

CHAPTER 186.

DOMESTIC CORPORATIONS.

CO-OPERATIVE CREDIT ASSOCIATIONS.

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186.01 Credit union defined. The words "credit union" shall mean a corporation formed under the provisions of this chapter for the purpose of promoting thrift among its members and loaning its funds to them for provident purposes. The capital of such corporation shall be unlimited in amount.

186.02 Incorporation, amendment, fees. Seven or more citizens of this state may organize a credit union by filing with the banking commission articles of association in duplicate, stating the name, location and purpose of the corporation, the par value of its shares, and the names, residences and occupations of the incorporators, and paying a fee of \$5 to the commission. A verified copy of the by-laws adopted by the incorporators shall be filed with the articles. If the commission shall approve the articles and by-laws, it shall return one duplicate original of the articles to the incorporators with its approval indorsed thereon, and they shall cause the same to be recorded within 30 days in the office of the register of deeds of the county in which said corporation is to be located, and the corporation shall have no legal existence until its articles are so left for record. The register of deeds shall forthwith transmit to the commission a certificate stating the date when such articles were left for record, and the commission shall thereupon issue to the corporation a certificate of incorporation. Approval of the articles and by-laws shall be discretionary with the commission. In the event that the banking commission shall refuse to approve the articles and by-laws and the applicants shall feel aggrieved at such decision, they may appeal to the credit union advisory board created by section 186.21 and the decision of said board shall be final. Amendments to the articles adopted by a vote of two-thirds of all the members of the corporation may be filed with the commission upon payment of a fee of \$5, and if approved by it shall become effective upon being recorded in the office of the register of deeds in the same manner as the original articles. All amendments to the by-laws shall be filed with the commission and shall become operative only when approved by it. [1941 c. 253]

Note: A corporation cannot become member of a credit union. 19 Atty. Gen. 621.

186.03 Use of name exclusive. No person, partnership, association or corporation, except corporations formed under the provisions of this chapter, shall hereafter transact within this state the business authorized by this chapter, nor any business whatever under any name or title which includes the two words "credit" and "union", except that any organization whose membership is made up of credit unions may use the name, with the consent of the banking commission. Violation of this section may be enjoined at the instance of the banking commission or of any credit union, and shall in addition be a misdemeanor punishable as provided in section 224.03 of the statutes. [1935 c. 138]

186.04 Other statutes applicable; annual fees. The provisions of sections 215.31 to 215.35, inclusive, shall apply to credit unions and their directors, committees and officers, and they shall be subject to the supervision of the banking commission in the manner and to the extent set forth in said sections; provided, that each credit union carrying on business in this state shall pay, on or before July 15 of each year, to the banking commission for supervision and examination, an annual fee as hereinafter provided:

(1) Each credit union with assets of less than five hundred dollars, an annual fee of five dollars.

(2) Each credit union with assets of between five hundred dollars and one thousand dollars, an annual fee of ten dollars.

(3) Each credit union with assets of between one thousand dollars and two thousand dollars, an annual fee of fifteen dollars.

(4) Each credit union with assets of between two thousand dollars and three thousand dollars, an annual fee of twenty dollars.

(5) Each credit union with assets of between three thousand dollars and four thousand dollars, an annual fee of twenty-five dollars.

(6) Each credit union with assets of between four thousand dollars and five thousand dollars, an annual fee of thirty dollars.

(7) Each credit union with assets of between five thousand dollars and seventy-five hundred dollars, an annual fee of thirty-five dollars.

(8) Each credit union with assets of between seventy-five hundred dollars and ten thousand dollars, an annual fee of forty dollars.

(9) Each credit union with assets of between ten thousand dollars and fifteen thousand dollars, an annual fee of forty-five dollars.

(10) Each credit union with assets of between fifteen thousand dollars and twenty-five thousand dollars, an annual fee of fifty dollars.

(11) Fifty cents per \$1,000 assets for each additional \$1,000 over \$25,000 or fraction thereof. [1931 c. 306; 1931 c. 450 s. 1; 1933 c. 323 s. 2; 1935 c. 138; 1941 c. 263]

186.05 By-laws. The by-laws shall prescribe:

- (a) The conditions of residence or occupation which qualify persons for membership;
- (b) The par value of the shares of capital stock;
- (c) The conditions on which shares may be paid in, transferred and withdrawn, the entrance fee to be paid by new members;
- (d) The method of receipting for money paid on account of shares;
- (e) The number of directors and number of members of the credit committee;
- (f) The duties of the several officers;
- (g) The fines, if any, which shall be charged for failure to meet obligations to the corporation punctually;
- (h) The date of the annual meeting of members (which shall be in January);
- (i) The manner in which members and directors shall be notified of meetings;
- (j) The number of members which shall constitute a quorum at meetings, and
- (k) Such other regulations as may seem necessary.

