CUNA EMERGES

By
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Cooperative Banking, Credit Union, We the People,
Cumet etc.

Second Edition

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CREDIT UNION NATIONAL ASSOCIATION
MADISON, WISCONSIN

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DEDICATION

This book I dedicate, with gratitude and affection, to all of the many men and women who have made possible the honorable completion of the pioneering effort in cooperative credit carried on by the Credit Union National Extension Bureau between 1921 and 1935.

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INTRODUCTION

I HAVE before me as I write a picture, taken a few weeks ago, of the first meeting of the Board of Directors of the Credit Union National Association. Thirty-eight national directors from thirty-two States of the United States, representing as many State Leagues of credit unions, are posed in the picture around a long table just prior to their opening session in Kansas City, Missouri, on January 27, 1935. They constituted the first representative national meeting of credit union leaders, properly chosen and vested with authority to take over, on March 1st, the credit union movement in the United States.

This book will be a publication of CUNA—the Credit Union National Association. It marks the end of the pioneering in national credit union development and notes the honorable conclusion of the work of the Credit Union National Extension Bureau. Both of the prior books having to do with the credit union were Bureau books. The first of them, *Cooperative Banking—a Credit Union Book* (The Macmillan Company) was published in 1923. We were then in the legislative stage of the credit union development, striving earnestly for laws which would make credit union organization legal in the United States.

That was the first big job of the Bureau—to build the basis in law on which the cooperative credit structure should be reared.

The Bureau had then been in operation for two years. There were at the time of its organization effective credit union laws in four states. There were credit unions in New

York, Massachusetts and North Carolina, two credit unions in New Hampshire and three in Rhode Island—one hundred and ninety all told. By the time of the second book *(Credit Union—a Cooperative Banking Book*—The Beekman Hill Press, 1931) substantial progress had been made. Against four states with effective credit union laws in 1921, there were thirty-two states listed with cooperative banking legislation of the right sort. The number of credit unions had increased from 190 in 1921 to 1300 in 1931 and the total credit union membership from 72,000 to 300,000. Resources had more than quadrupled—from ten to nearly fifty million dollars. Continuous experimentation had produced types of credit union organization capable of mass production; a sustained legislative program had brought the credit union laws to the statute books of one state after another until it was rapidly making the credit union potentially a nationwide institution of service.

We had, meantime, entered into the initial years of the most devastating industrial depression in the history of the world; the credit unions, new, unorganized, untested, without central depositories or any of the protection incidental to central organization, had embarked on a long period of severe trial. And what of our status as we reach this third book which I have called *CUNA Emerges,* for reasons which will become increasingly obvious as we go on with it?

We have our laws in forty-one states, a Federal law for the District of Columbia and a law enacted by the 73rd Congress which makes credit union organization possible anywhere where the American flag flies. We have over 3700 credit unions with over three quarters of a million members, serving more than a million and a half of the population. We have state leagues of credit unions in thirty-five states and the beginnings of our National Association. In the month of March 1935, one hundred and sixty-two new credit unions were organized in the United States as compared with a per annum average of a hundred and twenty-five credit unions a very few years ago.

Further, we are still in the depression, with the toughest years, figuratively speaking, under our belts. *If there are any harder tests in store for us than those to which we have been successfully submitted during the past five years—we are ready for them.* We therefore reach the third book, quite logically as we enter the permanent era of credit union development. This involves the direction of the credit union movement in the United States by the credit unions. To their permanent custody as organized in their National Association this sacred cause is now being transferred (as this book is being written) by the Credit Union National Extension Bureau.

The credit union has reached its majority.

It has attained young manhood.

It is ready and eager to step out and direct its own destiny. This book, in the very slight degree in which it will be a history, will outline in the chapter having to do with such matters the primary achievements of the Bureau. It also begins officially the story of the Association which herein I refer to, after the fashion of the day in such matters, as CUNA. The name of our national association is long; within the credit union membership it will be known eventually, we hope, in affection and pride as CUNA.

And because we live in alarms, this book which has to do with the striding progress of cooperative credit in the United States, may have more than text book significance. As will be indicated in later chapters, credit unions of working people have proved their capacity to withstand adversity. *Cooperation has again, as so many prior times in history, justified itself.*

There is something beautifully durable about the cooperative principle.

Supplementary Introduction—Second Edition

Cuna Emerges has proved to be of great value to the credit unions. Since its publication the Credit Union National Association has completed its organization and now, a well unified

group of thirty seven State Leagues of Credit Unions, it directs the credit union movement from Raiffeisen House, Madison, Wisconsin. Within ten short months CUNA has organized a mutual life insurance company, writing borrowers protection insurance at low rates on a cooperative basis, which is already an outstanding success. The Company is known as the CUNA Mutual Society. It has reorganized the printing and supply business for all credit unions, supplying forms on a cooperative basis through a Wisconsin Cooperative Society, the CUNA Supply Cooperative. It has caused a general reduction in the cost of all treasurers bonds and has performed other equally extraordinary services. The period of its operation has seen the number of credit unions in the United States increase to over 5000 with over a million members. The credit union membership increases 8000 a week. It has published a thirty-two page magazine of the credit union movement, the BRIDGE. The Federal Credit Union Section has made a most amazing record since the publication of the first edition with a total of 1500 credit unions (covering every State in the Union) to its credit to this date. The whole cooperative movement in America has surged forward with remarkable speed during this relatively short interval. The need for this second edition therefore becomes obvious.

Our program is to be accomplished through law. It seeks only to mobilize the savings of the people, to maintain the control and management of the resulting totals in the hands of those people to whom the money belongs, and to use it solely for their benefit. In the process we will eliminate those economic inequalities which destroy the buying power of the masses of the people, and in the end will democratize the control of credit. We will do it, keeping faith in the basic purposes of America, and to the establishment of those purposes in fact the credit union will make a profound contribution.

ROY F. BERGENGREN

Raiffeisen House
Madison, Wisconsin.
September 1, 1936

INTRODUCTION

THE two pictures which form the end papers of this book are photo graphic reproductions of stone carvings on the monument to Frederick William Raiffeisen, erected to his memory at Neuwied in Germany. One of them depicts Raiffeisen visiting a farm at the time of the famine; the other pictures a later visit after he had organized a credit union to serve the farmers of the community.

This book is quite fittingly a product of credit union labor from the time of its inception to its delivery into your hands. Written in the offices of the Credit Union National Extension Bureau, the manuscript passed into the hands of the Kingsport Press, Inc., at Kingsport, Tennessee, one of the largest book manufacturing plants in the world. There the type was set, plated, and the book printed and bound by members of the Kingsport Press Credit Union which was established in 1931, and has now over 400 members with assets of over $25,000. The cloth on the cover was made by the Holliston Mills of Tennessee whose employees are also credit union enthusiasts. The paper came from the Kingsport mill of the Mead Corporation where successful credit unions are operated in their mills located in various sections of the country. Finally, to complete the cycle, the postman who delivered this book into your hands probably carried his Credit Union Pass Book in his hip pocket.

CUNA EMERGES

CHAPTER I

COOPERATION—AND PARTICULARLY COOPERATIVE CREDIT

IN THIS book I am going to talk about that manifestation of cooperative credit in the United States known as the "credit union."

This designation was first applied in the Massachusetts statute authorizing this type of cooperation and enacted in 1909. In the Province of Quebec this form of banking had been designated "la caisse populaire," which, translated, means, "the people's bank." In Europe various designations have, at one time or another, been attached to cooperative credit machinery.

It is interesting to note that the first cooperative credit society in Belgium (organized at Brussels in 1848) was called a "credit union."

The terminology was adopted in the Massachusetts law to designate a "union for credit" because the words "cooperative bank" (which would normally be applied to this sort of banking) were not available as Massachusetts had long since designated by statute as "cooperative banks" what are known in other states as "building and loan associations." In Nebraska what is known as a credit union elsewhere is designated by statute a "cooperative credit association." The North Carolina cooperative credit law originally used the terminology "credit union," changed it by amendment of the law to "savings and loan association" and, by enactment of the 1935 legislature, re-adopted the original designation "credit union." The 73rd

Congress enacted a law authorizing the organization of "*Federal* credit unions," which differ only from the credit unions operating under the forty-one state laws in matters pertaining to jurisdiction and supervision. In this book the words "credit union" will be used generally to apply to all forms of cooperative credit now variously designated in the United States as "credit union," "Federal credit union" and "cooperative credit associations."

Before defining "credit union" more carefully it should be clearly understood that the word "cooperation" in this book is used in its technical sense—as a plan of economic association based on certain well defined economic principles.

"Cooperation" is capable of various definitions. In the most usual sense it means united action by two or more people to a common end. In economics it involves a form of association in economic endeavor which has for its purpose the substitution of service for profits. It depends upon (1) the strength resulting from united action and (2) the accomplishment thereby of the common good. The comparison is generally between the private profit motive, popularized as "rugged individualism," and cooperation, which as indicated does not recognize private profit. The private profit enterprise combines capital, labor and direction; it pays a wage, risks the capital involved and, if successful, rewards the capital with the net earnings resulting from the production of a thing or service and its sale to the purchasing public at such price as produces a profit to the capital invested after all expenses, including wages, have been paid. The cooperative enterprise, on the other hand, concerns itself with the members who are cooperating in the given enterprise; they pool what they have, produce something by way of tangible product or service, pay wages and their operating expenses, but dispose of their product primarily to themselves and divide up among themselves whatever the net earnings may be on the basis of purchases of the thing or service produced made by the individual member.

This cooperative principle is nothing new or strange.

The first English consumers' cooperative was organized at Rochdale among the weavers in 1842. In the United States we have many successful and long established phases of cooperative effort. You doubtless are personally in touch with one or many such. The building and loan associations (designated in Massachusetts, as indicated, as "cooperative banks") are just that—a form of cooperative banking. The word "mutual" in "mutual savings banks" means simply that these banks (very ancient and honorable institutions) are cooperative, in that they have no exterior invested capital and belong to their depositors. We have all been long familiar with the mutual life insurance companies, also built on cooperative principles; in Massachusetts a law written by Justice Louis Brandeis, now of the United States Supreme Court and at the time a practicing lawyer in Boston—permits our mutual savings banks to write life insurance at net cost under state supervision, recognizing frankly the principle that life insurance, so essential to the welfare and happiness of working people, should be taken from the category of private profit enterprises. We have long been familiar with the fruit growers' cooperatives on the Pacific coast, with the cooperative distribution of milk in New York, with the consumers' cooperative movement, directed by the Co-operative League of the United States and now, after many years of slow growth, emerging as a strong, forward-moving program. The United States government has repeatedly put the stamp of legislative approval on cooperative efforts and this has been done quite impartially by Republican and Democratic administrations.

The credit union simply applies this cooperative principle to the problem of short-term credits. It is a type of cooperative banking which has been tried, with quite uniform success, in various parts of Europe for over three-quarters of a century; it is an old-fashioned device and finds its justification in a few simple, easily understood principles. These simple principles summarize somewhat as follows: (1) the man-

agement of money is *not* a complicated business, calling for control and supervision by supermen (in fact, we quite frankly doubt the existence of supermen—certainly of disinterested supermen); the management of money is a simple business which calls primarily for the exercise of one old-fashioned virtue—honesty. Therefore (2) the rank and file of the people can learn to manage their own money, and (3) the very process will evolve the sort of management from within, most responsible, most sympathetic, and most reliable. (4) Another basically simple principle is that money should be used for the benefit of those people to whom it belongs. (5) We have learned also that the money which I may have in my pocket at any given time is not the important thing—*the purchasing power of my money* is the all important consideration. Therefore (6) any circumstance (usurious interest rates, installment overcharges, etc.) which decreases the purchasing power of my money by taking it away from me without an exchange of something of value, not only curtails my power to maintain that standard of living which should be within the range of my capacity, but stimulates industrial depression by automatically decreasing the market for the goods which I should consume. (7) Finally we have rediscovered the truth that man is indeed his brother's keeper; *in the long run it is the solution of common problems which* m*akes or breaks the average individual.*

It is the study of the credit and affiliated economic problems of the masses of the people in innumerable credit unions which evolves the sort of understanding upon which these simple conclusions are based.

With these thoughts in mind may I conclude this introductory chapter with a definition of "credit union"?

A credit union is a cooperative credit society in the business of supplying its members with cooperative credit. It accomplishes this end by first furnishing its members with the machinery which enables them to accumulate savings in a common pool. These savings the members of the specific

group manage through officers chosen by and from their own number. The money is invested in loans to members of the group exclusively, and only for provident or productive purposes, and at reasonable rates of interest. All of the net earnings (after the expenses of operation have been paid and 20% of the net has been each year set aside as an indivisible surplus) are divided among the members of the society in question as dividends on their savings in the common pool. *There is no exterior capital and no one outside the specific group in question may have anything to do with the credit union in question directly or indirectly.* In all matters each member has a single vote, whatever his share holding. Federal credit unions get their charters (or permits to operate) from the United States and are subject to annual examination by and report to the Federal government. Credit unions organized under state laws are supervised by the state banking or other analogous departments, from which they receive their authority to operate. Like all other banks, credit unions must be closed by the Federal or state supervisory departments for cause. They operate under rules and regulations contained in laws and by-laws as the result of much credit union operating experience in the United States and abroad during the past three-quarters of a century.

A primary job of the credit union is to take successful issue with usury by creating normal credit facilities for the average worker in industry and the small farmer, who have hitherto, in time of credit necessity, been obliged to have recourse to the usurer. The extent of usurious money lending is indicated in the appendix to this book. The amount of money taken away annually (in hundreds of millions of dollars) in interest and installment overcharges is also indicated therein in detail. Credit unions, when organized in sufficient numbers, will salvage these hundreds of millions of hard won earnings, now lost in the meanest form of exploitation ever devised by man, and turn this wastage into cash buying power. The failure hitherto to solve this problem has been a sure

cause of industrial depression. The increasing burden imposed in hard times on the rank and file of the people by the usurious money lenders is one of the most certain ways of indefinitely postponing any hope of permanent recovery.

Credit unions also make constructive loans; in fact the credit union machinery will eventually expand logically in such fashion that credit union membership will enable an individual of small means to maintain something fairly akin to a parity in all matters pertaining to his purchasing power with the individual of much larger means. This involves, for example, making cash buyers of things out of the American people and eliminating the vast waste of popular earnings in installment overcharges. It involves insurance problems and the assurance eventually that the worker shall have the maximum insurance coverage possible with his resources and commensurate with his real needs, accurately and scientifically determined. Further, the control and management of money cooperatively will make possible the cooperative development of any service within our economic system which can in such fashion be carried on more efficiently by the people—for the people.

I sometimes think of these interest overcharges as a scourge, visited on the human race as punishment for our seemingly irresistible inclination to predicate our national economic life on the sole consideration of the maximum money profit to the smartest man among us. Yellow fever, however, was tolerated in the Panama Canal zone until the United States of America decided to build a canal and found yellow fever patrolling the Canal zone. So, as we undertake to rebuild a better economic life after five years of extreme depression, we find in the way certain malignant growths on the economic system and certain money diseases which must first be cleared away. I often wonder what the student of economics of the year 2000 will think of us for so long tolerating any form of usury; what will he think of our innumerable devices for making average wage workers pay altogether more for the

things they buy than the fair value of those things; what will he say of our inability to synchronize production and consumption and to use our demonstrated productive capacity to create right now the highest average living standards ever known in the history of the world?

Will he hold us in contempt because we could have done so much—and did so little?

It is my belief that he will find, as he looks back into our history, the beginnings of sanity in economic association in the origination and rapid spread of cooperative credit.

CHAPTER II

HISTORY

IN THIS chapter will be set forth very brief references to the development of cooperation abroad, and particularly of cooperative credit.

An effort will then be made to trace with equal brevity the beginnings of credit union development in North America, presenting particularly the operations of the Credit Union National Extension Bureau, which on March 1, 1935, completed the work assigned it in 1921.

My purpose in this presentation is not to justify the credit union by proving its antiquity.

Some preëminently respectable family trees produce sour—sometimes quite rotten—fruit.

While it is true that many times in history a George Washington or a Robert E. Lee will seem to justify faith in the product of good breeding, there are more Lincolns, occupying in history the highest seats of the mighty, who climbed up to the heights, although handicapped by humble origins. Nor do I subscribe to the theory that nothing is good which has not been thoroughly tested. It has been my job to convince skeptics of the value of cooperative credit when my sample case was quite devoid of samples. We meet frequently, for example, in important position in this industry or that, a man who adopts an apparently impenetrable skepticism as regards any novelty in employee relations. I recall an eminent personnel officer in a leading Massachusetts industry who, fourteen years ago, was the first man to inquire of me as to the potential value of the credit union to the employees of his plant. He is "still interested'' but cannot get beyond the point of writing me when he reaches ''inquire

about the credit union today" annually on his calendar. It has been a part of our customary routine to work patiently, in some cases for six and eight years, in order to induce some major industrial group to attempt credit union organization.

In industry particularly there have been a variety of reasons for this hesitation in the matter of accepting the credit union plan. At first, before the depression, almost every major industry had a stock purchase plan, some of them good, some of them bad, and some of them "just plain horrid." It is well, possibly, that no statistician has been brave enough to compute the losses of savings to working men and women in America due to the collapse of so many of these plans. They were unwise in the first instance; *no worker should subject his savings to the same jeopardy with which his job is involved.* When he does, he invites disaster to his savings, which disaster comes automatically from the same chain of circumstances which makes him lose his job. He is keeping all his eggs in the same basket and the unwisdom of the plan needs no further elucidation since the depression.

Another source of difficulty with credit union promotion is the direct or indirect hook-up by individuals in authority with usurious money lending. A very rich and influential high-rate money lending company opens a branch in my town; it signs up, as local directors, some important men in big businesses, and naturally anticipates that everything will be done to direct the small loans business of the employees of these given groups into this particular loan office. Or a group of employees have pooled some money (as had happened in a plant which I visited a few weeks ago) and make loans to less fortunate fellow-employees at, in this particular case, 48%. A more petty practice, a very common practice indeed, involves an employee with some capital who makes loans to his fellow-employees, charging one dollar a week for a loan of five dollars. In an earlier book I referred to a case which involved a railroad employee who had paid 3600% for money

—a loan of $30, on which he had paid interest totalling $1080. It is a very terrible business, this business of usurious money lending; encountering it, one experiences naked human cussedness in the raw. To stamp it out is an obvious obligation of any civilization which professes to be civilized.

But most generally the opposition to cooperative credit is based on a quite wrong impression that there is something new about the process. There is a type of human being who can hardly wait to trade in his 1934 car for the 1935 model in order to get the latest gadget, and yet who insists that all political thinking stopped when Washington (with the help of Hamilton and Jay and one or two others) completed his farewell address. It is human nature to scoff at the individual who seeks to do something in a better way, and yet without any Edisons and Teslas and Fords and Mme. Curies, and Daniel Boones and Wrights and Lindberghs, and all the other brave pioneers whose pioneering accounts for everything we have in the world that is worth having we would, I suppose, right now be so many monkeys, swinging from so many branches of so many trees in the forest primeval, by so many caudal appendages.

But—I offer this bit of history for the doubter who wants proofs of the pudding prior to the eating thereof. *An honorable family tree never did anyone any harm and, properly interpreted, does impose an obligation on its current representatives.* We who are interested in the credit union are very proud of our history and feel very keenly the responsibility we have to carry on effectively what those who have preceded us in credit union leadership have already created for us. So let us give heed a bit to the pioneers.

As this book is in no sense a history (and is quite without value for the student of cooperation), reference to the beginnings of cooperative effort will be confined to a few facts in the long and very honorable history of cooperation in the world, simply enough to indicate adequately something of the background of cooperative credit in the United States.

HISTORY

IN EUROPE

Any substantial social, political or economic change is generally preceded by some writing concerning it. It is much easier to put a new notion on paper than it is to make it work. Robert Owen probably should be credited with being the English prophet of cooperation. He lived from 1771 to 1858 and his writings well marked and clearly defined the preliminary, pioneering era in cooperative thinking. True, there was some experimentation with cooperation at Huddersfield in England as early as 1827, but it remained for the consumers' cooperative movement in England to be truly founded by the weavers of Rochdale under the leadership of Charles Howarth in 1844.

There is no more extraordinary contrast in economic history than that between these beginnings and the present condition of the cooperative movement in England which there had birth. The January 1935 issue of the *Review of International Cooperation* contains some extraordinary figures relative to various present day cooperative activities in the British Isles. For example, The Cooperative Union, Ltd., (its central office is at Holyoake House in Manchester) represents a combination of 1,177 societies, comprising 6,610,564 individuals, with a share capital of £139,105,252, and reserves of £39,430,024, while the English Cooperative Wholesale Society, Ltd., (its central office is also at Manchester at 1 Balloon Street) represents 1,052 affiliated societies, with 5,488,364 members and total sales of £182,120,864 in 1933. Its total capital was £84,486,802. These figures do not include the totals for the Scottish Cooperative Wholesale Society, Ltd., (with 1934 sales of better than seventeen million pounds), nor the activities of the Cooperative Wholesale Society, Ltd., nor those of the Banking Department of the English Wholesale Societies, Ltd., which has 6500 accounts and assets of £77,000,000. For comparative purposes the picture of the beginnings of this vast cooperative enterprise is

interesting. I quote from *Cooperative Democracy* by Dr. James P. Warbasse. "Before these men organized their society, the state of the weavers in the mills at Rochdale was pathetic . . . and it was on a dismal, cold, damp day of an English November in 1843 that these poor men, out of work, out of money, with scarcely food to feed them and heartsick …. met to consider means to secure relief…. twelve of the most opulent subscribed four cents a week ….when twenty-eight of them, by the greatest privations, after more than a year of saving, had accumulated the sum of $140, they began their experiment."

So much for the humble beginnings of the English movement for consumer cooperation. *The important thing to remember about it is that cooperation there, as everywhere, was born of adversity. It comes in response to acute human needs and when other forms of economic association have failed.*

Meantime France had produced some men who were thinking in terms of cooperative effort: Buchez (1796-1865), Proudhon (1809-1865) and Louis Blanc (1811-1882) made pioneering contributions to the cooperative literature of their day. Getting a bit closer to the credit union, we find that in Brussels in Belgium, François Haeck in 1848 founded a credit society which was essentially cooperative and he actually called it a "credit union."

Our real ancestry, however, as distinctly German. Victor Huber, who lived from 1800 to 1869 wrote of cooperation in Germany; in fact one of his early treatises was entitled "Credit Unions and Loan Unions." He, as it were, played the overture to the great drama of cooperative action which was about to be enacted. And the two great players were Herman Schulze-Delitzsch (1808-1883) and Frederick William Raiffeisen (1818-1888). Both experimented successfully with cooperative credit; both evolved types of successful cooperative credit societies capable of rapid duplication eventually, not only in Germany but in all parts of the world.

It is far beyond the scope of this book to comment on these outstanding founders of the cooperative credit movement. In various chapters of a most interesting book entitled *Rural Credits* by Myron T. Herrick (published by D. Appleton & Company in 1916) will be found, in some detail, accounts of the work of these men and a comparison of the types of cooperative credit which they produced. *Suffice it for this volume that it is primarily to the work of Raiffeisen that we in America have turned for our guidance and inspiration.*

Before leaving Germany, it may be of interest to note again the economic conditions which gave such impetus to this development: it was a time of famine and Raiffeisen was driven, as were the Rochdale weavers, to his experiments with cooperation, in a desperate effort to find some way of economic relief for his people in the little town of Flammersfeld where he was mayor. *Again cooperation was resorted to as a sort of final hope for the people who had reached the ultimate of economic distress.* Nor have I any purpose to summarize, first, the gradual spread of credit union operations in Germany between the time of the early Raiffeisen experiments in 1848 until the time of his death in 1888. During this period he organized 425 credit unions and was also instrumental in the development of a central union of his societies. After 1888, the spread to other parts of the world was very rapid. There is an excellent account of it in Professor Tucker's Book, *The Evolution of People's Banks* (see bibliography attached).

We will, however, tarry in Italy for a paragraph primarily because many of the modifications of the original Raiffeisen cooperative credit society first adopted in Italy are incorporated in our own form of credit union. It was on May 25, 1866, that Luigi Luzzatti organized the first Italian cooperative bank at Milan; the subsequent Italian development was due primarily to the sustained interest in this subject on the part of Luzzatti (several times Minister of Finance) and similar practical interest in applied cooperative banking de-

veloped by Leone Wollemborg, one time Prime Minister of Italy.

I have visited with the President of the central bank of seventeen thousand Japanese credit unions and have contacted credit unions and central banks of credit unions in Germany, Holland, Switzerland and Belgium. Throughout this spread of cooperative credit, between the end of Raiffeisen's active career in 1888 until the beginnings of credit union development in Quebec in 1900, a constant perfecting process went on; credit unions increased and multiplied in number, membership and assets until at one time there were over fifty thousand cooperative credit societies in Germany alone. During this period (in 1910) Henry W. Wolff wrote an epoch making book, entitled, *People's Banks.** This volume had a profound influence; to it, for example, may be traced the early interest in cooperation aroused in Alphonse Desjardins of Montreal, and Pierre Jay, in his Bank Commissioner's Report for 1908 (which preceded the enactment of the first cooperative banking law in the United States in Massachusetts in 1909) refers directly to the stimulation of his interest in this subject due to a careful reading of Wolff's book.

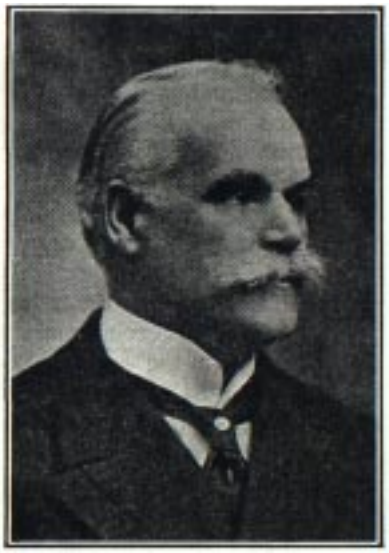
IN CANADA

Desjardins brought the credit union to America.

He was a journalist in Montreal and as early as 1885 his interest in cooperative credit had been aroused by exposures as regards usurious money lending in that city. He spent years of study of the European precedents and organized his own first experiment in a very humble way in Levis in his home Province of Quebec, in 1900. Desjardins describes its humble beginnings. "The first money received confirmed the modest hopes of the organizer. The first installment paid was a dime and the total of the first collection amounted to

*Mr. Wolff's other books include: *Agricultural Banks; Their Object and Work,* 1894; *Cooperation in Agriculture,* 1912; *Cooperative Banking,* 1907; and *Cooperative Credit Banks Handbook,* 1907.

only $26. It must be admitted that so insignificant a result of all the hard work of propaganda was of a nature to discourage rather than to make one hopeful of great future achievements." Twelve years later this first credit union had resources of $188,306 and had loaned approximately a million dollars. This resulted (quoting Desjardins again) "from



ALPHONSE DESJARDINS

twelve years of persevering labor among a laboring population, often unemployed, and during a period when the high cost of living has imposed a heavy burden upon the very modest budget of a workingman's family." This credit union has grown to resources of $1,303,927. Desjardins said of it: "It has been the complete fulfillment of our dream of basing credit on the merit of the man himself.'' Before his book was written in 1914, Desjardins was able to report the organization of one hundred and fifty credit unions in the Province of

Quebec, none of which had suffered any losses. The most recent figures (supplied by the Statistical Year Book of the Province for 1934) list 162 credit unions, with 36,470 members and resources of $8,536,403. The largest of them is still at Levis; they include credit unions of city workers, of fishermen, of farmers and of pioneers in outpost settlements. This development is almost exclusively within parishes and carried on in cooperation with the local parish priests. Incidentally, the credit union movement in Quebec was the work of this one man. No other outstanding leaders came out of the credit unions he produced and with his death the progress in credit union organization in Quebec came practically to an end.*

Desjardins, however, by years of careful experimentation Americanized the Raiffeisen form of cooperative credit society after it had been perfected by Luzzatti.

In the process he became one of the relatively few outstanding figures in the gradual evolutionary process which produced for us eventually in the United States the credit union. He also had a profound effect on the beginnings of credit union operation in this country. Arthur H. Ham, in the preface to Desjardins' book, describes him accurately as "the Founder of cooperative banking on the American continent." He cooperated directly in the organization of a credit union of the type he had evolved in Quebec in Ste. Marie Parish in Manchester, New Hampshire in 1909, which operates under a special act of the New Hampshire legislature, naming it originally, after the Quebec plan, La Caisse Populaire Ste. Marie.

IN THE UNITED STATES

First Phase

In 1908 Desjardins was invited to Boston, Massachusetts, to cooperate in the preparation of a bill which, enacted by the Massachusetts legislature of 1909, supplied the first working

*This statement is no longer accurate on most recent advices which indicate a strong revival of credit union interest in the Province under excellent leadership.

HISTORY

THE CREDIT UNION MOVEMENT

Raiffeisen System (Germany) (Frederick William Raiffeisen; Flammersfeld, 1849; Heddesford, 1864)

Schsulze-Delitzsch System (Germany) (Herman Schulze-Delitzsch, Eilenburg, 1850)

(Italy) Modification of the Raiffeisen System by Luzzatti and Wollemborg beginning in 1866 at Milan.

A study of the German and Italian precedents by Alphonse Desjardins of Quebec (Canada) from 1885 to 1900 resulted in

La Caisse Populaire de Levis (the "People's Bank") organized by Desjardins at Levis, Quebec, Canada in 1900.

Cooperating with Mgr. Pierre Hévey, Desjardins organized the first credit union in the United States at Manchester, N. H. in 1909.

Cooperating with Edward A. Filene and Bank Commissioner Pierre Jay, Desjardins assisted in the preparation and enactment of the first general credit union law in the United States, by Massachusetts in 1909.

John Sprunt Hill (1912) a member of a U. S. Commission to investigate rural credit agencies abroad, drafted the N.C. rural credit union law in 1915 as a result of his studies.

As a result of the credit union experience in the two States, Edward A. Filene and Roy F. Bergengren organized, in 1921, the Credit Union National Extension Bureau, for the national extension of credit unions. As a result of the work of the Bureau:

Between 1921 and 1935 state credit union laws were enacted in 37 States; a law for the District of Columbia was enacted by Congress in 1932 and, in 1934, Congress enacted Senate Bill 1639 which makes credit union organization possible everywhere in the United States. During this period over 3000 credit union were organized with 750,000 members; thirty-five state leagues of credit union were organized. Finally:

In August 1934 a Constitutional Convention of credit unions was held at Estes Park, Colorado, attended by 52 delegates from 22 states; a Constitution and by-laws for the Credit Union National Association was adopted. Between October and December, 1934 it was ratified by thirty-five states. On January 27, 1935, at Kansas City, Missouri was held:

The first national board meeting of the Credit Union National Association.

model for general state legislation having to do with cooperative banking in the United States. Desjardins, at this session, supplied the direct link associating the credit union in the United States to La Caisse Populaire, as Desjardins had developed it in Canada after careful study and adaptation of the Raiffeisen Bank as modified in Italy by Luzzatti. The straight line of descent is quite obvious.

Prior to this historic meeting, another great figure had stepped on the stage on which, now for three quarters of a century, great men have been unfolding this drama of cooperative credit. Edward A. Filene is a Boston businessman; *more than that, he is a practical economist with an active and accurate vision.* He has been identified more definitely with forward thinking along economic lines during the past decade than have any of his contemporaries among outstanding American businessmen. Most of this time, because of persistent urging on his part that change be made in the way and manner of relating production to consumption and his sustained prophecy of great economic collapse if heed were not given to this need for readjusting the two, his thinking was not acceptable to dominant economic thought in America.

That period of his career has come to an end, for the simple reason that his prophecies have come true in his own generation and, from sheer weight of economic necessity, his clear thinking in the past and his equally clear vision for the future are being now given that earnest consideration at last which comes from acknowledgment of the necessity for it.

Prior to 1908 Mr. Filene had encountered the credit union in various parts of Europe and in countries as remote as India and Japan. Knowing of the exactions of usurious money lenders on working people in the United States and sympathetic always with any agencies designed to educate the rank and file of the people in the management and control of money and to democratize credit, his reaction to the credit union was keenly favorable from the time of his first contacts with Raiffeisen banks in Germany. The stage was set for the

United States to play its part in the development of cooperative banking and was waiting for a man big enough to assume the lead; just as Germany had produced Raiffeisen and Italy, Luzzatti and Canada, Desjardins, so the United States produced Filene. He first cooperated in the matter of bringing Desjardins to Boston to the all important conference with Bank Commissioner Jay; together they induced the Massachusetts Legislature to enact their credit union bill in 1909.

The first stage of credit union development covers the period from the enactment of the law in Massachusetts in 1909 to 1921.

During this period, there was practically no sustained effort directed towards national credit union development. New York (1913) enacted a similar law and North Carolina followed suit in 1915; Texas and Wisconsin in 1913, Oregon, South Carolina and Utah in 1915, and Nebraska in 1919 enacted laws, all of which were so defective in their terms that by 1921 no credit union development at all had started in any of these states. Rhode Island enacted a law in 1914 and had organized 3 credit unions. The development up to that time had been confined practically to New York, Massachusetts and Rhode Island, and in 1921, at the end of this preliminary period, there were four states with effective laws, containing 190 credit unions, with a membership of 72,310 and resources of $10,084,862. There had, however, been organized direction during this period in Massachusetts. We find early associations of business men in the state organized to direct and finance a utilization of the Massachusetts law. The first of these central organizations was the Massachusetts Maintenance Society which was succeeded by the Massachusetts Credit Union Association. A central credit union known as the Massachusetts Credit Union was organized and capitalized by these same men but never functioned as a central agency of discount for the credit unions. With this early development we find associated with Mr. Filene, Felix Vorenberg, Boston merchant and first President of the Massachusetts

Credit Union Association, Howard Coonley, Judge A. K. Cohen, Henry S. Dennison, and several other public-spirited citizens of the State who sensed the potential importance of the credit union. Connected with these organizations as directors and executive heads, were, at one time or another, Charles W. Birtwell, John C. Bills, Jr., William J. Stanton and Walter F. McCaleb.

During the latter years of this formative period, Mr. Filene was instrumental in organizing the National Committee on Credit Union Banks, the first effort at national credit union promotion. The New York law had resulted (according to a letter from Miss Caro D. Coombs, at the time Secretary of the Division of Remedial Loans of the Russell Sage Foundation) "from the impetus resulting from a visit from Alphonse Desjardins in 1909 or 1910."

Arthur H. Ham, Leonard G. Robinson and David J. Gallert all had prominently to do with the drafting and enactment of the New York credit union law.

It is an interesting fact also that it was discovered, when the credit union bill was offered in New York, that "State Senator Franklin D. Roosevelt had introduced a similar bill, but for rural credits only. Mr. Roosevelt readily agreed to withdraw his bill in favor of the draft proposed by the Foundation." The North Carolina law also had an interesting origin.

John Sprunt Hill of Durham, North Carolina, was a member of a national commission, appointed by President Taft in 1913 and sent abroad to study Raiffeisen, Schulze-Delitzsch and Luzzati banks. Mr. Hill was so convinced of the value of what he saw that, on his return to North Carolina, he drafted a bill which was subsequently enacted, designed primarily to make the development of rural cooperative credit possible in his home state.

