

JUN 8 1934  
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JUN 26 1934  
DEPARTMENT OF STATE

Seventy-third Congress of the United States of America;  
At the Second Session.

Begun and held at the City of Washington on Wednesday, the third  
day of January, one thousand nine hundred and thirty-four.

**AN ACT**

To establish a Federal Credit Union System, to establish a further  
market for securities of the United States and to make more  
available to people of small means credit for provident purposes  
through a national system of cooperative credit, thereby helping  
to stabilize the credit structure of the United States.

*Be it enacted by the Senate and House of Representatives of the  
United States of America in Congress assembled, That this Act may  
be cited as the "Federal Credit Union Act".*

**DEFINITIONS**

SEC. 2. A Federal credit union is hereby defined as a cooperative  
association organized in accordance with the provisions of this Act  
for the purpose of promoting thrift among its members and creating  
a source of credit for provident or productive purposes. When used  
in this Act the term "Administration" means Farm Credit Admin-  
istration, and the term "Governor" means the Governor thereof.

**FEDERAL CREDIT UNION ORGANIZATION**

SEC. 3. Any seven or more natural persons who desire to form a  
Federal credit union shall subscribe before some officer competent  
to administer oaths an organization certificate in duplicate which  
shall specifically state—

- (1) The name of the association.
- (2) The location of the proposed Federal credit union and the  
territory in which it will operate.
- (3) The names and addresses of the subscribers to the certificate  
and the number of shares subscribed by each.
- (4) The par value of the shares, which shall be \$5 each.
- (5) The proposed field of membership, specified in detail.
- (6) The term of the existence of the corporation, which may be  
perpetual.

(7) The fact that the certificate is made to enable such persons to  
avail themselves of the advantages of this Act.

Such organization certificate may also contain any provisions  
approved by the Governor for the management of the business of  
the association and for the conduct of its affairs and relative to the  
powers of its directors, officers, or stockholders.

## APPROVAL OF ORGANIZATION CERTIFICATE

SEC. 4. Any such organization certificate shall be presented to the Governor for approval. Upon such approval the Federal credit union shall be a body corporate and as such, subject to the limitations herein contained, shall be vested with all of the powers and charged with all the liabilities conferred and imposed by this Act upon corporations organized hereunder. Before any organization certificate is approved an appropriate investigation shall be made for the purpose of determining (1) whether the organization certificate conforms to the provisions of this Act; (2) the general character and fitness of the subscribers thereto; and (3) the economic advisability of establishing the proposed Federal credit union. Upon approval of such organization certificate by the Governor it shall be the charter of the corporation and one of the originals thereof shall be delivered to the corporation after the payment of the fee required therefor.

## FEES

SEC. 5. For the purpose of paying the costs incident to the ascertainment of whether an organization certificate should be approved the subscribers to any such certificate shall pay, at the time of filing their organization certificate, the amount prescribed by the Governor, which shall not exceed \$20 in any case; and on the approval of any organization certificate they shall also pay a fee of \$5. During December of each calendar year each Federal credit union shall pay to the Administration a fee of not to exceed \$10, to be fixed by the Governor, for the cost of supervision: *Provided, however,* That no such annual fee shall be payable by such an organization for the fractional part of the first calendar year during which it is formed. All such fees shall be deposited with the Treasurer of the United States for the account of the Administration and may be expended by the Governor for such administrative and other expenses incurred in carrying out the provisions hereof as he may determine to be proper, the purpose of such fees being to defray, as far as practicable, the administrative and supervisory costs incident to the carrying out of this Act.

## REPORTS AND EXAMINATIONS

SEC. 6. Federal credit unions shall be under the supervision of the Governor, and shall make such financial reports to him (at least annually) as he may require. Each Federal credit union shall be subject to examination by, and for this purpose shall make its books and records accessible to any person designated by the Governor. The Governor shall fix a scale of examination fees

designed, as far as is practicable, so that in each case the fee to be paid shall equal the expense of such examination, which fees shall be assessed against and paid by each Federal credit union promptly after the completion of any such examination: *Provided, however,* That if a Federal credit union has assets of less than \$25,000 the Governor may accept the audit report of a practicing public accountant in place of such examination and may relieve such Federal credit union of the obligation to pay the examination fee required by this section. Examination fees collected under the provisions of this section shall be deposited to the credit of the special fund created by section 5 hereof, and shall be available for the purposes specified in said section 5.

