
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

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INTRODUCED BY SCHLEGEL CULVER, R. MILLER, THOMAS, SCHLOSSBERG,
MURT, MUSTIO, MILLARD, GRELL, KAUFFMAN, WATSON, JAMES,
OBERLANDER, GINGRICH, MILNE AND PETRI, FEBRUARY 4, 2014

REFERRED TO COMMITTEE ON COMMERCE, FEBRUARY 4, 2014

AN ACT

1 Amending Title 17 (Credit Unions) of the Pennsylvania
2 Consolidated Statutes, in preliminary provisions, further
3 providing for definitions; in incorporation, further
4 providing for articles of incorporation, for Department of
5 Banking consideration of articles and for bylaws; in
6 corporate powers, duties and safeguards, further providing
7 for powers, for fees and charges, for loan interest, for
8 power to borrow, for loans and for dividends; in members,
9 directors and officers, further providing for notice to
10 members and for expulsion and withdrawal; in amendment of
11 articles, further providing for procedure for amendment of
12 articles; in conversion, merger and consolidation, further
13 providing for conversion into Federal credit union and for
14 adoption of plan; and, in dissolution, further providing for
15 approval of voluntary dissolution.

16 The General Assembly of the Commonwealth of Pennsylvania
17 hereby enacts as follows:

18 Section 1. The definitions of "community development credit
19 union," "department," "secretary" and "service facility" in
20 section 103 of Title 17 of the Pennsylvania Consolidated
21 Statutes are amended and the section is amended by adding a
22 definition to read:

23 § 103. Definitions.

24 The following words and phrases when used in this title shall

1 have the meanings given to them in this section unless the
2 context clearly indicates otherwise:

3 * * *

4 "Community development credit union." A credit union which
5 is designated as a low-income credit union by the [Department of
6 Banking] department.

7 * * *

8 "Department." The Department of Banking and Securities of
9 the Commonwealth.

10 * * *

11 "Officer." Any of the following:

12 (1) The chief executive officer or equivalent.

13 (2) The president.

14 (3) The chief financial officer or equivalent.

15 (4) The treasurer.

16 (5) The secretary.

17 (6) Any assistant chief executive officers or their
18 equivalents, including vice presidents.

19 * * *

20 ["Secretary." The Secretary of Banking of the Commonwealth
21 or the secretary's designee.]

22 "Service facility." A subsidiary office of the credit union
23 such as an automated teller machine, kiosk or other type of
24 facility as determined by the [Department of Banking] department
25 which is not capable of offering the same or approximately the
26 same level of service that can be found at the principal office
27 of the credit union.

28 * * *

29 Section 2. Sections 303, 304 heading, 305(a), (b), (d) (3)
30 and (d.1) (1), (3), (4), (7), (8) and (9), 501(b) (10), 509(c) and

1 (d), 510(a) and (b), 511(a), 512, 514(b), 704, 705, 901, 1101(a)
2 (1), 1104(a) and 1302(a)(2) of Title 17 are amended to read:

3 § 303. Articles of incorporation.

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

7 (1) The name of the proposed credit union, which shall
8 contain the words "credit union."

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

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

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

16 (5) The par value of its shares.

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

19 (7) The names and residences of each of the first
20 directors, not less than five in number, who shall serve
21 until the first annual meeting of the credit union, and the
22 name and residence of the treasurer.

23 (8) The common bond of membership.

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

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

30 § 304. Department [of Banking] consideration of articles.

1 * * *

2 § 305. Bylaws.

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

9 (b) Board-initiated bylaw amendments.--

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

17 [(2) Any amendment to or repeal of the bylaws adopted by
18 the board of directors may be repealed or amended by a two-
19 thirds vote of the responding members. The member-initiated
20 repeal or amendment of a bylaw passed by the board of
21 directors may be conducted at an annual or special member
22 meeting or conducted by mail ballot if the bylaws allow such
23 a procedure. The vote must be held at least ten days after
24 the mailing of the notice in paragraph (1).]

25 (3) [Notwithstanding paragraph (2), the] The members of
26 a credit union may amend the bylaws pursuant to procedures
27 set forth in subsections (d), (d.1) and (d.2), whichever
28 subsection is appropriate.