Possibly, we may most accurately summarize the contribution of this preliminary stage of cooperative credit progress in the United States by quoting President William Howard

Taft in a letter to the Governors of all of the States, dated October 1, 1912:

> "A very good law has been enacted by the State of Massachusetts allowing the incorporation of credit unions which should furnish an example to the other States. Their establishment is generally a matter of state legislation and encouragement, their organization and management wonderfully simple, as the European experience shows, and their success is practically inevitable when the environment is congenial and where proper laws are passed for their conduct."

Desjardins' Cooperative Philosophy

As we are clearing the stage for the Credit Union National Extension Bureau, I offer, to fill the interlude, miscellaneous quotations from Desjardins. They are important because they express the *purpose* of the credit unions. They are taken, more or less at random, from his writings.

"The working classes have the same economic needs today as in the past, are the victims of the same selfishness, and rapacity, but intensified by modern economic methods. It follows, therefore, that the necessity of protecting them is even greater than formerly, and that that protection should be afforded by institutions based on rules assuring their usefulness and their stability . . . . *the people's welfare can best be secured by institutions organized by the people themselves*....the ideal system would then be one which should offer a wide credit at the least cost, a credit available to all, while at the same time it appealed to all, in a constant and practical way, to lay aside for a rainy day; a system in short, which should put at the disposal of the working classes the funds accumulated by themselves . . . . *money is but a secondary consideration, and not as elsewhere, a primary one, because the credit union is above all an institution aiming at the better—*

ment of its members rather than at mere profits—an association of honest individuals rather than one of mere funds. . . .being above all a sort of manufactory where capital is turned out by the spirit of thrift, *not a reservoir of funds already accumulated and looking for a good investment,* this bank aims primarily to serve all the people, not those who look only for big returns on their investments. . . . let it never be forgotten that the credit union is an association of persons, not of dollars. . . . the general meeting composed of all the shareholders is the real and dominating power. . . . . the credit committee must be composed of men possessing experience, prudence and generally well acquainted with the moral character of the members. . . .the moral character of the borrower will be the prime guarantee of the faithful reimbursement of the sums borrowed. . . . the credit union should loan money only for productive purposes, never for a frivolous or extravagant purpose. . . . *a credit union is not an ordinary financial concern, seeking to enrich its members at the expense of the general public.* Neither is it a loan company, seeking to make profit at the expense of unfortunates who need loans, laboring men suffering from unemployment, agriculturists suffering from drought or floods—a company having no mercy for its victims and not hesitating to impoverish them. The credit union is nothing of the kind; *it is the expression in the field of economics of a true Christian spirit and high social ideal.* It is based on the high conception, wholly just, equitable and fruitful, of "union for life" instead of "struggle for life." . . . . however important it may be to prevent the farmer and the working man from falling into the clutches of the usurers, *it is of even higher importance to educate and enlighten these same farmers and workingmen so that they may be in position to protect themselves;* to teach them to manage their own business so that they may become thrifty and more valuable members of the community. In this high conception of social duty lies the real reward to those who have labored to help the movement for credit unions.

HISTORY

"Success for the young democracies of this Continent depends upon the prosperity and worth of life to the millions of working men who compose them."

The Second Phase

The Credit Union National Extension Bureau

In 1921, Mr. Filene concluded that the time had come for the national extension of the credit union.

He associated with him in this effort the author of this book, who had had a variety of political and economic experience, including the management for a short time of the Massachusetts Credit Union Association. A small, shabby office was opened at 5 Park Square, Boston, Massachusetts; it was furnished with some odds and ends of second-hand furniture. It was decided to call the effort the Credit Union National Extension Bureau and to limit membership in the Bureau to Mr. Filene as President and Mr. Bergengren as Executive Secretary. Mr. Filene has financed the Bureau exclusively for fourteen years, during which time he has expended approximately a million dollars in credit union promotion.

I well recall the first day.

Into an empty office we moved an empty desk, an empty file, an empty chair and an old typewriter. I then sat in the empty chair at the empty desk and wondered how one went about the nationalization of cooperative credit.

That was fourteen years ago.

As has already been noted, we had four workable credit union laws and 190 credit unions. We agreed on the first day that the Bureau had four objectives, and these objectives have never been changed or amended. We have been obliged during the years to make many detours; there is no getting to worth while objectives in a straight line, for human nature supplies too many twists in the road, too many mires, too many interruptions. Our first objective was to make it possi-

EDWARD A. FILENE, PRESIDENT, CREDIT UNION NATIONAL ASSOCIATION

ble, by adequate legislation, to organize credit unions any—where in the United States and the territorial possessions thereof. Second, we appreciated the need for a vast experimentation with the credit union plan, its complete Americanization and that there would be a great initial inertia to overcome, including particularly the quite erroneous, but then generally accepted, theory that the American people would not take to cooperative effort. This second objective involved the organization of individual credit unions until the plan had been popularized and methods of credit union mass production had evolved.

The third objective looked forward to permanent, self-sustaining state leagues; of credit unions which would, in each state, take over the local direction of credit union development. Finally, it was our purpose, from the beginning,

to organize the Credit Union National Association as a national union of the credit unions, as soon as the credit unions were numerous enough and had sufficient capital to warrant such action, and to turn over to the Association, when organized, the permanent direction of the co-operative credit movement in the United States. We appreciated, of course, that there would be other essential phases of our program—publicity, education, protection of credit unions from taxation and unjust laws, and, *above all, the business of finding men and educating and developing men to whom the permanent conduct of the credit union movement could be safely transferred.*

On March 1st, 1935, the Credit Union National Association took over the national direction of the credit union movement in the United States.

The work of the Bureau is honorably completed.

I hope very much at some subsequent date to write the story of the Bureau. We have operated during one of the most interesting periods (though most distressful) in the history of the world. Our work has taken us to almost every nook and corner of the United States and to many parts of the world in search of credit union operating precedents. It has included contacts day after day with working people and with executives, with statesmen and with politicians, from one end of the United States to the other; that story must, however, be deferred to a less crowded hour. This book has room only for a summary of the accomplishments of this second era in credit union development in the United States.

As we faced up to our problems, we realized for the first time what a very large place the United States is. It is almost as large as the whole of Europe, if a slice be taken off European Russia. Often I have read of comparisons, unfavorable to the United States, of the state of cooperative effort in Denmark, for example, and our own country. Denmark will go seventeen times into Texas with quite a bit of land left over—and over three times into Kentucky. If the reader will

measure the distance between the credit union of telephone workers in Portland, Maine, and the teachers' credit union in San Diego, California, and apply the same measurement from the seacoast of Denmark eastward, he will find the other end of the measure resting on a little town in Asiatic Russia. Further, we have a Federal government and forty-eight separate state governments, operating through state legislatures or parliaments which are as distinct in their jurisdictions as the parliaments of Europe.

We decided not to seek first for a Federal law; the State pioneering, educational work had to be done and the easiest way to do it seemed to be in connection with the State legislative campaigns.

These campaigns summarize as follows. Most of them were initiated by the Bureau. In many of them, local support developed without which a successful outcome of the effort would have been impossible. Practically all of these laws follow the uniform basis for credit union legislation which we adopted early as standard.

The first legislative job was to make existing ineffective laws operative by amendment. At various times, the Bureau initiated amendments to the Nebraska law until it now is being utilized in typical fashion; we assisted in the revision of the Massachusetts law in 1926 and initiated the amendments to the Oregon law, the Texas law, the Utah law and the Wisconsin law, all of which amendments were enacted in 1929, bringing these states into line for organization work.

In 1921, the New Hampshire credit union law was enacted (primarily, however, through the initiative of Charles F. Donahoe and his powerful credit union groups within the New England Telephone & Telegraph Company), and we initiated the effort which resulted in the enactment of the Virginia credit union law.

Kentucky was added in 1922 and Indiana and Tennessee in 1923. In 1924, Louisiana, Mississippi, and New Jersey (the latter law, however, not drafted by the Bureau) enacted

credit union laws, and 1925 produced the greatest crop to that date when credit union laws were initiated and enacted in Georgia, Illinois, Iowa, Michigan, Minnesota and West Virginia.

There were no legislative sessions in which we were interested in 1926.

Alabama, California and Missouri came in in 1927. 1928 was again an off year, with no sessions, but 1929 was a productive year with new credit union laws in Arizona, Florida, Kansas, Maryland and Montana. Since 1929, Pennsylvania was added on the second try in 1933, Washington on the fourth try (due to the persistent cooperation of Albert S. Goss, now Land Bank Commissioner) the same year; Ohio, on the third try in 1931, Arkansas and Colorado in 1931, and Oklahoma on the second try in 1933. During the 1935 sessions Idaho, North and South Dakota enacted excellent credit union laws. In 1932, the 72nd Congress enacted a law, which originated in the Bureau, and was handled very ably by Senator Arthur Capper of Kansas, which made credit union organization possible in the District of Columbia under Federal jurisdiction. The 73rd Congress completed the job by enactment of Senate Bill 1639, sponsored by Senator Morris Sheppard of Texas, which authorizes credit union organization anywhere in the United States and the territorial possessions thereof. *It is now possible to organize credit unions any place where the American flag flies,* and in 41 states credit union organizers have the alternative of organizing either under adequate state or federal laws. There are one or more credit unions in forty-three states of the United States, in Hawaii and in Puerto Rico. Our first objective in the Bureau is completed and we have learned the way and manner of credit union legislation.

These laws are not perfect; what comes out of the end of the legislative process sometimes bears little resemblance to what goes in at the beginning of the process. It should be possible progressively to amend them. It would be impossible to name the individuals to whom these enactments are due;

the Bureau simply organized and gave direction to these efforts and the credit belongs fairly to the splendid men and women all over the United States, in and out of legislatures, whose initiative and cooperation made this extraordinary legislative program possible.

So much for the first objective.

The second may seem less obvious. We started in 1921 with 190 credit unions; they now number well over 3000 and are increasing at the rate of 100 new credit unions a month.* Their membership has increased from 72,000 to approximately 750,000. When it is considered that it took forty years to organize the first 425 credit unions in Germany (which developed subsequently to a total of more than 50,000 credit unions in that country), it is not an unduly optimistic estimate to assume within the next decade at least a hundred thousand credit unions in the United States. For the first nine years of the Bureau, we averaged in the United States 122 new credit unions per annum; our present average is approximately twelve hundred per annum. We have overcome the sales resistance of the American people to cooperative credit and we have beaten down a tremendous initial inertia and have learned the way of mass production.

We have evolved types of credit unions which can be applied to various urban groups, some of the experiments failing to work out efficiently and others proving a great success. There are, therefore, credit unions in factories, mills, and stores, among municipal, state, and federal employees, credit unions of school teachers and within rural organizations: more recently, credit unions in small communities to replace banks which have become permanent casualties of the depression. While the rural experiments are still in a developing, evolutionary stage, we are gradually producing a type of rural credit union capable of mass production. In industries we have reached the point of broad development; there are, for example, over a hundred credit unions of

*In March, 1935, 162 new credit unions reported.

DIRECTORS OF THE ROCK ISLAND CREDIT UNION AT THE 47TH ST. SHOPS, CHICAGO, ILL.

employees of Armour and Company, spread over thirty-eight states; of an average age of two years, they have already loaned over four millions dollars. Beginning with a credit union of employees of the Brockton Post Office in 1923 (which started with 12 members and $18.50) there are now over 90,000 postal employees in over 300 offices who have saved in their credit unions over eleven million dollars. I noted at the first meeting of the board of directors of the National Association, three of the members of the Board sitting beside each other whose credit unions (the Municipal Credit Union of New York City, the eight credit unions within the New England Telephone & Telegraph Company, and the Credit Union Central Falls of Central Falls, Rhode Island) have respectively13,000-17,000 and 4000 members, with resources of better than two million dollars each.

Yet the plan works well in a creamery employee group in Kansas which has 29 members.

It is now possible to say with accuracy that credit unions

DIRECTORS OF THE CREDIT UNION WHICH SERVES EMPLOYEES OF THE NEWPORT NEWS SHIPBUILDING & DRY DOCK COMPANY, NEWPORT NEWS, VA.

can be normally expanded during the next decade until every man and woman of the many millions in the United States who need credit union service will be included within the scope of some form of credit union organization.

Meantime the development had been of necessity uneven. The Credit Union National Extension Bureau at no time had a personnel greater than five persons, including the Executive Secretary, his office assistant, two field secretaries and one stenographer. It operated in 38 states, the District of Columbia, cooperated in two Provinces of Canada, and had extensive foreign contacts. Most of the organization work was of necessity done by part-time volunteers. With this purpose in mind, in 1928 the Founders' Club was organized, limited to credit union members who of their own initiative had assisted in the organization of new credit unions. It has 208

members and will be continued as an auxiliary engine of the Credit Union National Association.

In Illinois, Missouri, Minnesota, Massachusetts and New York, we carried on our original experimentation with League organization, the third objective. Without experience, we set up leagues before the credit unions in the given states were numerous or rich enough to support a reasonable budget. Many difficulties were encountered—but finally the five leagues became fully operative. From their experience has come, in 1934, the organization of thirty additional state leagues; the complete operating personnel of these leagues is contained in the appendix. The National Association has for its first and most important job the perfection of these leagues and the recruitment of the credit unions in these states to numbers capable, in each state, of maintaining a reasonable budget and operating program.

Directors of the Noble County Farm Bureau Credit Union, Albion, Ind.

Meantime, we had developed a publication, the *Bridge,* prepared and published operating booklets and publicity matter in total issue of hundreds of thousands of copies, and produced two credit union text books.

Finally the fourth objective seemed possible, the organization of the Credit Union National Association and the transfer of the credit union movement in the United States to the credit unions, properly organized to receive it.

In the spring of 1934, a call was issued to a group of outstanding credit union leaders (whose names are listed in the appendix, together with their credit union affiliations) to meet at Estes Park, Colorado, at the Y.M.C.A. Conference Camp in the Rocky Mountains, between August 7 and 11 for the purpose of drafting a Constitution and By-Laws for the Credit Union National Association. Such a meeting was held and the instrument (a copy of which is also included in the appendix) was completed and signed on parchment by fifty-two credit union leaders from twenty-two states on August 10, 1934.

The By-Laws provided for a ratification committee consisting of one person from each State represented. Benjamin F. Hillebrandt, President of the Missouri Credit Union League, was chosen to be Chairman of the Ratification Committee. I was chosen Provisional Managing Director; a Membership Committee was chosen, consisting of President T. J. O'Shaughnessy of the Illinois Credit Union League, Earl Rentfro, Managing Director of the Missouri Credit Union League, and Thomas W. Doig, Assistant Executive Secretary of the Credit Union National Extension Bureau.

Between September 1934 and Christmas of that year, Mr. Doig and I submitted this document to the credit unions of the United States in thirty-nine state meetings. It was ratified by every State except Montana and West Virginia (in each of which states it was decided that the number of credit unions was, at the time, too few for league organization)

and Massachusetts.* Upon the refusal of the Massachusetts Credit Union League to ratify, a group of credit unions in the State, sympathetic with the purposes of the National Association, organized a second State league, entitled the Raiffeisen Associates, Incorporated, which organization ratified and was represented at the first meeting of the national board.

On January 27, 1935, at the Kansas Citian Hotel at Kansas City, Missouri, thirty-eight of the forty-one members of the first National Board, representing 31 States and the District of Columbia, met and perfected the organization of the National Association. They chose as the Executive Committee of their organization Edward A. Filene, first President, Thomas W. Doig of Minnesota, first Secretary, Claude E. Clarke of Ohio, first Treasurer, and as Vice-Presidents (chosen geographically) John L. Moore of California, Edward L. Shanney of Massachusetts, Hubert M. Rhodes of North Carolina, Earl Rentfro of Missouri, and Claude R. Orchard of Nebraska. I was chosen Managing Director. Madison, Wisconsin was chosen as the location of the national office and the National Association took over the credit union movement officially on March 1st, 1935, thereby bringing to an official close the work of the Credit Union National Extension Bureau.

Before I leave the Bureau and thereby complete this chapter, may I refer briefly to my colleagues in its work; to them belongs the credit for the achievement of the Bureau. Mr. Filene has more than supplied the Bureau liberally with money. He has, as its president, given to it freely of his time and his vision and extremely wise direction. As noted, he was elected first President of the National Association by acclamation. My assistant has been Thomas W. Doig of the Minneapolis Postal Employees Credit Union, a Minnesota credit union pioneer, a credit union organizer of extraordinary ability, potentially the outstanding leader of his generation in

*Florida and Connecticut subsequently organized State Leagues and ratified.

the cooperative credit movement in the United States. My office associate has been Miss Agnes C. Gartland; she has managed the business of the Bureau, organized and developed its cooperative printing and supply business, and is also one of the outstanding leaders in the cooperative credit movement in this country. She is Vice-President of the Industrial Credit Union of Boston and a member of the National Board. In our New York office, we had first the cooperation of Basil B. Mallicoat, who subsequently did outstanding work in Tennessee; his work was taken over by Miss Dora Maxwell, another exceptional credit union organizer who has done fine work in New York, New Jersey and Pennsylvania. In the supply department, Miss Helen Logue has done an outstanding job; our secretarial assistant, Miss Mary Barry, has given a splendid service, in keeping with the best traditions of the Bureau. *Indirectly we have had the intelligent and enthusiastic cooperation of hundreds of credit union leaders. They will be found listed in various parts of the appendix.* Outstanding among them are Earl Rentfro, legislative expert of the Bureau, who was in large measure responsible for the successful effort which resulted in the enactment of the all-important Federal law; he did yeoman service in many states; Claude R. Orchard, National Director from Nebraska, Executive head of the Credit Union Section of the Farm Credit Administration, formerly of the personnel department of Armour and Company, and responsible for the major industrial credit union development within that company; Charles G. Hyland, credit union organizer for the State of Wisconsin, and outstanding in a state wherein the cooperation of and by the State has made a major development possible. These men are simply typical of the splendid group gradually assembled by the Bureau during the years, who will bring the certainty of success to the National Association.

CHAPTER III

WHY A CREDIT UNION?

WE ARE not so simple minded" wrote Victor Aime Huber in 1864, "so ignorant or so prejudiced as to say that cooperation alone can attain to the solution of the social problem. But we certainly do see in it a prime factor in that solution.'' In one of his publications Herman Schulze-Delitzsch wrote: "In order to belong to a credit union which is founded on self-help, on the members' own strength, naturally one must be in a position to be able to help himself … for the credit unions, if they are to win a lasting success, must absolutely not get themselves mixed up with charity cases; for they are not designed to support the poor, but what is more important—to prevent poverty."

Notes Donald S. Tucker in his book *The Evolution of People's Banks;* "According to both Huber and Raiffeisen the cooperative movement was a *means of elevating the moral tone of economic life."* Desjardins notes: "The experiments made in continental Europe are the best possible evidence that the *savings of the masses can and must be organized by and for their direct benefit, with a view to helping them obtain adequate credit."*

With such points of view in mind, it is important to get first at the basic purpose of the credit union.

From this point on, I shall assume in this book that the reader desires to find out (1) what a credit union is and (2) whether or not, therefore, he is interested to organize or to join a credit union; if so (3) whether he should organize it (a) under a State or (b) under the Federal law; (4) if (a) organized under state law, how to operate the accounting sys-

tem or (b) how to make use of the Federal accounting forms; (5) how, in either case, credit unions function; (6) the reaction of the credit union to the depression; (7) the importance and significance of the State League and (8) the value to credit unions of affiliation in the Credit Union National Association.

In this chapter we are interested, first, to understand more clearly just what a credit union is and the extent of the reader's interest. If his interest involves a desire to organize a credit union and he represents the sort of group within which the credit union plan would work well, in the next chapter we shall proceed to assist him to organize it. To determine what a credit union is we will be helped materially, as we go along, if we note a few things which a credit union isn't. To begin with, a credit union is a *credit* union—a union of its members for the purpose of making it possible for them to take care of their own short term credit problems at reasonable rates. It is very definitely *not* an *investment* union.

As I have already pointed out, it is not an agency to supply members of a group who have appreciable capital with the maximum safe return on their investment. At the very outset, we must think of a credit union in terms of its spiritual values—preëminently practical values but spiritual values just the same.

Cooperation is not interested primarily in money; it is interested in men and women, in serving men and women.

We have already had difficulty in some credit unions which illustrate the sense of Desjardins' attitude towards dividends as quoted in a previous chapter—"a credit union is *not"* (as we have quoted Desjardins elsewhere) "a reservoir of funds already accumulated and looking for a good investment; this bank aims primarily to serve all the people, not those who look only for big returns on their investments."

We have found disinclination on the part of credit unions which have maintained dividend rates varying from 7 to 10%

to decrease loan rates because ''if the dividend rate is lowered, the credit union will cease to be so attractive to our larger investors.'' This attitude violates the basic principle of credit union organization; as a matter of fact Federal credit unions are not to be allowed to pay a higher dividend than 6%. We find, therefore, some individuals in credit unions who are using them solely as an attractive investment for appreciable funds. *A credit union is better off without the money of any member who is thinking of the credit union only in terms of excessive return.* The most effective way to meet this danger is by limiting the dividend rate in the By-laws to 6%. Therefore the reader, interested in credit union organization, should appreciate from the beginning that a credit union has to do with credit at normal interest rates, not with abnormal dividend rates.

It is our one basic principle which should never be violated that the credit union seeks to make money the servant of man—not man the servant of money.

With that service thought primarily in mind, the prospective credit union organizer should apply three simple tests to his interest. (1) Is he a member of a "group''? The group may, of course, be larger; there are several thousand credit union members in some of our larger industrial groups; it may be small but *there should be some pre-existing common bond of association, work or neighborhood, uniting the prospective members of a credit union.* The nature of the groups varies; an excellent sample is the Catholic parish which has particularly the elements of common loyalty to a pre-existing interest. The question is frequently raised as to the community. That problem may be answered one way or the other depending on whether the community is small enough so that the residents of it have a real sense of "neighborliness," of common interest; have they easy access to reliable information concerning each other?

It may be accurately concluded from much experience that

the open-charter credit union—that is a credit union to which all residents of a relatively large community may belong—will not work well in practice.

On the other hand, those who make use of a social settlement house in the most crowded part of a great city, for example, can and do organize and operate successful credit unions. It may be safely assumed that community credit unions within villages and towns of from a hundred to a few thousand inhabitants can operate efficiently. Particularly since the depression, small communities, which are now without banking facilities of any sort, are organizing credit unions. The first test, however, is this test of *group association.*

(2) The second test has to do with the *need* for a credit union within the specific group. If the members of the group all have a line of bank credit in total amount up to their true credit capacity, they do not particularly need a credit union. *If they have a need to save money and if they have credit problems and no normal credit resources and if many members of the group buy things on the installment plan which they can buy more advantageously for cash and if the members of the group need to become seasonal buyers in quantity of the things they use—then there is within the group a real need for a credit union.*

(3) Assuming the group consciousness and the real need—are there within the group a few of its members who will supply a leader and staunch supporters (they need not be numerous at first but must be staunch) who are willing to make the sacrifice of time and effort necessary to get the credit union successfully through its formative, its baby stages?

Credit unions do perform miracles of service but like most miracles the motivation is very human. Every credit union starts with very little; I have already noted the modest beginnings of the credit unions in the postal service. I recall a credit union of school teachers (with assets now rapidly approaching a half million dollars) which I organized in 1927

and which started with less than thirty dollars. We advocate that a credit union, even within a potentially large group, start very small so that those who have to do with the management, particularly the treasurer and the credit committee, can learn what it is all about before the routine amounts to much. *There will be tough times at first, calling for faith and for work—that indomitable combination which accounts for every successful credit union.*

Many times I have noted enthusiasts organize credit unions who apparently expected the credit union, after organization, to develop without human aid. It cannot be done; whether I be engaged in running a peanut stand, the Standard Oil Company, a newspaper route, the Presidency of the United States or a credit union, the result will reflect what I contribute to the enterprise of sustained, intelligent interest, backed by self-sacrificing effort.

We assume, therefore, that the reader is a member of a group, that members of the group need the credit union and that there are a few individuals within the group who have the true pioneering spirit and are willing to make great sacrifice of time and intelligent effort to get the credit union functioning in typical fashion.

Next, the organizers must be willing to recognize that the credit union operates according to rules and regulations which have been carefully worked out as a result of long experience; we find sometimes the inclination on the part of some well intentioned potential credit unionists to change the plan in most of its vital parts before they know anything at all about credit union operation from either study or practical experience.

For example, it is a basic principle that the credit union plan cannot be superimposed. If, for example, organized within a group of employees, it must be operated by the employees, for the employees. Many times, we meet well intentioned industrial executives who cannot conceive of the possibility that their employees can operate safely a financial institution for

themselves. *It is of the essence of a cooperative credit society that it be self-managed, for the members and by the members.*

There are a few remaining general questions.

What, for example, is the smallest number of persons capable of carrying on an effective credit union?

I have before me as I write the consolidated statement of ninety of the credit unions within Armour and Company as of February 1st, 1935. I note that the smallest of them serves a group of 23 employees of the branch house at Rochester, New York; it has 51 members (as it includes within the scope of its membership the immediate families of employees), resources of $2,372, and in a year and a half of operation had loaned $7,817 to 129 borrowers. It is typically successful.

What is the largest group operating a single credit union?

There are over 13,000 employees of the City of New York who have membership in the Municipal Credit Union.

As to the *variety* of credit union organization, I have listed in the appendix a representative group of credit unions indicating something of the considerable number of different membership units which have produced successful credit unions. I have noted also in this list, for contact purposes, the names and addresses of the Treasurers of these typical credit unions. The nature of the group is not the important thing; there are credit unions composed exclusively of women and credit unions of men, credit unions of white men, black men and brown men, credit unions in synagogues and in Catholic churches, credit unions of manual laborers and credit unions composed exclusively of white-collar workers; there are credit unions of bank employees, also in the Federal Reserve and Land Banks, credit unions in packing houses, newspaper offices, department stores, all branches of the state, federal and municipal service; large ones, small ones, credit unions in small communities, in the Farmers Union, the Grange and the Farm Bureau Federation, etc., etc. They spread from San Diego, California to Portland, Maine, from Miami, Florida to Seattle, Washington—from Hawaii to Puerto Rico. As I have noted, *wher-*

ever the American flag flies, it is possible to organize credit unions; they follow the flag and, incidentally, are recruited from the great mass of loyal, middle class folks who, in every war, defend it.

If you are a member of a group and it is in fact a group and the members need a credit union and you are very much in earnest and willing to prove it, it should be possible to organize a successful credit union within that group.

You are referred also to the appendix for those practical contacts which you may need both for further study and also for assistance in the very practical matter of setting your credit union up and making it operate in typical fashion.

Let us next inquire a bit more in detail as to the service which a credit union renders.

CHAPTER IV

CREDIT UNION OPERATING FUNCTIONS

I HAVE said that a credit union is first a "thrift plan."

It is a thrift plan so that it may accumulate enough capital to be come an adequate credit plan.

As a thrift plan it is somewhat unique in that it is particularly interested to serve the member of the group who can save the least.

Therefore, it is very easy to join a credit union. One must first be a member of the group within which it has been organized and, therefore, eligible to membership; next he must agree to buy one share (generally of a par value of five dollars) and pay for it with cash or at the weekly (in a very few credit unions semi-monthly) rate of twenty-five cents. He pays also an entrance fee of twenty-five cents, which immediately becomes a part of the reserve or surplus of the credit union to which surplus is added each year, before the declaration of a dividend, twenty per cent of the net earnings.

The average credit union operates on the basis of twenty-five cents per share per pay period which is generally weekly. If, for example, the prospective member would save fifty cents a week, he subscribes for two shares; if a dollar a week, for four shares, etc. He can save as much per installment period, in multiples of twenty-five cents, as he may see fit; and he can buy as many shares as he may desire to buy, paying for them in cash. Thereby, the plan adapts itself to the prospective member who can save the least, the member who can save the most and all in between.

Deposits, in irregular amounts, from members are also generally permitted by credit union laws.

While the installment unit is called a "share," it is not a share in the usual investment sense. Subject to the right in the individual credit union to ask for notice of withdrawal (which right is very seldom exercised and exists only to take care of extreme emergencies) the member may withdraw what he has put in on shares at any time.

It is a part, a most important part, of the credit union process (1) to induce the member to start saving and then (2) to continue saving indefinitely, making a good habit of the process; everything is also done to induce the member not to withdraw his savings except in times of great need, it being much more to his advantage to borrow when he requires money. The credit union recognizes that most of us cannot save money except as we get into the *habit* of saving; also that most of us need to have the bank brought to us as distinguished from betaking ourselves to the bank.

The question is often raised as to whether or not credit unions take money away from other banks, For the most part, credit union savings are new savings, made possible by the accumulations of large numbers of small accounts (in a way which takes first into account the savers' convenience) money which would not otherwise be saved at all. Incidentally, even if credit unions took money from other banks (which they clearly do not, as each credit union does its business with a bank) the rightness or wrongness of the process would not depend on the resulting effect on the bank *but on the single test of whether or not the individual, whose money is in question, is served better one way or the other.*

When the credit union permits deposits as well as share accounts, the member quite generally treats his share account as his more or less permanent savings account (in the average credit union he receives dividends on it annually) and his deposit account as a sort of "come and go" account, used for current needs and at no great sacrifice of earnings as it is

CHILDREN ALSO USE THE SOCIAL SERVICE CREDIT UNION OF BOSTON

usual practice to add deposit interest quarterly. I repeat, because it is so important, the policy of every credit union should insist on sustained, continuous installment saving.

The member who joins to the extent of a single share, simply to be a member, or who joins solely for the purpose of borrowing is not a member within the strict credit union use of the word.

We have (for no understandable reason, incidentally) in Massachusetts, in our credit union law, a $4000 limitation on the amount a member may have in a credit union. We now have members of some of our older industrial credit unions who have that amount to their credit in the credit union, made possible by sustained saving. I recall a story told by President T. J. O'Shaughnessy of the Illinois Credit Union League. Mr. O'Shaughnessy is Supervisor of Personnel of the Rock Island Lines and he tells of a young man, a messenger boy

employed in the LaSalle Street Station who, in the process of paying back, over a period of a year, a loan of three dollars and a half was required by the Credit Union to save a hundred dollars. We have in credit unions the problem of the member who joins only to borrow and makes no effort to save in intervals between borrowing; that practice is now being quite generally discouraged.

A credit member is not composed of two groups—a group of thrifty savers and a group of thriftless borrowers; it is composed of one group, all of whom are members and systematic savers and some of whom borrow from time to time for legitimate purposes. It should be a general rule of all credit unions that the individual who first joins to borrow should save a bit while repaying his loan and should be required to become a systematic saver after his first loan is repaid if he is, at any subsequent time, to be deemed worthy of credit.

Incidentally, there is another tendency developing within certain types of credit unions which should be corrected. A credit union attains certain assets—let us say $10,000—and pays a certain dividend—7% for example—made possible because there is constant demand for the money. As the assets increase beyond that point the loan demand does not seem to increase in proportion and we have the rather extraordinary spectacle of a credit union treasurer urging his people not to save any more money for fear that the dividend rate will be cut. *That again emphasizes the need for subordinating dividends.*

Suppose a member has saved fifty dollars on which he is getting 7% interest. Is he better or worse off if he has in his savings account, to use whenever he needs to use it, a hundred dollars instead of the fifty even though he is receiving but 5% on the hundred dollars? Seven per cent of fifty dollars is three dollars and fifty cents and five per cent of a hundred dollars is five dollars; *and, after all, the percentage return is not the important thing;* the important thing is that this member get some real money under his own control. *He is cer-*

tainly twice as well off when he possesses a hundred dollars as when he has but fifty.

Further, that particular credit union is probably not beginning to serve the real credit needs of its members. They are still buying on the installment plan and paying exorbitant interest for the installment credit; many of them owe bills which they should pay; many of them are still borrowing elsewhere. *On two counts, that credit union is, very simply stated, not onto its job.*

As I have already noted the credit union should operate in such fashion as to meet the convenience of the members; *it should be where the member is when the member has money.* In some industrial credit unions pay roll deductions, both for share payments and loan repayments, are made in cooperation with the Company where the credit union is located. It probably simplifies the matter of handling the weekly collections but it is not absolutely essential. There are probably as many industrial credit unions operating without as with pay roll deductions; there is, of course, the argument against this process that it is a part of the credit union's job to build morale and one way to do that effectively is by insisting that the members keep their obligations on time, without exterior assistance.

The credit union plan is the most effective thrift plan; there are 17,000 employees of the New England Telephone & Telegraph Company who have saved over two million dollars in their eight credit unions; I have before me as I write a recent summary report of nearly a hundred credit unions in Armour and Company which are all of relatively recent origin, their average age being about two years. These credit unions have 22,581 members who have saved over eight hundred thousand dollars in this fashion; there are over 90,000 credit union members in the postal group with better than twelve million dollars in savings. We believe the credit union is the best thrift plan because (1) it gauges itself down to the member who can save the least; (2) it accommodates the member who can save the most and all in between and is flexible; (3) it

operates at the member's elbow and for his maximum convenience; (4) it develops in him a sense of loyalty to his own institution which no other bank can possibly duplicate. Having in mind that a credit union is first a thrift agency—a bank for savings, we next come to the disposition of the money.

How is it invested?

Money is very human; most of us, failing to work under usual circumstances, fail to eat, and money which is not put to work pays no dividends. *The credit union theory, which is much more novel than it sounds, is that money should be used for the benefit of those to whom it belongs.*

That is a relatively new theory.

Possibly it may be most clearly indicated by the experience of a rural credit union which occupies the banking quarters which formerly housed a bank, which bank failed during the depression. Both institutions had to do with the same people—the townsfolk in a small, cross-roads village and the farmers in the surrounding rural area. The bank failed because of its investments in Peruvian bonds and because it spent much more money than it could afford to spend for fixtures, the "front" which banks, big or little, feel to be essential to their operations. *Incidentally, the real strength of a bank is to be found in the intelligence and the honesty and the right purpose of the managers of the bank, and a fine banking room, equipped with great vaults, all neatly operating on time-clock systems, etc., will not make up for the lack of intelligent management.* The bank accepted the hard won money of the farmers and sent it to Peru to build roads which a dishonest government never got round to building; the bonds were defaulted and pop went the bank! The credit union accepts the more recent savings of these same farmers and invests them in loans to these same farmers and it is in excellent condition.

The rank and file of the adult population have never had a normal source of credit, even in the best of good times, available for their use in time of credit necessity. Banks have, for the most part, supplied credit to a relatively insignificant pro-

portion of the population. If it were a fact that only those folks need credit who can get it, the present system of credit distribution would be adequate. But the history of the small loans business of credit unions during the depression indicates that average workers will pay their bills, that they are entitled to high credit rating. They have never been so rated and, since time immemorial, the short term credit problems of the masses of the people have been left to the very tenderless mercies of the high rate money lender.

Meantime, every possible thing is done to develop increasing *needs* for credit among the masses of the people.

This usurious loans business totals billions of dollars per annum, and it takes hundreds of millions of dollars out of the pockets of working people as tribute, exacted from people of small means, not because they lack the character which makes for good credit but because our economic civilization has not yet developed to the point where it recognizes what should be the obvious rights to credit of any man who will meet his just obligations.

You will find in the appendix something of the horrifying statistics as regards usurious money lending in the United States.

There is a word which, like so many words which finally work their way into our most respectable language, was originally slang—the word "racket." It means any plan of exploitation. Usurious money lending is a racket; it has been a racket since long before Christ drove the money changers out of the Temple; it is made possible by virtue of the fact that the credit side of banking has never reached the average man. It is a racket beyond the reach of private capital because private capital cannot resist the obvious temptations to excessive profits made possible because a monopoly always exists when there is an acute need for credit and some individual or some company has the only way open to relieve that need.