186.06 Fiscal year, membership meetings, powers. The fiscal year of every such corporation shall end at the close of business on December 31. The incorporators may pass upon and accept applications for membership until the first meeting of the members is held, and shall call such first meeting as soon as 10 persons have been admitted to membership. Special meetings may be held by order of the directors, and the secretary shall call special meetings upon request in writing by 33-1/3 per cent of the members. No person shall be entitled to vote who has not been a member for more than 3 months, but this restriction shall not apply during the first 12 months of the existence of the corporation, nor shall any member vote by proxy, or have more than one vote. At any meeting, the members may decide upon any question of interest to the corporation; and upon appeal of 2 members, may reverse decisions of the credit committee or board of directors; and, by a three-fourths vote of those present, provided the notice of the meeting shall have specified the questions to be considered, may amend the by-laws or remove any officer or member of the credit committee or board of directors and fill the vacancy caused by such removal. [1941 c. 262]

186.07 Directors, credit committee. At the first meeting, and thereafter at each annual meeting, the members shall elect a board of directors of not less than five members and a credit committee of not less than three members. No member of said board shall be a member of said committee and all members thereof, as well as all officers whom they may elect, shall be sworn and shall hold their several offices until others are elected and qualified in their stead; and a record of every such qualification shall be filed and preserved with the records of the corporation.

186.08 Officers, management. At their first meeting the board of directors shall elect from their number a president, a vice president, a secretary and a treasurer, who shall be the executive officers of the corporation. The board of directors shall have the general management of the affairs, funds and records of the corporation, and shall meet as often as may be necessary. It shall be their special duty:

- (a) To act upon all applications for membership;
- (b) To act upon the expulsion of members;
- (c) To fix the amount of surety bond which shall be required of each officer having custody of funds;

(d) To fill vacancies in the board of directors or executive offices or in the credit committee until the election and qualification of officers to fill said vacancies;

(e) To make recommendations to meetings of the members relative to matters which, in their opinion, the members should decide.

186.09 Loans. The credit committee shall approve every loan or advance made by the corporation, except where application for loan is made by a member of the credit committee, then said application shall be approved by the board of directors. Every application for a loan shall be made in writing and shall state the purpose for which the loan is desired and the security offered, if any. No loan shall be made unless the credit committee is satisfied that it promises to benefit the borrower, nor unless it has received the majority approval of the members of said committee; but the applicant for a loan may appeal from the decision of the credit committee to the board of directors. All loans exceeding \$50 shall be secured by such collateral as the credit committee shall approve, or shall be guaranteed by one or more persons whose responsibility is acceptable to the credit committee. Whenever the board of directors or the credit committee feels that it is for the best interest of the credit union to make loans up to \$100 without collateral, they may do so, with the majority approval of the board of directors or the credit committee. Whenever the board of directors or the credit committee feels that it is for the best interest of the credit union to make loans up to \$300 without collateral, they may do so with the majority approval of the board of directors or the credit committee provided they have first obtained a certificate of authority to make such loans from the banking commission. The banking commission may in its discretion issue a certificate of authority to any credit union to make loans up to \$300 without collateral and may revoke such certificates of authority at any time after issuance when the banking commission in its discretion deems that such credit union is not in a position to make this type of loan. Loans of this type shall not be made unless the borrower's financial rating or assets are such as to assure the repayment of said loans. A borrower may repay the whole or any part of his loan at any time. An interest charge on loans at a rate of one per cent per month on unpaid balances shall not be held to be usurious. [1931 c. 450 s. 1; 1935 c. 138; 1941 c. 253]

186.10 Minors' rights. Shares may be issued in the name of a minor, and may, in the discretion of the directors, be withdrawn by such minor or by his parent or guardian, and in either case payments made on such withdrawals shall be valid. If shares are held in trust the name and residence of the beneficiary shall be disclosed and the account shall be kept in the name of such holder as trustee for such person. If no other notice of the existence and terms of such trust has been given in writing to the corporation, such shares may, upon the death of the trustee, be withdrawn by the person for whom the amount of such shares was paid in or by his legal representative.

