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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# HOUSE BILL

## No. 1939

Session of  
1984

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INTRODUCED BY F. E. TAYLOR, L. E. SMITH, CAPPABIANCA, LIVENGOD,  
LESCOVITZ, OLASZ, SEVENTY, PISTELLA, PRESTON, DUFFY, BURD,  
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FEBRUARY 15, 1984

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SENATOR HOLL, BANKING AND INSURANCE, IN SENATE, AS AMENDED,  
MAY 15, 1984

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AN ACT

1 Amending the act of September 20, 1961 (P.L.1548, No.658),  
2 entitled "An act to provide for the organization,  
3 incorporation, operation and supervision of cooperative  
4 savings and credit associations, to be termed credit unions;  
5 designating such credit unions as corporations and defining  
6 their powers and duties; conferring certain powers and duties  
7 on the Department of Banking; and providing penalties,"  
8 further defining alternative sources of share insurance.

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

11 Section 1. Section 3 C of the act of September 20, 1961  
12 (P.L.1548, No.658), known as the Credit Union Act, amended  
13 October 5, 1978 (P.L.1096, No.256), is amended to read:

14 Section 3. Method of Incorporation.--\* \* \*

15 C. The articles of incorporation and two copies of the  
16 proposed bylaws for the general governance of the credit union  
17 shall be presented to the Department of Banking, together with  
18 such reasonable fees as shall be established, by the department,  
19 for such examination and such investigation as it may deem

1 necessary to ascertain:

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

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

9 (3) Whether the incorporators, directors and group proposed  
10 to be served have a common bond of association as provided in  
11 section 6 of this act.

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

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

16 (6) Whether the savings of members paid for shares will be  
17 insured by the National Credit Union Administration or other  
18 share insurance fund approved by the Department of Banking.

19 Nonprofit corporations created by specific legislation of any  
20 state to insure share accounts or depository accounts of credit  
21 unions shall not be subject to regulation by the Department of  
22 Insurance or to the laws of the Commonwealth concerning  
23 insurance.

24 Within sixty days after receipt of the articles, the  
25 Department of Banking shall, upon the basis of the facts  
26 disclosed by the application and its investigation, either  
27 approve or disapprove the articles.

28 \* \* \*

29 Section 2. Section 19 of the act, amended December 14, 1982  
30 (P.L.1240, No.283), is amended to read:

1       Section 19. Rates and Fines.--A. Interest rates on loans  
2 made by a credit union to its members shall not exceed fifteen  
3 per centum per annum, when calculated on the unpaid principal  
4 balances. Before any credit union shall charge any higher rate  
5 authorized hereunder, it shall obtain approval for such higher  
6 rate from at least two-thirds of the credit union's board of  
7 directors and such higher approved rate shall then apply only to  
8 loans made by the credit union thereafter. Members shall be  
9 notified in writing of the board of directors' action not later  
10 than the next regular mailing of the member's account statement,  
11 which is at least twenty days subsequent to the board's action.  
12 Interest shall be computed for the actual number of days which  
13 have elapsed at the time of payment. No other charges or fines  
14 shall be collected other than fees to public officials and  
15 reasonable fees of attorneys and outside collectors or outside  
16 collection agencies, provided the aggregate of such fees does  
17 not exceed twenty per centum of the outstanding loan balance.  
18 However, on loans secured by mortgages on real estate, a credit  
19 union may also collect late payment charges not in excess of  
20 four per centum of the principal and interest due on any  
21 installment payment that is more than fifteen days delinquent.  
22 The taking, receiving, reserving, or charging interest greater  
23 than allowed by this section shall be deemed a forfeiture of the  
24 entire interest on the loan, except when such overcharge is the  
25 result of a clerical error in computation. In case an interest  
26 greater than that which is allowed by this section has been  
27 paid, the borrower may within six months after payment recover  
28 from the credit union the entire amount of interest paid, except  
29 when such overcharge is the result of a clerical error in  
30 computation in which case only the excess interest paid may be

1 recovered.

2 B. A credit union insured by a share insurance fund other  
3 than the National Credit Union Share Insurance Fund may make any  
4 loan authorized by this act, at such interest, finance charge,  
5 rate and terms as a credit union insured by the National Credit  
6 Union Share Insurance Fund, except that the authority permitted  
7 under this subsection shall not apply to the extension of credit  
8 for the purchase of goods and services through the issuance and  
9 use of credit cards. The provisions of any other act <—  
10 notwithstanding, the authority permitted under this subsection  
11 shall only apply to the extension of credit by a credit union  
12 and shall not apply to the extension of credit by any other  
13 lender as a result of such lender having been granted most  
14 favorable lender status.

15 Section 3. This act shall take effect immediately.