Cooperative credit—the credit union—first meets this credit problem. Enough credit unions will destroy, in the United

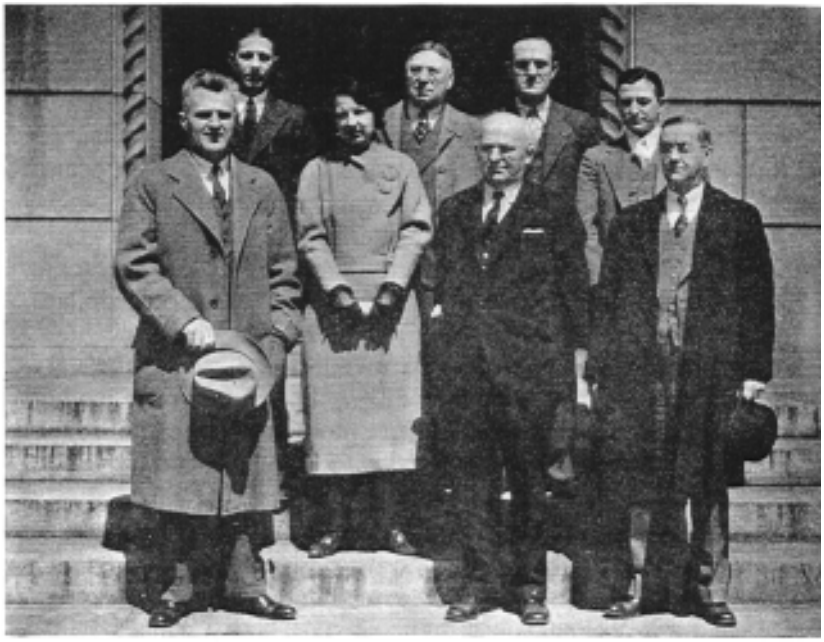
States, this most cruel of all rackets, this business of charging excessive interest for short term credit.

That is not the whole of the story as regards the credit side of the credit union. One difficulty of our economic system is that it works so unevenly; so many folks have so much, so many have so little; so many work so hard for so little and so many acquire so much with no work at all.

Let us take a walk with an average working man, going home on pay day. Let us assume that he is of the fortunate employed; he has worked a week and has twenty-five dollars to show for it.

He does some business on his way home.

First he stops at a loan company where he has been paying 187% interest on a loan for some months. I use the 187% basis because a few weeks ago I was making a credit union address before a group of business men in a Pacific coast city and was roundly upbraided by one of them after the luncheon because as he expressed it: "there isn't a loan shark in this city and there hasn't been one for years." To satisfy myself, I contacted a local loan office immediately where I could borrow $35. The rate figured 187%. Assume our worker, on pay day, has been doing business with this company; he has been paying back a loan of $100. It has cost him in a year the $100 principal and $187 interest. His interest has been nearly $3.60 a week. At the outside, it should have cost him one percent a month on balances or less than twenty-five cents a week. So far as he is concerned, each week he has taken from his pay check $3.35 (the price of a Sunday dinner, a pair of shoes, the stockings his wife and children need, a new hat or a combination of items which that week he desperately needed to buy) and cast it into the nearest sewer hole. *And, we should remember it is on this man and his buying power that the prosperity of the United States depends for, normally, 85% of everything that is sold is sold to men and women who earn $35 a week and less.* He has now left in his pocket $21.40. His next stop is at an installment house; it is hard to tell just



DIRECTORS, STATE EMPLOYEES CREDIT UNION, HARRISBURG, PA.

what percentage of his pay check is here added to the $3.35 already deposited in the sewer. There are installment houses—not many, a few of them—which add only to the cash price of a thing a fair interest charge for credit. Most installment houses have first a mark-up for credit, next an interest charge which is discounted and then some paper charges, etc. I recall one man who bought, on the installment plan, furniture for his house which he could have bought for $250 cash; before he got through with his installment entanglements (which included some fines for this and that) he was obligated to a total of more than $500. *It is a very safe assertion that the cash price of anything plus the cost of a credit union loan is very much less than the installment price of the same thing.* Let us be moderate and assume that our friend paid a three dollar

DIRECTORS, FIRST FARM BUREAU CREDIT UNION, KNOXVILLE, TENN.

installment on something which, had he bought it right, would have cost him fifty per cent less than he is now paying. At least another dollar goes into the sewer and he now has $20.40. Next, he buys some coal; now coal is at a bottom price hereabouts in May and June but this man cannot avail himself of that fact and he is buying his coal, in a paper bag, at many times the per ton rate for December which is substantially higher than the per ton rate for May. The man who has money buys in May and, such are the peculiarities of our economic system, he can much better afford to pay the higher December price than the average worker who cannot afford to buy coal until the pinch of the cold weather comes and then can buy but little. *Again our friend has bought wrong—at the wrong time, in the wrong quantity and the balance of his pay check is again reduced without a return in value.*

And because no agency has existed prior to the credit union to protect him from unwise buying, high pressure modern salesmanship loads him with this and that quite against his natural good sense and inclination. We have the case of the man who came in to see me who had (this was prior to

the depression) an income of forty dollars a week and was always broke. He was much surprised to find, when we finally got him on record, that he had agreed to buy on the installment plan things calling for weekly payments of $52.

Every advertising method which human ingenuity can devise works, day after day, to inveigle working people into installment contracts far beyond their reasonable capacity to carry such contracts. There is no greater problem confronting the American people than this problem of personal debt, this business of living on next week's pay check, this enslavement to systems of high rate money lending and installment purchasing which have landed the rank and file of the American people right now quite generally in hock.

Finally he stops to pay a weekly insurance premium. There are two kinds of insurance, an insurance in appreciable amounts to the man who can afford it and who gets relatively low rates, and insurance of greatly inferior quality which is peddled from door to door to the man of modest means and at rates which the man, who could afford to pay them, would not tolerate. The experiments with Savings Bank Life Insurance in Massachusetts, a plan devised as previously indi-

DIRECTORS OF THE CREDIT UNION AT THE CHAMPION FIBRE COMPANY, CANTON, N.C.

cated by Supreme Court Justice, Louis Brandeis, when a practicing lawyer in Boston many years ago, whereby our mutual savings banks can issue life insurance at net cost, have proved the most astounding overcharges for the lower grades of life insurance.

Yet, it must be a fact that we are sufficiently civilized to appreciate that life insurance is as necessary to the worker as the water he drinks and almost the air he breathes.

And so our worker gets home, to his family, all of whom need what he has earned and need it badly, and he has parted with a very substantial part of his pay check and received nothing of value in return.

Why?

It is because average workers have never controlled any money and every plan of economic activity has been operated on the basis of the theory that "to him that hath shall be given and from him that hath not shall be taken away, even what little he hath.''

If that must be the cruel rule of life then the only hope for the average of us is to find some legitimate way whereby we can at least control our own money. That, the credit unions will make possible and, as this process develops, average working men and women, people who work for wages and salaries, in mines and offices, teaching our boys and girls, risking their lives at great conflagrations, bringing us the mails on a lovely spring morning and then, in the blizzard the day before Christmas that we may have on time that Christmas card from Aunt Carrie, men and women, who constitute the great middle class, do the work of the world and fight the wars, will have their own money under their own control and will use it to make more American those economic processes which are out of balance with what should be the purpose of America.

That is the job of the credit union.

In conclusion may I summarize these services. The credit union has various jobs to do:

(1) It is a thrift agency, a plan to enable its members to

acquire the habit of saving and to save appreciable sums by saving regularly in such installments as the individual can set aside periodically. It encourages him to continue the saving process.

(2) It is a bank of credit for its members enabling them to borrow in time of credit necessity at normal interest rates for provident purposes. This includes:

(a) Loans which may be described as *remedial*—to pay the doctor, the nurse, the hospital, for the needed operation or funeral; in a word, to help the borrower over a tough spot in the road.

(b) Loans may be *constructive*—that is, loans designed to help the member improve his lot economically—to shingle his house, pay his taxes, build a garage, pay for education, buy into a small business and do anything, the doing of which will, in the opinion of the credit committee, assist the member to be better off than he was before the loan was made.

(c) Loans *to break up the installment purchasing system* by making the credit union members cash buyers of the things they need; the cash price of the average thing plus the cost to the borrower of a credit union loan is, in almost every case, a very real saving over the installment price of the same thing.

(d) Loans to help the member become a *seasonable buyer* of the things he needs; that is, to enable him to buy *right*—in the right market, at the right time, in the right amount and, wherever practical, to secure the advantages incidental to quantity buying.

(3) *The credit union should eventually enable the member to perform himself all of the other absolute essentials on a net cost basis,* meaning those things which are essential to his health and happiness (socialized medicine for example) for

the protection of his family (insurance), and for protection against periods of unemployment and part-time work.

(4) *The credit union is a school;* being managed by officers chosen by and from the group and being a cooperative society, the credit union performs an essential educational process; *it teaches its members very practical lessons about this mysterious thing called money;* how to use it for the common good. It offers the profound discovery that there is no sin in the investment of money and the return on that investment in dividends *if the returns come back to those whose money is invested.*

It is the motivation behind the use of money which is the all-important thing.

The credit union offers its members thrift (the machinery for saving) plus credit at normal rates for proper purposes plus the capacity to capitalize common services plus education in the use and management of money. It takes issue with the usury racket, the installment racket, and every other racket which takes away from the wage worker any part of his earnings without a commensurate return.

Finally, a few notes as to the unique service of the credit union in its field.

The credit union is the most convenient bank for the saver; as indicated elsewhere, it brings the bank to him rather than waiting for him to come to the bank. A properly conducted credit union is handy for the average member. It operates where he is; it is there to do business at the most normal time, suiting itself to the convenience of the member.

Many of us hesitate about taking small amounts to the bank and the bank is generally well off the path we follow in our usual routine. Not so with the credit union; *it should operate at such point and at such time that the member is constantly falling over it.* Further, it specializes in such small units (twenty-five cents a week per share subscribed for) that no one within the group can possibly have an alibi, which lets him out of utilizing the credit union. It costs the price of a

package of good cigarettes a week to belong to a credit union. While accommodating the member who can save the least, it also helps the member who can save the most. A member may buy as many $5 shares and pay cash for them as he may see fit; he may save as much weekly as he desires to save. The credit union is only hesitant about the member who has large sums of money and comes with it to the credit union only because the dividend rate looks attractive.

Some credit unions also permit irregular deposits but the credit union which stresses the subscription to shares and the indefinitely prolonged continuance of share savings is performing the maximum service for its members. The most recently employed office boy, working at the lowest possible wage, is welcome to the credit union.

As I have already noted, the credit side of banking has never reached the masses of the people. As I have elsewhere indicated, the pioneer stage of our national development may have required a pioneer stage in the use of money; the accumulation of vast items of savings and the use of these totals by those who were building railroads, establishing great industries and turning America from an agrarian to an industrial state. But that stage is definitely over ; further investment improving methods of production and increasing production simply piles up surpluses; the very process of producing goods for which there are no markets makes for closed factories and for industrial depression. The credit union is a piece of machinery designed to reverse this process, to decentralize the control of money, to get money into the hands of the masses of the people, that they may buy some of the things which the industries (created in the past with their savings) must produce if there is to be even a fair measure of prosperity.

The credit union, therefore, is the most effective method whereby the masses of the people can control money; it specializes in small units. The shares of no credit union should exceed a par value of $5; they should be payable at twenty-

five cents a week; if there are children within the membership they should be encouraged to save as little as ten cents a week. Acceptable deposits in a credit union should be as little as a quarter a week. Deposits may be received only from members and members should be encouraged, not simply to start saving, but to continue saving indefinitely.

Our interest is to enable the member to learn how to save $100 in the process of saving $10, and after $100 has been saved, to save a thousand. We want our member to have appreciable savings; we discourage a member joining simply to invest a single share; that will help him very little; what has real value for *him* is the *habit* of saving.

Further, to expedite this process, the credit union, I repeat because it is so important, must be handy; it must be *easy* to save in a credit union; we take the bank to the member; we make it simple and easy; we do not wait in dignified silence behind a fretted grill in a mosaic paved, high-vaulted banking room, condescending, willing to accept custody of what the timid depositor brings to us. We humanize banking and if an average credit union were nothing but a thrift agency, it would perform a great service.

I repeat (and shall keep on repeating in this book) a credit union is a *credit* union; the emphasis is on the word credit. It fails of its purpose when it becomes unduly interested in dividends.

As a credit agency, there are a few things about the credit union which are unique. To begin with the credit union is the first sustained, scientific effort in history to eliminate usury.

Usury is the result of a combination of two circumstances; a need for credit coupled with a complete breakdown of normal credit facilities. Our modern economic life produces usurious money lending in one form or another almost automatically. As I have noted, the radio, newspaper, the screen, the magazine, every agency known to man for the purpose of promoting sales (and they are many) seeks persistently

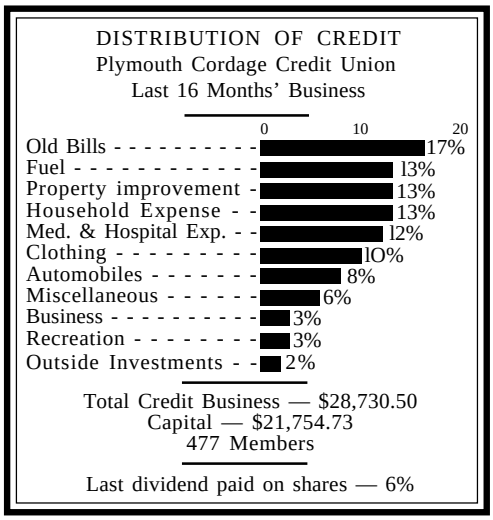
and insistently to get people into debt. It is done also by deliberately deceiving the buying public. *The high-rate money lender, broadcasting his service, never talks about rates;* if you read his publicity or listen to it you would conclude that to borrow money at 42 per cent is a thrifty thing to do. If you depend on the installment advertisement you will never learn the cost of installment credit; instead you will be led to believe that the process of buying things which one cannot afford to buy and mortgaging one's wages weeks prior to the time said earnings are earned is a thrifty process and that it involves "budgeting." The credit union steps into this picture and advises its members something after this fashion: "Let us stop deceiving ourselves; usury is the process of charging an unfair rate for credit; you cannot tell what rate you are paying for credit until you figure it out; we will help you do that; we will try to help you to buy reasonably, seasonably, rationally and at the lowest cash prices." As I have noted elsewhere you will find in the appendix some recent figures relative to the family debts of the people of the United States, a grand total which is greater than the present foreign debt ($12,000,000,000 odd) and on which there are carrying charges at rates, which if ever applied to state, federal, municipal or foreign debts would cause a revolution.

Why is that?

What accounts for the anachronism in our national life that, in a country which by its basic law operates for the people, permits the majority of the people to be exploited in all matters pertaining to credit by a minority of the people? Take it from the viewpoint of an average worker; we will call him Mr. Smith; he represents the "Common People," always cartooned in America by representing the average of us as a weak, stupid little man who is always getting the worst of it. Let us examine his economic affairs. In the process, let us have in mind Mr. Jones with an income of $100 a week and Mr. Smith with an income of $25 a week. Jones buys right, seasonably, in quantity, pays cash and, if he needs credit, can

get it at 6 per cent. Smith pays 42 per cent for credit, and 50 per cent too much for industrial insurance, from 20 per cent up for installment credit, buys at top prices, at the wrong time and subject to the burden of credit prices which he has no way to escape. He is always hopelessly in debt. *It is the job of the credit union to put Smith on an economic parity with Jones which can easily be done as the many Smiths combine their many littles into a much and use it for their own economic betterment.*

This involves, as I have noted, both remedial loans and constructive loans. We are interested that Smith improve his economic lot; that he have a happier, a fuller life. If he is a farmer the credit union will be his bank of credit, operating for the sole purpose of solving Smith's problems as a farmer.



If he would go into business, the credit union should help him into business if his plans will bear the close scrutiny of the Credit Committee. If he wants an automobile and can afford it, the credit union should help him get the automobile he can afford. If he would educate his children in college and technical school, the credit union is his bank, to make his plans practical. The variety of credit union loans is infinite. Only

one test applies to them all: *Will the proposed loan truly help the borrower?*

The credit union brings the credit side of banking to the masses of the people.

FINALLY AS TO EDUCATION

The educational value of the credit union is obvious. Credit unions must generate their own power. That is, they develop capacity for management from within. *There is nothing basically wrong about money.* It is the *use* of money which must be scrutinized. Interest or dividends are not, per se, instruments of the devil. *If money can be put to use for the good of those people to whom it belongs, it becomes a beneficial thing.* Dividends then represent the earnings resulting from the labor of money, honestly at work for its master to whom the earnings honestly belong. They belong to those whose labor made the accumulation of the money possible in the first place.

The operations of a credit union make normally for stability, for the development of the better side of human nature.

Cooperation believes that the brotherhood of man is a sound business principle. It humanizes life; it denies that the weak should remain forever the normal prey of the strong. It puts man, not profit, in the first place in the scheme of things. Credit union treasurers have shown a stability, good sense, and courage during the depression which has resulted in our thousands of little banks coming through the black days undismayed, still operating and diligently serving their members.

Can that record of banks of workers managed by workers surviving the worst depression in history be other than a source of national pride and satisfaction? We teach in credit unions a philosophy of economic life which shall be of the people, for them, and by them. In the process, we make our contributions to the national advancement of our country which was, from its birth, endowed with that simple purpose of universal service.

OPERATING FUNCTIONS

If, in these difficult days, credit unions performed no other service than to educate the masses of the people in truly American economic conceptions, they would still perform a major service.

If you are sufficiently interested, let us next consider the way and manner of organizing a credit union.

CHAPTER V

ORGANIZATION PROCEDURE

IN THIS chapter I assume that you are interested to organize a credit union and that you have in mind for organization the sort of group within which the plan would work well and that you have interested a few of the members of the group and can depend on their cooperation and that your group needs credit union service.

In other words, you have the essentials for successful credit union operation.

How shall you go about organizing?

Your attention is called at the outset to the analysis of the various State and of the Federal credit union laws contained in this chapter. If, for example, your state is one of the forty-one states which have enacted credit union laws, you should first compare your State law with the Federal law in order to determine under which law you prefer to operate.

In Maine, Vermont, Connecticut, Delaware, Wyoming, Nevada, and New Mexico, your choice would be limited to the Federal law.

Because in so many states a choice must be made, I shall in this chapter describe the credit union organization process under a typical State credit union law and as I go along summarize the Federal procedure. It must be borne in mind that the various State laws differ in some of their provisions; they are enough alike, however, so that the 338 postal credit unions now operating under the state laws have pretty much the same operating experience. *So far as the operations of a typical credit union are concerned there is very little difference between the State and the Federal procedure;* it will

be noted that the organization fees differ widely in the various states. It is also a fact that state supervision has been sufficiently hostile in a few states to warrant use of the Federal law even though the fees in the particular state are low.

If, therefore, you are interested to organize, I suggest the following steps: (1) Note at the end of this chapter the analysis of your State law and compare it with the analysis of the Federal law. Next (2) turn to page 239 of the appendix and note therein with whom you should contact to get assistance in the matter of organizing under the State law. (3) Note next, that contact relative to the Federal law is with C. R. Orchard, Director, Credit Union Section, Farm Credit Administration, Washington, D. C. (4) If you desire to contact with a credit union similar in kind to the credit union which you have it in mind to organize note, on page 271 of the appendix, the credit unions suggested for contact purposes. (5) With this information in hand, contact the Credit Union National Association, Raiffeisen House, Madison, Wisconsin, for free informative material and advice. (6) After this material has been received inform a few representative members of your group of what you have in mind and enlist their cooperation and support. (7) Be sure that prior to the next step you have received from either Mr. Orchard's office or the State organizer, the required organization forms, or that you have arranged with the organizer to bring the forms to the first meeting. These consist generally of (a) an organization certificate (see sample in the appendix, page 253) and (b) a standard form of by-laws. If, by any chance, you are unable to get these forms from any other source, I suggest application to the National Association. It is also generally possible to get *State* organization forms free from the state supervisory department.

The important thing is to have the forms ready at the meeting. I suggest that the meeting be held at the most convenient time for the members of the group and for the organizer. Many meetings are held during noon hours, in the evening, on holidays, on Sundays, etc.

(8) You are now ready for a meeting. Contact with Mr. Orchard for a Federal organizer or, if you plan to use the State law, with the contact man indicated in the appendix so that there will be someone at your meeting thoroughly qualified to assist you. (9) At the meeting have present a representative cross section of the group to be served, bearing in mind that in most states (as well as in the Federal law) it takes a minimum of seven petitioners for a credit union charter (in Massachusetts the number is twenty and in a few states, eight) (see the analysis at the end of this chapter). (10) At the meeting the organizer explains the plan and answers questions; he also assists the group to sign the papers. A notary should be present, if possible. (11) The organizer assists the group to obtain their charter from the State or the Federal Government. (12) Sometimes the first meeting is also the meeting to elect directors, officers, etc. Sometimes this meeting is held after action has been taken on the application for a charter. The organizer will inform you as to that. (13) As soon as the organization meeting has been held, notify the National Association as to the name of the key man, the name of the credit union, the prospective membership and whether or not bookkeeping forms are required, unless the organizer has agreed to do this for you. Thereupon, free work booklets will be mailed to you for the use of the directors, committee members and officers and you will be supplied with the necessary bookkeeping forms at net cost and with substantial credit (see appendix, page 256 for details re forms). (14) After the charter is granted and after the directors, committee members and officers have received the work booklets and after the bookkeeping forms have been received from the Supply Department of the National Association and the treasurer has been bonded, the credit union is ready to open its books, to take money and to begin doing business.

Let us examine a few of these important steps a bit more

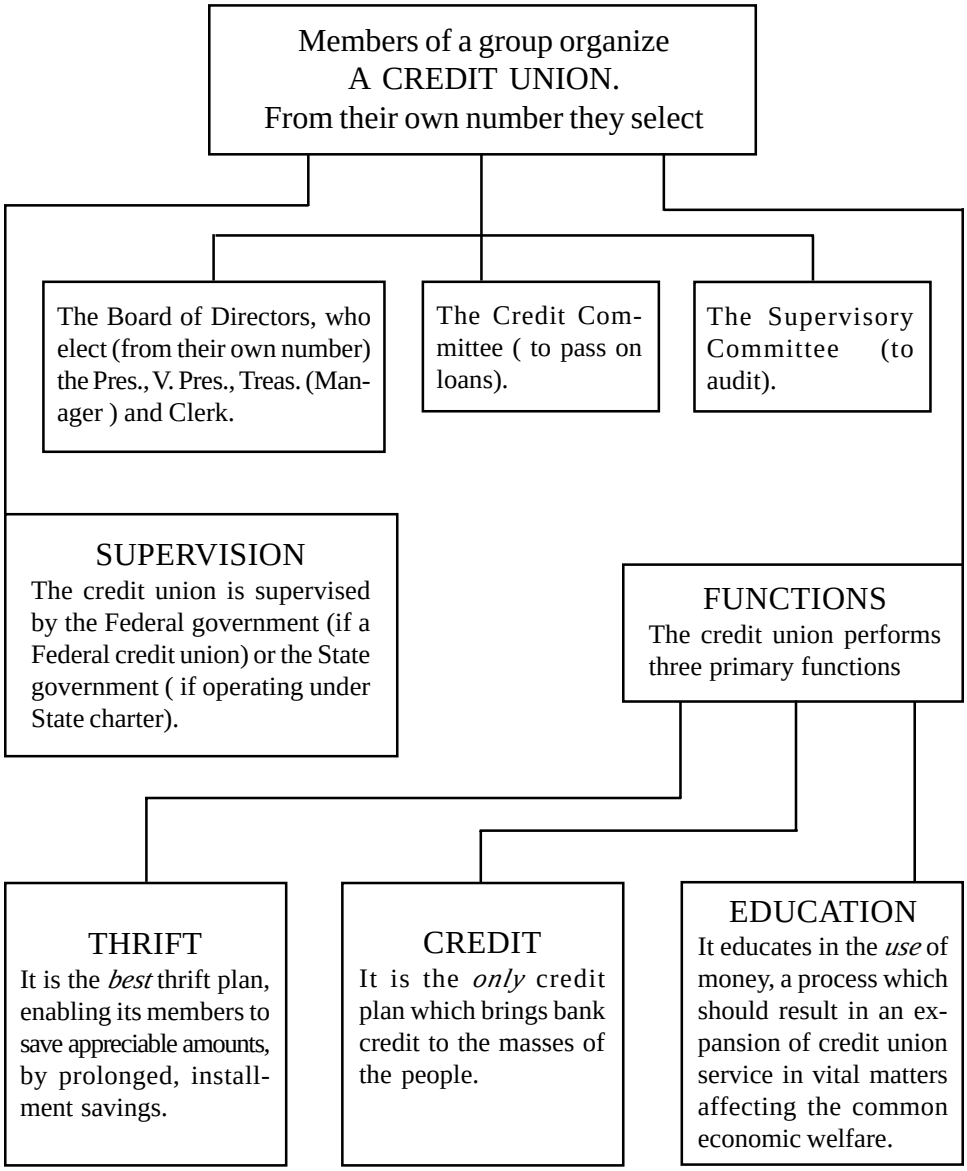
closely; they sound complicated but are not so in fact. There have been 162 new credit unions going through this process without any difficulty in the United States between the first and the thirty-first of March, 1935.

Credit unions operate in accordance with the provisions of credit union laws which have been worked out very carefully over a period of years; these laws contain basic rules and regulations and in each state a form of by-laws has been approved for credit unions which by-laws contain additional true and tried systems of operating practice.

It has been my experience that when a group organizes "informally" (this has happened several times in States prior to the enactment of the state laws) it is inclined to adopt all of the usual credit union practices except those which are so basic that they really are the principles of operation which make a credit union a "credit union." Such an informal group is reluctant for example to establish adequate reserves; it is apt to disregard the credit union interest limitation and become a modified form of usury; it is apt to stress its shares as an "investment," and to strive for high dividends, forgetting that a credit union is a *credit* union. It permits officers to borrow and to endorse; it pays no attention generally to the fundamental principle of group organization.

Hithero there has been some excuse for informal credit union organization due to the fact that in some states it has been impossible to get credit union legislation; this has been particularly true in states where high rate money lending has been most strongly entrenched. At this writing, however, there is no longer any excuse at all for organizing a credit union outside the law. There are credit union state laws in the forty-one states listed and analyzed in this chapter, as has been stated. In 1932, Congress enacted a credit union law to authorize credit union organization in the District of Columbia; in 1934, the 73rd Congress made it possible to organize credit unions throughout the United States by enacted of

CUNA EMERGES



an excellent law which authorizes the organization of typical credit unions under Federal jurisdiction.

I have had to do with the drafting and enactment of 38 of the State laws, the District of Columbia law and the Federal law and can testify first hand to the fact that the Federal law is an excellent working draft and that the early Federal credit unions are already proving their capacity to operate in typical fashion.

The question immediately arises in many states as to whether the state law or the Federal law should be used by a group planning credit union organization. The answer as noted is not complicated. In seven states and in the territorial possessions of the United States at this writing it is only possible to organize under the Federal law. In all other states, the decision should rest on the comparative merits of the state law and the Federal law and the attitude of the State Supervisory Department. The question is often asked as to why there is any variation in the state laws. This answer is again relatively simple. The process of enacting a law involves offering a bill which is either (a) passed to enactment as offered (which very rarely happens) (b) defeated (which often happens) or (c) amended in passage (which almost always happens if the bill is enacted). As I have noted, what goes in at the raw material end of the legislative process rarely has much more than a family resemblance to what comes out at the other end. In one state, for example, a typical credit union bill was very badly amended through the influence of the building and loan associations in the state. They maintained that the credit union form of operation was "unsafe." Incidentally, all of the credit unions in that state are operating and the building and loan associations have had there a particularly unhappy operating experience during the depression.

Sometimes objection is made to a credit union accepting deposits although Massachusetts' credit unions have accepted deposits for more than a quarter of a century without any

unfortunate results and a majority of the state laws permit deposits.

When, therefore, you are deciding which law to use I advise that attention be given to the cost of organization one way or the other. It costs in Federal fees at present $25 to obtain a Federal charter. The State laws, it will be noted, vary from no charge at all to quite prohibitive charges in some states. *All other things being equal I advise use of the Federal law if the charges for organization and for operation are less than the costs contained in the state law.* I advise also contact to determine the attitude of the supervisory department. There are many splendid, cooperative state supervisory departments. The hostility of the few which are hostile is understandable. Credit unions have been, during the past decade, "something new under the sun." They violate certain well fixed notions about banking. Prior to 1929 we were laboring under the delusion that bankers were super-men. Now we know better. We believe in credit unions that ordinary folks can learn how effectively to manage their own money; we point to the record of credit unions during the depression to prove it. We believe that money should be used for the benefit of the people to whom it belongs; we believe that the *purpose* of a loan is the governing factor upon which the safety of any loan transactions should be based; we believe in the *cooperative* control of our own money; we have other fundamental beliefs which have run sufficiently contrary to the experience of state banking authorities so that they have reacted in various ways. In some cases, they have made it very difficult for credit unions to operate; in a few states, vetoing the law by refusing to grant charters. This has happened very seldom and with decreasing frequency since the credit unions have proved, through the depression, their worth and durability.

In some states the supervisory departments have gone to the other extreme and have granted charters carelessly and, contrary to the provisions of the credit union laws, have re-

fused to give them even a slight measure of supervision and examination. This condition is gradually being eliminated. Many state supervisors have been very much in favor of the credit union but have not understood credit union operations very well. A Massachusetts Bank Commissioner, for example, greatly handicapped the credit union development in the State by amending a perfectly good credit union law in such fashion that a great group of racial achtzies (or neighborhood loan companies) were reorganized as credit unions although the credit union leaders in the State pointed out that such action could result eventually only in their liquidation. Liquidating as credit unions, they are now greatly reflecting against the credit union law. It is this disservice to the credit movement which accounts for the great number of "credit unions" in voluntary liquidation in Massachusetts which, listed annually without explanation in the Bank Commissioner's report, cause a completely misleading state of mind towards credit unions on the part of those who read the report.

It has been my experience that the way of the pioneer is always difficult.

We like the accustomed way; it makes us uncomfortable for someone to come along and tell us that the accustomed way is the wrong way and to irk us by pointing out the better way. For the most part, we throw stones at such a one. Lincoln was shot; Christ was crucified—all because we have so much sales resistance against any device or principle which seeks to correct an evil—to substitute the better way for the wrong way. Probably no country in the history of the world was ever so completely addicted to usurious money lending as the United States of the period immediately preceding the depression. While banking has never reached the masses with credit, every possible agency in our national system of sales promotion has, as I have noted, worked incessantly, by every advertising device known—electric signs, radio, newspaper advertising, etc., etc.,—to get people deeper and deeper into debt. *It is as logical as would be a plan which first destroyed every source*

from which I might quench my thirst and then fed me salt.

The net result of this condition has been usury—from time immemorial. Many states have tried—and properly I think— to curb usury by compromising with it, legalizing a very high rate, making the business of lending money at this rate respectable and hoping that thereby the more extreme form of usury would be eliminated. It is the process of cutting off the limb to save the life. Compared with 400 per cent, 42 per cent is, of course, low. Yet, it has always been my contention that the United States, or my State, or my city or the great or little business corporation, or the rich man, called upon to pay 42 per cent for credit, would quickly repudiate the debts involved. There is only one possible reason for usurious interest, and that is the bad credit involved in small loans to working people; the statistics of the depression—our credit union statistics certainly—prove that small loans to working people constitute the best possible risk.

There is no more excuse for usury in economics than there is in morals.

There have, therefore, been many influences at work against the credit union and it is not unnatural that many state banking commissioners, born and bred to banking practices which are quite foreign to average credit union procedure, should view this new form of cooperative banking with suspicion. Human nature accounts for that. Where, however, the state supervisory department is hostile (and I repeat that there are but relatively few such cases), I strongly advise the use of the Federal law.

NEXT AS TO THE ORGANIZATION MEETING

I assume that the preliminary steps already enumerated have been taken. We have the forms necessary; we have contacted the organizer and he is present; we have some informative material from the National Association and we are ready to open the organization meeting.

As I have already stated, the first meeting should be com-

posed of a fair cross section of the group served; I recall making such a request of the personnel manager of a plant which employed 90 per cent women and finding 20 men and no women at the organization meeting. I refused to go on with the meeting until we had a representative group of the women employees present; the credit union was to serve women mostly and should have been (and was) organized with that fact in mind. Some men know very little about the credit problems of average women; this is particularly true of unmarried men.

Further, the originating group should be a cross section. There is an inclination to invite to the meeting those who might be supposed to know most about banking, executives and the like. A banker on a credit union board is a nuisance; he knows too many things which are not so and he brings to the credit union practices which have worked badly in banks. It is a fundamental principle that the credit union cannot be superimposed; it must be of and for and by the people served; it must generate its own power and most of our credit union treasurers have had no previous accounting experience. I recall one large industrial credit union development (which involved over a hundred credit unions) within which the Company officials established in the beginning the wise rule that no one could hold office in such a credit union whose job in any of the plants ranked above that of foreman.

Nor need the initial group be large. It is almost fatal to successful operation to start a credit union with too much advance notice and with a too elaborate preliminary sales program. Every credit union starts small and develops slowly at first which enables those who have to do with the management to learn what it is all about before the business amounts to much. Therefore, the first meeting need not include more than twenty or so (the usual required number of petitioners for a charter is seven) so long as they are fairly representative.

The organizer is introduced by whoever it is who has developed the original interest.

He should talk about twenty minutes and answer questions as long as anyone has any questions to ask. It should be made clear in advance that he is disinterested; he will almost inevitably be either a representative of the Federal credit union department, of the local state league, of the National Association or of some nearby credit union. *It is a cardinal rule, subject to no exceptions, that he shall not be compensated directly or indirectly by the group.*

The credit union movement has been made possible by the generosity of one man up to the completion, March 1, 1935, of the work of the Credit Union National Extension Bureau. *The credit unions are now determined that, through their State and National organizations, they will carry on for all time in the same spirit of disinterested promotion, the extension of the credit union work.*

In the same spirit also the services of the Federal Government are without charge.

It is important that those at the meeting understand in advance that the organizer has no possible ulterior motive and whoever introduces him should make that clear. The organizer then proceeds to explain the credit union plan. He informs those present that it is first a thrift plan—"handy as a pocket in a shirt"—bringing the bank to the member instead of requiring the member to go to the bank—taking as little as twenty-five cents a week on a single share or selling as many shares for cash as the member may want to pay for. He points out that while he uses the word ''share,'' a share in a credit union is really simply a unit of saving and that a member maintains complete control of his savings and can withdraw his money whenever he sees fit. He tells of the great value of getting the habit of saving by continuing the process indefinitely. He will say something like this: ''the share business is simply a device to get you into the habit of saving; when your first share or shares are paid in no one will remind you of that fact and you will go right on saving; when you can save a bit more than you are saving, you will increase your

weekly payments to the credit union and in the process of learning how to save $10, you will perfect an easy plan which will enable you to save a hundred and then a thousand dollars; the credit union wants you to have real savings.''

