

## CHAPTER 176

## BANKING—CREDIT UNIONS

S. F. 56

AN ACT to provide for the organization, operation and supervision of savings and credit associations to be termed "credit unions" and to define their powers, and placing them under the control of the banking department.

*Be it enacted by the General Assembly of the State of Iowa:*

1     **SECTION 1. Organization and definition:** Any seven residents of  
 2 the state of Iowa may apply to the superintendent of banking for  
 3 permission to organize a credit union.  
 4     A credit union is organized in the following manner:  
 5     (a) The applicants shall execute in duplicate a certificate of or-  
 6 ganization by the terms of which they agree to be bound. The cer-  
 7 tificate shall state:  
 8       (1) The name and location of the proposed credit union.  
 9       (2) The names and addresses of the subscribers to the certificate  
 10 and the number of shares subscribed by each.  
 11       (3) The par value of the shares of the credit union which shall  
 12 not exceed ten dollars (\$10.00) each.  
 13     (b) Said applicants shall prepare and adopt by-laws for the gen-  
 14 eral government of the credit union consistent with the provisions  
 15 of this chapter, and execute the same in duplicate.  
 16     (c) The certificate and the by-laws, both executed in duplicate,  
 17 shall be forwarded with a fee of two dollars (\$2.00) to the superin-  
 18 tendent of banking.  
 19     (d) The superintendent shall, within thirty (30) days of the re-  
 20 ceipt of said certificate and by-laws, determine whether they conform  
 21 with the provisions of this chapter, and whether or not the organiza-  
 22 tion of the credit union in question would benefit the members of it  
 23 and be consistent with the purposes of this chapter.  
 24     (e) The superintendent shall thereupon notify the applicants of  
 25 his decision. If it is favorable he shall issue a certificate of approval,  
 26 attached to the duplicate certificate of organization and return the  
 27 same, together with the duplicate by-laws to the applicants.  
 28     (f) The applicants shall thereupon file the said duplicate of the  
 29 certificate of organization, with the certificate of approval attached  
 30 thereto, with the county recorder of the county within which the  
 31 credit union is to do business, who shall record and index the same  
 32 as articles of incorporation are recorded and indexed and return it,  
 33 with his certificate of record attached thereto, to the said superin-  
 34 tendent of banking for permanent record.  
 35     (g) The applicants shall thereupon become and be a credit union,  
 36 incorporated in accordance with the provisions of this chapter.  
 37     In order to simplify the organization of credit unions, the superin-  
 38 tendent of banking, upon the taking effect of this chapter, or as soon  
 39 thereafter as sufficient fees shall have accumulated to liquidate the  
 40 cost of same, shall cause to be prepared an approved form of certificate  
 41 of organization and a form of by-laws, consistent with this chapter  
 42 which may be used by credit union incorporators for their guidance,

43 and on written application of any seven residents of the state, shall  
44 supply them without charge with a blank certificate of organization  
45 and a copy of said form of suggested by-laws.

1     **SEC. 2. Amendments:** Any and all amendments to the by-laws  
2 must be approved by the superintendent of banking before they be-  
3 come operative.

1     **SEC. 3. Restriction:** It shall be a misdemeanor for any person,  
2 association, copartnership or corporation, except corporations organ-  
3 ized in accordance with the provisions of this chapter, to use the  
4 words "credit union" in their name or title.

1     **SEC. 4. Powers:** A credit union shall have the following powers:  
2     (a) To receive the savings of its members either as payment on  
3 shares or as deposits, including the right to conduct Christmas clubs,  
4 Vacation clubs and other such thrift organizations within the mem-  
5 bership.

6     (b) To make loans to members for provident or productive pur-  
7 poses.

8     (c) To make loans to a cooperative society or other organization  
9 having membership in the credit union.

10     (d) To deposit in state and national banks and, to an extent which  
11 shall not exceed twenty-five (25) percent of its capital, invest in the  
12 paid-up shares of building and loan associations and of other credit  
13 unions.

