CREDIT UNION CODE
Act of December 19, 1990 (P.L. 834, No. 198), as amended

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CHAPTER 1
PRELIMINARY PROVISIONS

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§ 101. Short title of title.
This title shall be known and may be cited as the Credit Union Code.

§ 102. Application of title.
This title applies to and the term “credit union” in this title means a cooperative corporation incorporated under any of the following:

(1) The act of May 26, 1933 (P.L.1076, No.260), referred to as the Credit Union Act.

(2) The act of September 20, 1961 (P.L.1548, No.658), known as the Credit Union Act.

(3) This title.

§ 103. Definitions.
The following words and phrases when used in this title shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Activity.” A transaction by a member on a loan, share account, share draft account or certificate or a verbal or written communication between the member and the credit union in which the member indicates an awareness or interest in funds deposited by the member in the credit union.

“Branch.” A subsidiary office of the credit union which is capable of offering the same or approximately the same level of service to members that can be found at the principal office of the credit union. The term includes a branch credit union, branch office, branch agency, additional office other than a service facility and branch place of business.

“Community development credit union.” A credit union which is designated as a low-income credit union by the department.

“Corporate credit union.” A credit union which is operated primarily for the purpose of serving other credit unions, is designated by the National Credit Union Administration as a corporate credit union, is subject to the provisions of sections 301(b) (relating to purposes) and 502 (relating to powers of central or corporate credit unions) and limits natural person members to the minimum number required to charter and operate the credit union.
“Department.” The Department of Banking and Securities of the Commonwealth.

“Federal credit union.” A credit union organized in accordance with the provisions of the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1751 et seq.).

“Insolvent” or “insolvency.” The condition of a credit union when total shares exceed the present cash value of assets after providing for liabilities.

“Officer.” Any of the following:

(1) The chief executive officer or equivalent.
(2) The president.
(3) The chief financial officer or equivalent.
(4) The treasurer.
(5) The secretary.
(6) Any assistant chief executive officers or their equivalents, including vice presidents.

“Out-of-State credit union.” A credit union incorporated under the laws of another state.

“Service facility.” A subsidiary office of the credit union such as an automated teller machine, kiosk or other type of facility as determined by the department which is not capable of offering the same or approximately the same level of service that can be found at the principal office of the credit union.

“Shares.” All savings including regular shares, share drafts, share certificates and other savings.

“Total equity capital.” Regular reserve and undivided earnings.

“Unimpaired capital.” Total unencumbered shares.

“Volunteer.” An individual who receives no compensation. Reasonable health, accident and similar insurance protection and the reimbursement of reasonable expenses incurred in the discharge of the duties of the volunteer's position are not compensation.

§ 104. Prohibition on use of words “credit union.”

(a) General rule.--Only a credit union subject to this title, a Federal credit union or a corporation organized in accordance with a state credit union statute may assume and use the words “credit union” in its name or title or operate in the manner of a credit union. Only a credit union which has received a low-income designation by the department and the National Credit Union Administration, or a Federal credit union which has received a low-income designation from the
National Credit Union Administration, may assume and use the words “community development credit union” or a similar designation in its name or title or operate in the manner of a community development credit union.

(b) Penalties.--Any person, other than a credit union subject to this title, a Federal credit union, a corporation organized in accordance with a state credit union statute or an association of credit unions, who violates subsection (a) by using a name or title containing the words “credit union” or any other derivation thereof or so representing itself in its advertising, or otherwise conducting business as a credit union shall, for each offense, be subject to a penalty levied by the department which shall be not less than $1,000 nor more than $10,000. The officers of a corporation shall be liable for such penalty if the offense is committed by a corporation. This section shall be enforced by the department.

(c) Civil action.--Within 30 days after the department has received notice of an alleged violation of this section, the department shall determine whether a violation of this section exists. After the department has made its determination, a credit union, Federal credit union, out-of-State credit union or an association of these institutions may institute a civil action arising out of a violation of this section.

CHAPTER 3
INCORPORATION

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§ 301. Purposes.

(a) General rule.--A credit union may be incorporated under this title for the purpose of promoting thrift among its members, creating a source of credit for such members at reasonable rates of interest and providing an opportunity for its members to use and control their own money on a democratic basis in order to improve their economic and social condition.

(b) Central or corporate credit unions.--A central or corporate credit union formed primarily to serve other credit unions, including Federal credit unions and out-of-State credit unions, may be incorporated under this title and shall be subject to all provisions of this title not inconsistent with provisions specifically applicable to central or corporate credit unions. The purposes for which a central or corporate credit union may be incorporated are:

(1) To accumulate and prudently manage the liquidity of its member credit unions through interlending and investment services.
(2) To act as an intermediary for credit union funds between members and other corporate credit unions.

(3) To obtain liquid funds from other credit union organizations, financial intermediaries and other sources.

(4) To foster and promote, in cooperation with other state, regional and national corporate credit unions and credit union organizations or associations, the economic security, growth and development of member credit unions.

§ 302. Number and qualifications of incorporators.

(a) General rule.--A credit union may be incorporated pursuant to the provisions of this title by seven or more incorporators. Such incorporators shall be natural persons of full age, the majority of whom are residents of this Commonwealth and who have a common bond of association as provided in section 701 (relating to membership).

(b) Central or corporate credit unions.--A central or corporate credit union may be incorporated, pursuant to the provisions of this title, by 15 or more credit unions chartered under the laws of the United States or of any state, which have agreed to purchase shares in the credit union in amounts not less than the minimum specified in the bylaws.

§ 303. Articles of incorporation.

(a) General rule.--Articles of incorporation shall be signed by each of the incorporators. The articles of incorporation shall set forth:

(1) The name of the proposed credit union, which shall contain the words “credit union.”

(2) The class of services to be performed by the credit union, which services shall be within the scope of activities of such associations as set forth in this title.

(3) The principal place where its business is to be transacted, which shall be within this Commonwealth.

(4) The term for which it is to exist, which may be perpetual.

(5) The par value of its shares.

(6) The names and post office addresses of the incorporators, and the number of shares subscribed by each.

(7) The names and residences of each of the first directors, not less than five in number, who shall serve until the first annual meeting of the credit union, and the name and residence of the treasurer.
(8) The common bond of membership.

(9) Any provision, not inconsistent with law, which the incorporators may choose to insert for the regulation of the business and the internal affairs of the credit union.

(b) Maintenance of copies.-- A copy of the original articles of incorporation of the credit union and all amendments thereto shall be maintained by the credit union.

§ 304. Department consideration of articles.

(a) General rule.--The articles of incorporation and two copies of the proposed bylaws for the general governance of the credit union shall be presented to the department, together with such reasonable fees as shall be established by the department, including an application fee and other fees for such examination and such investigation as it may deem necessary to ascertain:

(1) Whether the character and general fitness of the incorporators, directors and the treasurer named in the articles of incorporation is satisfactory.

(2) Whether the character and number of the group proposed to be served affords reasonable promise of sufficient support for the enterprise so as to make the establishment of the proposed credit union economically advisable.

(3) Whether the incorporators, directors and group proposed to be served have a common bond of association as provided in section 701 (relating to membership).

(4) Whether the proposed credit union unduly encroaches upon the field of membership of any other credit union.

(5) Whether the application is in proper form and within the purpose of this title.

(6) Whether the savings of members paid for shares will be insured by the National Credit Union Administration or other share insurance fund approved by the department. Nonprofit corporations created by specific legislation of any state to insure share accounts or depository accounts of credit unions shall not be subject to regulation by the Department of Insurance or to the laws of this Commonwealth concerning insurance.

Within 60 days after receipt of the articles, the department shall, upon the basis of the facts disclosed by the application and its investigation, either approve or disapprove the articles.

(b) Approval action.--If the department approves the articles, it shall endorse its approval thereon and forward the articles to the Department of State. The Department of State shall, upon the receipt of the articles and the required filing fee, file the same. Upon the filing of the article of incorporation, the corporate existence of the credit union shall begin. The articles of incorporation as filed in the Department of State are conclusive evidence of the fact that the credit union has been incorporated.
(c) Disapproval action.--If the department disapproves the articles, it shall return them to the incorporators, stating in detail its reasons for doing so.

(d) Cross reference.--See 15 Pa.C.S. § 134 (relating to docketing statement).

§ 305. Bylaws.

(a) General rule.--The original bylaws of a credit union shall be adopted by the incorporators of the credit union and copies shall be transmitted to the department along with the articles of incorporation as provided in this chapter. The original bylaws of the credit union and all amendments thereto shall be maintained by the credit union.

(b) Board-initiated bylaw amendments.--

(1) Bylaws may be amended or repealed by the affirmative vote of a majority of directors at any regular or special meeting of the board. Whenever the board of directors amends the bylaws, notice thereof shall be given to the members prior to the next meeting of the members or within 90 days after such action by the board of directors, whichever is sooner.

(2) (Repealed).

(3) The members of a credit union may amend the bylaws pursuant to procedures set forth in subsections (d), (d.1) and (d.2), whichever subsection is appropriate.

(c) Restrictions on board of directors.--The board of directors shall not amend any bylaws fixing their qualifications, classification, term of office or compensation.

(d) Member-initiated bylaw amendment or repeal for credit unions with more than 10,000 members.--

(1) Bylaws of a credit union with more than 10,000 members may be amended or repealed upon member-initiated petition and the affirmative vote of two-thirds of the members voting thereon by mail ballot.

(2) Written petition signed by 1% of all the members of a credit union with more than 10,000 members shall be the exclusive method by which such members may amend or repeal the bylaws.

(3) Whenever the board of directors receives a member-initiated petition to amend or repeal the bylaws, notice thereof shall be given to all members of the credit union within 90 days, and a mail ballot vote of the matter shall be held during a period of at least ten days after the mailing of the ballot.
(d.1) Procedure.--

(1) To initiate the procedure to amend or repeal the bylaws set forth in subsection (d), a member of a credit union must circulate a petition to all members of the credit union.

(2) Upon the request of a member, the credit union shall provide the member with a list of all groups and their business addresses that are included as members of the credit union.

(3) The member seeking to amend or repeal the bylaws shall circulate the petition and obtain the requisite number of signatures from members of the credit union. The petition shall clearly identify the bylaw to be amended or repealed and include the language of the proposed bylaw.

(4) (Deleted).

(5) The secretary of the credit union shall verify that the signatures on the petition are the signatures of members of the credit union and that the petition contains the requisite number of signatures.