He will then pass on to the credit side of the credit union, which you will find referred to in frequent places in this book. "Credit union credit" he will tell you ''exists for the purpose of enabling the member to have a bank to which he can go to get credit when he needs it at a reasonable rate. It protects you from the loan shark; it makes both remedial and constructive loans; it helps you with every venture which promises to do you a service; it makes it possible for you to shake off the installment habit by being a cash buyer of the things you need, at great resulting savings. It is your everyday bank of savings and credit." He will tell you of the educational value of the credit union—how it promotes budgeting and an understanding of the use of money. Then he will talk of the management and he will tell you (depending somewhat on the state law) that a credit union is self-managed—by a Board of Directors, a Credit Committee (to pass on loans) and a Supervisory or Auditing Committee (to check the books occasionally). He will tell you of the officers, President, Vice President, Treasurer, and Clerk, chosen by and from the Directors. He will point out that the Treasurer is the Manager and that he is adequately bonded. He will describe the supervision, will tell you of the return of the net earnings to the members in dividends and of the interest rate on loans which never exceeds one per cent a month on balances, with no extra charges of any sort allowed.

He will point with pride to the fact that (as noted elsewhere in this book in detail) the credit unions have come through the depression with the best record (so far as failure is concerned) of any form of banking and that the records prove that average working people can find no safer place for their savings than in the credit union. He is then ready for questions.

There should be complete freedom in this question period; some of the questions may seem elementary but those present are discussing something which to most of them is as brand new as would be the care of a lion cub to an old maid.

These questions must all be answered. I have, in the course of fourteen years of credit union promotional work, answered the question which had to do with my disinterestedness many hundreds of thousands of times.

With the questions over, a vote should be taken. If it is favorable, the organizer gets out his organization papers.

Whether we be organizing under the state or the Federal law, there is first an organization certificate to be signed, generally by seven citizens (see tables included herewith). It is extremely simple and I am reproducing herewith first a typical state organization certificate and second the Federal form. This certificate is sometimes called the "certificate of organization" or "Agreement of Association" but all of these certificates (except Massachusetts, which procedure is given a separate paragraph at the end of this chapter because it is unique) call for practically the same information and are self-explanatory. The Federal certificate calls also for information which is required in every form of credit union by-laws and should, therefore, be described at this point.

The field of membership of any credit union should be very carefully indicated.

It is fundamental to successful credit union operation that organization be within a group. On page 271 of the appendix you will note something of the variety of the membership. Sometimes the territorial limitations may be larger than would be otherwise justifiable. For example, the members of a Farm Bureau Federation in a given quite large county can operate a fine credit union because they come naturally to the county seat for their other business. So teachers in a given county meet frequently and can operate a fine credit union although the number of teachers be relatively small and very few of them are teaching at any given point. Sometimes,

as with a parish group, the limitation is otherwise described— in that case as ''persons identified with the given parish'' etc. It is also good credit union practice to include within the prospective membership organizations (other than the credit union) within the same membership and members of the immediate families of members.

The "immediate family" device originated in a desire to make it possible for a husband and wife to have a joint account. If, for example, a member dies, with a few hundred dollars in a bank or in a credit union and no other estate, his wife, in order to get the money must probate his estate, pay probate and lawyers' fees and wait an appreciable period for the money. If I have the money in the bank or credit union as a joint account with my wife she can draw it out on my death and have it all, and get it when she needs it.

A typical membership limitation would be, for example, (1) "employees of the ABC Company, organizations of said employees and members of the immediate families of said employees"; (2) "those persons associated with St. Mary's Parish at XYZ, Iowa and organizations of such persons"; (3) "those people residents within the corporate limits of the town of Blank and organizations of said people." I might note in passing that many small communities, left bankless by the depression, are organizing community credit unions. The plan will work well if the community is not so large that the residents of it have no group consciousness. It would work well in my town of Wenham which has about 900 residents, living without much moving in and out in a town which has a relatively small area. It would work very badly (as we have often proven to our sorrow) where the limitations were the city limits of a big city.

I would advise against a community credit union in any community of more than 4000 inhabitants.

Generally, it is necessary to have the organization papers notarized and a notary should be present at the time of signing if possible. The practice varies (see chart) as to whether

the papers shall be executed in duplicate, triplicate or quadruplicate. The Federal papers must be executed in duplicate. Sometimes it is necessary to sign the by-laws; sometimes the signatures must be notarized, sometimes not and the organizers will be well informed as to that. If you have printed forms you will note that this question answers itself; Federal by-laws need not be signed. Practically all states provide without charge forms of by-laws (as does the Federal Government) and leave little option to the organizers.

There are in the Federal by-law form nine typical insertions to be made. I will discuss these insertions as they are practically the same insertions to be found in average state forms. Where the Federal forms differ from the state forms, a footnote will draw attention to these differences.

(1) The first insertion has to do with the name of the credit union. It should be descriptive and short. (2) Section I of Article II should be filled in with a description of the scope of operation of the credit union which I have already discussed. (3) Section I, Article V calls for an insertion having to do with the date of the annual meeting. Most credit union laws provide that the fiscal year shall end with the calendar year. The annual meeting comes, therefore, in January (in any event during the month following the end of the fiscal year). It should be listed for the third week of the month in order to give the officers time to close the books, prepare the annual report, the dividend figures, etc. This section should be filled in, therefore, as of the most convenient average weekday for the members for a meeting in the third week of January. If a quorum fails to put in an appearance the day provided, it is always possible to adjourn to another day, with the notices, etc., contained in the by-laws. (4) Article V, Section 5 contains a blank space in which should be indicated the number required for a quorum. It should be relatively small and I suggest fifteen. The members are protected by a requirement in average by-laws that each member shall have mailed to his usual address a notice of every meeting at least seven days be-

fore the meeting. (5 and 6) The Board of Directors (Article VII, Section I) should consist of whatever number is required so that various subdivisions of the group will be adequately represented. In Massachusetts and one or two other states (but not in the Federal law) this number must be larger because the credit and the auditing (supervisory) committee are chosen by and from the board. Generally, the board varies from 5 to 9 and I advise that this section be so worded that the board will be divided into two classes and that, at the original election, one half of the board be elected to serve until the second annual meeting (the organization meeting constituting the first annual meeting), one half to serve until the third annual meeting. Thereafter elections should be for two year terms.*

(7) Section 3, Article VII—monthly meetings of the Board—should be filled in for whatever would seem to be the most convenient day in the month (e.g., 2nd Tues.) for the directors' meeting. (8) In Article IX, Section I, I advise the average group (unless potentially large and spread over a considerable area) to limit the credit committee to three members and (9) to provide for election in the same way and manner as board members. The credit committee, as will hereinafter be noted in detail, is sometimes called upon to make decisions in a hurry and should be so constituted that it can operate effectively and quickly when the emergency happens.

Some credit union laws permit deposits and I am using one such in the illustration contained in the appendix having to do with state by-laws. It is generally provided that a minimum deposit shall be twenty-five cents and that deposits shall go on interest monthly, computed and added at the first of every third month. In some states, by-laws provide for a transfer fee covering a transfer of shares from one member to another; this should not be more than twenty-five cents, and I have never heard of such a transfer.

*This is standard Federal practice. Most state laws permit the board to be divided into three classes and thereafter elect for three year terms.

Wherever in a blank there is an option in the matter of the par value of shares, it should be filled in as $5. The easier it is to join a credit union the better and every credit union should operate on a weekly basis unless organized within a group of employees who are paid semi-monthly, in which event it may prove more convenient to operate on a semi-monthly basis. The share installment basis should never be greater than twenty-five cents per share.

The entrance fee should never exceed twenty-five cents.

Whenever attempts have been made to exploit the credit union law, it has been by large entrance fees paid to the organizers or by some direct contribution to organization expense. *There is no reason why anyone interested to organize a credit union in the United States should pay to anyone anything, directly or indirectly, immediately or prospectively for his services in the matter of assisting in the organization process.*

Most state by-laws have a blank space for fines. The usual provision in state by-laws on this subject is a limitation of fines to one half of one per cent a week on the amount in arrears, with a minimum of five cents. Federal by-laws fix these fines (for failure to pay share installments or loan repayment installments when due) at the same rate, describing it, however, as one cent per full week on each $2 or fraction thereof of the installment or installments in arrears, with a minimum of five cents.

This is average practice.

In some states some of the credit unions, operating under state laws, omit fines altogether as inconsistent with credit union principles and practices. There is an increasing inclination on the part of credit union leaders to this point of view.

We now have the papers signed and ready; generally the organizer will assist in the matter of filing them. There are state or Federal fees (see analysis of state laws enclosed) which are paid to the state or to the Federal government as the organizer will instruct. Those who sign should nominate

one of their number as key man to carry on the required negotiations, etc., leading to the matter of the grant of the charter.

If the charter is granted, the following steps are taken.

They vary, the determining factor being whether or not the Board of Directors and committee members were elected at the time of the organization meeting. If they were not so elected, the organizers (that is, those who signed the original papers and who constitute the charter members) meet and hold an organization meeting at which they elect the board and the committees indicated in the by-laws.

In these elections, whenever held, there are certain basic circumstances to be taken into account; in the first place, the board should be well distributed throughout the group to be served and should be representative. Assume, for example, a factory with well defined departments; the board should be well distributed through them, a member from the office, one from the shipping room, etc. The board members also should be men and women who have the respect and confidence of their fellows. They will constitute the sales force of the credit union and they must be ready to do uncompensated work. *They, like the treasurer, must like the thought of the credit union; they must be for it from the very beginning and have no doubts about its potential value.* If there are many women within the group, there should be some women on the board and a woman on the credit committee. In the selection of the board and the committee, the organizers are not limited to their own number. The credit committee is described elsewhere (see page 146). This is an extremely important committee. They must not be too conservative; the credit union funds are to be loaned and to work for the members; and by the same token, the credit union is not an ‘‘associated charities’’; loans must be made which will be repaid. And, as described elsewhere (see page 161) the supervisory (sometimes called auditing) committee has most important work to do. No credit union will go wrong if the supervisory committee is

alive to its responsibilities. This committee should have on it at least one member with some accounting experience, if possible.

No one should volunteer to serve or accept election to the board or to any committee unless willing to make sacrifice of time and effort in order to make the credit union a success.

At the organization meeting generally a vote is taken as to the maximum amount which may be loaned with and without security until the next annual meeting and in some states (the organizer will instruct you as to that) the maximum which may be accepted in shares, deposits or both until the next annual meeting. Some state laws limit what may be held by an individual in shares and deposits (see analysis in this chapter), some (also see analysis) limit the secured loan and most of the state laws (and the Federal law) limit unsecured loans to $50. The Massachusetts limit of an unsecured loan is $100. It is quite uniform credit union practice, outside of Massachusetts, to limit unsecured loans (in the by-laws, if the limitation is not contained in the law) to $50. If a vote is to be taken at the first meeting as to the maximum secured and unsecured loan it should be anticipated that, as the credit union grows in size, the limit of the secured loan may be extended. At first, it is good practice to limit the unsecured loan to $50, and the secured loan to $250.

It is a fundamental credit union rule that when there are more applications pending for loans than there are funds available, preference shall be given to the smaller loan. Five loans for provident purposes in the amount of $25 each are to be preferred over a single loan for a provident purpose of $125.

With the organization meeting out of the way, the directors hold their first meeting. A quorum must be present. They elect from their own number a President, one or more (generally one) Vice Presidents, a Treasurer and a Clerk (sometimes called a secretary); often (as is permitted in most laws) the clerk and the treasurer are one man. Most laws , provide that the directors, committee members, and officers shall be

sworn. The organizer has these forms or they may be had of the National Association; some laws provide that these oaths must be filed with the state supervisory departments.

At the first directors' meeting various matters are decided; the treasurer is bonded (generally in the minimum amount at first [in most states $1000], which amount is increased from time to time as the business increases); a bank or banks of deposit are chosen. We advise a bank which has had a good record during the depression and which subscribes to the Federal bank depository insurance act. In this connection, it will be noted that credit unions have suffered their most severe losses during the depression from the failure of their banks of deposit and great care should be exercised in the choice of a bank. It is also generally decided at the first directors' meeting to leave the matter of procuring a seal to the clerk (treasurer). As this seal is very seldom used, I advise buying the cheapest possible type.

The directors also generally fix at their first meeting the interest rate on loans; it is uniform credit union practice that the rate shall not exceed one per cent a month on unpaid balances. As also elsewhere indicated, no service charges, etc., are permitted; there should be one charge for credit and that charge should be all included within the interest rate.

We are now ready for business.

Following the routine already recommended, the bookkeeping forms were ordered at the time the charter was granted and are available. As will be noted (see page 256 of the appendix), these forms are handled by the National Association on a nonprofit basis and this system should be strictly adhered to. It has been worked out with great care and is based on a vast amount of credit union operating practice. It has been approved by main banking departments and is supplied without profit.

How does the average credit union start?

The process varies. A typical beginning results when the board of directors, having concluded their first meeting, decide

thereupon that the time has come for business. I will assume such a case. The directors are ready. Director Jones notes that he knows all about the credit union because his brother has long belonged to one at City Hall; he will take two shares, pay in $10 for them and subscribe for two more, pay in fifty cents (twenty-five cents as initial payment on each share) and the entrance fee of twenty-five cents, $10.75 all told. Director Brown is very cautious; he needs to be shown and comes in for a single share, paying in an initial twenty-five cents plus his entrance fee, or fifty cents all told. Director Mary Maguire formerly belonged to a credit union in the parish in the city where she lived; she knows all about it and comes in for one $5 share, and "a dollar a week," four shares, a total of $6.25 initial payment. And so it goes around the board; the credit and the supervisory committee come in and at the end of the meeting the treasurer finds that he has on hand $56.25. He has collected in entrance fees from seven directors and six committee members thirteen times a quarter of a dollar and so the credit union starts its first day with a surplus of $3.25.

As the entrance fees represent the beginning of a surplus the bank balance should never be drawn down to less than the total of entrance fees paid in at any given time. In some states, this application of the entrance fees to the guaranty (surplus or reserve fund) is not made until the expenses incidental to organization (including the cost of bookkeeping forms) is paid out of the entrance fees. Many of the state laws require a credit union to remain at all times liquid to an amount at least equal to the reserve fund.

The credit committee is now ready to make loans.

It should start doing business as soon as possible and should let it be known that the credit union can make immediately two $25 loans—or possibly ten $5 loans—or any amounts up to a total of $50. *The money should be kept well loaned out from the beginning.*

The officers now begin to let it be known that there is a

credit union within the group and the treasurer is ready for some instruction in credit union accounting, which brings us to the next chapter.

MASSACHUSETTS

Massachusetts credit union organization procedure is a bit unique. There is the usual meeting; if it decides to go ahead, three papers are signed by at least twenty Massachusetts residents, members of the group interested. These papers are the Notice of Intention, the Agreement of Association and the Application for Certificate. They are filed with the Clerk of the Board of Bank Incorporation at the State House, Boston, Massachusetts. He issues a notice of the hearing on the petition and sends it to the key man (whose name and address are indicated on the Agreement of Association) with instructions as to the paper in which it is to be advertised and the dates of the three required advertisements. After the advertising, on the day set in the petition, a hearing is held at which two or three of the petitioners must appear to explain to the Board (consisting of the State Treasurer, the Commissioner of Corporations and the Bank Commissioner) the reasons for their application. These hearings are most informal and the Board most friendly and cooperative. After the Board has made its decision, the petitioners are informed. If the decision is favorable, they meet; a majority of the signers must be present at the meeting. Then they proceed to draw by-laws (on a standard form prepared by the State) and to elect directors; the Board then meets and selects from its own number the President, Vice President, Treasurer, Clerk, the Credit Committee, and the Auditing Committee. Then the papers are submitted to the State Bank Commissioner for his action on the by-laws. If he approves the by-laws, the Secretary of State issues a charter and the credit union may do business. The fees approximate $25, including the advertising and the $5 paid to the State.

COMPARATIVE CHART OF

state	*law enacted*	*jurisdiction and examination*	*group limitation*
ALABAMA	1927	SUPT. OF INSURANCE	USUAL SECT. 5*
ARIZONA	1929	SUPT. OF BANKS	USUAL SECT. 5
ARKANSAS	1931	BANK COMMISSIONER	USUAL
CALIFORNIA	1927	COMMISSIONER OF CORPORATIONS	BY BY-LAWS (SECT. 2-2)
COLORADO	1931	BANK COMMISSIONER	COMMON BOND OF OCCUPATION, ASSOCIATION, OR WITHIN WELL DEFINED COMMUNITY ETC.
FLORIDA	1929	COMPTROLLER	USUAL SECT. 5
GEORGIA	1925	SUPERINTENDENT OF BANKS	BY BY-LAWS (SECT. 2)
IDAHO	1935	COMMISSIONER OF FINANCE	USUAL
ILLINOIS	1925	AUDITOR OF PUBLIC ACCOUNTS	USUAL (SECT. 4)
INDIANA	1923	CHARTER BOARD, BANK COMMISSIONER	BY BY-LAWS
IOWA	1925	SUPERINTENDENT OF BANKING	USUAL SECT. 5
KANSAS	1929	CHARTER BOARD, BANK COMMISSIONER	USUAL SECT. 5
KENTUCKY	1922	DEPARTMENT OF BANKING	BY BY-LAWS
LOUISIANA	1924	STATE BANK COMMISSIONER	BY BY-LAWS (SECT. 1-6 AND SEC. 5)
MARYLAND	1929	BANK COMMISSIONER	BY BY-LAWS (SECT. 2-1)
MASSACHUSETTS	1909 (REVISED 1926)	COMMISSIONER OF BANKS	BY BY-LAWS
MICHIGAN	1925	STATE BANKING DEPARTMENT	USUAL SECT. 5
MINNESOTA	1925	SUPERINTENDENT OF BANKING	USUAL SECT. 5
MISSISSIPPI	1924	STATE BANKS DEPARTMENT	USUAL (SECT. 7)
MISSOURI	1927	COMMISSIONER OF SECURITIES (DEPT. OF STATE)	USUAL SECT. 5

* Usual Section 5 provides that credit union membership shall consist of the incorporators and such other persons as may be elected to membership and subscribe to at least one share, pay the initial installment thereon, and the entrance fee. Organizations incorporated or otherwise, composed for the most part of the same general group as the credit union membership, may be members. Credit union organizations shall

CREDIT UNION LAWS

number of petitioners	*taxation*	*form procured where*	*par value of shares (not more than)*
7 OR MORE RESIDENTS (SECT.1)	EXEMPT AS INSTITUTION FOR SAVINGS (21)	SUPT. OF INSURANCE (MOBILE)	$10 (1-3)
7 OR MORE RESIDENTS (SECT.1)	NO (22)	SUPT. OF BANKS (TUCSON)	$10 (1-C)
7	NONE	H.F. INGRAM, 4801 PROSPECT AVE., LITTLE ROCK, ARK.	$10
3 OR MORE RESIDENTS (SECT. 1)	MINIMUM FRANCHISE TAX $ 5.00	CORPORATION COMM. (SACRAMENTO)	$10 (1-3)
7 OR MORE RESIDENTS	NONE	STATE BANK COMMISSIONER, DENVER, COL.	$5.00 PER SHARE
ANY 7 RESIDENTS (SECT. 1)	NOT MENTIONED IN LAW	STATE COMPTROLLER (TALLAHASSEE)	$10 (1)
8 OR MORE PERSONS (SECT.1)	AD VALOREM TAX (24)	SUPT.OF BANKS (ATLANTA)	$5 (1-C)
7 OR MORE RESIDENTS	NONE	COMMISSIONER OF FINANCE, BOISE, IDAHO	$10
ANY 7 ADULT RESIDENTS (SECT. 1)	NOT MENTIONED IN LAW	DEPT. NEW BANKS & CREDIT UNIONS, 33 NO. LA SALLE ST., CHICAGO	$10 (1-4)
7 OR MORE RESIDENTS (SECT. 1)	EXEMPT AS SAVINGS BANK (22)	SECY. OF STATE (INDIANAPOLIS)	$10
ANY 7 RESIDENTS (SECT.1)	SHARES NOT TAXED (22)	SUPT. BANKING (DES MOINES)	$10 (1-3)
ANY 7 RESIDENTS (SECT. 1)	NOT MENTIONED	BANK COMMISSIONER (TOPEKA)	$10 (1-3)
ANY 8 RESIDENTS (SECT. 1)	AS INSTITUTION FOR SAVINGS (27)	BANKING DEPT. (FRANKFORT)	$5 (1-3)
ANY 7 RESIDENTS (SECT. 1)	AS INSTITUTION FOR SAVINGS (22)	BANK COMMISSIONER (BATON ROUGE)	$10 (1-3)
ANY 7 OR MORE RESIDENTS (SECT. 1)	AS INSTITUTION FOR SAVINGS (24)	BANK COMMISSIONER (BALTIMORE)	$10 (1-3)
20 OR MORE CITIZENS (SECT. 2)	NOT TAXED	COMM'R OF BANKS (BOSTON)	$ 5 (10)
AT LEAST 7 CITIZENS (SECT.1). EMPLOYER'S CONSENT IF EMPLOYEE GROUP	AS INSTITUTION FOR SAVINGS (22)	STATE BANKING DEPT. (LANSING)	$10 (1-3)
ANY 7 RESIDENTS (SECT 1)	AS SAVINGS BANKS (22)	SUPT. OF BANKS (ST. PAUL)	$10 (1-a3)
ANY 7 RESIDENTS (SECT 1)	SEE SECT. 24 (PRIVILEGE TAX ONLY)	STATE BANKING DEPT. (JACKSON)	$10 (2-c)
ANY 7 RESIDENTS (SECT 1)	NOT MENTIONED	COMM'R OF SECURITIES (JEFFERSON CITY)	$10 (1-3)

be limited to groups of both large and small membership having a common bond of occupation or association, or to groups within a well defined neighborhood, community or rural district.

	deposits	*limitations on shares and deposits*	*loan limitation secured & unsecured*	*loan interest limits*
ALA.	YES (4-A)	FIXED BY DIRECTORS (9-F)	BY-LAWS	1% A MO. ON BALANCES (14)
ARIZ.	YES (4-1)	BY DIRECTORS(8-6)	NONE	1% A MO. ON BALANCES (14)
ARK.	YES	NONE	SECURED $1000.	NOT OVER 10%
CAL.	YES (2-7)	$2000. LIMIT; DIRECTORS (17-4)	UNSEC. $100; SECURED $2000 (4-2). DIRECTORS FIX WITHIN	1% A MO. ON BALANCES (3-5)
COL.	YES	NONE	NONE EXCEPT TO OFFICERS AND COMMITTEE MEMBERS	12% PER ANNUM OR 1% A MO. ON BALANCES
FLA.	YES (4)	NONE	NONE	1% A MO. ON BALANCES (14)
GA.	YES (2-e)	DIRECTORS (13-4)	NONE	BY BOARD (13-2) 1% A MO. (18)
IDAHO	YES	NONE	NONE	1% A MO. ON BALANCES
ILL.	NO	DIRECTORS (8-f)	UNSECURED $50 SECURED $1000 (9)	1% A MO. ON BALANCES (13)
IND.	YES	DIRECTORS (9-4)	UNSECURED $50 (10)	8% LIMIT (14)
IOWA	YES (4-2)	NO LIMIT	BY DIRECTORS (9-f)	1% A MO. ON BALANCES (14)
KAN.	NO	DIRECTORS (9-4)	UNSECURED $50 SECURED $1000 (16)	1% A MO. ON BALANCES (14)
KY.	YES (1-n)	NO LIMIT	UNSECURED $50 (20)	REASONABLE (17)
LA.	NO	DIRECTORS (9-4)	$500 (4-2)	1% A MO. ON BALANCES (14)
MD.	YES (2-4)	NONE	UNSECURED $50 (17)	1% A MO. ON BALANCES (18)
MASS.	YES (SECT. 6)	400 SHARES, $2000 DEPOSITS (SECT.10)	UNSECURED $100 SEE SECT. 23	REASONABLE (16)
MICH.	YES (3-a)	NONE	NO LIMITS	1% A MO.ON BALANCES
MINN.	YES (4-a)	BY DIRECTORS (9-f)	SEE SECT. 16	1% A MO. ON BALANCES (14)
MISS.	YES (3-e)	DIRECTORS (11-4)	BY-LAWS	1% A MO. ON BALANCES (16)
MO.	NO	DIRECTORS (9-4) (9-4)	UNSECURED $50 SECURED $1000	1% A MO. ON BALANCES (14)

directors	*credit committee*	*supervisory committee*	*investments (other than loans)*
NOT LESS THAN 5 (8)	NOT LESS THAN 3 (8)	THREE (8)	INVESTMENTS LEGAL FOR SAVINGS BANKS & TRUST FUNDS (4-4)
NOT LESS THAN 5 (8)	NOT LESS THAN 3 (8)	THREE (8)	25% B.&L.: S.B. & T.F.*(4-4 & 5)
NOT LESS THAN 5	NOT LESS THAN 3	THREE	GOVERNMENT BONDS
NOT LESS THAN 3	NOT LESS THAN 3	NOT LESS THAN 3	S.B. & P.S.***CERTIFICATES AND OTHER CREDIT UNIONS.
NO LIMIT ON NUMBER	NOT LIMITED	NOT LIMITED	LEGAL FOR SAVINGS BANKS OR TRUST FUNDS
NOT LESS THAN 5 (8)	NOT LESS THAN 3 (8)	THREE (8)	25% B.&L.; S.B. (4-d & e)
NOT LESS THAN 5 (9)	NOT LESS THAN 3 (9)	THREE (9)	SAVINGS BANKS (8-4a)
NOT LESS THAN 5	NOT LESS THAN 3	THREE	LEGAL FOR SAVINGS BANKS AND TRUST FUNDS
SECT. 7	NOT LESS THAN 3 FROM DIRECTORS (8)	THREE (8)	U.S., STATE & MUNICIPAL BONDS (3-D)
SECT. 8	SECT. 10	SECT. 11	LEGAL FOR SAVINGS BANKS (4-3)
NOT LESS THAN 5 (8)	NOT LESS THAN 3 (8)	THREE (8)	25% B.&L.: T.F. & S.B. (4-d & e)
SECT. 8	SECT. 10	SECT. 11	U.S. STATE & MUNICIPAL BONDS (4-3)
NOT LESS THAN 5 (9)	NOT LESS THAN 3 (9)	NOT LESS THAN 3 (9)	LEGAL FOR SAVINGS BANKS (19-3)
SECT. 8	SECT. 8	THREE (8)	LEGAL FOR SAVINGS BANKS & T.F. (4e)
NOT LESS THAN 5 (9)	AT LEAST 3 (5-9)	AT LEAST 3 (5-9)	S.B. (16)
NOT LESS THAN 11 (14)	AT LEAST 3 FROM BOARD (15 & 22)	3 FROMBOARD (15-17)	MTGS., BONDS & BANKERS ACCEPT-ANCES LEGAL FOR S.B. (21)
NOT LESS THAN 5 (8)	NOT LESS THAN 3 (8)	THREE (8)	S.B. & T.F. (4e)
NOT LESS THAN 5 (8)	NOT LESS THAN 3 (8)	THREE (8)	S.B. & T.F.: B. & L. 25% (4d & e)
SECT. 10	SECT. 10	SECT. 10	U.S., CITY., DIST. MUNICIPAL BONDS (6-3)
SECT. 8	SECT. 10	SECT. 11	U.S., STATE & MUNICIPAL (4-3)

* S. B. means investments legal savings banks.
T. F. means investments legal for trust funds."
** B. & L. means "paid up or matured shares of building and loan association."
*** P. S. means "deposits in a Postal Savings Banks."

	mortgages	*borrowing power*	*surplus (guaranty)*	*fiscal year annual meeting*
ALA.	YES BY-LAWS (1-b)	50% (4-f)	10% OF THE NET PLUS (16)	DEC. 31 (7) JAN.
ARIZ.	YES (4-2)	50% (15)	20% PLUS (17)	DEC. 31 (7) BY-LAWS (JAN.)
ARK.	YES	50% OF ASSETS	ENTRANCE FEES PLUS 20% NET	DEC. 31
CAL.	YES—$2000 LIMIT (4-2)	40% (3-7)	20% NET (7-2)	DEC. 31 BY-LAWS
COL.	YES `	50% OF ASSETS	ENTRANCE FEE S PLUS 20% NET ANNUALLY	DEC. 31
FLA.	YES—BY-LAWS (4)	50% (15)	20% NET PLUS (17)	JUNE 30 (7) BY-LAWS
GA.	YES (BY-LAWS) (2-e)	50% (8-5)	20% PLUS (19)	DEC. 31 (11) PROBABLY JAN (12)
IDAHO	NOT MENTIONED	50% OF ITS ASSETS	ENTRANCE FEES ETC. AND 20% OF NET	DEC. 31
ILL.	YES—2NDS $1000 (9)	20% (14)	20% NET (16)	DEC. 31 (6) BY-LAWS (6)
IND.	YES (BY-LAWS) (1-e)	50% (15)	20% PLUS (17)	DEC. 31 (7) JAN. (1a)
IOWA	YES (10)	50% (15)	20% NET PLUS (17)	DEC. 31 (7) JAN.
KAN.	YES TO $1000 BY-LAWS (16)	25% (15)	20% NET PLUS (17)	DEC. 31 (7) JAN.(1a)
KY.	BY-LAWS (20)	BY-LAWS; TO TOTAL (18)	20% PLUS (21)	DEC. 31 (8) JAN. (8)
LA.	YES—$500 LIMIT (4-2)	50% (15)	10% NET PLUS (16)	DEC. 31 (7) JAN.
MD.	BY-LAWS (17)	BY-LAWS (2-5)	25% NET PLUS (19)	DEC. 31 (8) JAN. (8)
MASS.	YES-ELABORATE (SEE SECT. 23B)	AUTHORITY OF COMMISSIONER	10% GROSS PLUS (19-20)	OCT. 31 (12) NOV. (13)
MICH.	YES (16)	50% (15)	20% NET PLUS (17)	DEC. 31 (7) JAN.
MINN.	YES (16)	50% (15)	20% NET PLUS (17)	DEC. 31 (7) BY-LAWS
MISS.	YES BY-LAWS (3)	50% (17)	20% NET PLUS (19)	DEC. 31 (9) JAN. (10)
MO.	YES—$1000 (16)	25% (15)	20% NET PLUS (17)	DEC. 31 (7) JAN. (1a)

reports	*organization fees*	*examination fees*
ON OR BEFORE FEB. 1 (6)	75¢ RECORDING FEE	NO EXAMINATION UNTIL CAPITAL $25,000; NO FEES THEREAFTER; DEPT. MAY REQUIRE C. P. A. EXAMINATION
ON OR BEFORE JUNE 30 (6)	CORPORATION ORGANIZATION FEES (MAKING COST EXCESSIVE)	NOT STATED IN LAW
ANNUALLY BEFORE JAN. 15	$1.50 RECORDING FEE	NOT STATED
WITHIN 30 DAYS OF CLOSE OF FISCAL YEAR (24)	$10.00 RECORDING. $10.00 PERMIT $6.00 SEAL	$25 TO CORPORATION COMMISSIONER
ANNUAL TO BANK COM.	$25.00	$25. PLUS 2 CENTS FOR EACH $1000 OF ASSETS
ON OR BEFORE JUNE 20 (6)	$5.00 TO COMPTROLLER AND RECORDING FEE $1.75	$5.00 OR C.P.A. EMPLOYED BY CREDIT UNION
SEMI-ANNUAL ON BLANKS AS SUPPLIED (10)	RECORDING FEE 35 ¢	NOT STATED
ANNUALLY TO COM. OF FINANCE BY MARCH 1	DATA NOT YET AVAILABLE	NOT STATED
AT LEAST ANNUALLY BEFORE FEB. 1 (5)	RECORDING FEE $2.00	MINIMUM CHARGE $25 PLUS 2¢ PER $1000 OF ASSETS
SEMI-ANNUALLY (6)	$11.50 MINIMUM PLUS RECORDING FEES $6.00	$10 PER DIEM
ON OR BEFORE JAN. 1 (6)	FILING FEE $2.00 AND RE-CORDING FEE 50¢ TO 75¢	$1.00 FOR EACH $1000 OF ASSETS TO $25,000 AND 3¢ FOR EACH $1000 ABOVE THAT
JANUARY-JULY (6)	$5.00 TO SECY. OF STATE	MINIMUM $20; AFTER ASSETS $25,000 SAME AS BANKS
SEMI- ANNUAL (6)	RECORDING FEE VARYING FROM 75¢ TO $3.50	MINIMUM RATE FOR B. & L.
ON OR BEFORE JAN. 21 (6)	$10 FILING FEE AND $2 RE-CORDING FEE	$10.00
JANUARY (7)	$10 TO COMM'R OF BANKS	NOT STATED
ANNUALLY WITHIN 20 DAYS OF LAST BUSI-NESS DAY IN DEC. (27)	$5.00 TO SECY. OF STATE	SMALL MAXIMUM; NO CHARGE FOR NEW CREDIT UNIONS
ANNUALLY ON OR BEFORE DEC. 31 (6)	50¢ FILING FEE	$25
ON OR BEFORE DEC. 31 (6)	$1.75 PAID REGISTRAR OF DEEDS	$15 MINIMUM
ON OR BEFORE JAN. 21 (8)	$10.00 RECORDING FEE TO SECY. OF STATE AND FILING FEES	$10 PER DIEM
SEMI-ANNUAL (JAN. & JULY) (6)	$5 AND RECORDING FEE 50¢ TO $1.50	$7.00 PER DIEM

state	*law enacted*	*jurisdiction and examination*	*group limitation*
MONTANA	1929	STATE EXAMINER AND EX-OFFICIO SUPT. OF BANKS	USUAL (SECT. 9)
NEBRASKA (COOPERATIVE CREDIT ASSOCIATIONS)	1919 (AMENDED AT VARIOUS TIMES)	STATE BANKING DEPARTMENT	BY BY-LAWS (SECT. 4-2)
NEW HAMPSHIRE	1921	BANK COMMISSIONERS	NO SPECIFIC LIMITATION (BY BY-LAWS)
NEW JERSEY	1924	COMMISSIONER OF BANKING AND INSURANCE	EMPLOYEES OF COMMON EMPLOYER, RURAL, VETERAN, PARISH GROUPS (SECT.1)
NEW YORK	1913	SUPERINTENDENT OF BANKS	BY-LAWS (SECT. 450-451)
NORTH CAROLINA (SAVINGS AND LOANS ASSOCIATIONS)	1915	SUPT. COOPERATIVE ASSOCIATIONS	BY-LAWS (SECT.2)
NORTH DAKOTA	1935	STATE BANKING BOARD	USUAL
OHIO	1931	DIVISION OF SECURITIES	EMPLOYEES COMMON EMPLOYER, LODGE, CHAPTER, POST, PARISH ETC.
OKLAHOMA	1933	STATE BANKING COMMISSION	NO LIMIT
OREGON	1915 (AS AMENDED 1929)	SUPERINTENDENT OF BANKS	BY-LAWS (SECT. 2-2)
PENNSYLVANIA	1933	DEPT. BANKING	COMMON BOND OF OCCUPATION OR COMMUNITY OR RURAL DISTRICT
RHODE ISLAND	1914	STATE BANKING DEPARTMENT	BY-LAWS (SECT. 6)
SOUTH CAROLINA	1915	SECRETARY OF STATE BANKING DEPT. (FOR SUPERVISION)	BY-LAWS (SECT.6-c)
SOUTH DAKOTA	JULY 1 1935	SUPT. OF BANKING	USUAL
TENNESSEE	1923	SUPERINTENDENT OF BANKS	BY-LAWS
TEXAS	1913 (RE-WRITTEN 1929)	STATE BANKING BOARD	SEE AMENDMENT 2466 (3)
UTAH (COOPERATIVE BANKS FOR PERSONAL CREDITS)	1915 (AMENDED 1929)	BANK COMMISSIONER	SAME INTEGRAL GROUP (1062)