186.11 Loans, investments, deposits. (1) The capital and surplus funds of the corporation shall be lent to the members for such purposes and upon such security and terms as the credit committee shall approve. Any funds not required for purposes of loans may be deposited to the credit of the corporation in banks or trust companies incorporated under the laws of this state, or in national banks located therein, or may be invested in United States government securities, or municipal bonds issued by municipalities of this state, and may, with the approval of the banking commission, make first mortgages to members on real estate and purchase securities other than those hereinbefore specified. It shall be lawful for the board of directors to borrow money not to exceed twenty-five per cent of the total assets but not for a longer period than ninety days, except that such period may be extended when approved by the banking commission under the following conditions:

(a) If the cash available be insufficient to make the loans approved by the credit committee.

(b) If the request for withdrawal exceed available cash.

(2) With the advice and approval of the banking commission, any credit union may borrow money to become a member of or to subscribe for shares and purchase notes and debentures issued by the federal central credit union, which may be organized by act of congress for aiding and assisting credit unions to utilize their resources and credit, or may borrow from such finance or credit corporation, or may receive such other credit or benefits which may be authorized by federal or state law, in either case in an amount not exceeding that allowed under the provisions of this section.

(3) With the approval of the banking commission, any credit union may borrow money from the federal central credit union, or any other finance company organized to assist credit unions, upon such terms and for such time as the laws and rules of such federal credit union may prescribe. [1933 c. 323 s. 2; 1935 c. 138]

Note: Credit union may borrow surplus funds of another credit union subject to restrictions contained in this section. Such loan must have approval of banking commission. 27 Atty. Gen. 145.

186.119 Appointment of organizers and examiners; eligibility. (1) The banking commission shall employ in the banking department one or more competent persons for the organization and examination of credit unions, who shall be under the direction and control of the banking commission. No person shall be eligible for such appointment unless he shall have had at least 3 years' actual experience in the business of conducting a credit union, or has served an equal length of time in the banking department, in connection with the credit union movement, of this or some other state, and who shall furnish corporate surety bonds in accordance with the provisions of section 220.025.

(2) The banking commission may also employ such additional office and clerical help and examiners as are necessary to carry out its functions under chapter 186. [1935 c. 138; 1943 c. 302]

186.12 Compensation of officers, sureties. No member of the board of directors shall receive any compensation for his services as a member of said board, nor shall any member of the credit committee, either directly or indirectly, become surety for any loan or advance made by the corporation. The officers elected by the board of directors and the members of the credit committee may receive such compensation as said board shall authorize, but the expenditures of the corporation for all purposes shall be paid from its earnings, and no such corporation shall pay, or become liable to pay, either directly or indirectly, in the course of any calendar or fiscal year, as salaries, fees or other compensation to its officers, directors, auditors, attorneys, agents, clerks and all other employes and for rent, advertising, printing, stationery, bonds, examining loans and abstracts, commissions and all other operating expenses, sums of money the aggregate of which shall exceed one-half of the gross earnings, except such increases in said expenditures as the banking commission shall authorize as herein provided. The banking commission shall by proper rule authorize increases in the expenditures of credit unions for a limited period of time during an emergency, war, unusual economic conditions or economic crisis and may authorize such increases during the present war and until the termination thereof as proclaimed by the President or the Congress and for 6 months thereafter. The provisions of this section shall not apply to any credit union whose accumulated capital is less than \$2,500, but the annual operating expense of such credit union shall not exceed \$100. [1931 c. 450 s. 1; 1935 c. 138; 1943 c. 178]

186.13 Expulsion. The board of directors may expel from the corporation any member who has not carried out his engagements with the corporation, or has been convicted of a criminal offense, or neglects or refuses to comply with the provisions of this chapter or of the by-laws, or whose private life is a source of scandal, or who habitually neglects to pay his debts, or shall become insolvent or bankrupt, or shall have deceived the corporation with regard to the use of borrowed money; but no member shall so be expelled until he has been informed in writing of the charges against him, and an opportunity has been given to him, after reasonable notice, to be heard thereon. Any member may withdraw from the corporation by giving written notice to the secretary.

186.14 Expelled member, rights and liabilities. The amounts paid in on shares by members who have withdrawn or have been expelled shall be paid to them, but in the order of withdrawal or expulsion and only as funds therefor become available and after deducting any amounts due by said members to the corporation; but such expulsion or withdrawal shall not operate to relieve a member from any remaining liability to the corporation.