(6) The ballot may not be mailed if the credit union determines that any of the following conditions have not been met:

   (i) the petition does not contain the requisite number of signatures of members of the credit union; or
   (ii) for any other specified reason.

If the credit union determines that the ballot will not be mailed, then the secretary of the credit union shall notify in writing the member who initiated the petition drive within ten days of receipt of the petition by the credit union. The notification shall inform the member that the ballot will not be mailed and the reason. It shall also inform the member of right to appeal to the department.

(7) Any member seeking to contest a determination by the credit union not to mail the ballot provided for in subsection (d) may file a complaint with the department within 30 days of receiving notice from the secretary of the credit union's decision not to mail such ballot, and the department shall adjudicate the matter.

(8) The department may provide any person or governmental entity with a copy of the petition as well as any complaints filed with the department and other documents related to the ballot procedure.

(9) If the credit union mails the ballot provided for in subsection (d) or is ordered to do so by the department, then the credit union shall provide an official notice to all members of the credit union, prepare and mail the ballots, arrange for tallying of the votes and report the results to all members in accordance with subsection (d).
(10) The credit union shall bear the reasonable expenses associated with:

(i) Verifying that the signatures on the petition are the signatures of members of the credit union and that the petition contains the requisite number of signatures.
(ii) Notifying the members.
(iii) Preparing and mailing the ballots.
(iv) Tallying the vote and reporting the results.

(d.2) Member-initiated amendment or repeal of bylaws for credit unions with 10,000 or fewer members.--A credit union with 10,000 or fewer members may amend or repeal the bylaws, in accordance with existing bylaws of the credit union, as follows:

(1) by following the procedure outlined in subsections (d) and (d.1); or

(2) by a two-thirds vote of the members present and voting at a regular, special or annual meeting of the credit union. If the vote is taken at a special meeting:

(i) Subsequent to the vote, if a majority of the board of directors vote to resubmit the amendment or repeal by mail ballot to all of the members, it shall be resubmitted.
(ii) If the bylaws provide for a mail ballot procedure, then it will require two-thirds of the responding member ballots to sustain the original vote.

(e) Appeal procedure.--In the event that a bylaw amendment approved by the board of directors is rejected or changed by the members at an annual or special meeting, the board of directors may resubmit the original amendment to a vote of the entire membership through mail ballot procedures. The board of directors may take such action if the resubmittal motion is approved by a vote of at least a majority of the board of directors.

CHAPTER 5
CORPORATE POWERS, DUTIES AND SAFEGUARDS

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508. Estate accounts.
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510. Loan interest.
511. Power to borrow.
512. Loans.

(a) General rule.--A credit union shall have the following general powers:

(1) To continue as a corporation for the time specified in its articles of incorporation subject to 15 Pa.C.S. § 501 (relating to reserved power of General Assembly).

(2) To maintain and defend judicial proceedings in its corporate name.

(3) To adopt and use a corporate seal, and alter the same at pleasure.

(4) To grant allowances or pensions to officers, directors and employees for faithful and long-continued services and, after the death of the officer, director or employee either while in the service of the corporation or after retirement, pensions or allowances may be granted or continued to their dependents. The allowances to dependents shall be reasonable in amount and paid only for a limited time and, unless part of an employee benefit plan or employment contract in effect at the time of retirement or death of the officer, director or employee, shall not exceed in total the amount of the compensation paid to the officer, director or employee during the 12 months preceding retirement or death.

(5) To have and exercise all of the powers and means necessary to effect the purpose or purposes for which the credit union is organized.

(b) Special powers.--A credit union shall have the following special powers:

(1) To receive the savings of its members as payments, representing equity on shares, share draft accounts and share certificates.

(2) To make loans to members and to participate in loans to credit union members, including members of any Federal credit union or credit union chartered under the laws of any state, jointly with such other credit unions, credit union organizations or State or Federally chartered and regulated depository institutions, if the institution which originates such a loan shall be legally required to retain an interest of at least 10% of the outstanding balance of the loan. No loan may be made to any member if, upon the making of that loan, the member would be indebted to the credit union upon loans made to him in an aggregate amount which would exceed 10% of the credit union’s unimpaired capital.

(3) To make loans to any cooperative society or societies, or other organization or organizations, which have membership in the credit union.
(4) To make purchase money mortgage loans to members secured by mortgages which are first liens on improved real property situated within the United States, the improvement being an established dwelling house for not more than four families which is owned by the member of the credit union making the mortgage and occupied or to be occupied, in whole or in part, by such member. Purchase money mortgages shall not exceed 90% of the fair market value of the property, except as provided in paragraph (4.1).

(4.1) The department may grant prior approval of a purchase money mortgage loan policy submitted to the department by the credit union which complies with paragraph (4) and additionally provides for private mortgage insurance for each purchase money mortgage and directs that purchase money mortgages shall be written according to secondary market standards, in which case purchase money mortgage loans shall not exceed 100% of the fair market value of the property.

(4.2) Shares of the credit union owned by the mortgagor may be assigned or pledged as additional collateral security for the mortgage loan and, in such event, the mortgage loan granted upon such property may be increased by the withdrawal value of the additional pledged shares to an amount not to exceed a maximum total mortgage loan of 100% of the fair market value of such real property, and the credit union may release this additional collateral whenever the mortgage loan meets all of the requirements of this title and could be made legally at the time of release without the requirement of additional collateral. Purchase money mortgage loans shall be amortized by approximately equal payments sufficient in amount to pay all interest and effect full repayment of principal within a period not in excess of 30 years. Except as otherwise provided in this section, purchase money mortgage loans on any one property shall not exceed 90% of the fair market value of the property or 5% of the unimpaired capital of the credit union, whichever is lesser. The aggregate total of mortgage loans shall not exceed 50% of the unimpaired capital of the credit union. Without regard to the limitations as to the amount and term of a purchase money mortgage loan or the aggregate amount of all mortgage loans set forth in this paragraph, a credit union may grant any mortgage loan which is insured or guaranteed, in whole or in part, by the United States or any instrumentality thereof, or if there is a commitment to so insure or guarantee.

(5) To make loans to credit unions organized under the laws of this Commonwealth or under the laws of any state or under the laws of the United States. In the case of central or corporate credit unions, the aggregate amount outstanding on all such loans shall not exceed 25% of the unimpaired capital of the lending credit union.

(6) To deposit its funds in insured state banks, bank and trust companies, savings banks, national banking associations, savings associations, Federal saving and loan associations, insured credit unions and insured Federal credit unions and central-type credit union organizations.

(7) To invest its funds in the following investments:
(i) Securities, obligations or other instruments of or fully guaranteed as to principal and interest by the United States or any agency thereof or in any trust established for investing directly or collectively in the same.

(ii) Bonds or other interest-bearing obligations of the Commonwealth or any political subdivision thereof or an authority which has been created as a body corporate and politic under any law of this Commonwealth.

(iii) Shares of any savings and loan association or credit union, organized under the laws of this Commonwealth, or of any Federal savings and loan association or Federal credit union, to the extent to which the withdrawal or repurchase value of such shares is insured by any agency of the United States or any other insurer approved by the department.

(iv) Bonds and notes of the Pennsylvania Housing Agency created by the act of December 3, 1959 (P.L.1688, No.621), known as the Housing Finance Agency Law.

(v) Capital stock, obligations or other securities of any service corporation organized under the laws of this Commonwealth or under the laws of any other state and duly qualified to do business in this Commonwealth, if the entire capital stock of such corporation is available for purchase only by credit unions, organized and existing under the laws of this Commonwealth and by Federal credit unions or association of credit unions. A complete description of the service corporation and its activities must be furnished to the department and its approval obtained by the credit union before investing in such corporation. No credit union may make an investment in a service corporation if its then aggregate outstanding investments under this subparagraph would exceed 1% of its assets.

(vi) Obligations issued by banks for cooperatives, Federal land banks, Federal intermediate credit banks or any corporation designated in 31 U.S.C. § 9101(2) and (3) (relating to definitions) as a “government corporation.”

(vii) Obligations, participations or other instruments of or issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association or the Government National Mortgage Association.

(viii) Mortgages, obligations or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to 12 U.S.C. § 1454 (relating to purchase and sale of mortgages; residential mortgages; conventional mortgages; terms and conditions of sale or other disposition; authority to enter into, perform, and carry out transactions) or 1455 (relating to obligations and securities of the corporation).

(ix) Obligations or other instruments or securities of the Student Loan Marketing Association.

(x) Participation certificates evidencing beneficial interests in obligations, or in the right to receive interest and principal collections therefrom, which obligations have been subjected by one or more government agencies to a trust or trusts for which any executive department, agency or instrumentality of the United States (or the head thereof) has been named to act as trustee.
(xi) Bankers’ acceptances issued by State banks, bank and trust companies and savings banks, and national banking associations the accounts of which are Federally insured.

Before making the investments described in subparagraphs (vi) through (xi), a credit union shall be in compliance with investment standards established by the department.

(8) To borrow money subject to the limitations set forth in this title.

(9) To make, amend, alter and repeal bylaws, not inconsistent with law, for the regulation of its affairs and the conduct and management of the credit union. Immediately upon the adoption of the bylaws, or any additions thereto, or any alteration, amendment or repeal thereof, notice of such fact and a copy of such bylaws or such alteration, amendment or repeal shall forthwith be sent to the department. The department shall, within 60 days after receipt thereof, have the power to disapprove, for any reasonable cause stated in writing, any such bylaw or any such alteration, amendment or repeal thereof, but the bylaw, alteration, amendment or repeal shall be effective until the department disapproves it and gives notice thereof to the credit union.

(10) To hold, purchase, mortgage, alter, improve and sell fixed assets, meaning such real property, and furniture and fixtures to be used therein, as the purposes of the credit union require and which the credit union occupies or intends to occupy for the transaction of its business or partly so occupies and partly leases to others, except that, without the prior written approval of the department, the cost, at the time of acquisition, of such real property and furniture and fixtures therein shall not exceed 5% of shares and undivided earnings.

(11) To purchase group insurance at reasonable rates on the lives of its members in an amount not to exceed the respective shares balances of such members.

(12) To act as an issuing agent of the United States Treasury for the sale, issuance and redemption of United States Savings Bonds to its members.

(13) To invest its funds in shares and become members of any insured central-type credit union organized under the laws of the United States or under the laws of this Commonwealth in which such investments are specifically authorized by the board of directors of the State credit union making the investment.