number of petitioners	*taxation*	*forms procured where*	*par value of shares (not more than)*
NOT LESS THAN 5 RESIDENTS (SECT. 2)	SEE SECT. 26	EX-OFFICIO SUPT. OF BANKS (HELENA)	$10 (4)
15 OR MORE CITIZENS, RESIDENTS IN ONE LOCALITY (SECT. 3)	NOT MENTIONED	STATE BANKING BOARD (LINCOLN)	$10 (SECT. 3-5)
7 OR MORE RESIDENTS (SECT. 2)	AS SAVINGS BANKS (SECT. 22)	COMM'RS OF BANKS (CONCORD)	$10 (SECT. 5)
NOT LESS THAN 5 NOR MORE THAN 10 TRUSTEES (MEETING CALLED BY 10)	AS INSTITUTIONS FOR SAVINGS (24)	COMM'R OF BANKING & INSURANCE (TRENTON)	NO SHARES SAVINGS IN MULTIPLES OF 25¢
7 OR MORE PERSONS EMPLOYED OR RESIDING IN N.Y. (SECT. 450)	AS INSTITUTIONS FOR SAVINGS	4TH DEPUTY SUPT. BANKS (51 CHAMBERS ST. NEW YORK CITY)	$25 (450-3)
7 OR MORE PERSONS RESIDENT OR EMPLOYED IN (SECT. 2)	EXEMPT (26)	SUPT. COOP. ASSN. DEPT. AGRICULTURE (RALEIGH)	BY-LAWS (SECT.2-8)
SEVEN	FOR PURPOSES OF TAXATION A CONSUMER COOPERATIVE ASSOC.	SECY. OF STATE, BISMARCK, N.D.	$10.
SEVEN	2 MILLS ON GROSS ASSETS	DIVISION OF SECURITIES, COLUMBUS, OHIO	MAXIMUM $10. PER SHARE
SEVEN	NONE	STATE BANKING COMMISSION, OKLA. CITY, OKLA.	NOT TO EXCEED $10.
7 OR MORE EMPLOYED OR RESIDING IN (SECT. 1)	INSTITUTION FOR SAVINGS (25)	SUPT. OF BANKS (SALEM)	$25 (3-1)
5 OR MORE	EXEMPT FROM STATE TAX; REAL ESTATE TAXED	O. B. LIPMAN, DEPT. BANKING, HARRISBURG PA.	NOT TO EXCEED $10.
5 OR MORE CITIZENS (SECT. 3)	AS SAVINGS BANKS (25)	CLERK OF BOARD OF BANK INCORPORATION (PROVIDENCE)	BY-LAWS (6-1)
10 OR MORE CITIZENS	NOT STATED	SECY. OF STATE (COLUMBIA)	$5 PAID IN CASH
SEVEN	NOT STATED	DEPT. OF BANKING, PIERRE, SO. DAKOTA	$5.
7 OR MORE CITIZENS (SECT. 1)	AS INSTITUTION FOR SAVINGS (25)	STATE BANKING DEPT. (NASHVILLE)	$10 (2)
10 OR MORE CITIZENS (AMENDMENT 2463)	FRANCHISE TAX OF $5.00 PER ANNUM	STATE BANKING BOARD (AUSTIN)	$5 (AMENDMENT 2461)
10 OR MORE PERSONS (1062)	NOT MENTIONED	BANK COMMISSIONER (SALT LAKE CITY)	$5 (1072)

	deposits	*limitation on shares and deposits*	*loan limitation secured & unsecured*	*loan interest limits*
MONT.	YES (8-a)	DIRECTORS (13-f)	NONE	1% A MO. ON BALANCES (18)
NEB.	YES	BY-LAWS (4-8)	$50 UNSECURED	NOT TO EXCEED LEGAL RATE (18-4)
N.H.	YES (SECT. 6)	BY-LAWS (SECT. 8)	BY-LAWS (6)	LEGAL RATES (SECT. 6)
N. J.	NONE	BY-LAWS (12)	$50. UNSEC.; $500 SEC. 25% IN MTGS. (6)	1% A MO. ON BALANCES (9)
N.Y.	BY-LAWS (453-4)	$5000 (454A)	$50 UNSEC. (454-2) $2000 SEC. (454-9-2)	1% A MO. ON BALANCES, 6% DEDUCTED (453)
N.C.	YES (SECT. 2-11)	NONE	UNSECURED $50 (19)	LEGAL RATE (20)
N. D.	YES	NO LIMIT	NO UNSECURED LOANS	1% A MO. ON A BALANCES
OHIO	NO	LIMIT SHARES $2000 PER MEMBERS AND NOT OVER 10% STOCK	$50. UNSECURED; NONE SECURED	1% A MO. ON A BALANCES OR 6% DISCOUNTED
OKLA.	YES	SHARE LIMITATION $15,000 PER C.U. BUT NONE ON DEPOSITS	NONE	10%
ORE.	YES (4-4)	DIRECTORS (20-4)	UNSECURED $50 (12)	1% A MO. ON BALANCES
PENN.	NO	SHARES TO AMT. AUTHORIZED IN CHARTER; NO DEPOSITS	"PROVIDENT AND PRODUCTIVE"; BY-LAW CONDITIONS	1% A MO. ON BALANCES
R.I.	YES (6-F)	BY MEMBERS (10-F)	DETERMINED BY DIRECTORS	REASONABLE RATES (2)
S.C.	YES (6-G AND 2)	ENTRANCE FEE OF $1 200 SHARE LIMIT	NO LIMITS	NOT TO EXCEED 7%; DETERMINED BY BOARD (10)
S.D.	NO	SHARES ONLY	UNSECURED $50. SECURED $1000.	1% A MO. ON BALANCES
TENN.	YES (4-5)	NONE	UNSECURED $50; SECURED SET BY DIRECTORS (12-4)	REASONABLE RATES (17)
TEX.	YES AMENDMENT 2462	YES (10-F)	$1000 (2477)	REASONABLE RATES (2461)
UTAH	YES (1061)	NONE	$3000 SECURED; IF OVER $500 REAL ESTATE MORTGAGE (1069-7)	12% LIMIT SUBJ. TO DETERMINATION OF DIRECTORS

directors	*credit committee*	*supervisory committee*	*investments other than loans*
NOT LESS THAN 5 (12)	NOT LESS THAN 3 (12)	THREE (12)	S. B. & T. F. (7-e)
SECT. 5-4	NOT LESS THAN 3 (5-6)	NOT LESS THAN 3 (5-7)	BONDS OF U.S. STATE MUNICIPAL AND OTHERS SECURITIES APPROVED
NOT LESS THAN 5 (11)	NOT LESS THAN 3 (11)	THREE (SECT. 11)	SECURITIES APPROVED BY BANK COMMISSIONERS (6)
5 TO 10 TRUSTEES (1-A)	THREE (7)	THREE BY TRUSTEES (15)	TRUST FUND INVESTMENTS (10)
BY BY-LAWS (464-469)	BY BY-LAWS (470)	BY BY-LAWS (471)	INVESTMENTS LEGAL FOR SAVINGS BANKS (453-14)
NOT LESS THAN 5 (9)	AT LEAST 3 (9)	AT LEAST 3 (9)	10% IN OTHER CREDIT UNIONS (18)
NOT LESS THAN 5	NOT LESS THAN 3	THREE	LEGAL FOR TRUST FUNDS AND SAVINGS BANKS
NOT LESS THAN 5	NONE	NOT LESS THAN 3	LEGAL FOR TRUSTEES
NONE	NOT LESS THAN 3	NOT LESS THAN 3	LEGAL FOR SAVINGS OR TRUST FUNDS
NOT LESS THAN 5 (1-6)	NOT LESS THAN 3 (2-5)	NOT LESS THAN 3 (2-6)	APPARENTLY MAY ONLY DEPOSIT
NOT LESS THAN 5	NOT LESS THAN 3	NOT LESS THAN 3	LEGAL FOR SAVINGS BANKS AND TRUST FUNDS
BY-LAWS (9)	NOT LESS THAN 3 (9)	THREE (9)	10% IN LEGALS FOR SAVING FUNDS (15)
NOT LESS THAN 5	NOT LESS THAN 3	THREE	SAVINGS BANKS OR DEP. IN TRUST COMPANIES OR NATIONAL BANKS APPROVED BY COMMISSIONER
NO LIMIT	NOT STATED	NOT STATED	BONDS OF U.S. OR ANY STATE OR MUNICIPALITY
SECT. 11	SECT. 11	SECT. 11	LEGAL FOR SAVINGS BANKS (6-4)
	(NO OTHER SPECIFICATION)		
SECT. 12	SECT. 12	SECT. 12	APPARENTLY MAY ONLY DEPOSIT IN BANKS (15)
(1068)	NOT LESS THAN (1068)	THREE (1068)	LAND RESERVE CERTIFICATES, ETC. (1074)

	mortgages	*borrowing power*	*surplus (guaranty)*	*fiscal year annual meeting*
MONT.	YES (20) BY-LAWS	50% (19)	20%NET PLUS (21)	DEC. 31 (11) BY-LAWS (5)
NEB.	YES (9)	YES (8-7)	25% NET PLUS (12)	DEC. 31 (16) JAN. (4-3)
N.H.	YES (6)	CONDITIONS GOVERNED BY SECTION 12	10% OF THE NET PLUS (16)	LAST BUSINESS DAY JUNE (19) WITHIN 30 DAYS THEREAFTER
N.J.	20% ASSETS (10)	DEPOSITS LESS LOANS (8)	15% NET (13)	DEC. 31 JAN.
N.Y.	SUBJECT TO $2000 LIMIT (454-2)	40% (453-7)	25% NET PLUS (457)	DEC. 31 (475) JAN. (464.1)
N.C.	BY-LAWS (19)	NOT MORE THAN ASSETS (17)	25% NET PLUS (21)	DEC. 31 (8) BY-LAWS (8)
N.D.	YES	25% OF ASSETS UNLESS BANK COM. AUTHORIZES LARGER AMT.	USUAL PLUS 10% GROSS	DEC. 31 JAN.
OHIO	YES	NOT EXCEEDING 50% PAID IN AND UNIMPAIRED CAP. AND SURPLUS	20% OF NET EARNINGS	DEC. 31
OKLA.	YES	50% ASSETS	FINES, ENTRANCE FEES AND 20% NET	DEC. 31
ORE.	YES (BY-LAWS) (4-5)	40% (7)	25% NET (8-1 & 2)	DEC. 31 (26) JAN. (2-3)
PENN.	YES	TO 50% OF ASSETS	FINES, ENTRANCE FEES AND 20% OF NET	DEC. 31
R.I.	YES (15)	ONLY BY CONSENT OF BANK COMM'R	20% NET PLUS (22)	DEC. 31 (8) BY-LAWS (8)
S.C.	PROBABLY (PROVIDENT & PRODUCTIVE PURPOSES FOR SHORT PERIODS)	NOT STATED	20% OF NET	DEC. 31 (8) BY-LAW (8)
S. D.	NOT STATED	TO 25% OF CAP.	ALL ENTRANCE FEES ETC. PLUS 20% NET	DEC. 31
TENN.	BY-LAWS (1a)	50% OF NET	20% NET PLUS (20)	DEC. 31 (10) JAN.
TEX.	YES	TO TOTAL OF ASSETS	20% NET (22)	DEC. 31 (8) BY-LAWS (8)
UTAH	BY-LAWS (1074)	PROBABLY YES NO PROHIBITORY PROVISION	10% NET (1080)	DEC. 31 (1067) BY-LAWS (1065)

reports	*organization fees*	*examination fees*
JUNE 30—JAN. 31 (6)	$8.00	NONE EXCEPT SPECIAL EXAMINATION WHEN FEE $15 PER DIEM & EXPENSES
ON OR BEFORE FEB. 1 (21)	$5.00 FILING FEE PLUS $1.25 COUNTY FILING FEE PLUS MINUTE BOOK $5.50 PLUS NOTE REGISTER $5.00	COST DISTRIBUTED ON ASSETS BASIS OF CREDIT UNIONS EXAMINED
WITHIN 20 DAYS OF JUNE 30 (19)	NONE	NOT STATED
ON OR BEFORE JAN. 31 (16)	RECORDING AND FILING FEE $3.75	COST OF EXAMINERS' TIME PLUS EXPENSES
ON OR BEFORE FEB. 1 (477)	$2.00	FIRST EXAMINATION $11 PLUS COST; THEREAFTER BY GENERAL APPORTIONMENT
JANUARY (7)	$3.00	NONE
TWICE ANNUALLY TO STATE BANKING BOARD	FILING FEE $5.00	SAME AS FOR BUILDING AND LOAN ASSOCIATIONS
ANNUAL REPORT TO DIV. SEC.	$10. TO SECY. STATE AND $20. DIV. OF SEC.	IF UNDER $25,000. $10. PLUS COST; IF OVER $25,000. $10. PLUS 1/10 OF 1% OF ASSETS
MONTHLY AND ANNUAL REPORTS	$2.00 TO STATE TREASURER AND $10. TO BANKING COMMISSIONER	$5.00
ON OR BEFORE FEB. 1 (28)	SEVERAL FILING FEES MAKING INITIAL COST EXCESSIVE	GRADED $10 TO $25 ASSETS TO $25,000 THEREAFTER ACTUAL COST
ANNUAL AND SUPPLEMENTARY IF REQUESTED	CHARTER FEE $30. PLUS 1/5 MILL BONUS ON AUTHORIZED CAPITAL STOCK	ACTUAL COST PLUS PRO RATA SHARE OF OVERHEAD OF BANKING DEPARTMENT
WITHIN 20 DAYS OF DEC. 31 (24)	$5.00 PLUS $2.00 RECORDING FEE	NONE EXCEPT FOR REQUESTED SPECIAL EXAMINATION
WITHIN 7 DAYS OF DEC. 31 OR ON DEMAND OF BANK EXAMINER	NOT STATED IN LAW	NOT STATED IN LAW
SEMI-AN. TO SUPT. BANKS	$5. TO THE SUPT. OF BANKS	COST BUT NOT TO EXCEED $7. PER DIEM FOR EXAMINER
SEMI-ANNUAL (8)	$5.00 PLUS LOCAL COUNTY REGISTRATION FEE	BASED ON ASSETS BUT NOT EXCEEDING COST OF EXAMINATION
WITHIN 20 DAYS OF DEC. 31 (24)	$10.00	COST OF EXAMINATION
WITHIN 20 DAYS OF DEC. 31 (1082)	$5.00 TO COUNTY CLERK $5.00 TO SECY. OF STATE $5.00 FOR ANNUAL LICENSE TAX	$1.25 AN HOUR

state	*law enacted*	*jurisdiction and examination*	*group limitation*
VIRGINIA	1921	SECY. OF STATE BANKING DEPT. (FOR SUPERVISION)	BY-LAWS
WASHINGTON	1933	DIVISION OF SAVINGS AND LOAN	NO LIMIT
WEST VIRGINIA	1925	COMMISSIONER OF BANKING	USUAL (SECT. 5)
WISCONSIN	1913 (AMENDED 1929)	COMMISSIONER OF BANKING	BY-LAWS (186.05a)
DISTRICT OF COLUMBIA	1932	INSURANCE DEPT. D. OF C. COM-MISSIONERS	COMMON BOND OF OCCUPATION OR ASSOCIATION ETC.
THE FEDERAL CREDIT UNION LAW	1934	CREDIT UNION SECTION, FARM CREDIT ADMINISTRATION	COMMON BOND OF OCCUPATION OR ASSOCIATION ETC.

number of petitioners	*taxation*	*forms procured where*	*par value of shares (not more than)*
ANY 8 RESIDENTS (SECT. 1)	NOMINAL ANNUAL LICENSE FEE	SECY. OF STATE (RICHMOND)	$5 (12)
SEVEN	NONE	DIVISION OF SAVINGS AND LOAN, STATE CAPITOL, OLYMPIA, WASHINGTON	$5
ANY 8 RESIDENTS (SECT. 1)	NONE	COMM'R OF BANKING (CHARLESTON)	$10 (12)
ANY 7 RESIDENTS (186.02)	CREDIT UNION SHARES, DEPOSITS & DIVIDENDS NOT SUBJECT TO ANY TAX TO CREDIT UNION OR TO INDIVIDUAL MEMBER	COMM'R OF BANKING (MADISON)	BY-LAWS (186.05-b)
SEVEN	$15. LICENSE PER YEAR	COMMISSIONER OF INSURANCE, INSURANCE DEPT. D. OF C.	NOT TO EXCEED $10
SEVEN	STATE MAY TAX AS PER TAX ON DOMESTIC BANKS	DIRECTOR CREDIT UNION SECTION FARM CREDIT ADMINISTRATION, WASHINGTON, D.C.	$5

	deposits	*limitation on shares and deposits*	*loan limitation secured & unsecured*	*loan interest limits*
VIR.	YES (15)	NONE	UNSECURED $50 (19)	1½% A MO. ON BALANCES (16)
WASH.	YES	A MEMBER MAY HAVE $2000. IN SHARES AND DEPOSITS	$50. UNSECURED AND $2000. SECURED	12% PER ANNUM
W. VA.	YES (4-A)	NONE	UNSECURED $50 (19)	1½ % A MO. BALANCES (16)
WIS.	NO (186.05)	BY-LAWS (186.05-c)	SECURED OVER $50 (186.09)	1% A MO. ON BALANCES (186.09)
D. OF C.	NO	200 SHARE LIMIT	UNSECURED $50. NO SECURED LIMIT	1% A MO. ON BALANCES
FED.	NO	NO LIMIT ON SHARES	UNSECURED $50. SECURED LIMIT $200. OR 10% CAP. AND SURPLUS	1% A MO. ON BALANCES

directors	*credit committee*	*supervisory committee*	*investments other than loans*
NOT LESS THAN 5 (8)	AT LEAST 3 (8)	AT LEAST 3 (8)	LEGAL FOR SAVINGS BANKS (9)
MAXIMUM 15	NOT LESS THAN 3	THREE	THOSE AVAILABLE TO SAVINGS AND LOAN ASSOCS. EXCEPT 1ST MTGS.
NOT LESS THAN 5 (8)	AT LEAST 3 (8)	AT LEAST 3 (8)	LEGAL FOR SAVINGS BANKS ETC. (18)
NOT LESS THAN 5 (186.07)	THREE (186.0 & 186.15)	NONE	LEGAL FOR TRUST FUNDS UNDER 2100b (186.11)
NOT LESS THAN 5	NOT LESS THAN 3	NOT LESS THAN 3	PD. UP SHARES OF B&L AND OF OTHER C. US. AND LEGAL FOR SAVINGS BANKS AND TRUST FUNDS
NOT LESS THAN 5	NOT LESS THAN 3	THREE	OBLIGATIONS OF THE U.S. & SECURITIES GUARANTEED AS TO INT. AND PRINC.

	mortgages	*borrowing power*	*surplus (guaranty)*	*fiscal year annual meeting*
VIR.	BY-LAWS (19)	BY-LAWS TO TOTAL (17)	20% NET PLUS (20)	DEC. 31 (7) JAN. (7)
WASH.	NO	TO 50% ASSETS	ENTRANCE FEES AND 20% NET	DEC. 31
W.V.	BY-LAWS (1b-9)	SECT. 17 TOTAL ASSETS	20% NET PLUS (20)	DEC. 31 (7) JAN. (7)
WIS.	YES (186.09)	25% EMERGENCIES AMOUNT (186.11)	20% NET (186.17)	DEC. 31 (186.06) JAN. (186.05)
D. OF C.	YES	TO 40% UNIMPAIRED CAPITAL	ENTRANCE FEES, FINES AND 20% NET	DEC. 31
FED.	YES	50% PAID-IN AND UN-IMPAIRED CAP.*	ENTRANCE FEES, FINES AND 20% OF NET	DEC. 31

*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 of the Farm Credit Union Administration.

reports	*organization fees*	*examination fees*
SEMI-ANNUALLY (2ND AND 5TH CALLS FOR BANKS)	CORPORATION ORGANIZATION FEES (MAKING COST EXCES-SIVE)	TO $10,000—$15 TO $100,000—$25 TO $300,000—$50
ANNUAL FINANCIAL STATE-MENT	$5.00	RANGES FROM $5.00 TO $12.00
IN JANUARY (7)	$10 FOR CHARTER $10 FOR CERTIFICATE OF AUTHORITY	NO EXAMINATION UNTIL CAPITAL STOCK $20,000; THEN $25
SEMI-ANNUAL	$5.00 PLUS A RECORDING FEE $1.00 TO $2.00	FIRST YEAR $5.00 PLUS EXPENSES; THEREAFTER $30 PLUS 8¢ PER $1000
TO INSURANCE DEPT. WITH IN 10 DAYS AFTER ANNUAL MEETING; SEMI-AN. TO COMPT. OF CURRENCY	$15. TO INS. COM. $10. TO COMPT. OF CURRENCY; $2. RECORD FEE	$5.00 PLUS THREE CENTS PER $1000. OF ASSETS
AS REQUIRED BY GOV. AND C.U. SECTION	$20. INVESTIGATION FEE PLUS $5. FEE TO OPERATE (MAX.)	COST EXAMINATION

CHAPTER VI

PRACTICE

FROM this point on, I assume that interest in credit union organization has advanced to the point where a charter has been procured either under some one of the state credit union laws or the Federal law. Officers have been chosen in the way and manner provided in the previous chapter. The treasurer (who, as noted, is generally the manager) has the necessary bookkeeping forms and the credit union is ready to do business. Generally, it starts, as previously indicated, when the originating group makes the initial subscription to shares. That brings us to a consideration of bookkeeping. There are one or two fundamental matters pertaining to credit union accounting. Most credit union treasurers (who also keep the books until the credit union is so large that it is able to employ someone to take care of the accounting) have had no previous accounting experience and, while it is no handicap to have as treasurer a bookkeeper in the usual sense, it is by no means essential that the treasurer be, by training, a bookkeeper. The primary essential for a successful credit union treasurer is a state of mind; *he must like it;* as herein elsewhere indicated, he must be able to understand the vision of credit union service; he must have the urge to make the credit union plan work for his group. If he has these qualities, it is not difficult for him to understand the accounting system. Further this system (which has been highly praised by many state banking departments) is simple and understandable. Moreover, it is uniform.

There is only one system and ninety per cent of all credit unions use it and all credit unions should use it.

PRACTICE

The forms vary only as the state law and the Federal law are, in some minor details, sufficiently unlike to warrant two sets of forms. All Federal credit unions use the accounting system herein illustrated, and practically all credit unions operating under state laws (with an occasional minor exception due to some slight difference in the local state credit union laws) follow the system about to be explained. Both systems are published on a non-profit cooperative basis by the Credit Union National Association.

This chapter, therefore, divides into two parts; (1) the state law bookkeeping system and (2) the Federal law bookkeeping system. To illustrate these systems we will imagine that a typical credit union member joins a typical credit union, and we will take him through every typical credit union transaction, illustrating the proper use of the forms as we go along. For sake of variety, we will change the story a bit for the Federal forms but we will use the same approach. I will tell you the story as a typical credit union treasurer would do.

CREDIT UNIONS OPERATING UNDER STATE LAWS

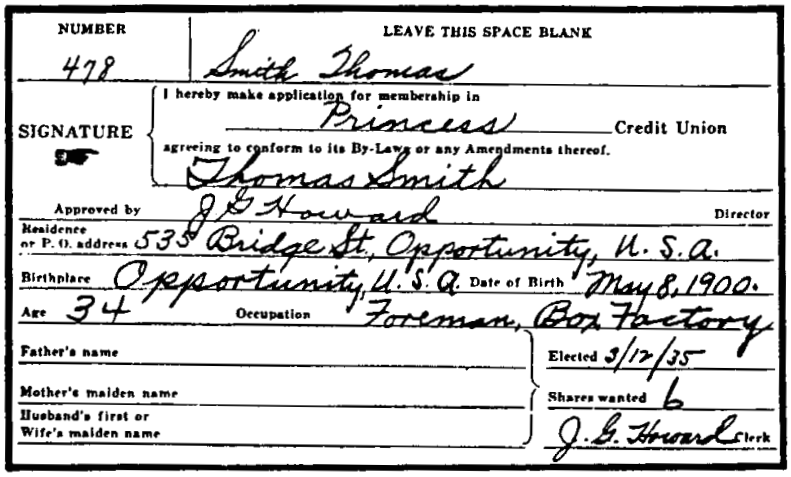
Ours is a typical credit union. Shares have a par value of $5 and may be paid for in cash or in weekly installments of twenty-five cents on each share. An entrance fee of twenty-five cents is charged, which is paid once on joining and goes into the guaranty (in some laws called reserve) fund. Any one employed by our company—the Princess Candy Company—is eligible to membership. Our office consists of a small room next to the paymaster's window at the factory and we are open on pay-day all afternoon and on two other days, Monday and Wednesday, from twelve to one. Our Credit Coinmittee meets regularly once a week, but, in emergency cases, comes together on very short notice—so that we have, when the circumstances called for speed, granted a loan within two hours after the application was received. Our Directors meet regularly monthly—during the noon hour of the first Wednesday of the month—and special meetings are called as required.

As I am the treasurer and handle the money, I am bonded. According to our by-laws I am required to deposit all funds received within twenty-four hours after receipt, except moneys received on Saturday, when I am allowed forty-eight hours. Our heavy day is Friday, which is pay-day. Loan applications generally go through my hands to the Credit Committee.

It took us a long while to interest Tommy Smith. He's got a good job; works steady and has a good wage; but he's a spender and at first we were not able to interest him. Our Board of Directors is so chosen that all parts of the plant are represented, and Tommy works in the Box Factory. He got chumming around with Pinky Starr, one of our prize members, with the result that he came in one day to see me.

He asked some questions. This is the first one. ''What do I have to do to join this Credit Union and what is it going to cost me?" I answered him, ''Our shares have a par value of $5. At the time of joining, the prospective member also pays an entrance fee of twenty-five cents which becomes, incidentally, a part of the credit union's reserve or guaranty fund. *You* can afford to start in by buying one share at least and paying cash for it; then you should figure out how much you can save each week; shares may be paid for on the basis of twenty-five cents per week per share, so that if you can save a dollar a week, subscribe for four shares, paying in each week on pay day twenty-five cents on each share. When your shares are paid for you will have acquired the habit of saving and you'll go right on buying some more shares. You've been a great little spender and you will be an equally good little saver, once you get the habit. If while you are paying on your shares, you want to also open a deposit account, you can; we'll take anything from twenty-five cents up, on deposit. As to the cost—the credit union doesn't cost you anything; it pays you, in interest on your deposits and dividends on your shares, for belonging to it.

Tommy decide to come in. His first official act in connection with the credit union membership was to sign the applica-



NUMBER 478 | LEAVE THIS SPACE BLANK

Smith Thomas

SIGNATURE

I hereby make application for membership in Princess Credit Union agreeing to conform to its By-Laws or any Amendments thereof.

Thomas Smith

Approved by J G Howard Director

Residence or P. O. address 535 Bridge St, Opportunity, U. S. A.

Birthplace Opportunity, U. S. A. Date of Birth May 8, 1900.

Age 34 Occupation Foreman, Box Factory

Father's name

Mother's maiden name

Husband's first or Wife's maiden name

Elected 3/17/35

Shares wanted 6

J. G. Howard Clerk

APPLICATION CARD—STATE

tion card, reproduced on this page, in his own handwriting. I, as treasurer, assigned to him book number 478, which thereafter appeared on any records of Tommy's transactions with the credit union. These cards go to the Directors at their monthly meetings, for approval; meantime, the member is accepted conditionally and may begin to make his payments on shares. Tommy's application was approved in due course and was filed alphabetically. After signing the card, Tommy made out a deposit slip. I was mighty glad to see that he was coming in for two paid up shares and a subscription to four shares, which means a saving of one dollar a week. I am also exhibiting on page 108, as exhibit B, Tommy's deposit slip and on page 106 the pass book we issued to him with the initial entries therein.

As soon as Tommy joined the credit union and had pocketed his pass book, it was my next job to prepare a ledger card (form No. 32, here in reproduced) for him. The business transactions of each credit union member with the credit union are recorded either on this form (generally for the larger credit unions) or on form 56 for the smaller credit unions. However many of the smaller credit unions also prefer form

Always Present this book when paying or receiving Money
This Book No. 478 Certifies that
Mr. Thomas Smith
Address 535 Bridge St., Opportunity, U.S.A.
has been duly elected a member of the
PRINCESS CREDIT UNION

No other receipt for payments on Shares, Deposits, Repayments of Loans, Interest or Fines will be given. Transferable to qualified members only. Checks credited only subject to collection.

No payment will be accepted or paid out at the office without this pass book. Where payments are forwarded by mail or otherwise, the book should be presented for posting at least quarterly.

Repayments on Loans, and Interest MUST BE MADE as per Note and By-Laws. Fines for non-payment of loans as agreed will be levied unless excused by the Board of Directors.

DATE 1938	Ent. Fee 25¢ Paid. SHARES Received		Withdrawn		Balance		DEPOSITS Received		Withdrawn		Balance		Teller
3-12	11	—			11	00							J.H.

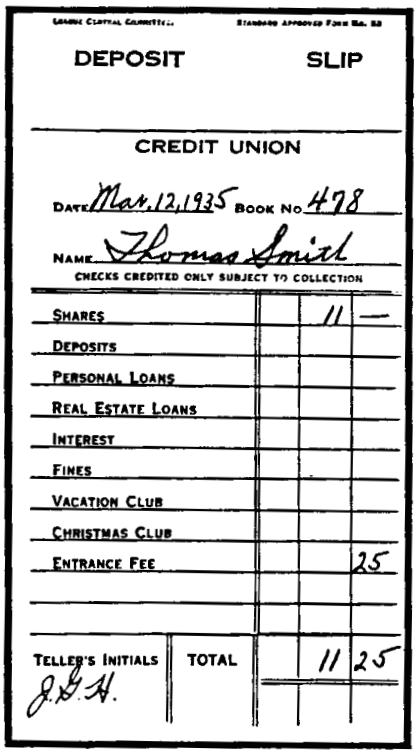
PASS BOOK—STATE
Identification Page and Page of Original Entry

32 and the Managing Director of the Credit Union National Association from his experience advises *all* credit unions to use this form. The next step was to enter Mr. Smith's transaction on the cash receipt sheet (Form A) see illustration on page 110. Some credit union treasurers follow a slightly different plan; they allow the deposit slips to

accumulate on a spindle during the day and at the end of the day's business, make a single entry on this same sheet. As it will simplify matters in following a typical series of credit union transactions, I am adopting, in this illustration, the individual entry plan. Some weeks elapsed, and Tommy's savings accumulated until not only had he paid in full for his original subscription to four shares, or twenty dollars, but he continued to save in varying amounts, making a grand total of $70. (See Share column of Tommy's card for the then status of his account.)

In our credit union, dividends are paid annually after the end of the fiscal year. As no fiscal year period had ended as yet while Tommy was a member, no dividends had been added, but following the usual practice, dividends would be figured at the end of the fiscal year on his shares from the time each $5 was paid for in full. During this period, however, times being better the annual bonus at our plant had been declared and paid, which netted Tommy $80 with one-half of which he had started a deposit account. It should be noted that some state laws and the Federal law do not permit deposits as distinguished from share payments. Had Tommy lived in such a state, he would probably have invested the half of his bonus in additional shares. For the purpose of illustrating deposits, however, I assume that his state law permits deposits to be received from credit union members. This deposit bore interest from the first of the month following the day the deposit was made. It is our rule to compute interest every three months. As Tommy's deposit was made previous to May 1, he would be entitled on the thirtieth day of the following June to two months' interest. For the present state of Tommy's deposit account, see the deposit side of the member's account card reproduced on page 109. Interest in our credit union is paid at the rate of 4 per cent per annum, compounded quarterly.

We have talked thus far of the bookkeeping incidental to the thrift or savings side of the credit union. Credit unions



LEAGUE CAPITAL COMMITTEE — STANDARD APPROVED FORM NO. 52

DEPOSIT SLIP

CREDIT UNION

DATE Mar. 12, 1935 BOOK NO 478

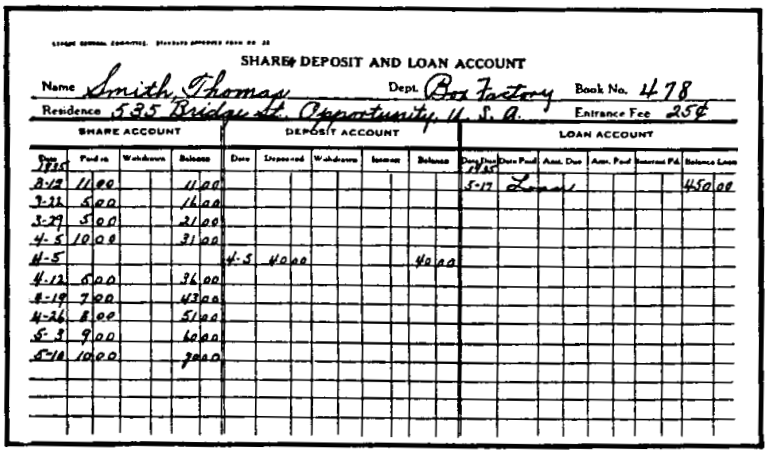
NAME Thomas Smith

CHECKS CREDITED ONLY SUBJECT TO COLLECTION

SHARES		11	—
DEPOSITS			
PERSONAL LOANS			
REAL ESTATE LOANS			
INTEREST			
FINES			
VACATION CLUB			
CHRISTMAS CLUB			
ENTRANCE FEE			25
TELLER'S INITIALS J.D.H.	TOTAL	11	25

DEPOSIT SLIP

are concerned with three fundamentals; the side of banking which has to do with the accumulation of savings; the credit side of banking; the education of the masses of the people in the efficient management and control of their own money. There have always been banks available for the deposit of money although in recent years even the depositor has received decreasing rewards in interest and dividends and the owner of a commercial checking account now many times has to pay for the privilege of having money in the bank. *The credit side of banking has, however, never reached the masses of the people;* it is that simple fact which accounts for usury. The credit union is, as the name implies, a union of members to create for



SHARE DEPOSIT AND LOAN ACCOUNT

Name Smith, Thomas Dept. Box Factory Book No. 478

Residence 535 Bridge St. Opportunity, U. S. A. Entrance Fee 25¢

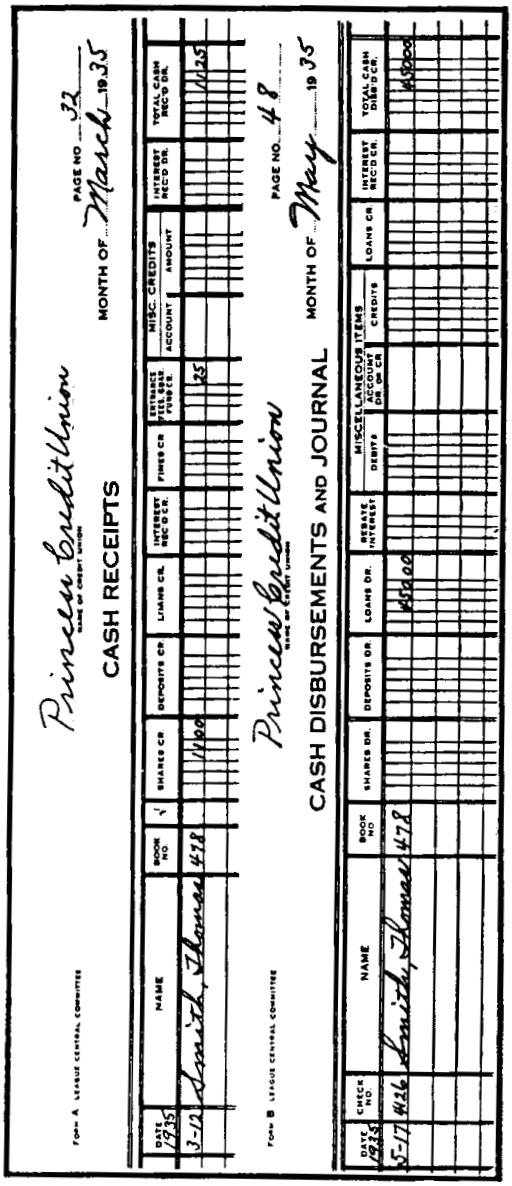
SHARE ACCOUNT				DEPOSIT ACCOUNT					LOAN ACCOUNT						
Date 1935	Paid in	Withdrawn	Balance	Date	Deposited	Withdrawn	Interest	Balance	Date Due 1935	Date Paid	Amt. Due	Amt. Paid	Interest Pd.	Balance Loan	
3-12	11 00		11 00						5-17	Loan				450	00
3-22	5 00		16 00												
3-29	5 00		21 00												
4-5	10 00		31 00												
4-5				4-5	40 00			40 00							
4-12	5 00		36 00												
4-19	7 00		43 00												
4-26	8 00		51 00												
5-3	9 00		60 00												
5-10	10 00		70 00												

MEMBER'S ACCOUNT CARD—STATE

themselves (with their own money) adequate credit facilities

The credit union is the member's bank of credit.

