

CREDIT UNION CODE (17 PA.C.S.) - AMEND PARITY WITH FEDERAL CREDIT UNIONS
AND INVOLUNTARY DISSOLUTION

Act of Dec. 9, 2002, P.L. 1572, No. 207

Cl. 17

Session of 2002

No. 2002-207

SB 1222

AN ACT

Amending Title 17 (Credit Unions) of the Pennsylvania Consolidated Statutes, relating to credit unions; making revisions, corrections and additions; providing for parity with Federal credit unions and for involuntary dissolution; and making editorial changes.

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

Section 1. The definitions of "retained earnings," "service facility," "total equity capital and reserves" and "unimpaired capital" in section 103 of Title 17 of the Pennsylvania Consolidated Statutes are amended and the section is amended by adding definitions to read:

§ 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:

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"Community development credit union." A credit union which is designated as a low-income credit union by the Department of Banking.

"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.

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

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["Retained earnings." Undivided profits.]

"Secretary." The Secretary of Banking of the Commonwealth or the secretary's designee.

"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 of Banking 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.

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["Total equity capital and reserves." Regular reserve, undivided earnings and all reserve accounts, including the allowance for loan loss reserve.]

"Unimpaired capital." Total **unencumbered** shares.

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Section 2. Sections 104 heading, (a) and (b) and 304(a), (b) and (c) of Title 17 are amended to read:

§ 104. Prohibition on use of words "credit [union," etc.]
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 of Banking] **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.

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§ 304. Department of Banking 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 of Banking] **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 of Banking] **department** disapproves the articles, it shall return them to the incorporators, stating in detail its reasons for doing so.

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Section 3. Section 305(a), (b) and (d) of Title 17 are amended and the section is amended by adding subsections to read:

§ 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 of Banking] **department** along with the articles of incorporation as provided in this chapter.

(b) [Amendments.--] **Board-initiated bylaw amendments.--**

(1) Bylaws may be amended or repealed [either by two-thirds of the members present and voting or a majority of the board of directors at any regular, annual or special meeting of the credit union. Bylaws may alternatively be amended or repealed by members through mail ballot if the bylaws provide for such a procedure and if two-thirds of the responding member ballots favor the proposed amendment or repeal.] **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, written 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) Any amendment to or repeal of the bylaws adopted by the board of directors may be repealed or amended by a two-thirds vote of the responding members. The member-initiated

repeal or amendment of a bylaw passed by the board of directors may be conducted at an annual or special member meeting or conducted by mail ballot if the bylaws allow such a procedure. The vote must be held at least ten days after the mailing of the notice in paragraph (1).

(3) Notwithstanding paragraph (2), 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.

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(d) [Review by members.--Whenever the board of directors amends the bylaws, written 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. Any amendment to the bylaws adopted by the board of directors may be repealed or amended by the members at an annual or special meeting or by a mail ballot vote held at least ten days after the mailing of the notice.] **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, written 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 notice and 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 obtain the petition form from the department. The department shall date the petition form and file a copy of the form.

(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 have 180 days from the receipt of the petition form from the department to circulate the petition and obtain the requisite number of signatures from members of the credit union. The petition shall be in a form provided by and approved by the department and shall clearly identify the bylaw to be amended or repealed and include the language of the proposed bylaw.

(4) On or before 180 days from the date the petition form was obtained from the department, the member seeking to amend or repeal the bylaws must file the petition with the

department. The department shall indicate the date of filing on the petition and file the petition in the records of the department. The department shall send a copy of the petition to the secretary of the credit union.

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

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

(9) If the credit union mails the notice and ballot provided for in subsection (d) or is ordered to do so by the department, then the credit union shall send 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.

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Section 4. Section 501(b) introductory paragraph, (4), (7) (iii) and (10) and (c) of Title 17 are amended, subsection (b) is amended by adding paragraphs and the section is amended by adding subsections to read:

§ 501. Powers.

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(b) Special powers.--[Except as set forth in subsection (c),
a] **A** credit union shall have the following special powers:

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(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 [that shares] **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.

[Purchase] **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[, except as provided in this subsection,] or 5% of the [paid-in capital] **unimpaired capital** of the credit union, whichever is lesser. The aggregate total of mortgage loans shall not

exceed 50% of the [paid-in capital] **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.

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(7) To invest its funds in the following investments:

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(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 of Banking] **department .**

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(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 retained earnings.

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[(c) Southern Africa investments.--No funds of a credit union shall be invested in any stock or obligation of any corporation doing business, either by itself or through any subsidiary or affiliate, in the Republic of South Africa or Namibia. This prohibition shall have prospective effect from February 20, 1990, and shall not affect existing investments.]

(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. 1219, 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.