(14) To receive payments on shares and deposits from other credit unions and Federal credit unions. As used in this paragraph, the term “deposit” means a type of time or demand account in which the credit union incurs a debt to the depositor.

(15) To receive payments on shares which may be issued at varying dividend rates, share certificates which may be issued at varying dividend rates and maturities and share draft accounts from members or nonmember units of Federal, state or local governments, including any officer, employee or agent of the United States, any state or any political
subdivision thereof, or any territory or possession of the United States having official custody of public funds and lawfully investing such funds in a credit union.

(16) To sell Federal funds to a bank or institution whose accounts are federally insured, provided that the interest or other consideration received from the financial institution is at the market rate for Federal funds transaction and that the transaction has a maturity of one or more business days or the credit union is able to require repayment at any time.

(17) With the prior written approval of the department, to sell all or a part of its assets and to assign its liabilities and capital to another credit union, Federal credit union or out-of-State credit union. Further, a credit union with prior written approval of the department shall have the power to purchase all or part of the assets and to assume the liabilities and capital of a credit union, Federal credit union or out-of-State credit union.

(c) (Deleted).

(d) Special powers of community development credit unions.--A community development credit union may do all of the following:

(1) Accept payments on shares from any agency, instrumentality, public corporation or other entity of the United States or any state and nonmembers pursuant to the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1751 et seq.) and other applicable Federal law and requirements of the National Credit Union Administration.

(2) Participate in the Community Development Revolving Loan Program under the administration of the National Credit Union Administration.

(3) Engage in any other programs or activities permitted by Federal or State law applicable to a community development credit union with the prior written approval of the department upon filing of an application and submittal of a fee.

(e) Federal parity.--Notwithstanding any other provisions of this title or any other law, in addition to any other powers as authorized by this title or other law, a credit union shall have the power:

(1) To engage in any activity permissible for a Federal credit union as authorized by the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1751 et seq.) and the rules and regulations of the National Credit Union Administration, subject to reasonable conditions, limitations and restrictions as may be imposed by the department, including, but not limited to, conditions, limitations and restrictions based upon safety and soundness.

(2) To engage in the activity of creating, amending or expanding its field of membership as authorized by section 109 of the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1759), subject to reasonable conditions, limitations and restrictions as may be imposed by the department, including, but not limited to, conditions, limitations and restrictions based upon safety and soundness.
(3) To control, hold an interest in or participate in a credit union service organization that engages in any activity permissible for a Federal credit union to conduct through a credit union service organization, provided that any activity permissible for a credit union service organization shall be subject to reasonable conditions, limitations and restrictions as may be imposed by the department, including, but not limited to, conditions, limitations and restrictions based upon safety and soundness.

(f) Notice to department.--Unless prior approval is granted by the department, a credit union shall provide at least 30 days' prior written notice to the department before it engages in an activity or acquires an interest permissible under subsection (e). During the review period provided by this subsection, the department may:

(1) request further information concerning any proposed activity or interest;

(2) impose any conditions, limitations or restrictions upon such interests or activities to the extent authorized by subsection (e); or

(3) prohibit the credit union from engaging in any activity or acquiring any interest if to do so would have a significant adverse impact upon the safety and soundness of the credit union.

(g) Approval to be presumed.--Except as otherwise agreed to by a credit union, the department shall be deemed to have granted approval for a credit union to engage in an activity or acquire an interest if within 30 days of receipt of written notice from a credit union the department does not act.

§ 502. Powers of central or corporate credit unions.

(a) General rule.--A central or corporate credit union shall have the general power to enjoy the powers and privileges of any other credit union incorporated under this title in addition to those powers enumerated in this section, or otherwise granted to corporate or central credit unions, regardless of any limitations or restrictions found elsewhere in this title.

(b) Special powers.--A central or corporate credit union shall have the following special powers to:

(1) Accept shares or deposits in any form from its members, any credit union chartered under the laws of the United States or of any state, including central or corporate credit unions, and credit union organizations and associations.

(2) Make loans to its members, any credit union chartered under the laws of the United States or of any state, including central or corporate credit unions, and credit union organizations or associations.

(3) Buy and sell any form of marketable debt obligations of domestic or foreign corporations or of Federal, state or local government units.
(4) Borrow from any source without limitations, accept demand deposits from any source and issue notes and debentures.

(5) Acquire or sell the assets and assume the liabilities of a member and to enter into agreements with any credit union organized under the laws of the United States or any state to discount or purchase loans made pursuant to government guaranteed loan programs or real estate loans made by any credit union or any obligations of the United States or any agency thereof held by any credit union.

§ 503. Regulation by department.

(a) General rule.--Credit unions shall be under the supervision of the department. The department is hereby authorized and empowered to issue general rules and regulations and specific orders for the protection of members of credit unions, for insuring the conduct of the business of credit unions on a safe and sound basis and for the effective enforcement of this title. Credit unions shall report to the department as often as may be required by it and at least annually on forms supplied by the department for that purpose. Supplementary reports may be required by the department from time to time. Credit unions shall be examined as often as may be required by the department and at least annually, and the department may use such other methods of assuring itself of the condition of the credit unions as it shall deem advisable. The cost of all such examinations and inspections shall be paid by the credit union. A credit union shall also pay annually its proportionate share of the overhead expense of the department determined by regulation of the department. The department shall give written notice to each credit union of the costs of examinations, investigations and the credit union's proportionate share of the overhead expenses of the department. The credit union shall pay the amount of such costs within 30 days of the notice. If payment is not made within 30 days of the notice, the department may assess a penalty fee of $150 for that 30-day period and each successive 30-day period of delinquency. For failure to file reports when due, unless excused for cause, a credit union shall pay to the department $100 for each day of its delinquency.

(a.1) Fines, removals, prohibition, suspension.--For any violation of this title or regulation issued pursuant to this title or any final order issued by the department under this title or any unsafe or unsound practice or breach of fiduciary duty involving a credit union, the department may take any one or more of the following actions:

(1) The department may impose a civil penalty of up to $10,000 for each violation of this title against a credit union or any director, officer, committee member, employee, volunteer or agent of a credit union.

(2) The department may immediately suspend any director, officer, committee member, employee, volunteer or agent of a credit union from his or her position at a credit union and from any further participation in the conduct of the affairs of the credit union, if in the opinion of the department the credit union or its members have suffered or may suffer any significant financial harm or other prejudice. To suspend a person pursuant to this paragraph, the department shall provide a notice containing a statement of the facts constituting grounds for removal and shall indicate a time and place for a hearing. The
hearing shall be fixed for a date between 30 days and 60 days from the date of service of notice unless an earlier or later date is set by the department at the request of the person.

(3) The department may remove any director, officer, committee member, employee, volunteer or agent of a credit union from his or her position at a credit union and prohibit him or her from participating in the conduct of the affairs of the credit union in any manner for such time as the department deems appropriate.

(4) The department may prohibit any director, officer, committee member, employee, volunteer or agent of a credit union under the jurisdiction of the department from working in any capacity in any and all credit unions for such time as the department determines to be appropriate.

(a.2) Hearings and subpoenas.--

(1) The department may conduct administrative hearings on any matter pertaining to this title, subject to the provisions of 2 Pa.C.S. Chs. 5 Subch. A (relating to practice and procedure of Commonwealth agencies) and 7 Subch. A (relating to judicial review of Commonwealth agency action).

(2) In connection with any examination, investigation or administrative hearing, the department may issue subpoenas requiring the attendance of or the production of pertinent instruments, documents, accounts, books and records by the directors, officers, committee members, employees, volunteers or agents, respectively, of any credit union. In connection with any such examination, investigation or administrative hearing, the department may also question any such witness under oath or affirmation and examine any such instrument, document, accounts, books and records and retain the records until the proceedings are concluded.

(3) The department may administer oaths and affirmations to any person whose testimony is required at any administrative hearing or at any other time authorized by this title.

(4) Any privileges available to Federal financial institution regulators under Federal statute, regulation or common law shall be available to the department. The service of a subpoena upon any employee of the department shall not require such person to immediately disclose any information. Such person shall have all rights and privileges to object to production of information.

(5) If any credit union or person fails to comply with any subpoena, suspension notice or final order issued under this title, then the department may enforce any of the foregoing in Commonwealth Court. The Commonwealth Court shall enter an order to enforce any such subpoena, suspension notice or final order.

(b) (Deleted).

(c) Seizure of credit union.--
(1) If the department determines that a credit union is:

(i) violating any of the provisions of this title or any rule or regulation of the department issued under the authority of this title or any order issued by the department under the authority of this title that has become final;
(ii) conducting its business in an unsafe manner;
(iii) in an unsafe or unsound condition to transact its business;
(iv) significantly undercapitalized or critically undercapitalized according to the prompt corrective action standards of the National Credit Union Administration consistent with the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1751 et seq.) and related regulations; or
(v) insolvent;

the department may, in its discretion, at such time set by the department, take possession of the business and property of the credit union and retain possession until such time as the condition predicing such action is remedied or until the affairs of the credit union are finally liquidated.

(2) The department shall take possession of a credit union by serving a written notice of seizure on the credit union's board of directors that contains a statement of the facts constituting grounds for seizure of the credit union and that contains notice of a hearing and an opportunity to be heard. Upon taking possession of a credit union, the department may liquidate the credit union, appoint the National Credit Union Administration to liquidate the credit union pursuant to Federal law or appoint such other agent or employee of the department to liquidate the credit union or take any other action the department deems appropriate regarding the credit union.

(3) The department may take similar action if any report is not filed within a period of 15 days after it is due.

(4) Any person aggrieved by the action of the department in taking possession of a credit union may appeal within ten days of commencement of the receivership, whereupon the matter shall be set down for hearing de novo.

(d) Exchange of reports of examination.--

(1) Whenever the shares of a credit union are insured by the National Credit Union Share Insurance Fund or any other share insurance fund approved by the department, the department may furnish to the Administrator of the National Credit Union Administration or to any other approved insurer any reports of examination made by the department under this section or any credit union board resolution or enforcement document including any order issued by the department regarding the particular credit union.

(2) The department may furnish to any outside accountant or trade organization contracted by the credit union or authorized by the department to satisfy the audit requirements in this
title or meet specifications as defined in any order any reports of examination made by the department under this section or any credit union board resolution or enforcement document including orders issued by the department.

(3) If a Pennsylvania credit union conducts business in another state through the establishment and operation of additional branch offices and service facilities under section 904 (relating to place of business), the department may furnish to the financial regulatory agency of that state reports of examination, credit union board resolutions or any enforcement document including orders issued by the department regarding the particular credit union.