It should use its money to care for the credit problems of its members. As we approach Tommy's credit problem, may I first note that the problem cited is a bit unusual. I am taking a very unusual problem purposely in order to illustrate the broad scope of credit union credit. As note in an earlier chapter, credit union loans are generally remedial (that is, loans to help the members over rough spots in the road) or constructive (that is, loans to enable the borrowing member to better his condition in life). Within this latter category, we are entering the broad field of installment credits. As I shall often repeat in this book, *wherever the cash price of a thing which a credit union member should purchase plus the cost of the credit in the credit union is less than the installment cost of the same thing, the member should borrow the purchase price from his credit union and pay cash.* That is an enormous field and will use up credit union funds for many years to come when it is properly covered by the credit union. Instead, therefore, of a loan to pay an accumulation of small bills, to settle with the doctor, the surgeon, the hospital, the under-



FORM A LEAGUE CENTRAL COMMITTEE

Princeton Credit Union
NAME OF CREDIT UNION

CASH RECEIPTS

PAGE NO. 32
MONTH OF March 1935

DATE 1935	NAME	BOOK NO.	√	SHARES CR.	DEPOSITS CR.	LOANS CR.	INTEREST REC'D CR.	FINES CR.	ENTRANCE FEE, BOND FUNDS CR.	MISC. CREDITS ACCOUNT	MISC. CREDITS AMOUNT	INTEREST REC'D DR.	TOTAL CASH REC'D DR.
3-12	Smith, Thomas	478		1100					25				1125

FORM B LEAGUE CENTRAL COMMITTEE

Princeton Credit Union
NAME OF CREDIT UNION

CASH DISBURSEMENTS AND JOURNAL

PAGE NO. 48
MONTH OF May 1935

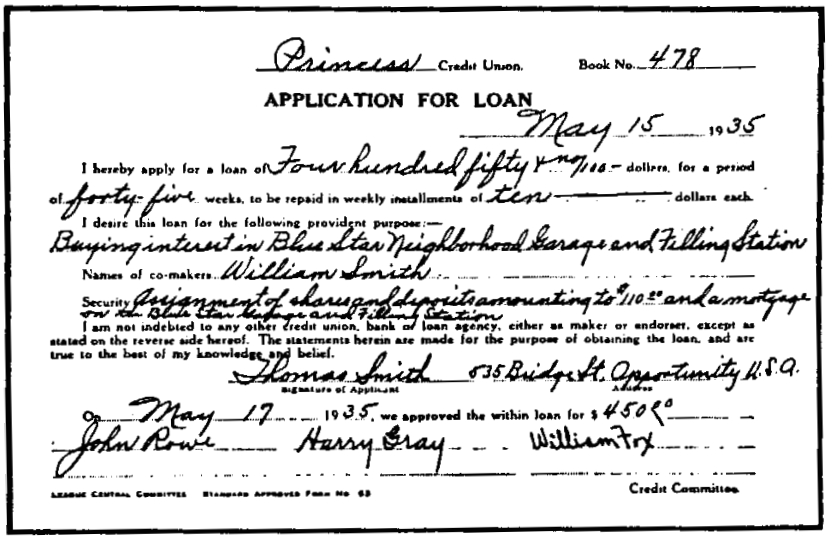
DATE 1935	CHECK NO.	NAME	BOOK NO.	SHARES DR.	DEPOSITS DR.	LOANS DR.	REBATE INTEREST	MISCELLANEOUS ITEMS DEBITS	MISCELLANEOUS ITEMS ACCOUNT DR. OR CR.	MISCELLANEOUS ITEMS CREDITS	LOANS CR.	INTEREST REC'D CR.	TOTAL CASH DISB'D CR.
5-17	#426	Smith, Thomas	478			$50.00							$50.00

taker; a loan to enable the member to pay for education, to shingle his house or pay his taxes or any other of the usual thousand and one credit union purposes, let us assume the following circumstance.

About this time Tommy had his golden opportunity. In Tommy's neighborhood was a garage in which he kept his ancient flivver; Tommy's younger brother, Bill, was a good automobile mechanic and worked at the garage and knew the business; the man who owned it got the Florida fever and offered the garage to Bill at a ridiculously low price, and Tommy and Bill put their heads together to see whether or not they could swing it for a quick buy; Tommy began to think of the credit union in terms of credit.

Tommy then went into a series of executive sessions—first with his brother and then with Pat Cooley who owned the garage, and finally with the Treasurer of the Princess Credit Union. From his brother he found that Bill hadn't been spending every cent he earned and that he had $350 tucked away in a safe place. After many sessions with Mr. Cooley, which involved much bargaining, a due amount of bluffing, a very careful examination of books and appraisal of stock on hand, business prospects, tools, machinery, leases and other matters having to do with the past, present and possible future of the "Blue Star Neighborhood Garage and Filling Station—We Never Close"—Tommy finally wore Cooley out. Time was pressing. Cooley had a chance to go overland to Florida with friends and the day of departure was drawing nigh and, while his lowest original asking price was $1500, of which half must be cash money, yet he got down to $800 "all cash money" before Tommy decided he had reached rock bottom.

Then Tommy came to see me in my official capacity as Treasurer of the Princess Credit Union. He stated his needs—"A loan of $450 secured by an assignment of shares and deposits—now totalling slightly over $100—and a joint note signed by both Tommy and Bill and secured further by a mortgage on the garage, the note payable $40 a month.



Princess Credit Union. Book No. 478

APPLICATION FOR LOAN

May 15 1935

I hereby apply for a loan of Four hundred fifty & no/100 dollars, for a period of forty-five weeks, to be repaid in weekly installments of ten dollars each.

I desire this loan for the following provident purpose:—
Buying interest in Blue Star Neighborhood Garage and Filling Station

Names of co-makers William Smith

Security Assignment of shares and deposits amounting to $110.00 and a mortgage on the Blue Star Garage and Filling Station

I am not indebted to any other credit union, bank or loan agency, either as maker or endorser, except as stated on the reverse side hereof. The statements herein are made for the purpose of obtaining the loan, and are true to the best of my knowledge and belief.

Thomas Smith 035 Bridge St. Opportunity U.S.A.
Signature of Applicant Address

On May 17 1935 we approved the within loan for $450.00

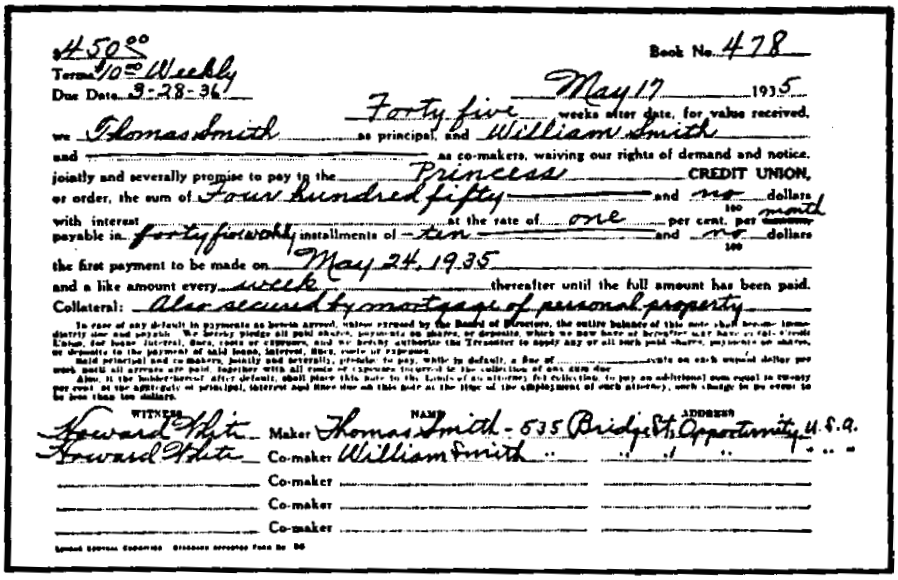
John Rowe Harry Gray William Fox

Credit Committee

LEAGUE CENTRAL COMMITTEE STANDARD APPROVED FORM No. 63

LOAN APPLICATION—STATE

I got the Credit Committee together. First, they took Tommy into account. As before indicated in this article, Tommy had a good job—as foreman of the box factory. He was drawing down $48 each and every week and, since starting his first share account, had proved a steady saver who was constantly increasing his weekly saving. The credit committee knew Tommy pretty well. I had pointed out to him that our credit union prefers to operate in accordance with standard credit union practice which requires that all loans be repaid on a weekly basis, pay day in his case. He agreed to amend his request to cover weekly payments at $10 per week. He'd been with the plant as long as any member of the Committee (and they were all "oldtimers"). Our credit committee has some little rules all their own. They don't like borrowers who spend money on liquor; they like good family men and they have a very accurate way of determining both whether the applicant should have a loan viewed from the standpoint of the use he is going to make of it and also from the equally important standpoint as to the probability of repayment.


$450.00
Terms 10.00 Weekly
Due Date 9-28-36
Book No. 478
May 17 1935
Forty five weeks after date, for value received,
we Thomas Smith as principal, and William Smith
and _____ as co-makers, waiving our rights of demand and notice,
jointly and severally promise to pay to the Princess CREDIT UNION,
or order, the sum of Four hundred fifty and no/100 dollars
with interest ____ at the rate of one per cent. per month
payable in forty five weekly installments of ten and no/100 dollars
the first payment to be made on May 24, 1935
and a like amount every week thereafter until the full amount has been paid.
Collateral: Also secured by mortgage of personal property

WITNESS NAME ADDRESS
Howard White Maker Thomas Smith 535 Bridge St. Opportunity, U.S.A.
Howard White Co-maker William Smith
Co-maker
Co-maker
Co-maker

NOTE—STATE

Saturday afternoon they made a visit to the garage and looked the field over; they figured where the nearest other garage was located and the automobile needs of that particular neighborhood. They didn't give Cooley too much encouragement that they thought the garage a good buy but, when they got back to the works, they certainly warmed up to the proposition and I was authorized to let Tommy know he could go ahead.

At the time his application had been made, he had duly executed the usual form of application, which is reproduced on page 112 just as he filled it out. This had been submitted to the Credit Committee, and had come back to me properly approved. I then prepared a note which is also reproduced on this page and a mortgage, and instructed Tommy to bring Bill in so that the papers could be properly executed. At the time of signing the note, he assigned his shares. I saw to it that the bill of sale was properly drawn and that the garage, contents, etc., was duly transferred to Bill and Tommy. I felt that it might help a bit so I also had them draw a very simple

partnership agreement whereby the repayments of the loan were to come in the first instance out of the earnings of the garage.

Next, I entered the loan on Tommy's account card reproduced on page 109, and at the close of the day posted the amount of the disbursement from the check stub to Form B (see page 110). Meantime, I had made a due examination to be sure there were no mortgages on the garage and that Cooley owned it, and could give good title. The money was passed, and the "Blue Star Neighborhood Garage and Filling Station—We Never Close"—passed officially to the new proprietors.

Thus far we have carried Tommy through the various stages of credit union membership, first as a shareholder, then as a depositor, and finally as a borrower. Let us then detour a moment to summarize the bookkeeping involved in Tommy's account to this point:

BOOKKEEPING ROUTINE

The bookkeeping routine is as follows: (1) When Tommy applied for membership he filled out a membership card, bearing a serial number, which card was then duly filed alphabetically. (2) A deposit slip was made out for his original deposit, bearing his serial number. (3) A pass book was issued in which had been entered the payment of his entrance fee of twenty-five cents and the amount of his share payment. (4) At the close of the day's business the amount of Tommy's payments as indicated on the deposit slip (together with all similar items from other members) are posted in the receipt journal. (5) A member's account card is made out for Tommy from his deposit slip showing the exact entries to tally with those made in his pass book. These member account cards should be filed numerically. Monthly balances from the Journal are transferred to the General Ledger. The General Ledger balances are used in making up the monthly statement. The following routine covers Tommy's loan transaction.

(1) He applied for a loan by filling out a loan application which he handed to the treasurer. (2) The treasurer referred this loan application to the Credit Committee with his suggestions relative thereto. (3) The Credit Committee made an investigation, acted on the application, determined the security, approved the loan, and returned the application to the treasurer. (4) The treasurer prepared a note and all the papers incidental to the proper completion of the loan subject to the conditions determined by the Credit Committee, which papers the borrower executed. (5) The treasurer issued the check to the borrower and the proper entries were made in the borrower's pass book. (6) At the close of the day's business, the disbursement incidental to this loan as indicated on the check stub was posted to the cash disbursement journal along with other entries of the day's business. (7) The note and application, with all other papers pertaining to this loan, are fastened together and from them an entry is made to the borrower's ledger card after which the note and all supporting papers are filed numerically and the ledger card is returned to its proper place in the file.

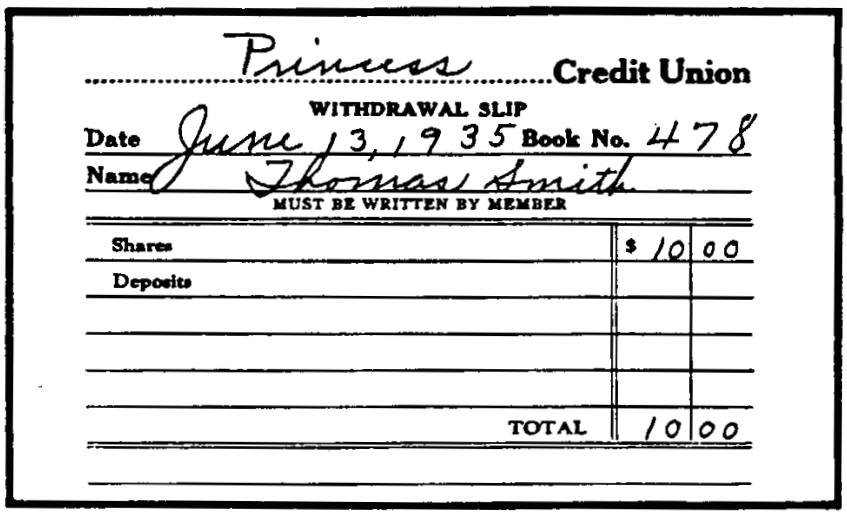
Incidentally, it is of the utmost importance that all credit unions have, as early as possible, some fireproof compartment for their important papers; it is advised that the credit union contact the Credit Union National Association relative to such equipment.

Let us resume with Tommy.

The next different point of contact Tommy had with the Princess Credit Union concerned a fine, imposed on him on the one and only occasion when he slipped up on the repayments on his garage loan. He was repaying, it will be remembered, at the rate of $10 a week and one week the check didn't came in on time. To quote Tommy: "I've got no alibi at all: if I've got one, I can't think of it. I just plain forgot it and you may be sure it won't happen again." It is to be recorded to Tommy's credit that it didn't happen again. Its pressing the story a bit to tell you that Tommy was elected, a few months

later, a Director of the Credit Union. Had he had a valid excuse for his lapse—sickness or the like—the Directors could have excused the fine; as it was, he was fined, according to the by-laws of the Princess Credit Union, at the rate of ½ of 1 per cent on the payment in arrears, or five cents which was entered in the cash receipt journal. This fine was paid by Tommy, entered on his pass book both of which have already been illustrated in this chapter.

Next, let us consider withdrawals. One day, Tommy came in and told me that he was short of cash but had more in his share account



Princess Credit Union

WITHDRAWAL SLIP

Date June 13, 1935 Book No. 478

Name Thomas Smith

MUST BE WRITTEN BY MEMBER

Shares	$ 10	00
Deposits		
TOTAL	10	00

WITHDRAWAL SLIP—STATE

than the then balance of the loan and would like to withdraw from the account the amount of the payment, in order to meet the loan installment then due. I found that his share account exceeded the loan balance by more than the required installment payment and advised Tommy to make out a withdrawal slip which he did (see illustration on this page). He presented this with the pass book in which I made the proper entry; I gave him a check in the amount of the withdrawal which he endorsed to the credit union to meet the payment due, making the payment with the usual deposit slip and

the proper entry being made in the pass book at the time. The withdrawal slip, covering the transaction, was posted at the close of the day to Tommy's ledger card and the withdrawal slip filed. A withdrawal of deposits would follow the same procedure. Incidentally, a member of a credit union who discontinues the process of accumulating his first share before it is fully paid in or who subsequently reduces his share account below $5 and, after a reasonable time in either case, indicates a disinclination to maintain in the credit union at least a single share, should be closed out, his balance paid to him and the account closed. It must always be recalled that the primary purpose of credit union operation is to make consistent and persistent savers out of its members.

At this time, the question came up in our credit union as to whether or not we should encourage Tommy and our other members to save any more because we were at the time laboring under the delusion that we had reached the saturation point in small loans for our group. We further had several large accounts and had been able to pay consistently a 6½ per cent dividend and were fearful that we might be obliged to reduce dividends if more money accumulated than we had loan demand for. We snapped out of that delusion as a result, first, of an inquiry we made into the installment buying being done by our members. As soon as we appreciated the total of installment purchases made by our members in a year and had made sufficient analyses to prove to our complete satisfaction that most of these problems we could solve at great savings to our members by encouraging them to borrow from the credit union that they might become cash as distinguished from installment buyers of things, this problem was solved.

We haven't enough money to take care of our normal business nor has any other credit union in the United States which comprehends what its real business is. Then, (it was Tommy who first pointed it out after he had become a Director) we woke up to the fact that a credit union is a *credit union* and not an *investment union; it does not exist for the purpose of*

paying an abnormally high dividend to the relatively few members who have in the credit union exceptionally large sums of money.

It is, of course, absurd for a credit union to limit the savings of its members. Dividends are of relatively small importance; assume for a moment that a member has saved $200 in a credit union on which he is receiving dividends at 6 per cent; assume that he is encouraged to keep right on saving even though the dividend rate must be lowered. If he saves $400 on which he is receiving 5 per cent at the end of the year, he has $420 to his credit; if he is limited in his savings to $200 and the dividend rate is kept at 6 per cent, he has at the end of the year $212. *Our job in the credit union is to assist the member to save to the extreme limit of his capacity to save.* This subject will be found discussed in various other parts of this book.

There are a few details of the bookkeeping system which have to do with Tommy's remaining items of business with the credit union; they divide into (1) a consideration of the interest rate charged by the credit union; (2) the determination of interest on his deposits in the credit union and (3) the way and manner of determining the annual dividend. Finally, we shall discuss (4) the preparation of the monthly statement.

LOAN INTEREST RATE

Practically all credit union state laws and the Federal statute limit the interest rate which may be charged on loans to one per cent a month on unpaid balances. Massachusetts provides that the interest rate must be "reasonable" which has generally been interpreted as not to exceed the limit of one per cent a month on balances. Incidentally, one per cent a month on balances is considered in credit union circles to be a very high rate and every credit union should seek diligently to reduce this rate and to maintain only such rate as is consistent with fair dividends. Here again, we must remember that we are dealing with *credit* unions and not with *investment* unions.

Further, there are a few considerations which have to do with this rate. (1) It is the outside rate limitation; that is, the maximum cost of the loan. Under no circumstances is it to be built up by examination or paper fees, by charges for "investigation," etc. I recall a loans agency of the better class which advertises that it makes loans "at 6 per cent." What does it do? It discounts 6 per cent on loans repayable weekly which is a true 12 per cent; it discounts a service charge of 2 per cent. It has an investigation fee and an insurance charge (as a matter of fact I am informed that this particular agency makes the largest proportional profit out of this business of term insurance on the lives of its borrowers) and the whole cost of the loan to the borrower is a true 22 per cent. There is an ancient adage to the effect that "a rose by any other name will smell as sweet" which might be paraphrased to read "The cost of loans service, by whatever name, is interest." *We believe that in credit unions there should be but one charge for loans service, that that charge should be interest and that the interest should never exceed a true rate of one per cent a month on unpaid balances.* May I repeat again that the credit union should not stress dividends; the earlier Raiffeisen credit unions charged 4 per cent interest on loans and paid no dividends at all, all of the net earnings being set aside as surplus.

It is the general practice of loan offices to refrain always from talking in terms of real interest. I have listened to their radio programs and have read much of their advertising; they will talk of "legal rates" and of "moderate rates" etc., but the lender who is operating at 3½ per cent a month on balances is as disinclined to talk about 42 per cent interest as is a hen disinclined to go swimming. There will inevitably be a temptation in credit unions, particularly when funds are needed to pay dues in state leagues and in the National Association, to add small amounts of indirect charges for loans service, which inclination must be resolutely resisted. The credit union which charges the maximum at first should, as it progresses, decrease rates. That is fundamental. We should consider the one per

cent a month on balances (a true rate of 12 per cent) as a too high maximum and reduce it whenever possible.

DEPOSIT INTEREST AND DIVIDENDS

I have said in many meetings that money is very human— if most of us refrain from working we must automatically stop eating and money must be put to work if it is to pay any dividends. As a credit union is a real cooperative society all of the net earnings after taking care of reserve requirements come back to members as interest on their deposits and as dividends on their shares. Let us first consider deposit interest.

DEPOSIT INTEREST

As deposits may be made irregularly and in various amounts and bear interest monthly, payable quarterly or semi-annually as distinguished from dividends on shares payable annually, the member is apt to treat his share account as his more or less permanent savings account and his deposit account as his "come and go account." Therefore, the interest rate should be substantially less than the dividend rate. It is fixed by vote of the board of directors and, in the early days of the credit union before it has had any real operating experience, the interest rate should be established on a very conservative basis. I suggest 3 or 4 per cent and I suggest further that the rate never exceed 5 per cent. Interest is computed in the following manner.

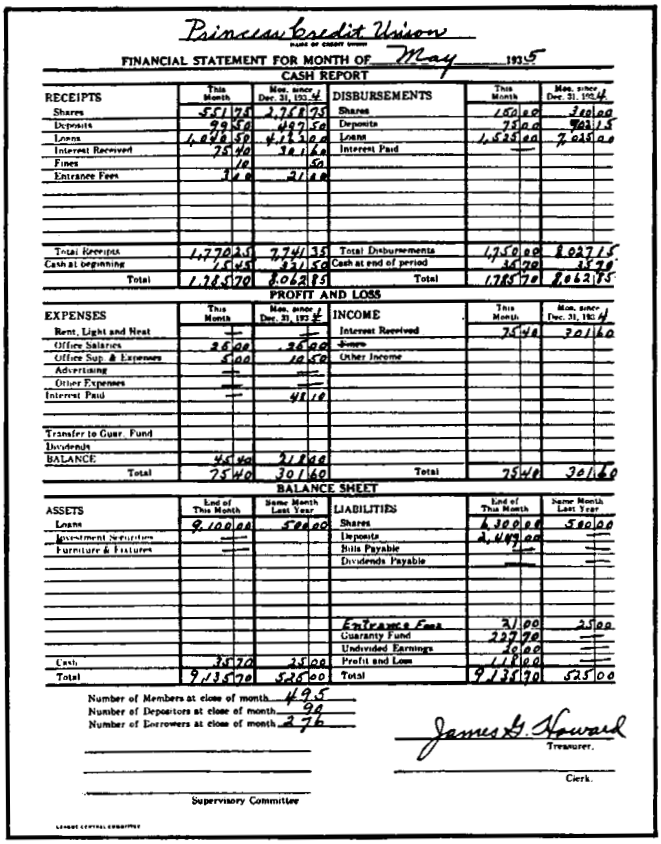
The treasurer, as hereinafter indicated, figures every three months the interest on the balance to the credit of the depositor. The depositor must be a member. The interest on each dollar on deposit at the close of the period is computed for the number of full months that dollar has been on deposit. The treasurer adds the interest to the member's deposit account and, when the member's book comes in, adds it to the book, being certain that the entry in the deposit account (ledger card) and the book agree. A method of figuring-interest which seems to work well is indicated on the Special

Interest Receipt sheets, which may be had upon request. The treasurer not only enters the interest item in the member's pass book and on the ledger card, but also enters the aggregate of such items in the general ledger through a journal entry and the total becomes in this manner a debit to Expense, interest paid account, in the general ledger, and a credit to the Deposits account. Instructions for computing interest on deposits can be obtained from the Credit Union National Association without charge. These instructions explain the use of the Special Interest Receipts sheets, Form 2A, or this may be handled as outlined in instructions for computing interest on deposits.

DIVIDEND PAYMENTS

Dividend payments are usually figured annually although some states permit the payment of semi-annual dividends. The rate of dividend is computed by the Directors (based, of course, on net earnings) just before the annual meeting, so that the dividend rate may be determined at the annual meeting. The plan followed is much the same as in determining interest except that the unit is $5, while the deposit unit for the purpose of figuring interest is $1. It is generally figured that when a member has paid in $5 (although it may be as payments on several shares and the payments may not have been completed as yet) he has a share for the purpose of figuring dividends, and this share commences to draw interest at the dividend rate on the first of the following month. The method of determining dividends, together with tables showing various dividend rates (which greatly short-cut the process of determining just what the dividend due the individual is) may be had on application to the Credit Union National Association, Raiffeisen House, Madison, Wisconsin.

The treasurer adds the dividends to the books or sends out dividend checks. The bookkeeping routine following the declaration of a dividend is very similar to that involved in the adding of deposit interest. It is an excellent general rule that



Princess Credit Union
(Name of Credit Union)

FINANCIAL STATEMENT FOR MONTH OF May 1935

CASH REPORT

RECEIPTS	This Month	Mos. since Dec. 31, 1934	DISBURSEMENTS	This Month	Mos. since Dec. 31, 1934
Shares	551 75	2,758 75	Shares	100 00	200 00
Deposits	99 50	497 50	Deposits	75 00	802 15
Loans	1,048 50	4,183 00	Loans	1,525 00	7,025 00
Interest Received	75 40	301 60	Interest Paid	—	
Fines	10	50			
Entrance Fees	3 00	21 00			
Total Receipts	1,770 25	7,741 35	Total Disbursements	1,750 00	8,027 15
Cash at beginning	15 45	321 50	Cash at end of period	36 70	35 20
Total	1,785 70	8,062 85	Total	1,785 70	8,062 85

PROFIT AND LOSS

EXPENSES	This Month	Mos. since Dec. 31, 1934	INCOME	This Month	Mos. since Dec. 31, 1934
Rent, Light and Heat	—	—	Interest Received	75 40	301 60
Office Salaries	25 00	25 00	Fines		
Office Sup. & Expenses	5 00	10 50	Other Income		
Advertising	—	—			
Other Expenses	—	—			
Interest Paid	—	48 10			
Transfer to Guar. Fund					
Dividends					
BALANCE	45 40	218 00			
Total	75 40	301 60	Total	75 40	301 60

BALANCE SHEET

ASSETS	End of This Month	Same Month Last Year	LIABILITIES	End of This Month	Same Month Last Year
Loans	9,100 00	500 00	Shares	6,300 00	500 00
Investment Securities	—		Deposits	2,449 00	—
Furniture & Fixtures	—		Bills Payable	—	—
			Dividends Payable	—	—
			Entrance Fees	21 00	25 00
			Guaranty Fund	227 70	—
			Undivided Earnings	20 00	—
Cash	35 70	25 00	Profit and Loss	118 00	—
Total	9,135 70	525 00	Total	9,135 70	525 00

Number of Members at close of month 495
Number of Depositors at close of month 99
Number of Borrowers at close of month 276

James G. Howard
Treasurer.

Clerk.

Supervisory Committee

MONTHLY STATEMENT—STATE

whenever the treasurer is in doubt in any matter of interpretation the doubt should be resolved in such way and manner as is for the best interests of the member involved.

THE MONTHLY STATEMENT

The Monthly Statement must be posted in a conspicuous place in the office of the credit union at the end of each month

and remain there until replaced with the Monthly Statement for the next month. This practice is of the utmost importance and should be religiously observed. Its purpose is to enable any member at any time to fully acquaint himself with the then condition of the credit union. The statement should, therefore, be simple enough so that it *will* acquaint the member with the information he requires in order that he may know the progress, if any, which the credit union is making. The statement must be signed by the treasurer and approved by a majority of the members of the supervisory (auditing) committee. There are two forms of monthly statement in use, one form 57 which is in fact a trial balance and the other form which is illustrated herein and is strongly recommended to all credit unions because it will most simply and accurately inform the interested member of the condition of his credit union.

MISCELLANEOUS

The General Ledger (herein called the control ledger) is a simple three-column bound volume, showing debits, credits, and balance accounts as herein illustrated. Blanks are available covering records of both the Credit Committee (Form No. 71) and the Supervisory Committee (Form No. 70) and these minutes should be carefully kept. There is practically no difficulty which can befall a credit union if the supervisory committee makes the quarterly audits (these audits are sometimes required monthly), and the examination of the credit union accounts provided by the credit union laws is made efficiently by the supervisory department. The accurate keeping of records of both committees is of the utmost importance. Signatures to notes must be witnessed. In practically all of the states, the fiscal year of the credit unions ends with the calendar year (in Massachusetts, however, it ends October 31*) and the annual meeting comes, therefore, generally sometime during the third week of January. It is generally provided that 20 per cent of the net earnings shall be

*In Florida and New Hampshire, June 30.

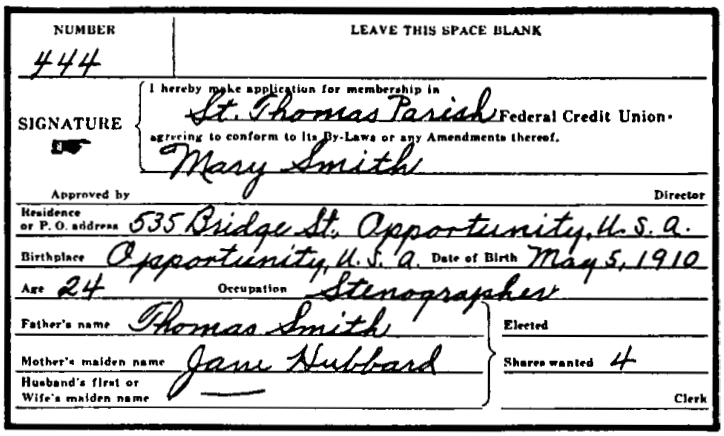
set aside to the guaranty or reserve funds. Net earnings are determined by subtracting from gross earnings the operating costs, including deposit interest. After 20 per cent of this balance has been set aside to the reserve fund the balance is divided in dividends. It is also an excellent plan to set aside an undivided earnings account, particularly in a year when collections have been difficult and there are an abnormal number of slow accounts; in Massachusetts, in fact, such a reserve fund against slow loans is compulsory.

All credit unions should maintain close and cooperative relationship with the state or federal supervisory departments. This involves particularly having all books always in such shape as to expedite easy examination, and a prompt response to all requests for special information, reports, etc. All credit union treasurers should remember at all times that practically all possible accounting problems have come up at some time or other in the operating experience of thousands of credit unions. Your problem has been solved long before it existed. You should contact credit union treasurers frequently in your vicinity, your State League and local chapter and, if no other source of helpful contact is available, the Credit Union National Association, Raiffeisen House, Madison, Wisconsin.

THE FEDERAL BOOKKEEPING PRIMER

Let us next consider the bookkeeping which is incidental to the operation of a credit union in accordance with the standard forms adopted for Federal credit unions. The differences between the state and the Federal law have already been elsewhere explained. Just as the laws are very similar in all essential details, so the bookkeeping systems have a very strong family resemblance. In this connection, it is interesting that in some of the major industrial units which now have a spread of credit unions over many states some of the credit unions operate under the Federal law and the balance of them under the forty-one state laws, no two of which are identical; their operating experience is, however, practically identical.

The Federal forms are handled by the Supply Department of the Credit Union National Association. The Treasurer of a Federal credit union is the general manager. He is the bookkeeper too. It will be hard for him to realize at first that his work as general manager is much more complicated than his work as bookkeeper. One reason for this is that the accounting forms and the accounting practice laid down by the Governor of the Farm Credit Administration are both very simple. As the Federal forms, are, however, somewhat different in form from the state forms I will follow again a typical credit union


NUMBER 444

LEAVE THIS SPACE BLANK

SIGNATURE

I hereby make application for membership in St. Thomas Parish Federal Credit Union, agreeing to conform to its By-Laws or any Amendments thereof.

Mary Smith

Approved by

Director

Residence or P. O. address 535 Bridge St. Opportunity, U. S. A.

Birthplace Opportunity, U. S. A. Date of Birth May 5, 1910

Age 24 Occupation Stenographer

Father's name Thomas Smith

Mother's maiden name Jane Hubbard

Husband's first or Wife's maiden name —

Elected

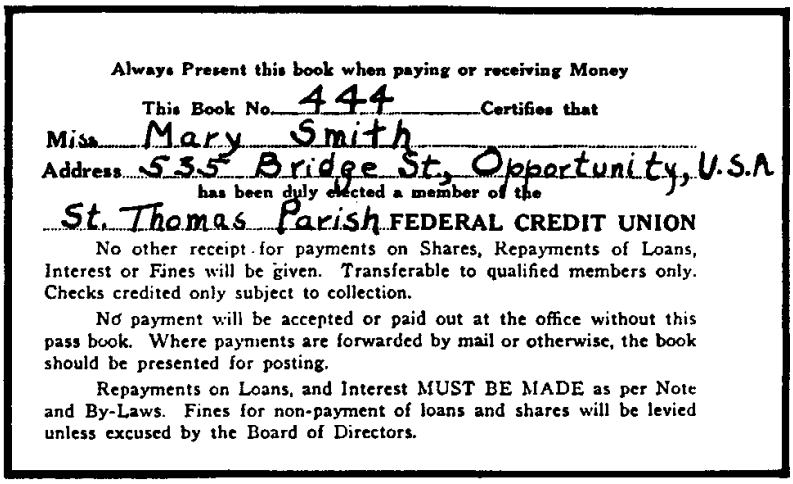
Shares wanted 4

Clerk

APPLICATION CARD—FEDERAL

member through the various transactions incidental to operating a credit union which has been organized in accordance with the provisions of the Federal credit union law and which operates under the supervision of the Farm Credit Administration.