14     (e) To invest in any investment legal for saving banks or for  
15 trust funds in the state.

16     (f) To borrow money as hereinafter indicated.

17     (g) To assess fines as may be provided by the by-laws for failure  
18 to make repayments on loans and payments on shares when due.

1     **SEC. 5. Membership:** Credit union membership shall consist of the  
2 incorporators and such other persons as may be elected to membership  
3 and subscribe for at least one share, pay the installment thereon and  
4 the entrance fee. Organizations, incorporated or otherwise, composed  
5 for the most part of the same general group as the credit union mem-  
6 bership may be members. Credit union organization shall be limited  
7 to groups having a common bond of occupation, or association or to  
8 groups within a well-defined neighborhood, community or rural dis-  
9 trict.

1     **SEC. 6. Reports, etc.:** Credit unions shall be under the supervision  
2 of the superintendent of banking. They shall report to him annually  
3 on or before the first day of January on blanks supplied by him for  
4 that purpose. Additional reports may be required. Credit unions  
5 shall be examined at their expense annually by the said superintendent  
6 or his duly authorized representative except that, if a credit union  
7 has assets of less than twenty five thousand dollars (\$25,000.00) he  
8 may accept the audit of a practicing public accountant in place of  
9 such examination. If the superintendent determines that the credit  
10 union is violating the provisions of this chapter, or is insolvent, he  
11 may serve notice on the credit union of his intention to revoke the  
12 certificate of approval. If, for a period of fifteen days after such  
13 notice, said violation continues, the superintendent may revoke said  
14 certificate and take possession of the business and property of said

15 credit union and maintain possession until such time as he shall permit  
16 it to continue business or its affairs are finally liquidated. He may  
17 take similar action if any report required remains in arrears for more  
18 than fifteen days.

1     **SEC. 7. Fiscal year—meetings:** The fiscal year of all credit unions  
2 shall end December 31. Special meetings may be held in the manner  
3 indicated in the by-laws. At all meetings a member shall have but  
4 a single vote whatever his share holdings. To amend the by-laws,  
5 the proposed amendment must be contained in the call for the meet-  
6 ing and it must be approved by three-fourths of the members then  
7 present, which number must constitute a quorum, and by the super-  
8 intendent of banking. There shall be no voting by proxy. A member  
9 other than a natural person shall cast a single vote through a dele-  
10 gated agent.

1     **SEC. 8. Elections:** At the annual meeting, the organization meet-  
2 ing being the first annual meeting, the credit union shall elect a  
3 board of directors of not less than five (5) members, a credit com-  
4 mittee of not less than three (3) members and a supervisory com-  
5 mittee of three (3) members, all to hold office for such terms respec-  
6 tively as the by-laws provide and until successors qualify. A record  
7 of the names and addresses of the members of the board and com-  
8 mittees and the officers shall be filed with the superintendent of bank-  
9 ing within ten days after their election.

1     **SEC. 9. Directors and officers:** At the first meeting the directors  
2 shall elect from their own number a president, vice-president, treas-  
3 urer and clerk, of whom the last two named may be the same indi-  
4 vidual. It shall be the duty of the directors to have general manage-  
5 ment of the affairs of the credit union, particularly:  
6     (a) To act on applications for membership.  
7     (b) To determine interest rates on loans and deposits.  
8     (c) To fix the amount of the surety bond which shall be required  
9 of all officers and employees handling money.  
10     (d) To declare dividends, and to transmit to the members recom-  
11 mended amendments to the by-laws.  
12     (e) To fill vacancies in the board and in the credit committee until  
13 successors are chosen and qualify.  
14     (f) To determine the maximum individual share holdings and the  
15 maximum individual loan which can be made with and without se-  
16 curity.  
17     (g) To have charge of investments other than loans to members.  
18     The duties of the officers shall be determined in the by-laws, except  
19 that the treasurer shall be the general manager. No member of the  
20 board or of either committee shall, as such, be compensated.