29 * * *

30 (d) Member-initiated bylaw amendment or repeal for credit

1 unions with more than 10,000 members.--

2 * * *

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

9 (d.1) Procedure.--

10 (1) To initiate the procedure to amend or repeal the
11 bylaws set forth in subsection (d), a member of a credit
12 union must [obtain the petition form from the department. The
13 department shall date the petition form and file a copy of
14 the form] circulate a petition to all members of the credit
15 union.

16 * * *

17 (3) The member seeking to amend or repeal the bylaws
18 shall [have 180 days from the receipt of the petition form
19 from the department to] circulate the petition and obtain the
20 requisite number of signatures from members of the credit
21 union. The petition shall [be in a form provided by and
22 approved by the department and shall] clearly identify the
23 bylaw to be amended or repealed and include the language of
24 the proposed bylaw.

25 [(4) On or before 180 days from the date the petition
26 form was obtained from the department, the member seeking to
27 amend or repeal the bylaws must file the petition with the
28 department. The department shall indicate the date of filing
29 on the petition and file the petition in the records of the
30 department. The department shall send a copy of the petition

1 to the secretary of the credit union.]

2 * * *

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

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

14 (9) If the credit union mails the [notice and] ballot
15 provided for in subsection (d) or is ordered to do so by the
16 department, then the credit union shall [send] provide an
17 official notice to all members of the credit union, prepare
18 and mail the ballots, arrange for tallying of the votes and
19 report the results to all members in accordance with
20 subsection (d).

21 * * *

22 § 501. Powers.

23 * * *

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

26 * * *

27 (10) To hold, purchase, mortgage, alter, improve and
28 sell fixed assets, meaning such real property, and furniture
29 and fixtures to be used therein, as the purposes of the
30 credit union require and which the credit union occupies or

1 intends to occupy for the transaction of its business or
2 partly so occupies and partly leases to others, except that,
3 without the prior written approval of the department, the
4 cost, at the time of acquisition, of such real property and
5 furniture and fixtures therein shall not exceed 5% of shares
6 and [retained] undivided earnings.

7 * * *

8 § 509. Fees and charges.

9 * * *

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

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

17 (1) charge fees for other services to its members,
18 provided that the fees charged will be for the actual cost of
19 the respective services provided by the credit union[.]; and

20 (2) recoup actual sums expended by the credit union,
21 including use of credit union personnel, incurred in
22 collection of outstanding loan balances or other share or
23 loan service related amounts owed to the credit union.

24 * * *

25 § 510. Loan interest.

26 (a) General rule.--Interest rates on loans made by a credit
27 union to its members shall not exceed [15% per annum when
28 calculated on the unpaid principal balances. Interest shall be
29 computed for the actual number of days which have elapsed at the
30 time of payment, except that interest for mortgage loans may be

1 paid according to a preauthorized amortization schedule] the
2 interest rates and finance charges permissible for a Federal
3 credit union as authorized by the Federal Credit Union Act (48
4 Stat. 1216, 12 U.S.C. § 1751 et seq.) and the rules and
5 regulations of the National Credit Union Administration.

6 [(b) Procedure for increase in rates.--Before any credit
7 union shall charge any higher rate than that authorized in
8 subsection (a), it shall obtain approval for such higher rate
9 from at least two-thirds of the board of directors of the credit
10 union, and such higher approved rate shall then apply only to
11 loans made by the credit union thereafter. Members shall be
12 notified in writing of the action of the board of directors not
13 later than the next regular mailing of members account
14 statements, which is at least 20 days subsequent to the action
15 of the board.]

16 * * *

17 § 511. Power to borrow.

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

23 * * *

24 § 512. Loans.

25 [Except as otherwise provided in this title, a credit union
26 may make loans to its members only. Loans must be made subject
27 to the conditions contained in the bylaws. A borrower may repay
28 his loan, in whole or in part, any day the office of the credit
29 union is open for business. No director, officer or member of
30 any committee may obtain or guarantee a loan from the credit

1 union in which he holds office on terms, rates or conditions
2 more favorable than those granted to any other member.]

3 (a) Loans to members only.--Except as otherwise provided in
4 this title, a credit union may make loans to its members only.

5 (b) Loans subject to bylaws.--Loans must be made subject to
6 the conditions contained in the bylaws.

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

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

14 (1) A director.

