

HOUSE No. 799

By Mr. Dolan of Boston, petition of Jacob W. Mover and C. W. Harvey for establishment of a guaranty fund for shares and deposits in credit unions. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Thirty-Four.

An Act establishing a Fund for the Guaranty of Shares and Deposits in Credit Unions.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter two hundred and sixteen of
2 the acts of nineteen hundred and thirty-two, author-
3 izing the organization of the Central Credit Union
4 Fund, Inc., is hereby amended by adding at the
5 end thereof the following new sections:—

6 *Section 1.* The Central Credit Union Fund,
7 Inc., established by chapter two hundred and six-
8 teen of the acts of nineteen hundred and thirty-
9 two, hereinafter referred to as the corporation,
10 shall in the manner herein provided establish a fund
11 for the guaranty of shares and deposits in credit
12 unions established under the laws of the common-
13 wealth, hereinafter referred to as member credit
14 unions. This fund shall be known as the Share
15 Guaranty Fund, which shall be held and invested

16 separate from the other funds of the corporation
17 and shall not be liable for the obligations of the cor-
18 poration other than those created by this act. The
19 cost of administering the Share Guaranty Fund as
20 determined by the directors shall be paid out of
21 the income from said fund. Membership in the
22 Share Guaranty Fund shall not be compulsory but
23 shall be optional with credit unions in Massachu-
24 setts. Such membership shall be entirely separate
25 from membership to other services or functions of
26 the corporation. The corporation shall admit to
27 membership in the Share Guaranty Fund any credit
28 union organized and operating under the credit
29 union laws of Massachusetts which applies for mem-
30 bership provided such membership application has
31 the approval of the commissioner of banks and
32 further provided said applying credit union's finan-
33 cial condition meets the financial standard required
34 by the board of directors of the corporation, this
35 financial standard to be the same for all credit
36 unions. The directors may, by assessments made
37 from time to time upon the member credit unions
38 in the same proportion for each, require each credit
39 union to pay over in cash to it a total of not more
40 than two per cent of its share and deposit liabili-
41 ties as shown by its last annual report to the com-
42 missioner of banks, hereinafter referred to as the
43 commissioner, such assessments to be in addition
44 to all other payments required under said act. An
45 assessment under this provision of not more than
46 one fourth of one per cent of such deposit and share
47 liabilities may be made to members within ten
48 days after the effective date of this act. Other as-
49 sessments of not more than one fourth of one per

50 cent may be made to members in each three months
51 thereafter until one per cent of said share liabilities
52 shall have been paid in, and thereafter assessments
53 not exceeding such authorized total may be made
54 from time to time at the discretion of the directors.
55 The funds resulting from these assessments shall be
56 held as a permanent fund.

57 *Section 2.* All assessments authorized by the
58 foregoing section may be carried by each member
59 credit union as an asset to such extent as may be
60 authorized by the commissioner.

61 *Section 3.* The corporation may pay dividends
62 to member credit unions upon the amounts paid
63 in by them to the Share Guaranty Fund or upon
64 the unexpended portion thereof at such rate and at
65 such times as its directors may determine. This
66 fund may be invested by the corporation only in
67 such manner as is provided in section forty-seven,
68 sub-sections a, b, c, and d, of chapter one hundred
69 and forty-four, acts of nineteen hundred and thirty-
70 three. The corporation may by vote of its directors
71 borrow money for the purposes of the Share Guar-
72 anty Fund and pledge any assets in which that fund
73 is invested as security for such loans. In case of
74 liquidation of any member credit union under sec-
75 tion twenty-nine of chapter one hundred and seventy-
76 one of the General Laws, the corporation shall return
77 the unexpended portion as determined by its direc-
78 tors, of all assessments paid by such credit union
79 to it, upon establishment of proof to the satisfac-
80 tion of the directors of the corporation that such
81 credit union has paid or will be able to pay its
82 shareholders in full. In case of the merger or con-
83 solidation of two or more credit unions, such un-

84 expended portion of the assessments paid by such
85 credit unions may be readjusted on the basis of the
86 assessment liability of the continuing credit union
87 and the excess, if any, may be repaid to it.