(e) Report.--A credit union shall furnish to the department copies of the report of financial condition, known as the call report, in the same form and with the same frequency that the credit union is required to provide the report to the National Credit Union Administration.

(f) Disclosure of information.--The department may not disclose any credit union information in its custody that relates to an individual unless that individual consents.

§ 504. Fiscal year.

The fiscal year of all credit unions shall end on December 31 of each year.

§ 505. Capital and shares.

(a) General rule.--The capital of a credit union shall consist of the payments that have been made to it on shares.

(b) Automatic lien.--The credit union shall have an automatic lien on the shares or share certificates of a member for any sum due it from such member or for any loan endorsed by him.

(c) Share transfer restriction.--Shares of a credit union shall be transferable only to other members of the credit union.

(d) Share insurance required.--The shares representing the savings of members shall be insured in such amounts as provided by the National Credit Union Administration or other share insurance fund approved by the department to insure the shares of credit unions. A credit union that has not obtained share account insurance from the National Credit Union Administration or other share insurance fund approved by the department may not, without the prior written approval of the department, accept payments from its members for the purchase of shares.

§ 506. Joint accounts.

(a) General rule.--Whenever shares of a credit union shall be issued in the names of two or more persons, the credit union shall not pay any dividends or earnings thereon, or the repurchase value thereof, except upon proper receipt, acquittance or other action, as the case may be, of all of such
persons, unless at the time of subscribing to the shares, or at a subsequent time, all the parties agree to a different arrangement, and give the credit union written notice thereof.

(b) Payments to less than all joint owners.--Whenever any share accounts of a credit union shall be issued in the names of two or more persons, and such share accounts shall have been subscribed for under an arrangement with the credit union whereby the dividends thereon, or the repurchase value thereof, may be paid upon receipt, acquittance or other action, as the case may be, of either or any of such persons, the credit union may pay such dividends or repurchase value upon such receipt, acquittance or other action, as the case may be, of either or any of such persons, pursuant to the arrangement provided for in this section, notwithstanding the fact that one or more of the other persons may be dead and the credit union has notice thereof.

(c) Revocation of agency.--The co-owner of a joint account may, with consent of the credit union, give said credit union written notice not to honor any or all requests for withdrawal of shares of any other co-owner of the joint account.

(d) Spousal accounts.--This section, except subsection (c), shall not be construed to affect share accounts in the names of a husband and his wife.

§ 507. Minority and trust accounts.

(a) General rule.--Shares may be issued and payments on subscribed shares received in the name of a minor, or in trust, in such manner as the bylaws may provide.

(b) Transactions with minors.--Whenever shares of a credit union shall be issued in the name of any minor 12 years of age or older, the credit union may pay the dividends or earnings thereon, as well as the withdrawal value of such shares, to such minor without the assent of his parent or guardian. The receipt, acquittance or other action required by the credit union to be taken by the minor shall be binding upon such minor with like effect as if such minor were of full age and shall be a valid release to the credit union. The parent or guardian of such minor shall not, in his capacity as parent or guardian, have the power to attach or in any manner transfer any shares issued to or in the name of such minor.

(c) Transactions with trustees.--Whenever shares of a credit union shall be issued to any person describing himself in subscribing for such shares as trustee for any person or persons, and no other notice of the existence and terms of a valid trust than such description shall have been given to the credit union, the dividends or earnings on such shares, as well as the withdrawal value of such shares, shall, in the event of the death of the person so described as trustee, be paid to the person or persons for whose benefit the shares were stated to have been subscribed if, at the time of payment, such beneficiary is 16 years of age or older. Payment may be made to any such beneficiary who is 16 years of age or older, under the same conditions as if such shares had been originally subscribed for by him. If there are two or more beneficiaries named on any such shares, the credit union shall, in the absence of written notice to the contrary, make payment to such of the beneficiaries as may survive the trustee, in equal portions. The receipt or acquittance of any such beneficiary or beneficiaries for payments made in accordance with this section shall be a full, complete and valid release of the credit union from any further liability for the amounts so paid.
§ 508. Estate accounts.

(a) General rule.--In the absence of a written agreement or document to the contrary, the assets in the account of a deceased member shall be considered part of the estate of the deceased member. In the absence of such an agreement or document and except for a release of such assets under existing law, the credit union shall, upon learning of the death of the member, freeze the assets in the account of the member and shall not permit deposits or withdrawals to be made in the account without receiving authorization by a court-recognized representative of the estate for deposits or withdrawals. Until the credit union receives the authorization, it may, if its bylaws so provide, close the account of the deceased member and transfer the funds to unclaimed shares. The payment of the funds of the deceased member to the estate of the deceased member shall release the credit union from liability for the amounts paid.

(b) Establishment of account by personal representative.—A court-recognized representative of the estate of a deceased member may open an account with the credit union for the deposit and withdrawal of the funds of the estate, whether or not the representative is a member, if the deceased member was in good standing at the time of death. The payment of the funds of the estate to the estate of the deceased member shall release the credit union from liability for the amounts paid. If a court-recognized representative of an estate is a member of the credit union, the representative may open a separate account with the credit union for the deposit and withdrawal of funds of the estate, whether or not the decedent was a member of the credit union. The payment of the funds of the estate to the estate shall release the credit union from liability for the amounts paid.

§ 509. Fees and charges.

(a) Entrance fees.—A credit union may charge an entrance fee of an amount, not in excess of $1, as may be provided by the bylaws.

(b) Fees in connection with loans.—A credit union may collect fees paid to public officials, actual fees necessary to secure collateral, fees required to be charged by government agencies and reasonable attorney fees. Furthermore, in connection with real estate loans, a credit union may collect charges and fees necessary to sell the loans to any agency or instrumentality of the Federal Government or a corporation which engages in the business of purchasing mortgage loans.

(c) Fees in connection with collectors or outside collection agencies.—A credit union may collect fees paid to outside collectors or outside collection agencies, provided the aggregate of such collection fees does not exceed 20% of the outstanding loan balance or other share or loan service related amounts owed to the credit union.

(d) Other fees.—A credit union may additionally:

(1) charge fees for other services to its members, provided that the fees charged will be for the actual cost of the respective services provided by the credit union; and
(2) recoup actual sums expended by the credit union, including use of credit union personnel, incurred in collection of outstanding loan balances or other share or loan service related amounts owed to the credit union.

(e) Late payment charges.--A credit union may collect late payment charges not in excess of 5% of the principal and interest due on any installment payment of a loan that is more than 15 days delinquent.

§ 510. Loan interest.

(a) General rule.--Interest rates on loans made by a credit union to its members shall not exceed the interest rates and finance charges permissible for a Federal credit union as authorized by the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1751 et seq.) and the rules and regulations of the National Credit Union Administration.

(b) (Deleted).

(c) Penalty for overcharge.--The taking, receiving, reserving or charging interest greater than allowed by this section shall be deemed a forfeiture of the entire interest on the loan, except when such overcharge is the result of a clerical error in computation. In case an interest greater than that which is allowed by this section has been paid, the borrower may, within six months after payment, recover from the credit union the entire amount of interest paid, except when such overcharge is the result of a clerical error in computation in which case only the excess interest paid may be recovered.

(d) Additional powers of certain insured credit unions.—A credit union insured by a share insurance fund other than the National Credit Union Share Insurance Fund may make any loan authorized by this title, at such interest, finance charge, rate and terms as a credit union insured by the National Credit Union Share Insurance Fund, except that the authority permitted under this subsection shall not apply to the extension of credit or the purchase of goods and services through the issuance and use of credit cards.

§ 511. Power to borrow.

(a) General rule.--A credit union may borrow from any source a sum not exceeding 50% of its unimpaired capital, regular reserve, contingency reserves and undivided earnings for the purpose of meeting the demand for loans to members or for the purpose of meeting demands for share withdrawals.

(b) Exception.--A credit union shall not borrow for the purpose of making investments authorized by section 501(b)(7) (relating to powers).

§ 512. Loans.

(a) Loans to members only.--Except as otherwise provided in this title, a credit union may make loans to its members only.
(b) Loans subject to bylaws.--Loans must be made subject to the conditions contained in the bylaws.

(c) Borrower repayment of loans.--A borrower may repay the borrower's loan, in whole or in part, any day the office of the credit union is open for business.

(d) Nonpreferential treatment.--The following may not obtain or guarantee a loan from the credit union on terms, rates or conditions more favorable than those granted to any other member:

   (1) A director.

   (2) An officer.

   (3) A member of any committee.

   (4) A member of the immediate family of a director, officer or member of a committee.

   (5) Any individual having a common ownership, investment or other pecuniary interest in a business enterprise with a director, officer or member of a committee.

§ 513. Reserves.

(a) General rule.--Each credit union shall establish and maintain a regular reserve account to the same extent and in the same manner as required of a Federal credit union.

(b) Computation of reserve and net worth requirements.—For the purpose of establishing the reserves required by this section and for the provision and maintenance of adequate equity or net worth, a credit union shall compute its reserve and net worth requirements consistent with section 216 of the Federal Credit Union Act (48 Stat. 1216, 12 U.S.C. § 1790d) and the National Credit Union Administration rules and regulations set forth in 12 CFR Pt. 702 (relating to prompt corrective action).

(c) Allowance for loan loss.--Each credit union, in addition to maintaining a regular reserve, shall establish an allowance for loan loss. The allowance for loan loss reserve shall be funded in the manner and used for the purposes as designated from time to time by the department. The board of directors shall decide the loans which are to be charged off against the allowance for loan loss, except that the department may, at the time of examination of a credit union, recommend for charge-off such loans which in its opinion are unsound, which loans shall be charged against the allowance for loan loss account within 60 days of the receipt of such recommendation from the department. Any amount received from the repayment of a loan after it has been charged off against the allowance for loan loss account shall be credited back to the account.

(d) (Deleted).
§ 514. Dividends.

(a) General rule.--The board of directors of a credit union or the members on recommendation of the board of directors, whichever the bylaws provide, may declare dividends to be paid on all shares and share certificates from the net earnings and undivided earnings at such rates and intervals and for such periods as the board of directors may authorize and after provision for the required reserves. Dividends may be added to the credit of the members share accounts, paid in cash, or partially credited to share accounts and partially paid in cash, at the option of the board of directors.