186.15 Auditing. Immediately after the annual meeting of the members and election of officers, the president shall appoint, subject to confirmation by the board of directors at their next following meeting, an auditing committee of 3, one of which committee shall be chosen from the board of directors. This auditing committee shall have full authority to examine any or all records at any time they desire and it shall be the duty of said committee to make thorough audits of cash on hand and in the bank, receipts, disbursements, income, expenses, assets and liabilities, at least bimonthly. Said committee shall report its activities and recommendations to the board of directors periodically and to the membership at the annual meeting. The complete report of this committee shall be read at the annual meeting and shall be filed and preserved with the records of the corporation. [1941 c. 253]

186.16 Dividends. Quarterly, semiannually or annually the gross earnings shall be ascertained, from which shall be deducted the expenses of the credit union, and from the balance shall be set aside the amount required for the guarantee fund provided for in section 186.17. Out of the remainder a dividend may be declared by the board of directors. Such dividend shall be paid on the aggregate of the amount paid in on shares and the amount to the credit of the member for dividends at the end of said period. Dividends due to a member shall be paid in cash, or credited to the account the same as payments on shares.

186.17 Guaranty fund. Immediately before the payment of each dividend, there shall be set apart as a guaranty fund at least 20 per cent of the net income which has accumulated during the fiscal year until such fund equals 10 per cent of the total assets; provided, however, that when said guaranty fund is less than 10 per cent of the total assets, the banking commission may in its discretion increase the amount of net income proportioned to this reserve and may order the transfer of any reserves and undivided earnings to the said guaranty fund. Said fund and the investments thereof shall belong to the corporation and shall be held to meet contingencies or losses in its business. Whenever said fund falls below 10 per cent of the assets aforesaid, it shall be replenished by regular appropriations in such amounts and in such percentages as the banking commission shall order until such fund shall again equal 10 per cent of the total assets. Upon recommendation of the board of directors, the members at an annual meeting may increase the proportion of profits to be set apart as a guaranty fund. [1941 c. 261]

186.18 Dissolution. At any meeting specially called to consider the subject, the members, upon the unanimous recommendation of the board of directors, may vote to dissolve the corporation, provided at least two-thirds of the members are present at such meeting, and provided not more than 10 members, either in person or by written notice, object thereto. A committee of 3 shall thereupon be elected to liquidate the assets of the corporation, and each share of the capital stock, according to the amount paid in thereon, shall be entitled to its proportion of the proceeds after all debts of the corporation have been paid. The committee in charge of liquidation shall have the power and authority to sell or dispose of the assets in whole or in part at a public or private sale subject to confirmation by the board of directors and the banking department. [1941 c. 261]

186.19 Credit union officers bonded. (1) As a condition precedent to qualification or entry upon the discharge of his duties, every person appointed or elected to any position requiring the receipt, payment or custody of money or other personal property owned by a credit union or in its custody or control as collateral or otherwise, shall give a bond in some responsible corporate surety company, licensed to do business in this state, in such adequate sum as the directors shall require and approve. In lieu of individual bonds the commission may accept a schedule or blanket bond which covers all of the officers and employes of any credit union whose duties include the receipt, payment or custody of money or other personal property for or on behalf of the credit union. All such bonds shall be in the form prescribed by the banking commission.

(2) No officer or employe who is required to give bond shall be deemed qualified nor shall be permitted to enter upon the discharge of his duties until his bond shall have been approved by a majority of the board of directors. Such bond shall be filed with the banking commission within 10 days next after approval thereof by the board of directors. The minute books of each credit union shall contain a record of each bond executed and approved.

(3) Such bond shall be sufficient in amount to protect the credit union from loss by reason of acts of fraud or dishonesty including forgery, theft, embezzlement, wrongful abstraction or misapplication on the part of the person, directly or through connivance with others. At any time the banking commission may require additional bond or security, when, in its opinion, the bonds then executed and approved are insufficient.

(4) Every such bond shall also include the following provisions, to wit: (a) In no event shall cancellation or any other termination of this bond be effective without surety giving in advance at least 10 days' written notice by registered mail to the state banking commission of Wisconsin. (b) The surety hereby agrees to furnish the state banking commission of Wisconsin at Madison, Wisconsin, a copy of all riders and indorsements executed subsequently to the effective date of this bond. [1943 c. 97, 156]

Note: Blanket bond covering officers of several credit unions would not comply with (1). 24 Atty. Gen. 697.

