would qualify for a mortgage loan under paragraph (1) hereof.

(3) The total amount which may be loaned on any one property or to any one family community borrower shall not exceed two and one-half percent of the assets of the credit union, or seventy-five hundred dollars, whichever is greater, except with the prior approval of the supervisor. Such loan shall not exceed: (a) seventy-five percent of the appraised value of the real estate if there is located thereon a home only which is not over thirty months old and incidental out buildings, or if the loan is made for the construction or completion of such improvements, and (b) sixty percent of the appraised value of the real estate if there is located thereon other habitable buildings of a nature permitted under paragraph (1) hereof.

All taxes and assessments must be paid currently, and all such loans must be amortized by weekly, semimonthly or monthly payments, which payments, including interest, shall be at the rate of not less than ten percent per year of the original principal.

The real estate covered by any such mortgage or contract must be inspected and appraised by two appraisers each of whom has had two or more years experience in appraising real estate for loan purposes within the area in which the property is located. The credit union must have a policy of title insurance issued concurrently by an insurance company licensed to do business in the state of Washington, insuring the interest of the credit union in the

real estate in the full amount of the loan, or must have an abstract brought up to date of the loan and certified by a practicing attorney; also with fire insurance covering at least the interest of the credit union.

Passed the Senate March 5, 1959.

Passed the House March 4, 1959.

Approved by the Governor March 17, 1959.

CHAPTER 139.

[S. B. 318.]

AGRICULTURAL PRODUCTS—COMMISSION
MERCHANTS, BROKERS, ETC.

AN ACT relating to agricultural products; and repealing chapter 14, Laws of 1955 as amended by section 4, chapter 262, Laws of 1955, section 3, chapter 262, Laws of 1955, sections 1 and 2, chapter 262, Laws of 1955 and RCW 20.04.010 through 20.04.120, 20.08.010 through 20.08.110, 20.12.020 through 20.12.040, 20.16.010 through 20.16.040, 20.20.010 through 20.20.060, 20.24.010 through 20.24.070, and 20.98.010 through 20.98.060; and providing penalties.

Be it enacted by the Legislature of the State of Washington:

Definitions.

SECTION 1. For the purpose of this act:

"Director."

(1) "Director" means the director of agriculture or his duly authorized representative.

"Person."

(2) "Person" means any natural person, firm, partnership, exchange, association, trustee, receiver, corporation, and any member, officer, or employee thereof or assignee for the benefit of creditors.

"Agricultural product."

(3) "Agricultural product" means any horticultural, viticultural, berry, poultry, poultry products, grain, livestock, bee or other agricultural product.

"Producer."

(4) "Producer" means any person engaged in the business of growing or producing any agricultural product.

"Consignor."

(5) "Consignor" means any producer or person who sells, ships or delivers to any commission mer-