Section 5. Sections 503, 505(d), 511(a), 513 and 514(a) of Title 17 are amended to read:

§ 503. Regulation by [Department of Banking] **department** .

(a) General rule.--Credit unions shall be under the supervision of the [Department of Banking] **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 [blanks] **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) Suspension of personnel.--If, in the opinion of the department, a director, officer or committee member of a credit union has committed a violation of a statute, regulation or cease and desist order which has become final or has engaged in an unsafe or unsound practice involving the credit union or has breached a fiduciary duty and if the department determines that the credit union has suffered or will suffer substantial financial loss or other damage or that the interests of its members could be seriously prejudiced by reason of the violation, practice or breach, the department may suspend the director, officer or committee member upon written notice, pending a hearing to determine whether removal is required. The notice shall contain 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 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 director, officer or committee member.]

(c) Seizure of credit union.--

(1) If the department determines that a credit union is:

[(1)] (i) violating any of the provisions of this title or any rule or regulation of the department issued under [and within] the authority of this title **or any order issued by the department under the authority of this title that has become final** ;

[(2)] (ii) conducting its business in an unsafe manner;

[(3)] (iii) in an unsafe [and] **or** unsound condition to transact its business; [or]

(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**

[(4)] (v) insolvent;

the department may [serve written notice of its intention to take possession of the credit union. If the condition continues for a period of 15 days after the giving of such notice, the department may, in its discretion], **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 predicated 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 [in accordance with the procedures set forth at 10 Pa. Code Ch. 3 (relating to hearings and conferences)].

(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 [is authorized to] **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 [is authorized to] **may** furnish to the financial regulatory agency of that state reports of examination [made by the] , **credit union board resolutions or any enforcement document including orders issued by the** department [for] **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.

§ 505. Capital and shares.

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(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 of Banking] **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.

§ 511. Power to borrow.

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

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§ 513. Reserves.

(a) General rule.--[At the end of each accounting period, the gross income shall be determined. From this amount, there shall be set aside a sum in accordance with the following schedule as a regular reserve:

(1) A credit union in operation for more than four years and having assets of \$500,000 or more shall set aside:

(i) 10% of gross income until the regular reserve shall equal 4% of the total of outstanding loans and risk assets; then

(ii) 5% of gross income until the regular reserve shall equal 6% of the total of outstanding loans and risk assets.

(2) A credit union in operation less than four years or having assets of less than \$500,000 shall set aside:

(i) 10% of gross income until the regular reserve shall equal 7.5% of the total of the outstanding loans and risk assets; then

(ii) 5% of gross income until the regular reserve shall equal 10% of the total of outstanding loans and risk assets.

(3) Whenever the regular reserve falls below the stated percentage of the total of outstanding loans and risk assets, it shall be replenished by regular contributions in such amounts as may be needed to maintain the stated reserve goals.

(4) All entrance fees collected shall be set aside in the regular reserve fund.

(5) The regular reserve fund thus established shall not be loaned out to members and shall be deposited as authorized in section 501(b) (6) (relating to powers) or invested in such investments as are authorized by section 501(b) (7). The regular reserve fund shall belong to the credit union and shall not be distributed except in case of liquidation.

(6) The directors are authorized, after the required reserve has been provided for, to make additional transfers from undivided earnings to a contingent reserve for other anticipated losses and expenses, but the members at the annual meeting may retransfer any part or all of such contingent reserve to the undivided earnings account.] **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) [Changes in reserve requirement.--The department may decrease the reserve requirement set forth in subsection (a) when in its opinion such a decrease is necessary or desirable. The department may also require special reserves to protect the interests of members either by regulation or for an individual credit union in any special case.] **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 of Banking] **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 of Banking] **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) Allowance for investment loss.--Each credit union, in addition to maintaining a regular reserve, shall establish an allowance for investment loss in compliance with Federal or State laws or regulations as well as generally accepted accounting principles. The allowance for investment loss reserve shall be funded in conformity with such laws, regulations or generally accepted accounting principles.]

§ 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. [Within the discretion of the board of directors, payments on all shares which are made within the first ten days of a month may be entitled to dividends for the full month in which such payment is made.] 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.

* * *

Section 6. Section 701(a) of Title 17 is amended and the section is amended by adding a subsection to read:

§ 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 of Banking] **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. Employees of credit unions may be members of such credit unions.

* * *

(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.

Section 7. Sections 706(b), 707, 709, 711(a) and 713(b) and (d) of Title 17 are amended to read:

§ 706. Election of directors and credit and supervisory committee members.

* * *

(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 of Banking] **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 [\$5] **\$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 of Banking] **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, [the loan officer] **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. [No interest refund may be authorized unless a share dividend at the rate of not less than 5% has been declared from the earnings of 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.