186.20 Public policy as to small loans. It is declared to be the public policy of this state to develop and encourage means and agencies to promote thrift and to provide people of good character but small resources with credit when in need thereof at the lowest economically feasible rate. [1931 c. 450 s. 2]

186.21 Credit unions promoted. (1) It shall be the duty of the banking department to promote the extension of credit at the lowest possible rates and co-operate with every group of people who may be or may become interested in the formation and development of a credit union in this state for that purpose, and it shall have authority to do all things reasonably necessary for the discharge of this duty.

(2) The banking department shall carry on advertising of whatever character is most suitable and effective to acquaint the people of this state with the agencies and organiza-

tions dealing in consumer credit, and of the rates of interest, the condition of loans, the benefits and safeguards and the savings features of each such type, agency and organization.

(3) The banking department shall further offer without charge to any group, either joined in a credit union or considering such an organization, whatever advice and direction on accounting practice and managerial problems that may be needful.

(4) The banking department shall provide application blanks, model by-laws, and whatever other material may be needful or helpful in the organization, efficient functioning and expansion of credit unions.

(5) For the purpose of assisting in the organization and development of credit unions and to advise the department in the performance of its duties under this chapter, the banking commission shall create an advisory board, consisting of 5 members who have had actual experience in the operation of a credit union, which shall be called the credit union advisory board. The members of the present credit union advisory committee shall continue to serve their respective terms. Thereafter the members of the credit union advisory board shall be appointed for a term of 3 years and each shall hold said office for the term to which he was appointed and until his successor shall be appointed and qualified. A member of the advisory board who has served one 3-year term shall not be eligible for a consecutive appointment to said board. The credit union advisory board shall meet at least once quarterly. Special meetings may be called either by the chairman of the credit union advisory board or the banking commission. The chairman of the credit union advisory board shall be elected annually by the members of said board. The banking commission shall confer with the said board from time to time relative to policies and problems affecting credit unions and the banking commission may create advisory committees composed of representatives of all interested groups. The members of the credit union advisory board shall receive no compensation, but shall be reimbursed for their actual and necessary expenses. A detailed record of the minutes of each advisory board meeting shall be kept and the decision of said credit union advisory board with reference to all orders issued, or policies established by the banking commission pursuant to chapter 186 shall be final. [1931 c. 450 s. 2; 1933 c. 323 s. 2; 1941 c. 253]

186.22 Credit union finance corporation; incorporation; organization certificate.

(1) ORGANIZATION. When authorized by the banking commission, ten or more credit unions, the aggregate resources of which shall not be less than fifty thousand dollars, may form the "Credit Union Finance Corporation." Each of such credit unions shall subscribe, acknowledge and submit to the banking commission an organization certificate in duplicate which shall specifically state:

- (a) The name "Credit Union Finance Corporation."
- (b) The place in the state where its business is to be transacted.
- (c) The number of shares for which each credit union has subscribed, which shall amount in the aggregate to not less than two hundred dollars.
- (d) The number of directors of such credit union finance corporation, which shall not be less than seven, and the names of the persons who shall be its directors until the first annual meeting. The certificate shall recite that the directors possess the qualifications specified in subsection (10) of this section.
- (e) The name and location of the business office of each credit union subscribing the certificate and the aggregate resources of each such credit union.

(2) PROPOSED BY-LAWS. The incorporators shall subscribe and acknowledge and submit to the banking commission proposed by-laws in duplicate, which shall prescribe the manner in which the business of such credit union finance corporation shall be conducted with reference to the following matters:

- (a) The date during the month of February of the annual meeting of shareholders; the manner of calling special meetings, and the number of members which shall constitute a quorum.
- (b) The number and qualifications of directors, subject to the provisions of subsection (10) of this section; the method of division into classes for the purpose of electing, as nearly as may be, an equal number of directors each year; the removal or suspension of directors; the filling of vacancies in the board of directors, and the number of directors which shall constitute a quorum, which shall not be less than four.
- (c) The meetings, powers and duties of directors; the appointment or election of appraisal, supervisory and auditing committees.
- (d) The officers; the manner of their election; their terms of office, duties and compensation; and the bonds which shall be required of officers who have the custody or possession of money, securities or property of the credit union finance corporation.
- (e) The annual commission that may be charged each member, subject to the limitations of subsection (9) of this section.