POWERS

SEC. 7. A Federal credit union shall have succession in its corporate name during its existence and shall have power—

- (1) To make contracts.
- (2) To sue and be sued.
- (3) To adopt and use a common seal and alter the same at pleasure.
- (4) To purchase, hold, and dispose of property necessary and incidental to its operations.
- (5) To make loans with maturities not exceeding two years to its members for provident or productive purposes upon such terms and conditions as this Act and the bylaws provide and as the credit committee may approve, at rates of interest not exceeding 1 per centum per month on unpaid balances (inclusive of all charges incidental to making the loan): *Provided,* That no loans to a director, officer, or member of a committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof. No director, officer, or committee member shall endorse for borrowers. A borrower may repay his loan, prior to maturity, in whole or in part on any business day.
- (6) To receive from its members payments on shares.
- (7) To invest its funds (a) in loans exclusively to members; (b) in obligations of the United States of America, or securities fully guaranteed as to principal and interest thereby.
- (8) To make deposits in national banks and in State banks, trust companies, and mutual savings banks operating in accordance with the laws of the State in which the Federal credit union does business.
- (9) To borrow (from any source) in an aggregate amount not exceeding 50 per centum of its paid-in and unimpaired capital and surplus: *Provided,* That any Federal credit union may discount with or sell to any Federal intermediate credit bank any eligible

obligations up to the amount of its paid-in and unimpaired capital, subject to such rules and regulations as may be prescribed by the Governor.

(10) To fine members, in accordance with the bylaws, for failure to meet promptly their obligations to the Federal credit union.

(11) To impress and enforce a lien upon the shares and dividends of any member, to the extent of any loan made to him and any dues or fines payable by him.

(12) To exercise such incidental powers as shall be necessary or requisite to enable it to carry on effectively the business for which it is incorporated.

BYLAWS

SEC. 8. In order to simplify the organization of Federal credit unions the Governor shall, upon the passage of this Act, cause to be prepared a form of organization certificate and a form of bylaws, consistent with this Act, which shall be used by Federal credit union incorporators, and shall be supplied to them on request. At the time of presenting the organization certificate the incorporators shall also submit proposed bylaws to the Governor for his approval.

MEMBERSHIP

SEC. 9. Federal credit union membership shall consist of the incorporators and such other persons and incorporated and unincorporated organizations, to the extent permitted by rules and regulations prescribed by the Governor, as may be elected to membership and as shall, each, subscribe to at least one share of its stock and pay the initial installment thereon and the entrance fee; except that Federal credit union membership shall be limited to groups having a common bond of occupation, or association, or to groups within a well-defined neighborhood, community, or rural district.

MEMBERS' MEETINGS

SEC. 10. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such time during the month of the following January and at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held by him, no member shall have more than one vote.

MANAGEMENT

SEC. 11. (a) The business affairs of a Federal credit union shall be managed by a board of not less than five directors, a credit

committee of not less than three members, and a supervisory committee of three members (a majority of whom shall not be directors) all to be elected by the members (and from their number) at their annual meeting, and to hold office for such terms, respectively, as the bylaws may provide. A record of the names and addresses of the members of the board and committees and officers shall be filed with the Administration within ten days after their election. No member of the board or of either committee shall, as such be compensated.

OFFICERS

(b) At their first meeting after the annual meeting of the members, the directors shall elect from their number a president, a vice president, a clerk, and a treasurer, who shall be the executive officers of the corporation and may be compensated for their services to such extent as the bylaws may provide. The offices of clerk and treasurer may be held by the same person. The duties of the officers shall be as determined by the bylaws, except that the treasurer shall be the general manager of the corporation. Before the treasurer shall enter upon his duties he shall give bond with good and sufficient surety, in an amount and character to be determined from time to time by the board of directors, conditioned upon the faithful performance of his trust.

DIRECTORS

(c) The board of directors shall meet at least once a month and shall have the general direction and control of the affairs of the corporation. Minutes of all such meetings shall be kept. Among other things they shall act upon applications for membership; fix the amount and character of the surety bond required of any officer having custody of funds; recommend the declaration of dividends; fill vacancies in the board and in the credit committee until successors elected at the next annual meeting have qualified; have charge of investments other than loans to members; determine from time to time the maximum number of shares that may be held by any individual; and, subject to the limitations of this Act, determine the interest rates on loans and the maximum amount that may be loaned with or without security to any member.

CREDIT COMMITTEE

(d) The credit committee shall hold such meetings as the business of the Federal credit union may require and not less frequently than once a month (of which meetings due notice shall be given to members of the committee by the treasurer) to consider applications for loans. No loan shall be made unless approved by a majority of the

entire committee and by all of the members of the committee who are present at the meeting at which the application is considered. Applications for loans shall be made on forms prepared by such committee, which shall set forth the purpose for which the loan is desired, the security, if any, and such other data as may be required. No loan in excess of \$50 shall be made without adequate security and no loan shall be made to any member in excess of \$200 or 10 per centum of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater. For the purposes of this subdivision an assignment of shares or the endorsement of a note shall be deemed security.