§ 709. Compensation of directors and officers.

[A member of the board of directors and members of the credit committee and the supervisory committee may be compensated if the credit union paid a dividend of not less than 3% from the earnings of the last preceding year.] **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 of Banking] **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.

§ 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 [or] , employee , **volunteer or agent** of a credit union unless the person[:

(1) in the case of an officer, director or committee member seeking office,] has **or obtains** the unanimous approval of the [nominating committee] **board of directors** of the credit union .[;

(2) in the case of an employee, has the approval of the officer in charge of operations;

(3) in the case of an officer, including an officer in charge of operations, director or committee member seeking office, has the unanimous approval of the board of directors of the credit union; or

(4) in the case of an employee, other than an officer in charge of operations, has the approval of the board of directors by a vote of at least two-thirds of the board of directors.]

* * *

§ 713. Loan procedures.

* * *

(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 [his or her] **the member's** immediate family has a beneficial interest.

* * *

(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 [present and voting, unless the credit committee has appointed] **at a credit committee meeting.**

(2) **Notwithstanding paragraph (1), the credit committee may appoint** one or more loan officers and [delegated] **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.**

* * *

Section 8. Section 714 heading, (a) (1), (b) and (c) of Title 17 are amended and the section is amended by adding subsections to read:

§ 714. Annual [examination] **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 [examination] **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.

* * *

(b) Default by supervisory committee.--Whenever the supervisory committee fails to make the [examinations] **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 [examinations] **audits**, or the board may employ the services of a public accountant to make such [examinations] **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 of Banking] **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 [examinations] **audits** to be made by a public accountant at the expense of the credit union.

(c) [Examination] **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 [examinations] **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.

Section 9. Sections 903(a), 904, 1101(a), 1102(a), (b) and (d), 1103(b), 1105(b) and (e), 1106, 1301 and 1302(a)(4), (b) and (c) of Title 17 are amended to read:

§ 903. Filing and review of articles of amendment.

(a) General rule.--Articles of amendment shall be filed with the [Department of Banking] **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.

* * *

§ 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 of Banking] **department**.

(b) Branch offices and service facilities.--If a credit union gives the [Department of Banking] **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.

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

§ 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. Written 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 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 of Banking] **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 of Banking] **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.

* * *

§ 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 of Banking] **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.

(b) Department [of Banking] 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 of Banking] **department** shall, upon the basis of the facts disclosed by its investigation, either approve or disapprove such articles.

* * *

(d) Disapproval action.--If the [Department of Banking] **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.

* * *

(b) Approvals and conditions.--Before merging or consolidating, the credit unions involved must obtain prior approval from the [Department of Banking] **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.

§ 1105. Articles of merger or consolidation.

* * *

(b) Department [of Banking] review.--The articles of merger or consolidation shall be filed with the [Department of Banking] **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 of Banking] **department** shall, upon the basis of the facts disclosed by its investigation, either approve or disapprove such articles.

* * *

(e) Disapproval action.--If the [Department of Banking] **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 of Banking] **department** .

Notwithstanding any other provision of this title, the [Department of Banking] **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.

§ 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 of Banking] **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:

* * *

(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 of Banking] **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 [of Banking] review.--Upon receipt of the certificate of election to dissolve, the [Department of Banking] **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 of Banking] **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 of Banking] **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.

* * *

Section 10. Section 1303(a) of Title 17 is amended and the section is amended by adding a subsection to read:

§ 1303. Dissolution proceedings.

(a) Collection and distribution of assets.--The liquidating trustee or trustees shall proceed in the manner provided by the [Department of Banking] **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.

* * *

(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.

Section 11. Sections 1304 and 1305(a) of Title 17 are amended to read:

§ 1304. Department [of Banking] supervision.

The [Department of Banking] **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 of Banking] **department**, the liquidation of a credit union is complete and its affairs are fully settled, the [Department of Banking] **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.

* * *

Section 12. Title 17 is amended by adding a section to read:

§ 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.

Section 13. Sections 1501(a), 1503 heading and (a) and 1504

of Title 17 are amended to read:

§ 1501. Authorization to do business.

(a) General rule.--A credit union organized in another state may conduct business as [a] **an out-of-State** credit union in this Commonwealth with the approval of the [Department of Banking] **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.

* * *

§ 1503. Supervision by [Department of Banking] **department** .

(a) General rule.--The [Department of Banking] **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.

* * *

§ 1504. Revocation of authorization to do business.

The [Department of Banking] **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.

Section 14. This act shall take effect in 60 days.

APPROVED--The 9th day of December, A. D. 2002.

MARK S. SCHWEIKER