(f) The transfer of membership, subject to the limitations of subsection (8) of this section.

(g) The manner in which the by-laws may be altered or amended.

(3) WHEN CORPORATE EXISTENCE BEGINS; CONDITIONS PRECEDENT TO COMMENCING BUSINESS. When the banking commission shall have indorsed its approval on the organization certificate, the corporate existence of the credit union finance corporation shall begin and it shall then have power to elect officers and transact such other business as relates to its organization; but such credit union finance corporation shall transact no other business until:

(a) Subscriptions to its shares aggregating two thousand dollars shall have been paid in cash and an affidavit stating that such subscriptions have been so paid, subscribed and sworn to by its two principal officers, shall have been filed with the secretary of state and a certified copy thereof in the office of the banking commission.

(b) The banking commission shall have duly issued to it an authorization certificate.

(4) GENERAL POWERS. In addition to the powers conferred by the general corporation law the credit union finance corporation shall, subject to the restrictions and limitations contained in this section and its by-laws, have the following powers:

(a) To issue, sell and redeem bonds and notes secured by bonds and first mortgages made to or held by member credit unions.

(b) To receive money or property from its members and from other associations, corporations and persons with whom it has contracts, engagements or undertakings, in instalments or otherwise; to enter into any contract engagement or undertaking with such associations, corporations or persons for the withdrawal of such money or property, with any increase thereof, or for the payment to them or to any association, corporation or person of any sum of money, at any time, either fixed or uncertain; to lend money to credit unions upon the security of their promissory notes with or without collateral.

(c) To invest its capital and other funds in bonds and notes of the United States, the state of Wisconsin, and the political subdivisions of this state.

(d) To receive by assignment from its members and to deposit in trust with the banking commission to be held by it as security for its and their outstanding obligations any first mortgages on real estate and the bonds secured thereby and such other securities as are provided for in section 186.11 and are legally receivable by credit unions; to empower such credit unions as agents of the credit union finance corporation to collect and immediately pay over to the credit union the dues, interest and other sums payable under the terms, conditions and covenants of the bonds and mortgages or, prior to a default upon any such bond and mortgage so assigned and when adequate security has been given to the credit union finance corporation, by any such credit union, to retain such collections until a payment to the credit union finance corporation from such credit union becomes due; to return to, or permit such credit unions to retain any sums of money so collected in excess of the amount required to meet the obligations of such credit unions respectively.

(e) To purchase in its own name, hold and convey real property for the following purposes and no others:

1. A plot whereon there is or may be erected a building suitable for the convenient transaction of its business, from portions of which not required for its own use a revenue may be derived.

2. Such as shall be mortgaged to it in good faith, by way of security for loans made by it or moneys due to it.

3. Such as shall be conveyed to it for debts previously contracted in the course of its business, and such as it shall purchase at sales under judgments, decrees or mortgages held by it.

(f) To designate as depositories of its funds any bank, trust company, or savings bank of this state, or any national banking association located in this state doing a banking business under the laws of the United States.

(g) With the advice and approval of the banking commission, to become a member of or to subscribe for and purchase notes and debentures issued by any federal finance or credit corporation which may be organized by act of congress for aiding and assisting credit unions to utilize their resources and credit, or to borrow from such finance or credit corporation, in either case, in an amount not exceeding in the aggregate amount two-fifths of the assets on hand.

(h) To borrow money from the state teachers' retirement fund, the state insurance fund, and from any other state investment fund.

(5) RESTRICTIONS UPON THE POWERS OF THE CREDIT UNION FINANCE CORPORATION. The credit union finance corporation shall not:

(a) Do a general deposit business.

(b) Receive from its members bonds and mortgages if the amount secured by any such mortgage is in excess of sixty per centum of the appraised value of such real estate.

(c) Invest more than twenty-five per centum of its surplus in real estate occupied, or to be occupied, by it for office purposes, without the written approval of the banking commission.

(d) Incur any indebtedness upon bonds and notes in excess of twenty times the amount of its capital, nor issue bonds on behalf of any of its members in excess of twenty times the amount of the shares of such capital held by such member or in excess of eighty per centum of the value of the collateral security pledged therefor to such credit union finance corporation.