Let us assume, by the way, that we have to do with Tommy's sister, Mary, who goes to the St. Thomas Church within which operates the St. Thomas Parish Federal Credit Union. There is the same variety of types of credit union organization under the Federal law as under the various State laws. It will be noted at the outset that the official title of a credit union operating under the Federal law is a Federal Credit Union, the



Always Present this book when paying or receiving Money

This Book No. 444 Certifies that

Miss Mary Smith

Address 555 Bridge St, Opportunity, U.S.A

has been duly elected a member of the

St. Thomas Parish FEDERAL CREDIT UNION

No other receipt for payments on Shares, Repayments of Loans, Interest or Fines will be given. Transferable to qualified members only. Checks credited only subject to collection.

No payment will be accepted or paid out at the office without this pass book. Where payments are forwarded by mail or otherwise, the book should be presented for posting.

Repayments on Loans, and Interest MUST BE MADE as per Note and By-Laws. Fines for non-payment of loans and shares will be levied unless excused by the Board of Directors.

PASS BOOK—FEDERAL
Identification Page

three words being a part of the title of every credit union organized in accordance with the provisions of that law.

Mary presents herself at the credit union office (generally located in the parish house, the rectory or the basement of the church) and contacts the treasurer of the Federal credit union. She tells the treasurer that she wants to join the credit union. He informs her (just as he would if he were operating a credit union in accordance with the provisions of some state law) that shares have a par value of $5, payable in cash or at the rate of twenty-five cents a week per share and that an entrance fee (which becomes a part of the reserve fund) of twenty-five cents is paid on joining. She informs him that it is her desire to buy two shares and to pay cash for them and to start paying for two additional shares at the rate of twenty-five cents a week per share. He notes that her initial share payment is, therefore, to be $10.50, which, plus the entrance fee of twenty-five cents, makes a total initial payment of $10.75. She makes out an application for membership (as in a state credit union) copy of which is herein reproduced, just as she made it out. Her number in the credit union (in this

FARM CREDIT ADMINISTRATION
FORM CU-105

St. Thomas Parish
FEDERAL CREDIT UNION

CASH RECEIVED VOUCHER

BOOK NO. 444 DATE March 13 1935

RECEIVED FROM Mary Smith

SHARES	10	50
LOAN PRINCIPAL (NOTE NO.)		
LOAN INTEREST		
FINES		
ENTRANCE FEE		25
TOTAL	10	75

RECEIVED BY Jas. O'Reilly

CHECKS CREDITED SUBJECT TO COLLECTION

CASH RECEIVED VOUCHER

case 444) is immediately placed on the card and becomes her index number from that time on. Next, a deposit slip (form CU 105) is made out called in the Federal Credit Union, however, a "Cash Received Voucher,'' copy of which is also herein reproduced properly executed. A pass book (Form CU 107) is issued to her by the Treasurer, bearing her serial number. We also reproduce herewith the open pass book, with the proper entries contained therein. The treasurer next posts the entry on the cash receipt voucher to the Journal and

DATE	SHARES PAID IN	WITHDRAWN	BALANCE	FEES FINES	CASHIER
3-13-35	10 50		10 50	25	JOR
3-16	50		11 00		JOR
3-23	50		11 50		JOR
3-30	50		12 00		JOR
4-6	1 00		13 00		JOR
4-13	1 00		14 00		JOR
4-20	1 00		15 00		JOR
4-27	43 00		58 00		JOR
5-4	1 00		59 00		JOR
5-11	1 00		60 00		JOR
5-18	1 00		61 00		JOR
5-25	1 00		62 00		JOR
6-1	1 00		63 00		JOR

BOOK No. NAME

DATE	LOANS LOANED	REPAID	BALANCE	INTEREST	FINES	CASH
4-30-35	100 00					JOR
5-4		2 00	98 00			JOR
5-11		2 00	96 00			JOR
5-18		2 00	94 00			JOR
5-25		2 00	92 00			JOR
6-1		2 00	90 00	1 00		JOR
6-8		—				
6-15		4 00	86 00		05	JOR

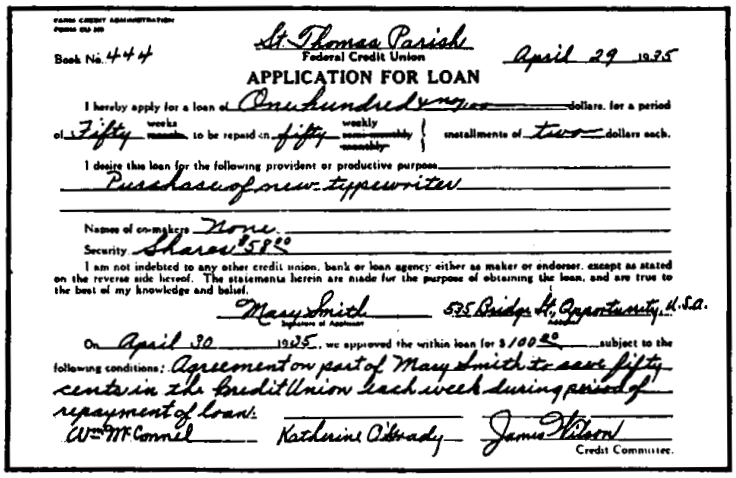
PASS BOOK—FEDERAL
Entries Posted on Facing Pages

Cash Record (Form CU 101) (also reproduced herewith); this may be done immediately or the cash receipt vouchers may accumulate and be posted by the treasurer at the end of the day, in which case one entry is made for the entire day's business. Also at the end of the day, the amount of Mary's share payment is posted from the cash received voucher to the individual share and loan ledger (Form CU 103). This form

is properly filled out and indicated subsequently on page 131.

This completes Mary's first transaction with the Federal credit union and she goes on her way, pass book in hand.

Incidentally, the treasurer makes daily deposits in the bank of deposit which has been designated at the first meeting of the board of directors. Mary continues to make her weekly payments of fifty cents, until her pay being substantially raised with the improving times, she increases the weekly payments to $1 a week. It will be noted, as basic principle of all credit



FARM CREDIT ADMINISTRATION
FORM CU 30

Book No. 444

St. Thomas Parish
Federal Credit Union

April 29 1935

APPLICATION FOR LOAN

I hereby apply for a loan of One hundred & no/100 dollars, for a period of Fifty weeks to be repaid in fifty weekly installments of two dollars each.

I desire this loan for the following provident or productive purpose
Purchase of new typewriter

Names of co-makers None

Security Shares $58.00

I am not indebted to any other credit union, bank or loan agency either as maker or endorser, except as stated on the reverse side hereof. The statements herein are made for the purpose of obtaining the loan, and are true to the best of my knowledge and belief.

Mary Smith
Signature of Applicant

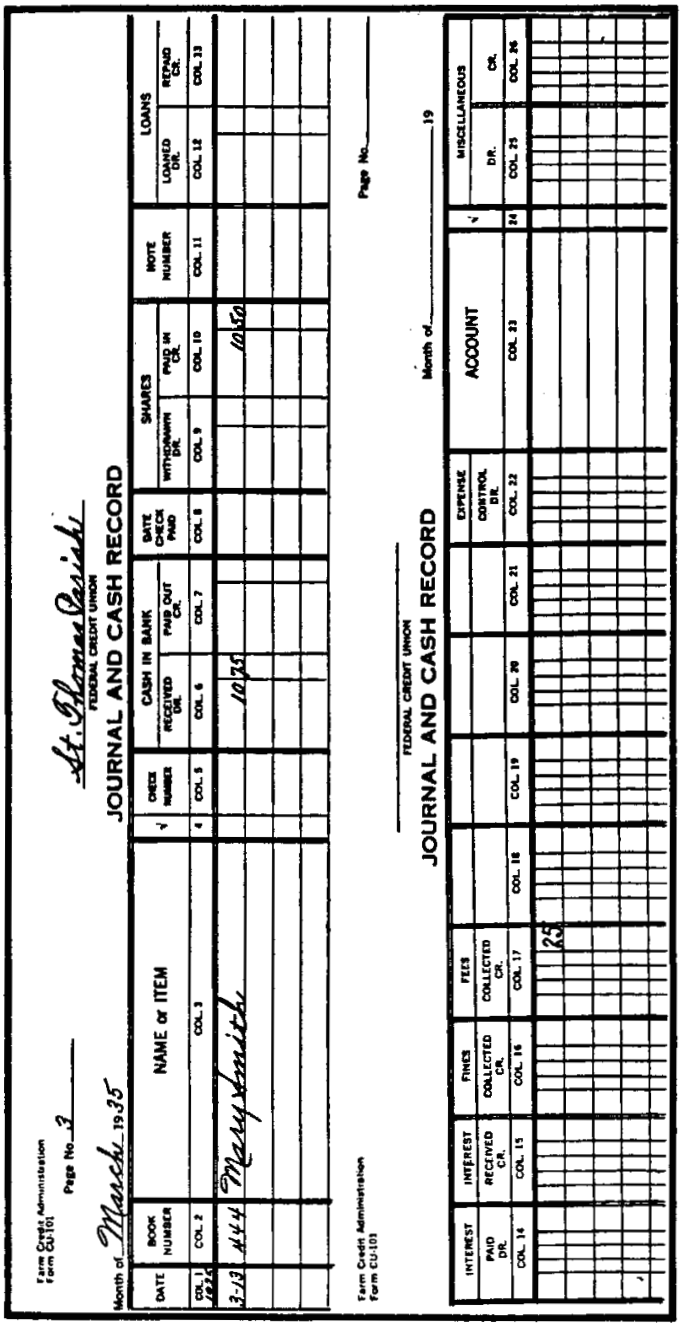
535 Bridge St., Opportunity, U.S.A.
Address

On April 30 1935, we approved the within loan for $100.00 subject to the following conditions: Agreement on part of Mary Smith to save fifty cents in the Credit Union each week during period of repayment of loan.

Wm. McConnel Katherine O'Grady James Wilson
Credit Committee.

APPLICATION FOR LOAN—FEDERAL

union operations, that everything should be done to develop in the members the habit of saving; it is assumed that when her first share or shares are paid for, she will keep right on buying more shares; that when she can, she will increase her weekly payments; that when she acquires some idle funds, she will invest them in the credit union. The trick of the credit union is to teach the member in the process of saving $5 or $10, how to save $50 and then $100 and then $1000. The member should never be informed, therefore, as to just when his first share or shares are paid for. We are interested in credit unions that our members save appreciable amounts of



Farm Credit Administration
Form CU-101

Page No. 3

St. Thomas Parish

Month of March 19 35

FEDERAL CREDIT UNION

JOURNAL AND CASH RECORD

DATE	BOOK NUMBER	NAME or ITEM	√	CHECK NUMBER	CASH IN BANK: RECEIVED DR.	CASH IN BANK: PAID OUT CR.	DATE CHECK PAID	SHARES: WITHDRAWN DR.	SHARES: PAID IN CR.	NOTE NUMBER	LOANS: LOANED DR.	LOANS: REPAID CR.
COL. 1	COL. 2	COL. 3		4	COL. 5	COL. 6	COL. 7	COL. 8	COL. 9	COL. 10	COL. 11	COL. 12	COL. 13
1935 3-13	444	Mary Smith				10 75				10 50			

Page No.

Farm Credit Administration
Form CU-101

FEDERAL CREDIT UNION

JOURNAL AND CASH RECORD

Month of 19

INTEREST: PAID DR.	INTEREST: RECEIVED CR.	FINES: COLLECTED CR.	FEES: COLLECTED CR.				EXPENSE: CONTROL DR.	ACCOUNT	√	MISCELLANEOUS: DR.	MISCELLANEOUS: CR.
COL. 14	COL. 15	COL. 16	COL. 17	COL. 18	COL. 19	COL. 20	COL. 21	COL. 22	COL. 23	24	COL. 25	COL. 26
			25									

JOURNAL AND CASH RECORD—FEDERAL

Farm Credit Administration
Form CU 103

St. Thomas Parish
FEDERAL CREDIT UNION

Book No. 444

INDIVIDUAL SHARE AND LOAN LEDGER

NAME Smith, Mary ADDRESS 535 Bridge St., Opportunity, U. S. A.

NOTE RECORD

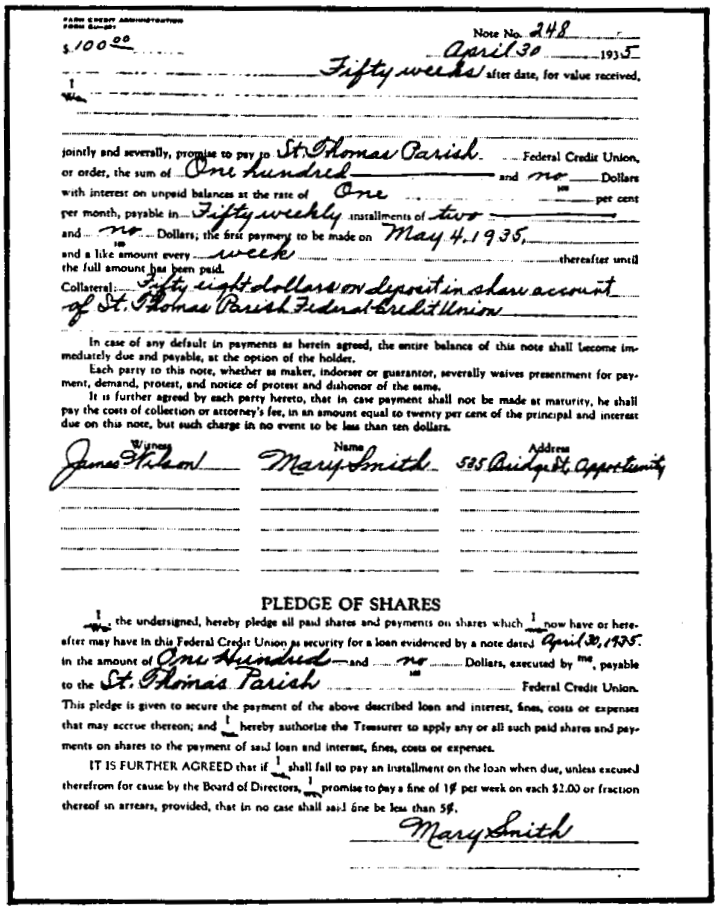
Date Loaned	Note No.	Amount	Date Loaned	Note No.	Amount
4-30-35	248	100 00			
Maturity Date 4-15-36	Date Paid in Full		Maturity Date	Date Paid in Full	
Terms of Repayment $2.00 Weekly			Terms of Repayment		
Date	Discounted or Pledged With	Date Withdrawn	Date	Discounted or Pledged With	Date Withdrawn

Liability Account of Endorsement Of Notes For Others

Date	Note No.	Book No.	Amount	Date Pd.

Date 1935	Post Ref.	SHARES LEDGER Paid In	Withdrawn	Balance	No.	Fines and Fees	LOANS LEDGER Note No.	Date Due 1935	Principal Due	Date Paid	Interest Paid	Principal Paid	Balance of Loan	ENDORSED BY Note No.	Book No.	Amount
3-13		10 50		10 50		25	248	Apr 30	New Loan				100 00			
3-16		50		11 00				May 4	2 00	5-4	—	2 00	98 00			
3-23		50		11 50				11	2 00	5-11	—	2 00	96 00			
3-30		50		12 00				18	2 00	5-18	—	2 00	94 00			
4-6		1 00		13 00				25	2 00	5-25	—	2 00	92 00			
4-13		1 00		14 00				June 1	2 00	6-1	1 00	2 00	90 00			
4-20		1 00		15 00				8	2 00							
4-27		43 00		58 00		05		15	2 00	6-15		4 00	86 00			

MEMBER'S ACCOUNT CARD—FEDERAL



FARM CREDIT ADMINISTRATION
FORM [illegible]

Note No. 248

$100.00 April 30 1935

Fifty weeks after date, for value received,

I/We

jointly and severally, promise to pay to St. Thomas Parish Federal Credit Union, or order, the sum of One hundred and no/100 Dollars with interest on unpaid balances at the rate of One per cent per month, payable in Fifty weekly installments of two and no/100 Dollars; the first payment to be made on May 4, 1935, and a like amount every week thereafter until the full amount has been paid.

Collateral: Fifty eight dollars on deposit in share account of St. Thomas Parish Federal Credit Union

In case of any default in payments as herein agreed, the entire balance of this note shall become immediately due and payable, at the option of the holder.

Each party to this note, whether as maker, indorser or guarantor, severally waives presentment for payment, demand, protest, and notice of protest and dishonor of the same.

It is further agreed by each party hereto, that in case payment shall not be made at maturity, he shall pay the costs of collection or attorney's fee, in an amount equal to twenty per cent of the principal and interest due on this note, but such charge in no event to be less than ten dollars.

Witness	Name	Address
James Wilson	Mary Smith	535 Bridge St. Opportunity

PLEDGE OF SHARES

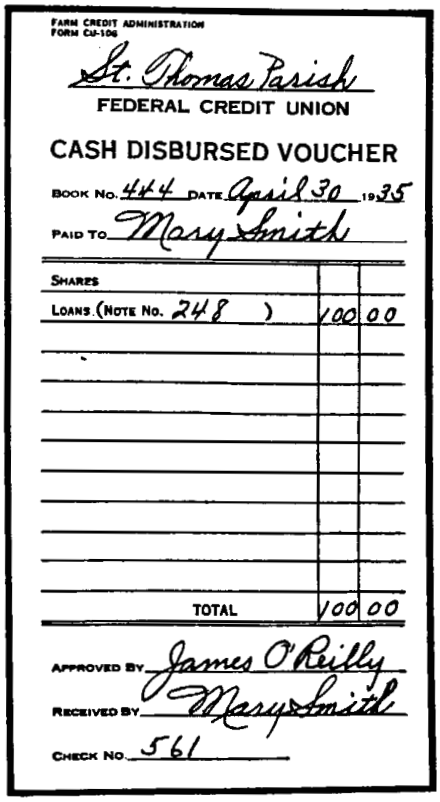
I/We, the undersigned, hereby pledge all paid shares and payments on shares which I/we now have or hereafter may have in this Federal Credit Union as security for a loan evidenced by a note dated April 30, 1935, in the amount of One Hundred and no/100 Dollars, executed by me, payable to the St. Thomas Parish Federal Credit Union. This pledge is given to secure the payment of the above described loan and interest, fines, costs or expenses that may accrue thereon; and I/we hereby authorize the Treasurer to apply any or all such paid shares and payments on shares to the payment of said loan and interest, fines, costs or expenses.

IT IS FURTHER AGREED that if I/we shall fail to pay an installment on the loan when due, unless excused therefrom for cause by the Board of Directors, I/we promise to pay a fine of 1¢ per week on each $2.00 or fraction thereof in arrears, provided, that in no case shall said fine be less than 5¢.

Mary Smith

NOTE—FEDERAL

money. Mary is by profession a stenographer and she found herself suddenly confronted with an exceptional opportunity to take over the business of a public stenographer in an excellent down town hotel. She desired to buy a typewriter for that purpose. She was confronted with various possibilities—to withdraw her savings as a substantial down payment on



FARM CREDIT ADMINISTRATION
FORM CU-106

St. Thomas Parish
FEDERAL CREDIT UNION

CASH DISBURSED VOUCHER

BOOK No. 444 DATE April 30 1935

PAID TO Mary Smith

SHARES		
LOANS (NOTE No. 248)	100	00
TOTAL	100	00

APPROVED BY James O'Reilly

RECEIVED BY Mary Smith

CHECK No. 561

CASH DISBURSED VOUCHER

the machine and to pay for the balance on the installment plan; or she could make an exceptionally good buy if she could pay cash. She consulted the treasurer of the credit union who advised her to borrow what she needed—$100—leaving her shares in as security (they now amounted to a total of $58). As the difference between what she needed, $100, and the balance of her share account now offered as collateral, $58, was less than $50, and the Federal Credit Union could make loans up to a maximum of $50, without security, the treasurer informed her that, if the Credit Committee was satisfied, they

would doubtless approve the loan of $100, unsecured except for the assignment of the shares.

She, therefore, executed an application for a loan of $100, offering her shares as security, using Application for Loan Form CU 200. This form is also reproduced, as executed by Mary and approved by the Credit Committee.

It is an interesting rule of all credit unions (whether operating under State or Federal law) that the approval of a loan must be unanimous on the part of the members of the Credit Committee considering it, which number must constitute a quorum.

With the approved loan application in hand, the treasurer made out the note (CU Form 201) which Mary signed, at the same time signing the pledge of shares attached to the note. (See note and share pledge, properly executed, reproduced herewith). Next the treasurer issued a check in the amount of the $100 (a check, as all credit union transactions must be evidenced by a check) payable to Mary, which check was, as is the invariable rule, signed by the treasurer and counter-signed by the president. At the same time Mary signs a Cash Disbursement Voucher (Form CU 106) which the treasurer has drawn. The treasurer next makes an entry in Mary's pass book, showing the date of the loan and the balance due the credit union. Subsequent payments on account by Mary are similarly entered. Mary bought the typewriter and it is interesting to note that now, in business for herself, she continued to use the credit union as her bank and that she accumulated eventually very appreciable sums in the credit union, preferring to continue her saving and to borrow from time to time for additional needs. Meantime, at the close of the day on which the check was issued to Mary for this loan, the treasurer posted the amount of the loan from the cash disbursed voucher to the debit side of the loan column (column 12) of the journal and cash record which has been already illustrated. Also at the close of the day, the amount of the loan is posted from the cash disbursed voucher to

Mary's individual share and loan ledger sheet, also as previously indicated.

We have now taken Mary through the various bookkeeping items incidental to joining, saving and borrowing. For the sake of completion, let us assume that she was at some time fined. The Federal law permits fines to be levied in such way as the by-laws may provide for failure to meet obligations to the credit union when due. It also provides that these fines, all entrance fees and 20 per cent of the net earnings each year shall be set aside to the Reserve Fund. There is developing a school of thought in the credit union which is adverse to fines, both from a bookkeeping viewpoint and also from the standpoint of fundamental credit union purpose. Many credit unions no longer charge fines for failure to make payments on shares when due and, as there has been some abuse of the fine provision of by-laws when applied to delinquent loan repayments, there is a possibility that developing credit union practice will drop all fines. When this is done, however, it should be either by eliminating fines in original by-laws or by amending by-laws so as to omit fines if in the by-laws of the individual credit union fines are provided.

Assuming, however, that Mary was at one time delinquent in a loan repayment and that she was subject to a fine, had she any legitimate excuse the board of directors could (and in the average credit union would) omit the fine. We assume, therefore, that she offered no excuse. We assume, further, that she was making repayment at the rate of $2 a week and that the fine rate in her credit union was the average rate of one half of one per cent a week on the amount in default, with a minimum of five cents. The fine is, therefore, five cents. She pays the next week $4.05. This payment she enters in her cash received voucher (deposit slip); next, it is entered in the appropriate column in her book. At the close of the day, it is posted with other items from the cash received voucher to the individual share and loan ledger in the designated column. It will be noted in the illustration that I have divided the card

with a black line—so as to illustrate the initial transaction first and all subsequent transactions thereafter. It is also posted at the same time from the cash received voucher to the journal and cash record which is again indicated appropriately in the reproduction of the form.

Incidentally, Mary has been paying interest on her loan in this fashion, the rate of interest being fixed by the board of directors at the rate of one per cent a month on unpaid balances. It will be noted that there again we have a difference of opinion among credit union treasurers. Some prefer to discount interest at the rate of 6 per cent per annum; while this is slightly higher than one per cent a month on balances, it has been generally interpreted to be within the limitations

St. Thomas Parish
FEDERAL CREDIT UNION
Ames National Bank — Ames — Iowa
(NAME OF BANK) (CITY) (STATE)

BANK RECONCILEMENT — DATE May 31 1935

BANK BALANCE PER BOOKS OF CREDIT UNION			BANK BALANCE PER BANK STATEMENT		
BALANCE PER BOOKS		35.45	BALANCE PER BANK STATEMENT		204.15
ADDITIONS: Items added by Bank but not yet entered on books of Credit Union. None			DEDUCTIONS. OUTSTANDING CHECKS		
			CHECK NO	AMOUNT	
			604	100.00	
			605	50.00	
			606	39.70	189.70
SUB TOTAL		35.45			
DEDUCTIONS: Items deducted by Bank but not yet entered on books of Credit Union.			SUB-TOTAL		14.45
Charge for blocking account	1.00		ADDITIONS: Items added by credit union but not yet entered on the Bank's records. Receipts of May 31st figured in bank for June 1st		20.00
TOTAL DEDUCTIONS	1.00	1.00			
ADJUSTED TOTAL		34.45	ADJUSTED TOTAL		34.45
			PREPARED BY		

BANK RECONCILEMENT—FEDERAL

established by the law. In this case the credit union charges one per cent a month on balances. It should also be noted that it is contrary to standard credit union practice to make any service charges, paper charges, or to attach any other cost to the loan service. In credit unions, we translate as interest the entire cost of the loan to the borrower and it is contrary to good practice and to most of the credit union laws to build up the interest rate by adding charges however designated.

This being the case, Mary has received at the outset the entire $100 and has repaid on her loan four successive payments of $2 each. She is now called upon to pay one per cent on the average unpaid balance during the month, this unpaid balance being less than $100, she pays less than $1 interest. At the end of the next four weeks' period she pays interest at the rate of one per cent on the average balance for that particular month. It should also be remembered that she may, on any day on which repayments of her loan would be received, pay on account any larger sum represented by any number of the installments, in which case the loan would be at the end of the month period that much smaller for the purpose of determining the interest the next month. Had interest been discounted, she would, if she paid the loan before it was due, receive a rebate of interest in accordance with the length of time she had had the money, counting full months. This interest is, of course, entered in appropriate columns in the cash receipt voucher, the pass book, and posted in the usual manner again in the appropriate columns to the journal and cash record and to the individual share and loan ledger. When the loan is paid in full, Mary receives back her note, noted as ''paid in full."

BANK STATEMENT

At the first of the month, the treasurer gets his bank statement from his bank, which statement must be reconciled with his ledger account, using bank reconcilement Form CU 108. (See illustration, page 136.)

Let us next consider the closing entries at the end of the month. At the close of each month, columns 6 to 22 on the journal and cash record are totalled and these totals are carried to their proper column and page of the general ledger and in the expense ledger (see illustrations). The treasurer designates as many pages as may be required in the general ledger as share account, another page loan account, another fines, another page entrance fees, etc. Incidentally, the treasurer has had some expenses. He has paid for bookkeeping forms, the dues of the credit union to the State League, for some incidental office supplies, for a scrublady who takes care of the office. Let us assume that he is going to make these payments all in one day and that they total $58, distributed as follows— bookkeeping forms $30, dues in the State League $15, incidental office supplies $5 and scrublady for one month $8. He must make out an individual cash disbursed voucher for each item for which he does not have an approved voucher and issue a check in every case which is delivered to the individual to whom the money is due. The cash disbursed voucher or the regularly approved voucher having been retained by the treasurer is posted to the journal and cash record in column 22.

THE CREDIT UNION BORROWS

We next assume that Christmas has resulted in heavier than usual withdrawals and that the Federal credit union has found it necessary to borrow from its bank. It should be noted that credit union treasurers learn when to anticipate heavy withdrawals—for vacations, Christmas, taxes, etc., and generally provide against such withdrawals by allowing funds to accumulate in advance thereof. However, a Federal credit union may borrow up to 50 per cent of its paid in and unimpaired capital and surplus and in this case the Federal credit union has decided to borrow $500. It is first necessary that the directors at a regular or special meeting, pass a resolution declaring the borrowing of a certain sum to be desirable and authorizing the treasurer and the president to negotiate the

loan. If the bank agrees to make the loan, a note is executed generally by the president and treasurer for and in behalf of the credit union. Assume that the treasurer now has in hand the proceeds of the note, $500. He makes out a cash received voucher, deposits the money in the checking account in the bank and posts the item entered on the cash received voucher to the journal and cash record. Assume that at the end of the ninety days for which the loan was negotiated the credit union renews the loan and the interest, not having been discounted, amounts to three months interest at 4 per cent, and $5 is due. The treasurer pays it with a check in that amount payable to the bank, first having executed a cash disbursed voucher in that amount. The usual bookkeeping routine follows. The treasurer should now take off the balance shown on the share account of each member's page in the individual share and loan ledger, in this way obtaining a total of the amount on deposit in the share account of the credit union; this total should agree with the credit balance shown on the page designated "shares" in the general ledger. This same procedure should be followed as regards the loan account (see illustration).

MONTHLY STATEMENT

It is general credit union practice, provided in all laws, that at the end of each month the treasurer shall post in the office of the credit union a statement showing the then financial condition of the credit union, which statement must be signed by the treasurer and subscribed by at least a majority of the supervisory committee and must remain posted until the next month's statement replaces it. This statement is called (in the Federal forms) Financial and Statistical Report, Form CU 109. It is illustrated herein for a typical month. It will be noted that most of these items on this report are self-explanatory, but for the information of credit union treasurers not acquainted with bookkeeping practice (most credit union treasurers have not had prior bookkeeping experience) it

FARM CREDIT ADMINISTRATION
Form CU-100

St. Thomas Parish Federal Credit Union
FEDERAL CREDIT UNION

FINANCIAL and STATISTICAL REPORT For Month of May 1935

BALANCE SHEET

ASSETS	END OF THIS MONTH	SAME MONTH LAST YEAR	LIABILITIES	END OF THIS MONTH	SAME MONTH LAST YEAR
Loans	81,916.91	70,465.86	Accounts Payable	—	
Cash in Banks	3,025.45	3,251.24	Notes Payable	—	
Petty Cash Fund	—				
*U. S. Bonds (Par $)	—				
Other Bonds (Par $)	—		Dividends Authorized	—	
Furniture and Fixtures (Net)	—				
			Shares	74,285.14	63,211.43
			Reserve for Bad Loans	6,757.50	6,757.50
			Undivided Profits	1,589.17	1,589.17
			Profit and Loss	2,261.55	2,150.00
TOTAL	85,001.36	73,716.10	TOTAL	85,001.36	73,716.10

STATEMENT OF INCOME AND EXPENSE

EXPENSES	THIS MONTH	THIS YEAR TO DATE	INCOME	THIS MONTH	THIS YEAR TO DATE
Interest Paid on Borrowed Money	—		Interest on Loans	674.84	2,930.08
Officers Salaries	—		Entrance Fees	9.50	30.00
Other Salaries	100.00	500.00	Fines	.10	.60
Stationery and Supplies	14.92	26.50	Interest on Bonds	—	—
Rent, Heat and Light	—	—			
Advertising	—	—			
Communications	—	—			
Misc. General Expense Dues	50.00	100.00	Other Income	34.57	34.57
Trans. to Reserve for Bad Loans	—	—			
Balance (Profit)	354.09	2,362.55	Balance (Loss)		
TOTAL	519.01	2,995.05	TOTAL	519.01	2,995.05

STATISTICAL REPORT

LOANS	NO.	AMOUNT	SHARES AND MEMBERS		
Made this Month	117	9,435.00	Paid in on Shares this Month	$	2,212.00
Repaid this Month (Amt. Only)	xxx	10,105.00	Withdrawn on Shares this Month	$	61.00
In Force at End of Month	851	81,916.91	Total Paid in on Shares Since Organization	$	114,335.14
Total Loaned Since Organization	9,156	96,124.00	Total Withdrawn on Shares Since Organization	$	44,050.00
Loans Delinquent					
(A) One Month or Less	7		New Members this Month	No.	38
(B) One to Two Months	3		Total Members end of Month	No.	1,636
(C) Two Months or Over	—	—	Total Members Since Organization	No.	1,701
Charged off this Month	—	—			
Charged off Since Organization	1	46.00			

*U. S. Government obligations, direct and fully guaranteed.

T. J. McKenna
D. A. Smith
E. A. Martin
Supervisory Committee

James O'Reilly
Treasurer

MONTHLY STATEMENT—FEDERAL

should be noted that the items, set forth on this report, are simply the balances shown at the end of the month on similar accounts in the general ledger. Also, for the information of such treasurers, it should be noted that although a "statement of income and expense" is set forth on this sheet, this does not mean that the books of the credit union are closed to the

profit and loss account each month. The books are customarily closed in this fashion only annually. The information called for under "Statistical Report" at the bottom of this page can also be obtained from the proper accounts in the general ledger. For example, under the heading "loans" opposite the subtitle "made this month" should be entered the items shown in the debit column of the loan account in the general ledger. Under the title "Shares and Members" opposite the sub-title "Paid in on shares this Month" should be entered the items shown in the credit column of the share account of the general ledger.

There is a form for reports by the Credit Committee, copy of which may be had from the National Association on request. The form of Supervisory Report used by Federal Credit Unions is so good that the copy of it is reproduced herewith. If all credit union supervisory committees (both state and Federal) used this form conscientiously there would be hardly any need for more formal credit union audits.

FEDERAL CREDIT UNION

Supervisory Committee Audit Report
for the ……period ending……19....

The records, accounts and securities of this Federal Credit Union were examined and found to be in the condition as indicatecl below.

CASH

1. Was cash deposited only in banks which were members of the Federal Deposit Insurance Fund?
2. Was the Cash in Bank account reconciled and found to be in agreement with the bank statement after outstanding checks and other similar adjustments had been considered?
3. Was the petty cash counted and found to agree with the Petty Cash account as reflected in the General Ledger?
4. Was it determined that cash disbursements were supported by properly executed Cash Disbursement Vouchers or in-

voices? Approximately what percentage of disbursements was examined?

5. Was it determined that cash disbursements had been correctly entered in the Journal and Cash Record?
   Approximately what percentage of the entries was examined?
6. Were the Cash Received Vouchers compared with a list of bank deposits to determine that cash received had been promptly deposited in the bank account?
   Approximately what percentage of the Cash Received Vouchers was so compared?
7. Were the Cash Received Vouchers compared with the entries in the Journal and Cash Record and found to be in agreement?
   Approximately what percentage of the entries was so compared?

LOANS

8. Were member's notes compared with the member's account as reflected in the individual Loan Ledger?
   Approximately what percentage of the notes was so compared?
9. Was a schedule of loans pledged prepared which was verified by the pledgee?
10. Is a schedule of loans delinquent for one month or longer attached hereto?
11. Were new loans made since the date of the last audit checked with the Credit Committee Minutes?

[FRONT]

GENERAL

12. Were bonds and securities owned by this Federal Credit Union examined and compared with the account balances as reflected in the General Ledger?
    If bonds and securities were held in trust, was a list prepared which was verified by the trustee?
13. Were Member's Account Books checked with the member's individual accounts as reflected in the Individual Share and Loan Ledger?
    Approximately what percentage of the Member's Account Books was checked?