(b) Inactive accounts.--A share account may be transferred to a special account if, for at least five years, there has been no activity by the owner of the account and all written communications from the credit union to the owner of the account have been returned to the credit union with no forwarding address. After the transfer, the credit union may cease paying dividends on the transferred account and may cease sending notices to the owner. A member whose account has been transferred may reclaim the funds from the credit union at any time prior to the time the account is escheated. After escheat, reclaiming is governed by Article XIII.1 of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code.

§ 515. Rights and liabilities of terminating members.

All amounts paid on shares of an expelled or withdrawing member, with any dividends accredited thereto to the date thereof, shall, as funds become available and after deducting all amounts due from the member to the credit union, be paid to him. The credit union may require 60 days' notice of intention to withdraw shares. Withdrawing or expelled members shall have no further rights in the credit union, but they shall not by such withdrawal or expulsion be released from any remaining liability to the credit union.

§ 516. Adverse claims.

(a) General rule.--Notice to a credit union or Federal credit union of an adverse claim against shares standing in the name of any member shall not be effectual to cause the credit union or Federal credit union to recognize such adverse claim, unless the adverse claimant shall procure either an attachment or proper restraining order against the credit union or Federal credit union from a court of competent jurisdiction in a cause of action therein instituted by him, wherein the member or his legal representative is made a party in the manner provided by law, or unless he shall execute to the credit union or Federal credit union in form, and with sureties acceptable to it, a bond indemnifying the credit union or Federal credit union from any liability, loss, damages, costs and expenses arising from the recognition of such adverse claim.

(b) Exception.--This section shall not apply in any instance where the person in whose name the shares are held is a trustee for such adverse claimant, and the facts constituting such relationship, as well as the facts showing reasonable cause of belief on the part of the claimant that such trustee is about to misappropriate the shares, are made to appear by verified statement of such claimant.
§ 517. Taxation.

A credit union incorporated under or subject to this title shall be deemed an institution for savings, and its assets, together with all the accumulation therein, shall not be subject to taxation except as to real estate owned by it. The shares of a credit union shall not be subject to a capital stock bonus tax or a stock transfer tax when issued by the corporation.

CHAPTER 7
MEMBERS, DIRECTORS AND OFFICERS

Sec.
701. Membership.
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§ 701. Membership.

(a) General rule.--Credit union organizations shall be limited to groups having a potential membership of 500 or more adult persons and having a common bond of association within a well-defined community or rural district by reason of occupation or of membership in a religious congregation or fraternal or labor organization or residence within a well-defined community or rural district. A credit union may also retain its original field of membership and, additionally, include in its field of membership other occupational groups, as well as like associational groups having a common bond with the original field of membership, with insufficient number of members to form or conduct the affairs of a separate credit union, if the existing credit union obtains prior permission from the department. The membership of a credit union shall be limited to and consist of the incorporators of the credit union and such other persons, having the common bond of association, set forth in the articles of incorporation, as have been duly admitted members, have paid the entrance fee as provided in the bylaws and own and retain one or more shares. Organizations composed principally of the same group as the credit union membership may be members. Employes of credit unions may be members of such credit unions.
(b) Family members.--Persons who are members of the immediate family of a member of the credit union may be elected to membership.

(c) Trust and joint tenancy deposits.--Shares may be issued in trust for or in joint tenancy with the right of survivorship with any person designated by the credit union member, but no joint tenant or beneficiary of a trust shall be permitted to vote, obtain a loan or hold office unless he is within the field of membership and is a qualified member in his own right.

(d) Continuation of membership.--Any member who leaves or has left the field of membership and has not withdrawn all of his share account shall not cease to be a member of the credit union by reason thereof, and he shall have all of the rights and obligations of membership, including, but not limited to, the right to retain and to add to his share account and the right to vote. Upon leaving the field of membership, the provisions of this subsection shall apply to persons who have become members of the credit union solely by reason of the provisions of subsection (b), but the provisions of subsection (c) shall not be affected by this subsection.

(e) Spouse of deceased member.--The unremarried widow or widower of a deceased member may become a member of the credit union.

(f) Effect of certain association formations.—Any association formed primarily to obtain a State credit union charter shall not be considered by the department to have a sufficient common bond.

§ 702. Meetings.

The annual meeting shall be held at the time, place and in the manner indicated in the bylaws. Special meetings may also be held in the manner provided in the bylaws.

§ 703. Voting rights and procedures.

At all meetings a member shall have but one vote, irrespective of his shareholdings. There shall be no voting by proxy, but any member, other than a natural person, may cast its vote through an agent duly delegated and appointed agent in writing.

§ 704. Notice to members.

(a) General rule.--All notices required by this title to be given to members shall be:

(1) delivered in person to each member;

(2) mailed to each member at the address for such member appearing on the records of the credit union; or

(3) by facsimile transmission, e-mail or other electronic communication to each member's facsimile number or address for e-mail or other electronic communications appearing on the records of the credit union. Notice pursuant to this paragraph shall be deemed to have been given to the member entitled to the notice when sent.
(b) Notice of changes in fees, charges or policies.—Each new member to a credit union shall be provided with notice by the respective credit union listing any fees, service charges or policies regarding the transfer of funds to noninterest bearing accounts. A new member and each existing member shall subsequently be provided with similar notice if there is a change by the credit union in the amount or type of fees or service charges or a change in the policy regarding the transfer of funds to noninterest bearing accounts. The credit union shall also provide such information to any member upon request by that member.

§ 705. Expulsion, suspension and withdrawal.

(a) Expulsion.-- Unless otherwise provided in the credit union's bylaws:

(1) The board of directors may expel a member for cause by a majority vote of a quorum of directors pursuant to a written policy adopted by the board. For the purposes of this subsection, “cause” includes a loss to the credit union, a violation of the membership agreement or any policy or procedure adopted by the board, or inappropriate behavior, such as physical or verbal abuse of credit union members or staff. All members shall be given written notice of such policies. Any person expelled by the board shall have the right to request a hearing before the board to reconsider the expulsion.

(2) A credit union may terminate the membership of any member who withdraws the member's shares to less than one share.

(3) Persons whose membership has been terminated, whether by withdrawal or expulsion, shall have no further rights in the credit union, but are not released from any obligation owed to the credit union.

(4) A member who has been expelled as provided by this subsection may not be readmitted to membership except upon approval by a majority vote of the board after application and proof that the applicant remains within the credit union's field of membership, has adequately explained, addressed or remedied the conditions leading to expulsion and will abide by the terms and conditions of membership. Not more than one such application for readmission may be made within any 12-month calendar period.

(a.1) Suspension.--Unless otherwise provided in the credit union's bylaws, a credit union may, for cause, suspend certain services to a credit union member under a policy adopted by the credit union's board of directors. Members with suspended services may maintain a share account and continue to vote at annual and special meetings.

(b) Withdrawal.--Any member may withdraw from the credit union at any time, but notice of withdrawal may be required.
§ 706. Election of directors and credit and supervisory committee members.

(a) General rule.--At the organization meeting and at all subsequent annual meetings, the credit union members shall elect from the membership of the credit union a board of directors of not less than five members, a credit committee of not less than three members if the bylaws so provide and a supervisory committee of not less than three nor more than five members if the bylaws so provide, all to hold office for such terms respectively, as the bylaws provide and until successors are duly qualified. If permitted by the bylaws, the election may be conducted by mail ballot. A member shall not serve on more than one of the committees. Not more than one member of the board, who shall not be the treasurer or an assistant treasurer, may serve as a member of the credit committee. A member of the board of directors, treasurer or an assistant treasurer may not serve on the supervisory committee.

(b) Report to department.--A statement in writing of the names and addresses of the members of the board and the committees and the officers, as well as any interim appointments, shall be filed with the department within ten days after their election and qualification or interim appointment. For failure to file such statements when due, unless excused for cause, the credit union shall pay to the department $100 for each day of its delinquency.

§ 707. Duties of directors generally.

(a) General rule.--The directors of a credit union shall have general management of the affairs of the credit union and are specifically required:

1. To act on applications for membership.
2. To determine interest rates on loans.
3. To fix the amount of the surety bond which shall be required of all officers and employees handling money which amount shall be not less than the minimum schedule established by the department.
4. To declare dividends or recommend dividends as provided in the bylaws.
5. To transmit or cause to be transmitted to the members all proposed amendments to the bylaws.
6. If the bylaws provide for appointed credit or supervisory committees, to appoint individuals to serve on the credit committee or the supervisory committee and to fill vacancies in the board and in the credit committee until successors are duly chosen and qualified.
7. To determine the maximum individual share holdings and, subject to the limitations contained in this title, the maximum individual loan which can be made with or without security.
(8) To have charge of investments, first mortgage loans and loans to other credit unions and Federal credit unions but not loans to members which are under the supervision of the credit committee as otherwise provided in this title. The board may, however, delegate to the credit committee the authority to approve some or all first mortgage loans and to an investment committee or qualified individual the authority to make all or some investments if the board first establishes guidelines and standards for the approval and making of such loans and investments in accordance with the policies of the board of directors.

(9) To fix the amount of compensation of directors, officers, committee members, loan officers and employees.

(10) To determine whether, to what extent and to what class or classes of borrowers, if any, an interest refund is to be made in any dividend period. Any such interest refund shall be paid in proportion to the interest paid by each borrower within any class during that dividend period.

(11) To appoint alternate credit committee members as needed to serve during incapacity or absence of the credit committee members.

(b) Notice of interest refund to department.—Immediately upon the board deciding to refund any interest pursuant to subsection (a)(10), notice of such decision and a copy of any board resolution and related documents shall forthwith be sent to the department. The department shall, within 30 days after receipt thereof, have the power to disapprove, for any reasonable cause stated in writing, any such interest refund. If the department does not disapprove the interest refund within 30 days, the interest refund shall become effective.

§ 708. Officers.

At their organizational meeting and within 30 days following each annual meeting of the members, the directors shall elect from their own number either a president and one or more vice presidents or a chairman and one or more vice chairmen, a treasurer and a secretary. The same individual may be both treasurer and secretary. The directors may appoint one or more assistant treasurers. The directors may appoint a membership officer from among the members of the credit union, other than the treasurer, an assistant treasurer or a loan officer. The directors may employ an officer in charge of operations, who shall be under the direction and control of the board or of the treasurer, as determined by the board of directors. The membership officer or the officer in charge shall have the authority to approve applications for membership under such conditions as the directors may prescribe. The membership officer or officer in charge so authorized shall submit to the directors at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting, together with such other related information as the bylaws or the board may require.