(6) **ISSUING OF BONDS.** Bonds shall be issued in series of not less than ten thousand dollars. All bonds issued by the credit union finance corporation may be called on any interest day at one hundred and two and one-half per centum and interest by giving notice of not less than sixty days in a newspaper having a general circulation in the state. Any member credit union which is not indebted for borrowed money to any other bank or trust company which does business exclusively with the credit union finance corporation shall submit a schedule of assets from time to time as the board of directors of such finance corporation shall require. Any member credit union which may have a loan from any other banking institution may borrow money from such credit union finance corporation upon pledging therefor such amount of its mortgages with the bonds secured thereby as collateral security for bonds issued on its behalf as the banking commission and the board of directors of such credit union finance corporation may require; provided that the aggregate of all loans made by such credit union shall not exceed forty per cent of its assets as provided in section 186.11. The amortization payments upon all mortgages accepted by the credit union finance corporation as collateral security for bonds shall be sufficient to liquidate the debt in a period not exceeding forty years. In the event of any default for more than ninety days in the payment of the principal of, or for more than ninety days in the payment of any instalment of interest upon, any of said bonds, the banking commission may, of its own motion, and shall, upon the request in writing of the holders of said bonds in default to the amount of ten thousand dollars, forthwith take possession of and proceed to liquidate the credit union finance corporation. Upon such liquidation it shall be entitled in the name of the credit union finance corporation to enforce all of its rights and securities and to collect and realize upon all of its assets, including all mortgages assigned to the said credit union finance corporation by the several member credit unions, and deposited with the state treasurer, up to the amounts advanced by the credit union finance corporation to the several member credit unions thereon. Upon any such liquidation all said bonds then issued and outstanding shall forthwith become due and payable equally and ratably out of all the assets of said credit union finance corporation in advance of any other debts thereof not specifically preferred by law.

(7) **GUARANTY FUND.** The credit union finance corporation shall accumulate from its net profits a guaranty fund by carrying thereto annually a sum equal to one-half of one per centum of its capital, until such guaranty fund shall be equal to at least fifteen per centum of such capital.

(8) **MEMBERSHIP; LIABILITY; TRANSFER OF SHARES.** (a) Every member shall pay two hundred dollars for each share of the capital of the credit union finance corporation issued to it, provided that no credit union shall subscribe for or hold shares of such capital to an amount in excess of ten per centum of the resources of such association.

(b) Every such member shall be individually responsible, equally and ratably, and not one for another, for all contracts, debts, and engagements of the credit union finance corporation, to the extent of the amount of its shares therein at the par value of two hundred dollars each, in addition to the amount invested in such shares. Such shares shall not be transferable, except that a member, who is not liable to the credit union finance corporation for any obligation direct or contingent, may transfer its shares therein to another credit union, by and with the consent of the board of directors of the credit union finance corporation; or it may retire from membership and receive back such sums as it has paid for its shares, upon giving one year's notice in writing of such intention, but no withdrawal shall be permitted by the board of directors, which shall reduce the total amount of the capital of the credit union finance corporation below fifty thousand dollars.

(9) **COMMISSIONS AND PAYMENT OF EXPENSES.** The credit union finance corporation may charge each member an annual commission, not to exceed one-half of one per centum, upon the outstanding debenture bonds issued in its behalf, provided that the rate of commission in any year shall be the same on all outstanding bonds; or in lieu of charging such commission the expenses incurred on account of any debenture bond issue may be charged to the credit union on whose behalf such bonds are issued, and the general expenses of the

credit union finance corporation assessed against the members in proportion to the bonds issued for them.

(10) **QUALIFICATIONS AND DISQUALIFICATIONS OF DIRECTORS; BOND.** All of the directors of the credit union finance corporation must reside in the state of Wisconsin during their term of office, and all must be citizens of the United States. No person shall be elected a director unless he is a shareholder of a member credit union and has been nominated by it for that office; and every person elected to be a director who, after such election, shall cease to be a shareholder of a member credit union, shall cease to be a director of the credit union finance corporation, and his office shall be vacant. Directors who have the custody or possession of money, securities or property shall give bond to the credit union finance corporation in an amount commensurate with their liability, as approved by the banking commission.

(11) **OATH OF DIRECTORS.** Each director, when appointed or elected, shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the credit union finance corporation, and will not knowingly violate, or willingly permit to be violated, any of the provisions of law applicable to such corporation, and that he is the owner in good faith and in his own right on the books of the credit union which nominated him of shares in value of not less than one hundred dollars, or other shares of the withdrawal value of one hundred dollars, and that the same is not hypothecated, or in any way pledged as security for any loan or debt and, in case of re-election that such share was not hypothecated or in any way pledged as security for any loan or debt during his previous term. Such oath shall be subscribed by the directors and officers making it, and certified by an officer authorized by law to administer oaths, and immediately transmitted to the banking commission.