1     **SEC. 10. Credit committee:** The credit committee shall have the  
2 general supervision of all loans to members. Applications for loans  
3 shall be on a form, prepared by the credit committee, and all appli-  
4 cations shall set forth the purpose for which the loan is desired, the  
5 security, if any, offered, and such other data as may be required.  
6 Within the meaning of this section an assignment of shares or de-  
7 posits or the endorsement of a note may be deemed security. At  
8 least a majority of the members of the credit committee shall pass

9 on all loans and approval must be unanimous. The credit committee  
10 shall meet as often as may be necessary after due notice to each  
11 member.

1 **SEC. 11. Supervisory committee:** The supervisory committee shall—

2 (a) Make an examination of the affairs of the credit union at  
3 least quarterly, including an audit of its books and, in the event said  
4 committee feels such action to be necessary, it shall call the members  
5 together thereafter and submit to them its report.

6 (b) Make an annual audit and report and submit the same at  
7 the annual meeting of the members.

8 (c) By unanimous vote, if it deem such action to be necessary  
9 to the proper conduct of the credit union, suspend any officer, direc-  
10 tor, or member of committee and call the members together to act  
11 on such suspension. The members at said meeting may sustain such  
12 suspension and remove such officer permanently or may reinstate said  
13 officer.

14 By majority vote, the supervisory committee may call a special  
15 meeting of the members to consider any matter submitted to it by  
16 said committee. The said committee shall fill vacancies in its own  
17 membership.

1 **SEC. 12. Capital:** The capital of a credit union shall consist of the  
2 payments that have been made to it by the several members thereof  
3 on shares. The credit union shall have a lien on the shares and de-  
4 posits of a member for any sum due to the credit union from said  
5 member or for any loan endorsed by him. A credit union may charge  
6 an entrance fee as may be provided by the by-laws.

1 **SEC. 13. Minors:** Shares may be issued and deposits received in  
2 the name of a minor or in trust in such manner as the by-laws may  
3 provide. The name of the beneficiary must be disclosed to the credit  
4 union.

1 **SEC. 14. Rates:** Interest rates on loans made by a credit union  
2 shall not exceed one per cent a month on unpaid balances.

1 **SEC. 15. Power to borrow:** A credit union may borrow from any  
2 source in total sum which shall not exceed fifty per cent (50%) of its  
3 assets.

1 **SEC. 16. Loans:** A credit union may loan to members. Loans  
2 must be for a provident or productive purpose and are made subject  
3 to the conditions contained in the by-laws. A borrower may repay  
4 his loan in whole or in part any day the office of the credit union is  
5 open for business. No director, officer or member of committee may  
6 borrow from the credit union in which he holds office beyond the  
7 amount of his holdings in it in shares and deposits, nor may he  
8 endorse for borrowers.

1 **SEC. 17. Reserves:** All entrance fees, fines and twenty per cent  
2 (20%) of the net earnings each year, before the declaration of a  
3 dividend, shall be set aside as a reserve fund which shall be kept liquid  
4 and intact and not loaned out to members, and shall belong to the  
5 corporation to be used as a reserve against bad loans and not be dis-  
6 tributed except in cases of liquidation.

1     **SEC. 18. Dividends:** On recommendation of the directors, a credit  
 2 union may, at the end of the fiscal year, declare a dividend from net  
 3 earnings, which dividend shall be paid on all shares outstanding at  
 4 the end of the fiscal year. Shares which become fully paid up during  
 5 the year shall be entitled to a proportional part of said dividend cal-  
 6 culated from the first day of the month following such payment in full.