SUPERVISORY COMMITTEE

(e) The supervisory committee shall make, at least quarterly, an examination of the affairs of the Federal credit union, including an audit of its books; shall make an annual audit and a report to be submitted at the annual meeting of the corporation; and, by a unanimous vote, may suspend any officer of the corporation, or any member of the credit committee or of the board of directors until the next members' meeting, which said meeting, however, shall be held within seven days of said suspension and at which meeting said suspension shall be acted upon by the members; and, by a majority vote, may call a special meeting of the shareholders to consider any violation of this Act, the charter, or of the bylaws, or any practice of the corporation deemed by the committee to be unsafe or unauthorized. The said committee shall fill vacancies in its own membership until successors to be elected at the next annual meeting have qualified. The supervisory committee shall cause the pass-books and accounts of the members to be verified with the records of the treasurer from time to time and not less frequently than once every two years.

RESERVES

SEC. 12. All entrance fees and fines provided by the bylaws and 20 per centum of the net earnings of each year, before the declaration of any dividends, shall be set aside, subject to terms and conditions specified in the bylaws, as a reserve fund against possible bad loans.

DIVIDENDS

SEC. 13. At the annual meeting a dividend may be declared from the remaining net earnings on recommendation of the board of directors, which dividend shall be paid on all paid-up shares outstanding at the end of the preceding fiscal year. Shares which become fully paid up during such year shall be entitled to a pro-

portional part of said dividend calculated from the 1st day of the month following such payment in full.

EXPULSION AND WITHDRAWAL

SEC. 14. A member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after an opportunity has been given him to be heard. Withdrawal or expulsion of a member shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by a Federal credit union shall be determined and paid in the manner specified in the bylaws.

MINORS

SEC. 15. Shares may be issued in the name of a minor or in trust, subject to such conditions as may be prescribed by the bylaws. The name of the beneficiary shall be disclosed to the Federal credit union.

CERTAIN POWERS OF GOVERNOR

SEC. 16. (a) The Governor may prescribe rules and regulations for the administration of this Act (including, but not by way of limitation, the merger, consolidation, and/or dissolution of corporations organized under this Act).

(b) The Governor may suspend or revoke the charter of any Federal credit union upon his finding that the organization is bankrupt or insolvent or has violated any provisions of its charter, its bylaws, or of this Act, or of any regulations issued thereunder.

(c) The Governor is hereby authorized and empowered to execute any and all functions and perform any and all duties vested in him hereby, through such persons as he shall designate or employ; and he may delegate to any person or persons, including any institution operating under the general supervision of the Administration, the performance and discharge of any authority, power, or function vested in him by this Act.

(d) All books and records of Federal credit unions shall be kept and reports shall be made in accordance with forms approved by the Governor.

FISCAL AGENTS AND DEPOSITORIES

SEC. 17. Each Federal credit union organized under this Act, when requested by the Secretary of the Treasury, shall act as fiscal agent of the United States and shall perform such services as the Secretary of the Treasury may require in connection with the collection of taxes and other obligations due the United States and the lending, borrowing, and repayment of money by the United States,

including the issue, sale, redemption or repurchase of bonds, notes, Treasury certificates of indebtedness, or other obligations of the United States; and to facilitate such purposes the Governor shall furnish to the Secretary of the Treasury from time to time the names and addresses of all Federal credit unions with such other available information concerning them as may be requested by the Secretary of the Treasury. Any Federal credit union organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall be a depository of public money, except receipts from customs, under such regulations as may be prescribed by the Secretary of the Treasury.

TAXATION

SEC. 18. Nothing herein contained shall prevent the shares of stock in any Federal credit union organized hereunder from being included in the valuation of the personal property of the owners or holders of such shares in assessing taxes imposed by authority of the State in which the Federal credit union is located or shall prevent the taxation of any Federal credit union or its property by authority of such State in the manner and not to exceed the rate imposed upon domestic banking corporations.

SEC. 19. Not to exceed \$50,000 of the fund available to the Governor under section 4 of the Act of March 3, 1932, for expenses of administration in connection with loans made thereunder to aid in the establishment of agricultural credit corporations, is hereby made available also for administrative expenses in administering this Act.

SEC. 20. (a) If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provisions to other persons or circumstances, shall not be affected thereby.

(b) The right to alter, amend, or repeal this Act or any part thereof, or any charter issued pursuant to the provisions of this Act, is expressly reserved.

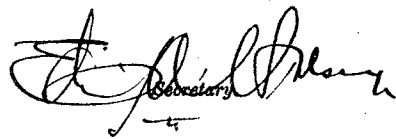
*Approved*  
*June 26 1934*  
*Franklin D. Roosevelt*

*H. T. Rainey*  
*Speaker of the House of Representatives.*

*Wm. C. C. Wood*  
*Vice President of the United States and*  
*President of the Senate.*



I certify that this Act originated in the Senate.

  
Secretary