15 (2) An officer.

16 (3) A member of any committee.

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

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

22 § 514. Dividends.

23 * * *

24 (b) Inactive accounts.--A share account may be transferred
25 to a special account if, for at least [six] five years, there
26 has been no activity by the owner of the account and all written
27 communications from the credit union to the owner of the account
28 have been returned to the credit union with no forwarding
29 address. After the transfer, the credit union may cease paying
30 dividends on the transferred account and may cease sending

1 notices to the owner. A member whose account has been
2 transferred may reclaim the funds from the credit union at any
3 time prior to the time the account is escheated. After escheat,
4 reclaiming is governed by Article XIII.1 of the act of April 9,
5 1929 (P.L.343, No.176), known as The Fiscal Code.

6 § 704. Notice to members.

7 (a) General rule.--All [written] notices required by this
8 title to be given to members shall be:

9 (1) delivered in person to each member [or];

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

12 (3) by facsimile transmission, e-mail or other
13 electronic communication to each member's facsimile number or
14 address for e-mail or other electronic communications
15 appearing on the records of the credit union. Notice pursuant
16 to this paragraph shall be deemed to have been given to the
17 member entitled to the notice when sent.

18 (b) Notice of changes in fees, charges or policies.--Each
19 new member to a credit union shall be provided with [written]
20 notice by the respective credit union listing any fees, service
21 charges or policies regarding the transfer of funds to
22 noninterest bearing accounts. A new member and each existing
23 member shall subsequently be provided with similar [written]
24 notice if there is a change by the credit union in the amount or
25 type of fees or service charges or a change in the policy
26 regarding the transfer of funds to noninterest bearing accounts.
27 The credit union shall also provide such information to any
28 member upon request by that member.

29 § 705. Expulsion, suspension and withdrawal.

30 (a) Expulsion.--[A member may be expelled:

1 (1) by a vote of a majority of the members present at a
2 regular or a special meeting called to consider the matter at
3 which a quorum, as provided in the bylaws, is present but
4 only after a hearing after due notice to the member of the
5 time and place of the meeting and of the reason or reasons
6 for such proposed expulsion; or

7 (2) by a vote of a two-thirds majority of the board of
8 directors present at a regular or special meeting called to
9 consider the matter if:

10 (i) the board has given the member notice of the
11 meeting and of the reason for proposed expulsion;

12 (ii) there is a quorum, as provided in the bylaws,
13 present at the meeting; and

14 (iii) there is a hearing on the matter at the
15 meeting.]

16 Unless otherwise provided in the credit union's bylaws:

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

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

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

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

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

20 (b) Withdrawal.--Any member may withdraw from the credit
21 union at any time, but notice of withdrawal may be required.

22 § 901. Procedure for amendment of articles.

23 The articles of incorporation may be amended at any regular
24 or special meeting of the credit union, if [written] notice of
25 the meeting and of the proposed amendment or amendments is
26 furnished each member at least ten days prior to the meeting at
27 which such amendment or amendments will be considered.

28 Notwithstanding statutory provisions to the contrary, the
29 articles of incorporation may alternatively be amended by the
30 members through mail ballot voting as provided in the bylaws.

1 Amendments to the articles of incorporation must be approved by
2 a majority of the members present at any meeting at which the
3 amendments are considered or, in the case of a mail ballot, by a
4 majority of the members responding by mail ballot. The proposed
5 amendments shall be acted upon only in the event a quorum of the
6 members, as provided in the bylaws, is present or, in the case
7 of a mail ballot vote, a number of returned mail ballots equal
8 to the quorum of the members, as provided in the bylaws, exists.

9 § 1101. Conversion into Federal credit union.

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

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

1 * * *

2 § 1104. Adoption of plan.

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

24 * * *

25 § 1302. Approval of voluntary dissolution.

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

28 * * *

29 (2) A meeting of the membership shall be called for the
30 purpose of acting on the plan of dissolution. [Written

1 notice] Notice setting forth the date and purpose of such
2 meeting shall be furnished each member at least ten days
3 prior to the date of the meeting. The plan of dissolution
4 shall be adopted upon the affirmative vote of a majority of
5 the entire membership of the credit union in person or by
6 written ballot.

7 * * *

8 Section 3. This act shall take effect in 60 days.