(12) **CHANGE OF NUMBER OF DIRECTORS.** The members of the credit union finance corporation may at any time change the number of its directors by amending its by-laws in accordance with the provisions of this section.

(13) **OFFICERS; POWERS; DUTIES AND COMPENSATION.** (a) The by-laws of the credit union finance corporation shall specify its officers, the manner of their election, and their terms of office.

(b) The officers who have the custody or possession of money, securities, or property shall give bond to the credit union as provided in the by-laws. They shall receive such compensation as is prescribed in the by-laws and shall hold office until their successors are elected and have qualified.

(14) **ANNUAL MEETING; NOTICE; VOTING.** The annual meeting of the credit union finance corporation, for the election of directors, shall be held at its principal place of business in February in each year. Notice of the time and place of holding such election shall be given by mailing a copy of such notice, postage prepaid, to each shareholder of the credit union finance corporation fifteen days before the holding of such meeting. Each member shall be entitled to one vote for every share of the capital standing in its name on the books of the credit union finance corporation.

(15) **PREFERENCE OF CREDIT.** All the property of any bank, trust company or credit union which shall become insolvent shall be applied by the trustees, assignees or receivers thereof or by the banking commission in the first place to the payment in full of any sum or sums of money deposited therewith by the credit union finance corporation or due to the credit union finance corporation for subscriptions, sinking funds, interest and principal of bonds, or guaranty of mortgages, ratably and proportionately but not to an amount exceeding that authorized to be so deposited or contracted by the provisions of this section and in accordance and on an equality with any other preference provided for in this section.

(16) **CREDIT UNION FINANCE CORPORATION AND ITS DEBENTURES NOT LIABLE FOR TAXATION.** (a) The debentures issued by the credit union finance corporation and the credit union finance corporation itself, together with its capital, accumulations and funds, shall have the same exemption from taxation as credit unions. No law which taxes corporations in any form, or the shares thereof, or the accumulations therein, shall be deemed to include the credit union finance corporation or its issues of debenture bonds unless they are specifically named in such law. [1935 c. 138; 1939 c. 513 s. 39]

186.23 Rules and regulations. The commission shall, with the approval of the advisory committee, issue orders prescribing reasonable rules and regulations in conducting the business of credit unions or corporations operating as provided in this chapter and it may in like manner issue orders amending, modifying, repealing or supplementing rules or orders. The violation of any such rule may be cause for the removal of any officer, director or employe of any credit union or corporation. [1935 c. 138]

186.24 Removal of officials of credit union; procedure. (1) Whenever the banking commission is of the opinion that the loaning, investing or other policies and practices

of any officer, director or committeeman of any credit union have been prejudicial to the best interest of such credit union or its investors, or that such policies or practices, if put into operation or continued, will endanger the safety or solvency of said credit union or impair the interest of its investors, the banking commission may request the removal of such officer, director or committeeman. Such request shall be served on the credit union and on such officer, director or committeeman in the manner provided by law for serving a summons in a court of record, or shall be transmitted to the credit union and the officer, director or committeeman by registered mail, with return receipt requested. Such request shall specify the reasons for the removal of such officer, director or committeeman, and also shall advise such officer, director or committeeman relative to his rights to a hearing before the advisory committee as provided in this section. A copy of such request for removal shall be transmitted to each member of the advisory committee at the same time such request is being served upon the credit union and officer, director or committeeman involved. If such request for removal is not complied with within a reasonable time fixed by the commission, it may by order, with like approval of the advisory committee, remove such officer, director or committeeman, but no order for removal shall be entered until after an opportunity for a hearing before the advisory committee is given such officer, director or committeeman upon not less than 10 days' notice. An order for removal shall take effect as of the date issued.

(2) Any removal under this section shall be effective in all respects the same as if made by the board of directors or stockholders of said credit union. Any officer, director or committeeman removed from such office under the provisions of this section shall not be re-elected as an officer, director or committeeman of any credit union without the approval of the banking commission and advisory committee. [1935 c. 138; 1939 c. 513 s. 40; 1941 c. 261]

186.25 [Repealed by 1923 c. 449 s. 22]