88 *Section 4.* Whenever it shall appear to the com-
89 missioner that any member credit union is in an
90 unsound and unsafe condition to transact the business
91 for which it is organized or that it is unsafe for it to
92 continue business, he may so certify to the cor-
93 poration and upon receiving such certificate from
94 the commissioner the corporation shall, by notice
95 in writing to the commissioner and to the credit
96 union, take possession thereof until the credit union
97 shall resume business or until its affairs shall finally
98 be liquidated. The corporation may, with the
99 approval of the commissioner, carry on the business
100 of such credit union subject to such restrictions as
101 the commissioner may impose. The corporation
102 may, while thus carrying on such business, pay to
103 such credit union out of the Share Guaranty Fund
104 such sums as the corporation's directors deem neces-
105 sary for the protection of the credit union's share-
106 holders and depositors and order the same to be
107 repaid when no longer required for that purpose.

108 *Section 5.* At any time after the corporation shall
109 have taken over the operation of any member credit
110 union, as provided in this act, it may, with the
111 approval of the commissioner, turn back the opera-
112 tion thereof to such credit union, and thereupon
113 such credit union may resume business free from
114 any control by the corporation, subject to such
115 conditions as the commissioner may approve. The
116 corporation shall not thus turn back the operation
117 of any credit union until there shall have been repaid

118 into the Share Guaranty Fund all such sums as
119 had been paid from that fund to such credit union
120 or its shareholders or until the corporation shall
121 have received security for such repayment satis-
122 factory to its directors.

123 *Section 6.* The corporation may, and at the re-
124 quest of the commissioner shall, at any time after
125 it has taken over the operation of any credit union
126 under section four hereof discontinue the business
127 of such credit union and proceed to liquidate its
128 affairs. The corporation shall in that event pay
129 to the shareholders of such credit union the full
130 amount or as near that amount as possible of their
131 shares and deposits as of the date of the discon-
132 tinuance of the credit union with interest at such
133 rate, not exceeding three per cent per annum, as
134 the directors shall determine, such payments to be
135 made within five years from such discontinuance
136 and at such times and in such instalments as the
137 directors with the approval of the commissioner
138 shall determine. For this purpose the corporation
139 shall use, in addition to the assets of the credit
140 union, such sums as may be required from the
141 Share Guaranty Fund until such funds are exhausted.
142 In case of such liquidation the commissioner may
143 by regulation establish the manner in which the
144 shareholders shall be given notice to withdraw
145 their shares and deposits and in which final pay-
146 ments shall be made to them. When the com-
147 missioner shall certify that all shareholders and
148 depositors claiming the value of their shares and
149 deposits and all other obligations of the credit
150 union have been paid in full the corporation may
151 take over and hold as a part of the Share Guaranty

152 Fund all the remaining assets of such credit union
153 free from all claims except those which may be
154 legally offered by shareholders and depositors who
155 have not previously claimed the value of their
156 shares and deposits. The corporation shall liqui-
157 date such assets as soon as feasible thereafter.

158 *Section 7.* In order to carry out the provisions
159 of this act the corporation may exercise all the
160 powers, rights and franchises of any credit union
161 the operation of which has been taken over by it
162 under this act.

163 *Section 8.* All sums assessed under this act and
164 paid over to the corporation by member credit
165 unions shall be exempt from taxation under section
166 eleven, chapter sixty-three of the General Laws.

167 *Section 9.* The corporation may make such
168 rules, regulations and contracts, subject to the
169 approval of the commissioner of banks, as it may
170 deem necessary in order to carry out the provisions
171 of this act.

172 *Section 10.* The Share Guaranty Fund may be
173 dissolved by a vote of four fifths of all the members
174 of the Share Guaranty Fund at a meeting duly
175 called and held for this special purpose, and, if it
176 be voted to dissolve, the corporation shall proceed
177 to liquidate the Share Guaranty Fund and to dis-
178 tribute the proceeds to the member credit unions
179 as speedily as may be. Member credit unions may
180 withdraw from the Share Guaranty Fund subject
181 to such restrictions and provisions as provided by
182 the by-laws.

1 SECTION 2. Section seven, chapter two hundred
2 and sixteen of the acts of nineteen hundred and

3 thirty-two, is hereby amended by striking out sec-
4 tion seven and substituting the following new
5 section:—

6 The Central Credit Union Fund, Inc. may be
7 dissolved by a vote of two thirds of all the members
8 of the corporation at a meeting duly called and
9 held for this special purpose and, if it is voted to
10 dissolve, the corporation shall proceed to liquidate
11 in such manner as the commissioner of banks shall
12 prescribe.