1     **SEC. 19. Expulsion—withdrawal:** A member may be expelled by  
 2 a two-thirds' (2/3's) vote of the members present at a special meeting  
 3 called to consider the matter but only after a hearing. Any member  
 4 may withdraw from the credit union at any time but notice of with-  
 5 drawal may be required. All amounts paid on shares or as deposits  
 6 of an expelled or withdrawing member, with any dividends or interest  
 7 accredited thereto, to the date thereof, shall, as funds become avail-  
 8 able and after deducting all amounts due from the member to the  
 9 credit union, be paid to him. The credit union may require sixty  
 10 (60) days' notice of intention to withdraw shares and thirty (30) days'  
 11 notice of intention to withdraw deposits. Withdrawing or expelled  
 12 members shall have no further rights in the credit union but are not,  
 13 by such expulsion or withdrawal, released from any remaining lia-  
 14 bility to the credit union.

1     **SEC. 20. Dissolution:** The process of voluntary dissolution shall  
 2 be as follows:

3     (a) At a meeting called for the purpose, notice of which purpose  
 4 must be contained in the call, four-fifths (4/5) of the entire member-  
 5 ship of the credit union may vote to dissolve the credit union.

6     (b) Thereupon they shall file with the superintendent of banking  
 7 a statement of their consent to dissolution, attested by a majority of  
 8 the officers and including the names and addresses of the officers and  
 9 directors.

10    (c) The superintendent shall determine whether or not the credit  
 11 union is solvent. If such is the fact he shall issue in duplicate a cer-  
 12 tificate to the effect that this section has been complied with.

13    (d) The certificate shall be filed with the county recorder of the  
 14 county in which the credit union is located, whereupon the credit  
 15 union shall be declared dissolved and shall cease to carry on business  
 16 except for the purpose of liquidation.

17    (e) The credit union shall continue in existence for three years  
 18 for the purpose of discharging its debts, collecting and distributing  
 19 its assets and doing all other acts required in order to wind up its  
 20 business, and may sue and be sued for the purpose of enforcing such  
 21 debts and obligations until its affairs are fully adjusted and wound up.

1     **SEC. 21. Change in place of business:** A credit union may change  
 2 its place of business on written notice to the superintendent of bank-  
 3 ing.

1     **SEC. 22. Taxation:** A credit union shall be deemed an institution  
 2 for savings and shall be subject to taxation only as to its real estate,  
 3 moneys and credits. The shares shall not be taxed.

1     **SEC. 23. Small loans legislation:** Nothing contained in this chapter  
2 shall apply to any person engaged in the business of loaning money  
3 under chapter four hundred nineteen (419).

Approved April 1, A. D. 1925.

## CHAPTER 177

### BANKS AND BANKING

S. F. 122

AN ACT to define the crime of embezzlement of funds or deposit of a bank by officers, directors and employees of banks and to provide a punishment for persons convicted thereof.

*Be it enacted by the General Assembly of the State of Iowa:*

1     **SECTION 1. Embezzlement—penalty.** Any officer, director or em-  
2 ployee of a bank who shall in any manner, directly or indirectly, use  
3 the funds or deposits of a bank or any part thereof, except for the  
4 regular business transactions of the bank, or who secretes, with intent  
5 to embezzle or fraudulently convert to his own use, any funds, de-  
6 posits or any part thereof of any bank and which may be the subject  
7 of larceny, or money placed in his hands for the purpose of deposit  
8 in the bank, or for remittance to any other person, or to apply on or  
9 discharge any obligation held by the bank, either as owner, agent or  
10 trustee, which has been received by him or delivered to him as an  
11 officer, director or employee of a bank or on account of his connection  
12 therewith, shall be guilty of embezzlement and shall, on conviction  
13 thereof, be imprisoned in the penitentiary not to exceed twenty (20)  
14 years.

1     **SEC. 2. Publication clause.** This act being deemed of immediate  
2 importance shall be in full force and effect from and after its publica-  
3 tion in two (2) newspapers as provided by law.

Approved April 3, A. D. 1925.

I hereby certify that the foregoing act was published in the Belmond Herald Press April 15, 1925, and in the Bode Bugle April 10, 1925.

W. C. RAMSAY, *Secretary of State.*