§ 709. Compensation of directors and officers.

Members of the board of directors, the credit committee and the supervisory committee may be compensated if the credit union pays dividends to its members commensurate with prevailing
market rates during the preceding year. A credit union shall be deemed to pay dividends commensurate with prevailing market rates if declared dividend rates on share accounts are competitive with dividend or interest rates offered by other credit unions, Federal credit unions or other financial institutions authorized to engage in the business of receiving money for deposit. The department may prohibit or regulate the payment of compensation of directors, committee members and officers, exclusive of the treasurer, if it deems such compensation excessive or if, in its opinion, the financial condition of the credit union is not such as to warrant the payment of such compensation.

§ 710. Executive committee.

The directors may appoint from their own number an executive committee of not less than three directors, who may be authorized to act for the board in all respects, subject to such conditions and limitations as prescribed by the board.

§ 711. Procedures for approving service by certain persons.

(a) General rule.--No person who has been convicted of a misdemeanor or a felony involving dishonesty, breach of trust or violation of this title or corresponding provisions of prior law may serve as an officer, director, committee member, employee, volunteer or agent of a credit union unless the person has or obtains the unanimous approval of the board of directors of the credit union.

(b) Disclosure statement.--Every officer, director, committee member and employee shall sign a sworn statement disclosing whether he has ever been convicted of a misdemeanor or a felony involving dishonesty, breach of trust or violation of this title or corresponding provisions of prior law.

§ 712. Indemnification and exoneration from liability of directors and officers.

(a) Indemnification.--A credit union shall be governed by the provisions of 15 Pa.C.S. Ch. 17 Subch. D (relating to indemnification).

(b) Exoneration from liability of volunteer officers.-- Volunteer officers of Federal, State and out-of-State credit unions shall be entitled to the protection and rights set forth in 15 Pa.C.S. § 513 (relating to personal liability of directors) if the membership adopts a bylaw to that effect.

(c) Standard of care and personal liability of directors.-- See 15 Pa.C.S. §§ 512 (relating to standard of care and justifiable reliance) and 513.

§ 713. Loan procedures.

(a) Credit committee.--If the bylaws provide for a credit committee, the credit committee shall have the supervision of all loans to members other than first mortgage loans, except to the extent approval of such mortgage loans has been delegated to the credit committee, and loans to other credit unions and Federal credit unions.
(b) Conflict of interest.--No credit committee member, loan officer or director of a credit union shall vote on the granting of any loan in which such official has guaranteed the repayment of the loan or where a member of the member's immediate family has a beneficial interest.

(c) Applications.--Applications for loans shall be in writing on a form prepared or approved for that purpose by the credit committee or, in the absence of a credit committee, by either the board of directors or a person delegated by the board of directors; and all applications shall set forth the purpose for which the loan is desired, the security, if any, offered, and such other data as may be required. Within the meaning of this section, a pledge of shares in the credit union or the endorsement of a note may be deemed security.

(d) Approval by credit committee.--

(1) If the bylaws provide for a credit committee, at least a majority of the members of the credit committee shall pass on all loans, and no loan shall be approved unless it is approved by a majority of the members of the credit committee at a credit committee meeting.

(2) Notwithstanding paragraph (1), the credit committee may appoint one or more loan officers and delegate to such person or persons the power to approve loans, share withdrawals of amounts previously pledged as security for a loan, releases and substitutions of security, within limits specified by the committee.

(3) The appointment and delegation shall be approved by a majority of the credit committee present and voting at a credit committee meeting and shall be recorded in a written resolution signed by the credit committee members who approved the delegation or appointment. The written resolution shall be forwarded to the board of directors prior to the next board meeting.

(4) The credit committee shall meet as often as may be necessary after due notice to each member. The credit committee shall keep minutes of each meeting. The minutes shall include a list of loans approved and disapproved by the credit committee.

(5) The credit committee shall require any loan officers it appoints to report regularly to the credit committee on any loan approvals or other actions taken by the loan officer in the authority delegated to the loan officer by the credit committee.

(e) Approval by loan officer.--If the bylaws do not provide for a credit committee, the board of directors shall appoint a loan officer and delegate the powers of the credit committee under subsection (d) to the loan officer.

(f) Reports.--Each loan officer shall furnish to the credit committee or, in the absence of a credit committee, to the board of directors a record of each loan approved or not approved by such person within seven days of the date of the filing of the application therefor.
(g) Procedure in absence of loan officer.--All loans not approved by a loan officer shall be acted upon by the credit committee or, in the absence of a credit committee, by the board of directors or a director designated by the board of directors.

(h) Restrictions.--No individual shall have authority to disburse funds of the credit union for any loan which has been approved by such individual in his or her capacity as loan officer.

§ 714. Annual audit.

(a) Supervisory committee.--If the bylaws of the credit union provide for a supervisory committee, the duties of the supervisory committee shall be as follows:

1. To make at least an annual audit of the affairs of the credit union. The committee shall submit a report to the board of directors and to the members at the next annual meeting of the credit union.

2. By unanimous vote, if it deems such action to be necessary to the proper conduct of the affairs of the credit union, to suspend any officer, director or member of any committee other than the supervisory committee. In such event, the committee shall call the members of the credit union together, within ten days of the suspension, to act on such suspension. The members at the meeting called for this purpose may sustain such suspension or remove such person from office or may reinstate such person.

3. By majority vote, the supervisory committee may call a special meeting of the members to consider any matter submitted to it by the committee. The committee shall fill vacancies in its own membership unless otherwise provided in the bylaws.

(b) Default by supervisory committee.--Whenever the supervisory committee fails to make the audits or reports as provided in subsection (a)(1), the board of directors shall remove from office the members of the supervisory committee and appoint a new committee to make such audits, or the board may employ the services of a public accountant to make such audits. The charges for the services of such public accountants shall be paid by the credit union. If the board of directors under such circumstances fails or refuses to act, the department may, in addition to its other powers, remove the members of the supervisory committee and issue an order on the board of directors requiring such audits to be made by a public accountant at the expense of the credit union.

(c) Audit by public accountant.--If the bylaws do not provide for a supervisory committee, the board shall employ the services of a public accountant to make audits under subsections (a) and (b). The charges for the services of the public accountant shall be paid by the credit union.

(d) Requirement for an outside audit.--

1. A credit union shall obtain an outside, independent audit by a certified public accountant or other approved service for any fiscal year during which any one of the following conditions exist:
(i) the supervisory committee of the credit union has not conducted an annual supervisory committee audit;
(ii) the annual supervisory committee audit conducted did not meet the audit requirements required by the department; or
(iii) the credit union has experienced serious and persistent recordkeeping deficiencies as defined in subsection (e).

(2) In the case of an audit required pursuant to paragraph (1)(i) or (ii), the scope of the outside, independent audit shall fully encompass the requirements set forth in the department's audit guidelines. In the case of an audit required pursuant to paragraph (1)(iii), the outside, independent audit must be conducted by a certified public accountant and must be an opinion audit as that term is understood under generally accepted auditing standards.

(e) Definition.--As used in subsection (d)(1), “persistent recordkeeping deficiencies” means serious recordkeeping problems which continue to exist past a usual, expected or normal period of time. Persistent recordkeeping deficiencies shall be considered serious if the department has a reasonable doubt:

(1) That the financial condition of the credit union is accurately and fairly presented in the credit union's statement.

(2) That management practices and procedures of the credit union are sufficient to safeguard members' assets.

§ 715. Actions by members to enforce a secondary right.

(a) General rule.--In any action brought to enforce a secondary right on the part of one or more members against any officer or director or former officer or director of a credit union because the corporation refuses to enforce rights which may properly be asserted by it, the plaintiff or plaintiffs must aver and it must be made to appear that the plaintiff or each plaintiff was a member of the corporation at the time of the transaction of which he complains or that his membership devolved upon him by operation of law from a person who was a member at that time.

(b) Security for costs.--In any such action instituted or maintained by a holder or holders of less than 5% of the outstanding share accounts of the credit union, the credit union in whose right the action is brought shall be entitled, at any stage of the proceedings, to require the plaintiff or plaintiffs to give security for the reasonable expenses, including attorney fees, which may be incurred by it in connection therewith and for which it may become liable pursuant to section 712(a) (relating to indemnification) (but only insofar as relates to mandatory indemnification in actions by or in the right of the corporation), to which security the corporation shall have recourse in such amount as the court having jurisdiction shall determine upon the termination of the action. The amount of the security may, from time to time, be increased or decreased in the discretion of the court having jurisdiction of the action upon showing that the security provided has or may become inadequate or excessive.
CHAPTER 9
AMENDMENT OF ARTICLES

Sec.
901. Procedure for amendment of articles.
902. Articles of amendment.
903. Filing and review of articles of amendment.
904. Place of business.

§ 901. Procedure for amendment of articles.

The articles of incorporation may be amended at any regular or special meeting of the credit union, if notice of the meeting and of the proposed amendment or amendments is furnished each member at least ten days prior to the meeting at which such amendment or amendments will be considered. Notwithstanding statutory provisions to the contrary, the articles of incorporation may alternatively be amended by the members through mail ballot voting as provided in the bylaws. Amendments to the articles of incorporation must be approved by a majority of the members present at any meeting at which the amendments are considered or, in the case of a mail ballot, by a majority of the members responding by mail ballot. The proposed amendments shall be acted upon only in the event a quorum of the members, as provided in the bylaws, is present or, in the case of a mail ballot vote, a number of returned mail ballots equal to the quorum of the members, as provided in the bylaws, exists.

§ 902. Articles of amendment.

The articles of amendment shall be signed by an officer of the credit union and shall set forth:

(1) The name and principal place of business of the credit union.

(2) The amendment or amendments as adopted by the members.

(3) The date of the meeting at which the amendment, or amendments, was adopted.

(4) That notice of the meeting at which the amendment, or amendments, was considered was given to each member as provided in this title.

(5) That, at the meeting at which the amendment, or amendments, was considered, a quorum of the members was present as provided in the bylaws.

(6) That the amendment, or amendments, was approved by a majority of the members voting.

§ 903. Filing and review of articles of amendment.

(a) General rule.--Articles of amendment shall be filed with the department. If the department finds that the articles of amendment conform to law, it shall endorse its approval thereon and forward
the articles of amendment to the Department of State. Upon receipt of the articles of amendment, the Department of State shall file the same.

(b) Cross reference.--See 15 Pa.C.S. § 134 (relating to docketing statement).

§ 904. Place of business.

(a) Change in principal place of business.--A credit union may change its place of business upon the filing of a statement of change of principal place of business with the Department of State and the department.

(b) Branch offices and service facilities.--If a credit union gives the department prior written notification and, in the case of branch offices, receives prior approval from the department, it may establish and maintain, at locations other than its principal place of business, additional branch offices and service facilities to furnish services to its members.

(c) Discontinuance of branch offices or service facilities.--If a credit union pursuant to a resolution of its board of directors provides the department prior written notification, the credit union may discontinue the operation of and close branch offices or service facilities.

(d) Cross reference.--See 15 Pa.C.S. § 134 (relating to docketing statement).

CHAPTER 11
CONVERSION, MERGER AND CONSOLIDATION

Sec.
1101. Conversion into Federal credit union.
1102. Conversion from Federal credit union.
1103. Merger and consolidation authorized.
1104. Adoption of plan.
1105. Articles of merger or consolidation.
1106. Supervisory mergers or consolidations by Department of Banking.

§ 1101. Conversion into Federal credit union.

(a) General rule.--A credit union may be converted into a Federal credit union by complying with the following requirements:

(1) The proposition for such conversion shall first be approved by a majority vote of the directors of the credit union who shall also set a date for the vote thereon by the members. The vote of the members shall be conducted at a meeting held on such date, or by written ballot if the bylaws so provide to be filed on or before such date. Notice of the proposition and of the date set for the vote shall be given each member not more than 30 nor less than ten days prior to such date. Approval of the proposition shall be by the affirmative vote of a majority of the members voting, in person or in writing, either at a meeting of the credit union or by written ballot.
union or through a mail ballot vote. In order for a vote to be considered valid, there must be a quorum established. In the case of a meeting of the credit union, a quorum shall be established by the presence of at least 10% of the credit union's membership. In the case of a mail ballot vote, a quorum shall be established by the written response of at least 10% of the credit union's membership.

(2) A statement of the result of the vote, certified by an officer of the credit union, shall be filed with the department within ten days after the vote is taken.

(3) Promptly after the vote is taken and in no event later than 90 days thereafter, if the proposition for conversion was approved, the credit union shall take such action as may be necessary under the applicable laws of the United States to make it a Federal credit union, and, within ten days after receipt of the Federal credit union charter, it shall file a copy of the charter thus issued with the Department of State which shall furnish a copy thereof to the department. Upon such filing with the Department of State, the credit union shall no longer be subject to any of the provisions of this title. The successor Federal credit union shall be vested with all of the assets and shall continue to be responsible for all of the obligations of the credit union thus converted to the same extent as though the conversion had not taken place.

(b) Cross reference.--See 15 Pa.C.S. § 134 (relating to docketing statement).

§ 1102. Conversion from Federal credit union.

(a) General rule.--A Federal credit union may be converted into a credit union subject to the provisions of this title by:

(1) Complying with all Federal requirements requisite to enabling it to convert to a credit union or to cease being a Federal credit union.

(2) Filing with the department proof of compliance with such Federal requirements in form satisfactory to the department.

(3) Filing with the department, together with such reasonable fees as shall be established by the department, including an application fee and fees for such examination and such investigation as it may deem necessary, articles of conversion which shall set forth:

(i) The proposed name of the converted credit union.
(ii) The exact location of the principal place of business of the credit union into which the Federal credit union plans to become converted.
(iii) The number, names and addresses of the persons to be the first directors of the converted credit union.
(iv) All other statements required by this title to be set forth in original articles of incorporation in the case of the formation of a credit union in so far as such information is applicable to a Federal credit union proposing to become converted into a credit union.

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(b) Department review.--Immediately upon the receipt of the articles of conversion, the department shall conduct such examination as may be deemed necessary to ascertain from the best sources of information at its command:

(1) Whether the name of the proposed credit union conforms with the requirements of law for the name of a credit union and whether it is the same as one already adopted or reserved by another person or is so similar thereto that it is likely to mislead the public.

(2) Whether the conversion is made for legitimate purposes.

(3) Whether the interests of members and creditors are adequately protected.

(4) Whether the proposed credit union meets all of the requirements of this title and violates none of its prohibitions applicable to a credit union incorporated under this title.

(5) Whether the Federal credit union has complied with the requirements of the laws of the United States as they relate to the conversion of a Federal credit union into a credit union.

Within 60 days after receipt of the articles of conversion, the department shall, upon the basis of the facts disclosed by its investigation, either approve or disapprove such articles.

c) Approval action.--If the department approves the articles, it shall register its approval thereon and shall forward them to the Department of State for filing. Immediately upon receipt of the approved articles of conversion, the Department of State shall file the articles. The conversion shall become effective immediately upon such filing and the converted credit union shall have all the rights, privileges, immunities and franchises of the Federal credit union, except that it shall not thereafter acquire authority to engage in any business or exercise any right which is forbidden to a credit union when originally incorporated under this title.

d) Disapproval action.--If the department disapproves the articles of conversion, it shall return them to the Federal credit union desiring to become converted into a credit union stating in detail its reasons for so doing.


§ 1103. Merger and consolidation authorized.

(a) General rule.--A credit union subject to this title may merge or consolidate with other credit unions, with Federal credit unions, with out-of-State credit unions or with a combination of other credit unions, Federal credit unions and out-of-State credit unions to form a credit union, Federal credit union or out-of-State credit union.

(b) Approvals and conditions.--Before merging or consolidating, the credit unions involved must obtain prior approval from the department. In the case of a merger or consolidation with a Federal credit union, the merger or consolidation shall be made pursuant to Federal law in addition to the
provisions of this title. In the case of a merger or consolidation with an out-of-State credit union, the merger or consolidation shall be made pursuant to the credit union law of the state of incorporation of the out-of-State credit union or, if credit unions incorporated in different states are involved, pursuant to the credit union laws of the various states of incorporation of the out-of-State credit unions in addition to the provisions of this title.

§ 1104. Adoption of plan.

(a) General rule.--The board of directors of each of the credit unions, Federal credit unions or out-of-State credit unions which desire to merge or consolidate shall, by resolution adopted by at least a majority of all the members of each board, approve a plan of merger or consolidation setting forth the terms and conditions of the merger or consolidation and the mode of carrying the same into effect, the manner and basis of converting the shares of each credit union, Federal credit union or out-of-State credit union into shares or other securities or obligations of the surviving or new credit union, Federal credit union or out-of-State credit union, and such other details and provisions as are deemed necessary. Except where the approval of the members is not required, the board of directors shall direct that the plan be submitted to a vote of the members of such credit union, Federal credit union or out-of-State credit union entitled to vote thereon at an annual or special meeting of the members to be held on not less than 15 days prior notice thereof given to each member of record, which notice shall state the place, day, hour and purpose of the meeting and shall have included therein or enclosed therewith a copy or summary of the plan of merger or consolidation.

(b) Domestic approval.--The plan of merger or consolidation to form a surviving or new credit union, Federal credit union or out-of-State credit union shall be adopted upon receiving, if the credit union is not the surviving institution, the affirmative vote of at least a majority of the members voting thereon or upon receiving, if the credit union is the surviving institution, the affirmative vote of at least a majority of the board of directors voting thereon.

(c) Federal or out-of-State approval.--The plan of merger or consolidation shall be authorized, adopted or approved by each of the merging or consolidating Federal credit unions and out-of-State credit unions in accordance with applicable Federal or State law.

§ 1105. Articles of merger or consolidation.

(a) General rule.--Upon the adoption, pursuant to the provisions of this chapter, of the plan of merger or consolidation by the credit unions, Federal credit unions and out-of-State credit unions desiring to merge or consolidate, articles of merger or consolidation shall be executed by each credit union, Federal credit union and out-of-State credit union by a duly authorized officer of each credit union, Federal credit union and out-of-State credit union and shall set forth:

(1) The name and exact location of the principal place of business of the surviving or new credit union, Federal credit union or out-of-State credit union.

(2) The time and place of the meeting of the board of directors at which the plan of merger or consolidation was proposed and, except where approval of the members is not required,
the time and place of the meeting of the members of each credit union, Federal credit union and out-of-State credit union at which the plan of merger or consolidation was authorized, adopted or approved, the kind and period of notice given to the members and the total vote by which the plan was authorized, adopted or approved.

(3) In the case of a merger into a surviving credit union, any changes desired to be made in the articles of the surviving credit union, or, in the case of a consolidation into a new credit union, all of the statements required by this title to be set forth in the original articles in the case of the formation of a credit union.

(4) The number, names and addresses of the persons to be the first directors of the surviving or new credit union, Federal credit union or out-of-State credit union.

(5) The plan of merger or consolidation.

(b) Department review.--The articles of merger or consolidation shall be filed with the department which, immediately upon receipt thereof, shall conduct such investigation as may be deemed necessary to ascertain from the best sources at its command:

(1) Whether, if the articles are articles of consolidation, the name of the proposed new credit union, Federal credit union or out-of-State credit union conforms with the requirements of law for the name of a credit union and whether it is the same as one already adopted or reserved by another corporation or person or is so similar thereto that it is likely to mislead the public.

(2) Whether, if the merger or consolidation includes one or more Federal credit unions, all requirements of the laws of the United States pertaining thereto have been complied with.

(3) Whether the interests of members and creditors are adequately protected.

(4) Whether the credit unions, including the surviving or new credit union, have met all of the requirements of this title and have violated none of its prohibitions applicable to a credit union incorporated under this title.

(5) Whether, if the merger or consolidation includes an out-of-State credit union, there is compliance with the applicable requirements of the law of the state of incorporation of the out-of-State credit union.

Within 60 days after receipt of the articles of merger or consolidation, the department shall, upon the basis of the facts disclosed by its investigation, either approve or disapprove such articles.

(c) Approval action.--If the department approves the articles, it shall register its approval thereon and shall forthwith forward them to the Department of State for filing, and, immediately upon receipt thereof, the Department of State shall file the articles.
(d) Effect of merger or consolidation.--The merger or consolidation shall become effective immediately upon such filing, and the surviving or new credit union, Federal credit union or out-of-State credit union shall be vested with all the assets and shall have all the rights, privileges, immunities and franchises and shall be responsible for all the obligations of the merging or consolidating credit unions, Federal credit unions and out-of-State credit unions; but otherwise, if such surviving or new credit union shall be a Federal credit union or an out-of-State credit union, upon such filing by the Department of State, the surviving or new Federal credit union or out-of-State credit union shall no longer be subject to the provisions of this title other than, in the case of an out-of-State credit union, Chapter 15 (relating to out-of-State credit unions).

(e) Disapproval action.--If the department shall disapprove the articles, it shall return them to the credit union, Federal credit union or out-of-State credit union from which they were received, stating the reasons for such disapproval.


§ 1106. Supervisory mergers or consolidations by department.

Notwithstanding any other provision of this title, the department may require a merger or consolidation of a credit union which is insolvent or is in danger of insolvency with any other credit union, Federal credit union or out-of-State credit union or may authorize a credit union to purchase any of the assets of, or assume any of the liabilities and capital of, any other credit union, Federal credit union or out-of-State credit union if the department is satisfied that:

1. an emergency requiring expeditious action exists with respect to such a credit union;
2. other alternatives are not reasonably available; and
3. the public interest would best be served by approval of such merger, consolidation, purchase or assumption.

CHAPTER 13
DISSOLUTION
Sec.
1301. Dissolution authorized.
1302. Approval of voluntary dissolution.
1303. Dissolution proceedings.
1304. Department of Banking supervision.
1305. Articles of dissolution.

§ 1301. Dissolution authorized.

Any credit union may elect to dissolve voluntarily and wind up its affairs in the manner provided in this chapter. However, if it shall appear to the department, upon an examination of the business, assets and affairs of the credit union, that its assets will probably be insufficient to pay in full its
members and creditors, it shall take possession of the business and property of the credit union and retain possession until its affairs are finally liquidated.

§ 1302. Approval of voluntary dissolution.

(a) General rule.--The procedure for voluntary dissolution shall be as follows:

(1) A plan of dissolution, setting forth in detail the number of liquidating trustees, which shall be one, three or five, to be elected by the members, the amount of the bond which shall be supplied by each of the liquidating trustees and the powers, duties and compensation of such trustees, shall be adopted by a vote of at least two-thirds of all directors of the credit union.

(2) A meeting of the membership shall be called for the purpose of acting on the plan of dissolution. Notice setting forth the date and purpose of such meeting shall be furnished each member at least ten days prior to the date of the meeting. The plan of dissolution shall be adopted upon the affirmative vote of a majority of the entire membership of the credit union in person or by written ballot.

(3) Upon approval of the plan, the members shall forthwith proceed to elect the number of liquidating trustees provided for in the plan of dissolution. If more than one liquidating trustee is to be elected, each member shall have the right to multiply his vote by the number of trustees to be elected and cast the whole number of such votes for one candidate or distribute them among two or more candidates. The candidates receiving the highest number of votes up to the number of liquidating trustees to be chosen shall be elected.

(4) A certificate of election to dissolve signed by a duly authorized officer of the credit union shall be executed and delivered to the department. The certificate shall set forth:

(i) The name of the credit union.
(ii) The exact location of its place of business.
(iii) The names and addresses of its officers and directors.
(iv) The number of directors voting for, and the number voting against, the proposed plan of voluntary dissolution.
(v) The total number of members and the number of members voting for, and the number voting against, the proposed plan of voluntary dissolution.
(vi) The names and addresses of the proposed liquidating trustees and the number of votes received by every candidate for the position of liquidating trustee.
(vii) The amount of the bond required to be supplied by each trustee.
(viii) A verified statement by each of the proposed liquidating trustees stating that he is willing to serve as liquidating trustee, subject to the provisions of this chapter and to the terms of the proposed plan of voluntary dissolution, that he will, so far as the duty devolves upon him, diligently and honestly liquidate the affairs of the credit union, and will not knowingly violate or permit to be violated any of the provisions of this chapter or of the proposed plan of voluntary liquidation.
(ix) The proposed plan of voluntary dissolution.
(b) Department review.--Upon receipt of the certificate of election to dissolve, the department shall conduct an examination or an investigation, or take such other action as it deems necessary, to determine whether to approve the plan of voluntary dissolution. If the department determines that the plan of voluntary dissolution does not prejudice the interests of members or creditors, it shall endorse its approval on the certificate of election to dissolve and send it to the Department of State for filing. If the department disapproves the plan, it shall return the certificate to the credit union stating in detail its reasons for doing so.

(c) Effect of filing certificate.--Upon the filing by the Department of State of the certificate of election to dissolve, the Department of State shall furnish a copy thereof to the department and the credit union. Upon such filing, the credit union shall cease to transact its business, and the liquidating trustee or trustees shall commence the liquidation of the credit union. The liquidating trustee or trustees shall thereafter be authorized to carry out, in his own name or in their own names as liquidating trustee or trustees of the credit union, the powers granted to him or them by the plan of voluntary dissolution and may sue and be sued for the purpose of determining and enforcing the debts due the credit union and its obligations.

(d) Cross reference.--See 15 Pa.C.S. § 134 (relating to docketing statement).

§ 1303. Dissolution proceedings.

(a) Collection and distribution of assets.--The liquidating trustee or trustees shall proceed in the manner provided by the department to gather the assets, determine the liabilities and distribute the assets of the credit union until its affairs are fully adjusted and wound up. Under this section the department shall set forth the order of the distribution of the assets. The provisions of this section on distribution of assets apply whether the dissolution is voluntary or involuntary.

(b) Proof of claims.--The liquidating trustee or trustees shall notify all creditors and members appearing on the records of the association, by notice sent to or given at the address appearing for such creditor or member on the records or, if no address appears there, at the last known address of the creditor or member, of the amount which the records show to be due such member or creditor. The liquidating trustee or trustees shall also advertise, for three successive weeks in a newspaper of general circulation and in a legal newspaper, if any, in the county in which the credit union is located, that the credit union is liquidating pursuant to a plan of voluntary liquidation. The advertisement shall set forth a date not less than 90 days after the date of the first published advertisement before which all creditors or members must present their claims, under oath or affirmation, to the trustee or trustees or be bound by the amount shown on the records of the credit union to be due them. Thereafter, all claims shall be permanently barred.

(c) Limitation period.--Any claim which is rejected or disallowed by the trustee or trustees shall be barred unless an action is brought thereon within 90 days after mailing of the notice of rejection or disallowance.

(d) Transfer possession.--If the department takes possession of the credit union under section 503(c) (relating to regulation by department) and appoints the National Credit Union
Administration to liquidate the credit union or take other action deemed appropriate regarding the credit union, then the department shall be deemed to have surrendered jurisdiction of the credit union and the department shall have no liability related to such credit union.

§ 1304. Department supervision.

The department shall continue to supervise the credit union, in the hands of the liquidating trustee or trustees, until the liquidation is complete and the affairs of the credit union are fully settled.

§ 1305. Articles of dissolution.

(a) General rule.--When, in the opinion of the department, the liquidation of a credit union is complete and its affairs are fully settled, the department shall execute and file in the Department of State articles of dissolution, which shall set forth:

(1) The name of the credit union.

(2) The statute under which the credit union was incorporated and the date of incorporation.

(3) A statement that the liquidation of the credit union is complete and its affairs are fully settled.

(b) Filing procedures.--A certificate or statement provided for by 15 Pa.C.S. § 139 (relating to tax clearance of certain fundamental transactions) shall not be required and the Department of State shall not charge a fee in connection with the filing of articles of dissolution under this section. See 15 Pa.C.S. § 134 (relating to docketing statement).

(c) Effect.--Upon the filing of the articles of dissolution in the Department of State, the existence of the credit union shall cease.

§ 1306. Involuntary dissolution.

(a) Issuance of certificate of dissolution by department.-- In the event the department finds, after issuing written notice of a hearing and an opportunity to be heard to a credit union, that the credit union has not exercised any of its powers or opened for business with its proposed members within one year after the date of its incorporation or such longer time as the department may allow, then the department shall issue under its seal a certificate of dissolution reciting the applicable facts and stating that articles of incorporation have been forfeited by reason of such facts and shall file the certificate of dissolution with the Department of State.

(b) Effect of certificate of dissolution.--Upon filing of the certificate of dissolution in the Department of State, all rights of the credit union under its articles of incorporation shall cease and its existence shall cease.
CHAPTER 15
OUT-OF-STATE CREDIT UNIONS

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1502. Covenants by applicant.
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1504. Revocation of authorization to do business.

§ 1501. Authorization to do business.

(a) General rule.--A credit union organized in another state may conduct business as an out-of-State credit union in this Commonwealth with the approval of the department as long as a credit union chartered under the laws of this Commonwealth is permitted to do business in the state in which the credit union is organized.

(b) Findings.--To grant approval the department must find that the out-of-State credit union:

(1) Is a credit union organized under a statute similar to this title.

(2) Is financially solvent.

(3) Has required account insurance acceptable to the department.

(4) Is effectively examined and supervised by the regulatory authority of the state in which it is organized.

(5) Needs to conduct business in this Commonwealth to adequately serve its members in this Commonwealth.

§ 1502. Covenants by applicant.

To conduct business in this Commonwealth, an out-of-State credit union must agree to:

(1) Grant loans at rates not higher than those permitted for credit unions incorporated under this title.

(2) Comply with the same consumer protection provisions that apply to credit unions incorporated under this title.

(3) Accept service of process as contemplated by 42 Pa.C.S. § 5301(a)(2)(i) (relating to persons).

§ 1503. Supervision by department.

(a) General rule.--The department may examine an out-of-State credit union:
(1) to the same extent that a Pennsylvania credit union is examined by the regulatory agency with jurisdiction over credit unions in the state in which the out-of-State credit union is incorporated; or

(2) pursuant to an agreement between the department and the regulatory agency with jurisdiction over credit unions in the state in which the out-of-State credit union is incorporated.

(b) Reports of other examinations.--The department may require, as a condition for permitting an out-of-State credit union to operate or to continue to operate in this Commonwealth, that the regulatory agency with jurisdiction over the out-of-State credit union furnish reports of examination regarding the out-of-State credit union to the department.

§ 1504. Revocation of authorization to do business.

The department may revoke the approval of an out-of-State credit union to conduct business as a credit union in this Commonwealth if the department makes any of the following findings:

(1) The out-of-State credit union no longer meets the requirements of section 1501 (relating to authorization to do business).

(2) The out-of-State credit union has violated Pennsylvania statutes or regulations or orders of the department.

(3) The out-of-State credit union has engaged in a pattern of unsafe or unsound credit union practices.

(4) Continued operation by the out-of-State credit union is likely to have a substantially adverse impact on the financial, economic or other interests of residents of this Commonwealth served by the out-of-State credit union.