14. Did the total of the share account balances as reflected in the Individual Share Ledger agree with the General Ledger account No. 310—Shares?
15. Did the total of the loan account balances as reflected in the Individual Loan Ledger agree with the General Ledger account No. 101—Loans?
16. Were the books posted up to date?
17. Did the last monthly Financial and Statistical Report agree with the records of this Federal Credit Union?
18. Were the records of Directors' meetings and Credit Committee meetings found to be written up to date?
19. Remarks:

Members of Committee Present

……

……

……

……

Chairman. Date of Examination……

[BACK]

CHAPTER VII

DUTIES OF THE OFFICERS

THE purpose of this chapter is to discuss the functions of various departments of government of a credit union which, with the treasurer, constitute the motive force.

THE DIRECTORS

The directors of a credit union are important; they should be active, alert men who will direct in fact. I have seen so many directors of this and that who do nothing but attend a fair quota of the meetings, voting as the majority votes and rarely contributing anything to the board of which they are members. The credit union practice is to permit the board of directors to remove one of their members who for a stated minimum period (generally three meetings consecutively) has remained away from meetings without any excuse.

It would be a perfection of credit union practice to enforce this rule.

Further, the directors of a credit union are, at first, also the sales force; they should be willing to assist materially in the spread of knowledge of the credit union within the group served; they should go out after members; they are responsible for the direction of the credit union and that involves seeing to it that the membership increases steadily until every member of the group eligible to membership belongs. I do not, therefore, belittle the board when I stress the credit and the auditing committee. Nor do I underestimate the extraordinary value of an active and intelligent credit union president when I note that the treasurer is the

spark plug on whom the success of the credit union in large measure depends.

THE PRESIDENT

I do not like presidents who are mere figure heads.

The president should be constantly on the alert to devise ways and means of furthering the best interests of his credit union. He should keep informed as to the work of the credit and the auditing committee. He should assist the treasurer; he should be ingenious in working out plans for increasing membership and the service of the credit union to the membership. He has been chosen because the originating members have faith in his diligence, his honesty, his good standing among his fellows, his willingness to make whatever sacrifice of time and effort may be necessary to get the credit union going and to keep it going. As I have noted elsewhere in this book, there is nothing miraculous about the credit union; it works in proportion to the amount of work put into it. *I know of nothing in human economic relationships which calls for more uncompensated hard labor in the beginning, for a greater capacity to overcome discouragements, for more faith and vision than the business of organizing and starting a credit union and bringing it through its baby stages.* I urge that those who are undertaking the formation of a credit union realize fully the sacrifices involved.

I use the word "compensated" however in its narrow, its meaner sense of money compensation. I honestly believe, from much credit union contact, that the average credit union officer is compensated richly for everything he does. I have heard Edward A. Filene, who has done more for credit union promotion in his generation in the world than has any other man in the United States or abroad, refer to himself as a "usurious money lender" because of the usurious interest in rich and lasting satisfactions which he has derived from his contribution—his very major contribution to the credit union development.

We are going to realize more clearly in the generations ahead that money compensation, compared with soul satisfaction, is a cheap imitation of the real thing. We enter an era of service and we have only to investigate ever so briefly the lives of the great men of all ages to appreciate that we have been most stupid nationally and internationally in the too long delayed appreciation of the simple fact that man came into this world to write the story of his life in service to his fellow man. *There is no true compensation for the trials and tribulations incidental to passing through this span of years called "life" except as one writes his own immortality in service, the good results of which live after him.*

Lincoln described money as ''a superfluity of the things no one wants"; I doubt that the reader of these lines could tell me who the richest man was in Lincoln's day, but it is inconceivable that anyone could read this book at any time at all in the life of America without knowing of the service which Lincoln rendered to his fellow men.

The credit union was born in suffering; it came in Germany as the result of the almost fanatical devotion of one man to the ideal which he had perfected of cooperative effort; in America it has come to meet a great pressing need, to correct major imperfections in our economic life which have been too long imperfect. Everyone connected with the process had made great sacrifice that the United States might be ready for rapid credit union development in this hour of acute need for cooperative banking.

But in spite of the importance of everyone else connected with the credit union, we are primarily dependent on the Credit Committee, the Supervisory Committee and the Treasurer for the success of our operations. Let us then look next to the Credit Committee.

CREDIT COMMITTEE

In most credit union laws (see chart for exceptions) the credit committee is elected by and from the members. It gen-

erally consists of three members and rarely has more than five members, the matter being determined in the by-laws at time of organization and depending somewhat on the possible spread of the credit union. If, for example, the credit union serves a group of employees spread over a considerable area, a larger committee may be desirable in order to make it possible to have members of the committee at certain central points for the purpose of taking local applications at that point and gathering the data which may be more easily done locally. This same result is sometimes obtained by having assistant treasurers who, at the various points, make collections, obtain local data for the credit committee, etc. While the committee generally has a fixed monthly meeting which is determined in the by-laws, it meets, as a matter of fact, frequently or otherwise depending on the loan applications and many times is called together to pass on emergency loans when the speed with which the loan may be consummated is the primary value of the service. Sometimes, the whole committee is elected annually (again depending on the by-laws) but more often the first committee, if of three members, is elected, one to serve for one year, one for two and one for three, with elections thereafter to three year terms.* This is the better plan as it avoids the complete reorganization of the committee annually. The members of the committee are unpaid.

ITS COMPOSITION

A word should be said about the composition of the Credit Committee. It should be fairly representative of the group served. If, for example, a majority of the prospective members of the credit union are women, the majority of the Credit Committee should be women.

If the credit union serves office and plant employees, the

*It is the general Federal practice to divide the Committee into two divisions, electing one for two year terms and the other for one year terms, establishing a two year term thereafter.

plant employees should be fairly represented; *the closer the Credit Committee to the average of the group served the better.* The business affairs of the credit union (and particularly the records of members as regards loans) are the private business affairs and records of the credit union. I recall a credit union treasurer whose job was seriously imperilled by his superior officer who requested the confidential records of the credit union for no reason which had anything to do with the business of the credit union. This treasurer stood by his guns and refused the information and to the credit of his boss it should be said that the boss finally agreed that the treasurer was right. The Credit Committee should have the respect of the membership.

It must be fairly representative of the membership and it must be very careful not to become a rubber stamp for the treasurer. *It is the treasurer's job to advise with the committee, but the responsibility incidental to passing on loans rests clearly and exclusively with the Committee.*

The process incidental to applying for a loan has been explained elsewhere. Let us follow the process through the Credit Committee. The data has been obtained by the treasurer; in many credit unions he is a sort of ex-officio member of the Committee and he is always available to advise with them. The Committee is now in session and has the application before it.

What should be the state of mind of the committee towards this particular application?

ITS ATTITUDE TOWARDS LOANS

To begin with, it must never be forgotten that the law limits the committee to loans which are for "provident or productive purposes." This is the law; it is not a matter of credit union practice or custom; it is not a rule of the by-laws or of the directors; it is not procedure adopted because it would he a sane and sensible credit union procedure. *It is the law.* A credit committee which violates this rule violates

the law; a credit union which permits this rule to be violated, violates the law. A member who borrows for what might be reasonably interpreted to be a provident purpose and who has lied about it and uses the money for some other purpose than that described in the application finds that, according to most credit union laws and to all credit union practice, his loan has become immediately a demand loan which must be immediately repaid.

It should be uniform credit union practice, after such a loan has been paid, to eject such a member from the credit union.

A credit union is a cooperative society; it is built on good faith; it is no place for a man who will lie on a loan application.

DEFINITION OF "PROVIDENT PURPOSE"—INSTALLMENT BUYING

The determination of what is a "provident" purpose is one of the most difficult questions in the whole credit union category. There is very little doubt as to the definition of the other word "productive"; that has mostly to do with rural credit unions and, broadly interpreted, means a loan the proceeds of which will be used in an effort to produce something useful. The word "provident" has been interpreted to mean a loan which promises, if made, a real benefit to the borrower.

Let us examine a few close cases.

I recall trying to illustrate the word "provident'' at an organization meeting one time and noting that "if the richest man in the world belonged to a credit union and he wanted to borrow $10 to send some flowers to a chorus girl and offered his note endorsed by the second richest man in the world such a loan would be illegal." Whereupon someone in the audience wanted to know whether such would be the fact if the chorus girl was his daughter and was sick in a hospital and longing for some violets. Such circumstances would doubtless have been taken into account. Assume a credit

committee has to do with some one of those innumerable fascinating devices which are constantly being called to everyone's attention by the most altitudinous methods of high-pressure salesmanship. These plans, by the way, have taken all the good words, the good thrift words including the word "thrift" itself—such words as "budget"—to disguise the fact that every such plan seeks to get the buyer to spend not only next week's pay check before he gets it but also to mortgage his pay checks for many months ahead. Our borrower wants to buy an iceless refrigerator, an automobile, a vacuum cleaner, a radio or what have you of the fascinating things which he is being constantly bedeviled to buy at $1 or so a week.

As we look at these things with the word "provident" in mind, we must bear in mind that there have been great economic changes in our world since we started the national credit union drive fourteen years ago. Then, many of the things which are rapidly coming within the category of necessities were luxuries. Take, for example, the motor car. It does not take a long memory to recall the time when an automobile (a very inferior automobile by modern standards) was a luxury within the general classification which includes steam yachts. Had one possessed in 1903 a Ford car of the virtues of the 1935 model (or a Chevrolet or Plymouth, to be impartial about it) he would have been the envied of all beholders. He would have been a very rich man indeed, because only a very rich man could have purchased such a luxury, had it been possible to produce it. But Mr. Ford made a profound discovery—to be compared fairly, I think, with the invention of the cotton gin when *he first appreciated that the desire to travel about is a universal desire;* that all sorts of people would enjoy the freedom of action incidental to the possession of personally controlled transportation. Most extraordinary of all discoveries, he also invented the theory that a profit of $10 on an article which can be sold to a million people produces a profit ten times a million dollars or ten million dollars and that that is more money than a

profit of $500 on an article which can only be sold to a thousand people. *He first discovered in a practical way, the science (for it really is a science) of mass production.*

In the process he developed a problem for our credit committees.

In similar fashion, advancing industrial science learned how to banish drudgery (and after all is said and done, there is no sense in needless drudgery); it banished the drudgery of a coal fire and endless ashes by combining the use of oil and electricity in the oil heater; it banished the broom which had been for so long almost a symbol of slavery for many housewives, by the invention of the vacuum cleaner; it made obsolete the old fashioned icechest which was always getting into a condition of icelessness on the hottest day of summer, and all of these discoveries were adding to the bother of our credit committees.

What then should be our attitude towards these things?

First, let us bear in mind that we are citizens of a country which depends for its very existence on industry. *We are vitally interested that all things devised for the use of man be brought to as general service as possible.* From our viewpoint we want every automobile factory to be working overtime; *we want the manufacturers of all of these things to have so much manufacturing to do that it will be for their best interests to keep up high standards of wages and to maintain such hours of labor as will leave to average men and women a fair opportunity to enjoy the things they create.*

And this can only be done as we average people in credit unions are able to buy these things.

If Mr. Ford quadrupled the price of his cars he would automatically close his factories; if all men and women who labor worked twelve hours a day, there would be no market for automobiles at any price because the average of us couldn't use them. *Industry has a major stake (whether they understand it or not) in bringing its product within average reach and in keeping up wages and keeping down hours of*

labor so that employees can buy and enjoy things. And we in credit union credit committees have a great obligation to perform—to do our share to keep the wheels of industry turning by making it possible for credit union members to use their credit unions to acquire the things they need.

CAREFUL BUT NOT TOO CONSERVATIVE

Further, we, in credit committees, must bear in mind that credit is a service tool; we become in many credit unions too conservative; we incline, particularly when the assets begin to be appreciable, to get alarmed and to deny credit where credit can be safely extended. I recall a friendly bank commissioner who said, commenting on a statement by a credit union treasurer that his credit union had done a half million dollars of business without any losses, "Probably your credit union isn't much use to its members; it is nothing to boast about that you have had no losses, for that very fact means that you are, in many cases probably, denying credit where credit should be extended."

I do not mean that credit committees should be careless.

I mean that they should first scrutinize the purpose of the loan from the viewpoint of the year 1935, realizing that our industry cannot drag us out of this depression unless there is a market for the things which it can produce. When scrutinizing the purpose, we must take into consideration the borrower; the applicant for credit who has a wife and eight children and is struggling to pay a debt due to a hospital for an important operation on one of them obviously cannot do some of the things an applicant may do who has no dependents and is not in debt. And in the business of buying automobiles, there are automobiles and automobiles and the matter of upkeep of an automobile is many times more important than the original asking price. An applicant would buy a new car in the low price field, a car which has never left the showroom but which is offered at a substantial discount because it is time to make room for new models and

the old cars must be sold. Another applicant for credit, who has about the same income, and the same obligations, would buy a very expensive 1928 model which looks like a million dollars and has been driven almost a million miles. The credit committee must consider these things; *it must not help a man to do to himself what will ultimately be an injury.*

Our big job in these matters is to save the member from the high cost of installment credit. *If the thing the applicant wants to buy is a good thing for him to buy and if his other obligations, his job and his prospects of holding onto it warrant going into debt for this thing, in about 99 cases out of 100, the cash price of the thing plus the cost of the credit union credit will be substantially less than the ultimate installment price of the same thing.*

It is the credit union's job to make cash buyers of things out of its members.

Nothing in my experience has caused me greater regret than to find an inclination on the part of some credit unions to limit savings when the treasurer has decided that the credit union has reached the saturation point in small loans. This is always based on a misunderstanding of the saturation point. Credit unions should take care of all the remedial loans required by their members. I mean by that, loans to care for sickness, death, the apparently unavoidable obstacles which confront us day by day, the ''rough spots in the road." Next, they should make any loans which can be properly made which help the member to improve his economic lot; loans for education, to build the needed garage or little shop, to start in a small business, to take care of taxes and the thousand and one things which can be accomplished by the use of a moderate amount of money to accomplish something truly worth while for the borrower. Next, comes the great field of installment credit, and, in my judgment, *there is no credit union in the United States which has reached the saturation point in small loans just so long as anyone within the group, who is eligible to membership in the credit union,*

owes money for anything or is buying anything, from pants to automobiles, on the installment plan. Other obvious uses for credit union credit will subsequently develop.

THE REAL OBJECTIVE

The greatest objective of the credit union is to eliminate the waste of hundreds of millions of dollars which now annually is dissipated by working people in America in the purchase of things on the installment plan. In making all these decisions the credit committee must use good sense; it must be human enough to understand the normal desires of average human beings; it must be business like enough to realize that the credit union, while a business, is a cooperative business and that loans must be made on such terms that they will be repaid.

SECURITY

That brings us to a consideration of security.

To begin with most credit union laws (all except Massachusetts*) limit an unsecured loan to $50. The Massachusetts limit is $100. In other words, in all credit unions except those organized under the Massachusetts credit union law and including all Federal credit unions, the credit committee may (the word is "may") loan up to $50 on the unsecured note of the borrower. If the borrowing member has shares and deposits or just shares in the credit union and assigns them as security, it is good practice to loan up to $50 over and above the amount of said shares or shares and deposits, if the credit committee is satisfied as to the purpose of the loan and the general character of the borrower.

Here again, there is an inclination on the part of some credit unions to rule arbitrarily that no loans will be made without security. This is a mistake. It is a fact demonstrated by experience with hundreds of thousands of unsecured loans that a loan may be safely made up to $50 without security,

*Wisconsin and California raised the limit to $100.00 in the 1935 Session.

assuming the purpose to be right and the credit committee to be satisfied with the character, etc. of the borrower. Circumstances also govern cases; assume two borrowers, Mr. A and Mr. B. They seek similar loans and the purpose of the loan is right in each case; each borrower needs $50. Mr. A has been working in the plant a long time, or he may be a farmer well established in the community for an appreciable period. Mr. B has been working in the plant two weeks or is a tenant farmer who has just moved in and about whom very little is known. The credit committee may well require an endorser or some other form of security in the one case and not in the other. It is, of course, important in all loans that the previous record of the borrower with the credit union shall have been good. Previous loans must have been paid in full although sometimes a new loan is necessary which requires that the amount be sufficient to take up the balance of the existing loan. This is often done when the necessities of the situation warrant.

Incidentally, the credit committee should be careful not to require of the borrower that he agree, taking his circumstances, his obligations and his necessities into account, to do something which is obviously beyond his ability. Therefore, in industrial credit unions, loans should not be made for thirty, sixty, or ninety days. The probability is that the average borrower will not be any better off at the end of this stated period than at the beginning of it. About his only hope to get rid of the debt is to pay it on a frequent installment basis and it should be prorated over such period as will enable him to meet the payments without undue strain. We are a cooperative society; *we are interested only in the welfare of the borrower, consistent with the welfare of his fellow members in the credit union. Except in case of deliberate unwillingness to repay a note, I seriously doubt that any credit union note should ever find its way into the hands of an attorney for collection.* On the other hand, some borrowers can repay their loans in a shorter period than others

and should do so. Further, the borrower should always be saving at least a little while repaying his loan and should be required (as a condition of subsequent credit) to become a consistent saver after the first loan has been paid. *We dig our members out of holes and then fill up the holes; we reverse the operating practice of the high-rate money lender who seeks to get hold of a borrower and to retain that hold for so much of the remaining period of the life of the borrower as he can produce usurious interest for the lender.*

What is security in a credit union?

In the first place there is no reason why, when a credit union is assisting a member to buy something for cash, which he would otherwise buy on the installment plan, the credit union should not take equivalent security by way of some form of lien on the thing purchased. The help we are giving the borrower is to save him the difference between the cash and the credit price of the thing he is buying; we should be sure in each case that he is doing it and that he understands the saving. Much installment buying is concealed (as to the cost of credit) too cleverly to invite easy detection. Shares and deposits are, of course, the best security.

Endorsements are the most usual form of security. While the endorser need not be a member of the credit union so far as the law is concerned, he is generally a fellow member. The number of endorsers should bear some relation to the amount of the loan. I recall one case where a loan of $800 (a very large loan for a credit union) was made, to save the life of a credit union member, which loan was secured by a note signed by every fellow employee of the member within his group, a total of 39 endorsements all told. Care should be taken not to permit a credit union member to endorse too many notes; the credit union owes this duty also to its members. *Care should also be taken to make the endorser understand the nature of his obligation, particularly that he may have to pay the note.*

DUTIES OF THE OFFICERS

REAL ESTATE MORTGAGES

Real estate mortgages are not completely outside our scope but certainly should be eliminated from our business until we are out of the depression. A real estate mortgage loan should bear a conservative proportionate relationship to the *real* value of the property in question (not more than 50 per cent) and should call for fair amortization on some fair basis. This, however, is not our present field except in extreme cases.

TWO CASES INVOLVING CHATTEL MORTGAGES

Let us consider two cases: The first involves the purchase of a certain article for $200. My alternative is to buy it on the installment plan, paying at the rate of $5 a week for forty weeks or to buy it through the credit union. Assume first that I negotiate a credit union loan. I can buy the same article for cash for 20 per cent off the installment price, or $160. I borrow $160 at one per cent a month on balances for forty weeks or ten months. The cost of the loan is $8.80, and so this desirable thing which I have purchased has cost me $168.80. Buying it at the rate of $4 a week I pay $200 for the article plus 6 per cent for a year so that the installment price is $212. The credit union member pays $168.80 and the non-credit union member pays for the same commodity from the same company $212. The difference is $43.20 or a total of over 20 per cent.

In such a transaction, obviously the credit union should not hesitate to take a chattel mortgage of the thing purchased, that it may be just as secure during the transaction as would be the installment house.

This is probably the greatest field of credit union service.

In this case, the borrowing member has been saved by his credit union in this one transaction nearly two weeks' pay. Or assume a much more modest transaction, involving the purchase of a $50 article (with the usual 6 per cent interest

charge for credit) which may be bought for cash for 10 per cent off $50 or $45. The borrower pays for the loan in 45 weekly payments of $1 with interest at the rate of one per cent a month on balances, a total of $2.85. The installment house would have charged $50 for the commodity plus 6 per cent for a year or $3, a total of $53. In this very humble, simple transaction, the credit union member has saved the difference between $53 and $47.85 or $5.15. Assume that the borrower is a stenographer, working for $20 a week; she has saved in this one minor transaction 25 per cent of a week's pay. Credit committees are entitled in all such cases to require the same form of security the installment house would have required. In this connection, credit union credit committees should ponder most seriously on the things the credit union members buy on time; coats, clothes, household requirements, cars, radios, innumerable things on every one of which the credit union can save the member proportionate money.

When this is fully appreciated, we will add to our job of breaking up the usurious money lending racket the installment racket and no credit union will be complaining because it has reached the saturation point in small loans.

THE CREDIT COMMITTEE—A SERVICE AGENCY

I like also the credit committee which becomes the credit service agency of the credit union members. *I know of credit unions where a member would not enter into an appreciable money transaction (whether it involved credit or not) without consulting his credit committee.* Member A has been saving for a long time until he has in hand $500, for a purpose he has long had in mind. He does not need credit; *he needs to have his own judgment checked* and he goes to the credit committee for review of his problem. Incidentally, it is the one cardinal rule of credit committees which permits no exception that the affairs of all persons before the committee must be treated with complete confidence. A credit

committee member who talks outside the committee of the business imparted to him in confidence by a credit union member should be removed.

WAGE ASSIGNMENTS

The question of wage assignments as security has also frequently come up. Such security is permissible but does not constitute good credit union practice, particularly in cases where the loan is otherwise properly secured and the wage assignment is being taken as unnecessary additional collateral.

BUDGETING

Increasingly, in this time of difficult financial readjustment when everything is being done to get people deeply into debt by forcing on us things without at the same time increasing our respective incomes to the point where the acquisition of those things would be reasonably possible, budgeting becomes of vast importance. *Many credit union members get into installment and other credit jams without appreciating just how the process works.* This is particularly true of men and women who are known to have steady incomes; school teachers, for example, because of their average high character, their will to pay their debts, their insufficient salaries are major casualties of the usurious money lenders. Credit committees should, whenever possible, insist on budgets. A very simple uniform form of budget will be available shortly from the Supply Department of the Credit Union National Association and it should be a part of good credit union practice to teach credit union members (and particularly prospective borrowers) to keep themselves in economic balance, which can only be done when the borrower knows how much he owes and the relationship of what he proposes to do to his then financial condition.

The credit committee is the motor of the credit union. If it is too conservative, if it refuses to understand the changing

world in which we live and particularly if it tries to deny human nature, credit union funds will remain idle in banks or be invested in securities permitted by state banking departments. During this depression the major credit union losses have come from the failure of credit union banks of deposit and the depreciation of securities. There are plenty of other agencies for financing American industry; that isn't our job; *our job is to finance the purchase of what American industry produces.* Credit unions have learned, in many cases to their sorrow, that it isn't within the purview of our obligation to be investing in securities. *It is our job to make the sort of loan which will help our people to live happily in this new world which we are just discovering.* It is the credit committee's job to safeguard the funds by making wise loans and to appreciate that the credit union which performed the greatest loans service during this depression came through it in the best shape and the highest degree of solvency. The credit committee has a great service to render, not only to the credit union but to the credit union members. This whole business can possibly best be illustrated by a case which happened in a great soap works in Chicago. A credit union borrower, at a time when his loan was almost all paid up, went home one Saturday afternoon, planning to visit with his wife at a hospital where his son was recuperating from a minor operation. He had one other child, a little girl who remained at home. While the parents were away the girl got some matches and accidentally set fire to her clothing; before she could get help she burned to death. That night the credit committee of the credit union at the soap works visited the bereaved parents. The chairman (this is a very true story) spoke about as follows to the stricken father: "Joe, we can't help you much; we wish that we could bring the little girl back; that is beyond our power. But one simple thing we can do; you are not to worry about money. That's the job of your credit union which has plenty of money. Whatever additional you may need, for the hospital, for the

funeral, that you will get. We will carry all the financial load whatever it is and while you are worrying over so many other things, you are not to worry about money." The arms of the credit union were about this man, the parable of the Good Samaritan was being rewritten.

That was a real credit committee.

It brought the credit union in all of its splendid service to the stricken member. It is of such material that thousands of credit committees in the United States are made.

THE SUPERVISORY OR AUDITING COMMITTEE

In some credit union laws the committee which performs the functions of supervision is called the "supervisory committee" and in others, the "auditing committee." The functions are the same. Again, except in Massachusetts and Illinois, this committee is selected by and from the members, in the two states named, by and from the board of directors. It is always a committee of three and it is always elected for a single year.

What are its functions?

The purpose of the supervisory committee is to accomplish constant check and supervision. It is recognized that there must be placed responsibility in this matter. Credit unions are creations of statute law. They have specific functions and are subject to specific rules. Money is involved and bookkeeping. *The supervisory committee exists to see to it that the credit union performs its specified functions and lives up to the rules; that the money is honestly handled and properly accounted for.*

The solvency of the credit union, its protection from dishonest manipulation of the funds, depends on this committee.

Therefore, the committee should be so composed as to be able to perform this function accurately and intelligently. If there are some bookkeepers within the group, there should be at least one of them chosen to the supervisory committee, the other members should be capable of understanding and check-

ing the credit union accounting system. *No one should serve on the committee unless willing to participate in its activities in practical fashion.*

In our early credit unions, this committee was pretty much an honorary group. We had supervisory committees in the early credit unions but they did very little supervising. Within our credit unions of more recent origin, there is an inclination on the part of the members of the committee either to leave the work to someone of their number who is more interested or to do the work in a superficial way, taking the treasurer's word for everything important.

It is no reflection on the honesty of a treasurer to make close and frequent and careful audits of his accounts.

A conscientious treasurer will seek for such supervision. This auditing should be done quarterly and it should involve an honest examination of the various items of accounting indicated on the Federal Auditing Committee report illustrated on page 141. I have reproduced both sides of this report in order to call particular attention to the detail in which the examination should be involved. At first, it is well to make a monthly check up and in my own credit union the Supervisory Committee makes an examination and a report prior to each monthly meeting of the directors. I recall a large credit union which employs examiners to make a complete audit four times a year, which audits, coupled with the annual examination by the State Banking Department, supplies the credit union with five complete audits annually. I advise the members of the Supervisory Committee of a new credit union to contact the State or Federal supervisory department in order to receive suggestions from the department relative to the form the audit should take. The committee meets monthly and the date of the monthly meeting should be fixed in the by-laws. It has been my observation that practically every defalcation by a credit union bonded official would have been prevented had the Supervisory Committee in the given case been taking its job seriously.

The credit union record as regards defalcations has been extraordinary. Recently, however, a friend of mine of many years killed himself in the washroom of a postoffice; he had been for a long time stealing from the credit union of which he was treasurer in a total amount of $5000. *Had the supervisory committee of his credit union been alive to its responsibilities the defalcation would have been caught almost at the outset and the man's life would have been saved and the credit union protected from a material loss.*

I advise, therefore, that every member of the Supervisory Committee study the accounting system and understand it; that they insist that the business of the credit union be conducted in accordance with the rules; that they examine the affairs monthly or, at least, quarterly and that when they examine, all three members participate in the examination and make it thorough. I advise that the larger credit unions authorize the committee to expend such money as may be necessary to employ such accountants as may be required to make thorough examination. I advise also that the credit union cooperate in every way with the examining department of the state or Federal government; that books be always in proper shape and available for examination; that the state or Federal examination be facilitated in every possible way. *The examination is for the protection of the credit union members;* it is a helpful part of the whole program of credit union service. So too, I advise close compliance with the requests received from time to time from the state supervisory department.

The Supervisory Committee countersigns the monthly statement as posted by the treasurer each month; they should do more than sign it; they should examine it and understand it and keep very closely informed as to the condition of the credit union. *Incidentally, I like the supervisory committee member who will not sign the monthly statement until the committee has actually reconciled the cash on hand as set forth in the report and examined the check book balances.*

It is best for all concerned that this committee frequently prove that it is vitally interested in the then financial condition of the credit union, the careful supervision of which has been entrusted to its care. Were I the treasurer of a credit union, I would consider that an active supervisory committee was performing for me a major service and I would prize above all other things a good report from whatever department of the state or Federal government had supervision over my credit union. Incidentally, I would expect the supervisory committee to keep check on the annual examinations by the state examining department and to insist to that department that the examination be thorough. Again, as treasurer, *I would rather the state examination be too strict than too careless.* The supervisory committee also has police powers. If they find that a difficulty exists, they can do something about it. They have the right to remove any officials whose acts are subject to real criticism, in which case they must call the members together within seven days. The members then have the right to sustain the suspension or to remove it. The ultimate power in every credit union vests in the whole membership.

Members of this committee fill vacancies in their own number.

While the credit committee is the motor, and the treasurer is the spark, the supervisory committee is the brake; particularly when there is the least inclination to skid or to slip down hill out of control, the brake becomes of first importance.

THE TREASURER

As I have said, the treasurer is the most important single factor in the credit union. Given an intelligent treasurer, an honest man of good standing with his fellows, the right sort of credit committee, a supervisory committee which will really supervise and an interested board of directors and the credit union is sure of success. And of these, the most important is the treasurer.

He is the manager; he handles the money; at first (until the credit union is large enough to employ a bookkeeper) he keeps the books; he assists the credit committee; he meets the members as they come and go about the credit union business. He must be an all-round man. I have not yet, however, noted what must be his primary requisite—*he must like it.* He must be a credit union enthusiast; he must sense the service the credit union is going to render to his fellows and believe in it and in his own ability to make it work. As every credit union starts small and develops slowly at first, he must be a long range man, capable of generating the patience necessary for the long pull. He must be able to sense what will happen the day after tomorrow if the planning of today is right.

We have in the inner circle of those who have labored most diligently for the credit union cause during the past decade a secret word; we coined it. While I am not at liberty to disclose the meaning of the letters of the word—taip—pronounced ta-ip with the accent on the first syllable—the word connotes that restless energy, that limitless faith in the credit union which drives the man who has taip forward to whatever sacrifice he must make in order to advance the cause of cooperative credit in the United States. *It connotes the man who is never satisfied with a little; averages are not enough; a true taip is unhappy unless what he is doing is his best for today but will be bettered tomorrow.*

Every new credit union treasurer must, in his more or less limited degree, be a taip. It would seem possibly, that I am describing a superman. I recall the personnel section of a great public service corporation which postponed for over a dozen years the organization of credit unions, because while their first demonstration had been an outstanding success, they were convinced that there was no other man equal to the man who was managing it; that he was the only man in the world equal to such a task. We developed thousands of credit unions managed just as skillfully, and yet they were not

convinced. Then the superman took other work and turned the credit union over to a successor. It continued to develop service. He died. The credit union continues in service.

It is not difficult to find the right man to manage a credit union; he need not know much, if anything, about accounting; the credit union system is simple. *He must simply have the urge to make the credit union, within his group, click.* There is work in it and self-sacrifice; at first, he is paid nothing and never is paid adequately. *It is the marvel of this day and age that we have uncovered so many unselfish men in the credit union movement.* There is something tremendously hopeful in that fact. He is, of course, bonded; he must learn the system and adhere to it. He must be a good contact man.

I recall waiting in the office of a big packing house during the noon hour to see the personnel director. Near me was a desk with a sign on it, ''Credit Union''; behind it was seated a young Italian girl and during the short time I was there she waited on fourteen credit union members; some of them were young, some old; some came in pairs—a young man with a bashful girl, a pig sticker from the killing floor in his bloody frock, a most interestingly varied group and she handled them all perfectly. She smiled when they came and put them at their ease; she knew her business and made the credit union sympathetically intelligible to them all. I asked the personnel manager about her afterwards. He said that she had never been particularly interested previously in anything outside her job, but that from the day the credit union opened up, it seemed to call to something in her. *She had something to give it and it had much to give her and that was soon discovered.*

To use the vernacular, she "had what it takes" to be a real credit union treasurer. The treasurer should read his by-laws and the credit union law. He should know more about the credit union than does anyone else. *He will get his reward in that most precious of all currency, the understanding that his life is counting in great service to his fellow man.*

CHAPTER VIII

THE CREDIT UNION AND THE DEPRESSION

THIS subject deserves a separate chapter although it will be very short. The depression started in 1929; it increased in intensity through 1930, 1931, 1932, and in March, 1933, there was, for a period, not a single bank open in the United States. Prior to that time there had been thousands of bank failures and many of the banks closed during the Bank Holiday never opened their doors again. My own credit union has just been obliged to charge off a large loss due to the apparently permanent depreciation of shares in a bank investment trust in which it had invested prior to 1933.

As we consider how the credit unions have reacted to this most protracted and severe period of economic collapse in history, it is first of interest to consider three things: (1) Credit unions are composed of average working men and women, the folks hardest hit by this depression. They have been through all of the successive shocks of depression—wage reductions, part-time work, and in many cases no work at all. (2) The credit unions have generated their management from within. They are managed by working men and women chosen by their fellow members from average groups of workers for that purpose. They have employed no expert banking services. Possibly that has been and is for them a most fortunate circumstance. (3) Credit unions operate under the same form of state supervision as banks. In most states, this supervision vests in state banking departments; in a few states under some analogous state department, with similar authority and responsibility. Like banks, they are

examined by the state at least annually; like banks, they are subject to the authority and duty on the part of the state supervisory department to close them for cause.

Furthermore, credit unions are organizations of record; they make annual reports to the state supervisory department and their business, unlike private business, is under close state scrutiny and the record of their failures is a public record. Let us first examine the record for all states except Massachusetts and New York. In these two states there was a credit union development prior to the organization of the Bureau and problems exist, due to a peculiar form of credit union organization not to be found in the other forty states with credit union laws and credit unions. In the District of Columbia, the credit unions operate in accordance with an Act of Congress and under the supervision of the Comptroller of the Currency. Under the new Federal Credit Union Act, enacted in 1934, jurisdiction for purposes of supervision will probably vest in the Federal Land Banks.

INVOLUNTARY LIQUIDATIONS

In thirty-five of the states,* we have no record of the involuntary liquidation of a credit union. There may have been such; if so, the number of such liquidations is so few that we, who are in closest contact with credit unions everywhere, have not heard of the case. In the thirty-sixth state, I recall one case where failure was due to a defalcation. In New York, there have been some radical, open-charter credit unions which have been closed although in most cases, these closings have involved credit unions which were in voluntary liquidation and were for the purpose of speeding the process. In Massachusetts, there were a very few bad failures of credit unions due to defalcations. *No industrial credit union has ever been closed to my knowledge by a state banking depart-*

*Three credit union enactments (Idaho, North and South Dakota) are so recent that there are no credit unions operating as yet in these states under state law.

ment. There has been no failure under any Federal law. It is possible to say with complete accuracy that credit unions and mutual savings banks have come through the depression with an altogether exceptional record for honest and efficient management in time of distress.

RESISTANCE TO DEPRESSION

I recall one credit union with assets of $10,000 which had $8,200 out on loans to its members when the plant within which it was located was closed in all departments for seventeen months; at the end of that time the members of the credit union (none of whom had worked in this plant during the interval) owed less than $800 to the credit union and the credit union is still operating. This is not an exceptional case by any means.

The record of the credit unions during the depression as regards ''runs'' or other evidence of inability to take the depression without hysteria or faltering management, has been nearly as good.

The losses to credit unions during this period of economic difficulty have been due primarily to (1) the failure of banks, (2) depreciation of the ultra—conservative securities which credit unions are permitted to purchase, and (3) unwise real estate mortgage loans. In face of the approaching depression, we strongly advised all credit unions, by several bulletins, to keep all of their money out on loans as against piling up bank balances or investing in securities. I know of no credit union which failed because its bank failed; many of them were however severely handicapped by failure of their banks and by depreciation of their bond investments. If the credit unions, by the time of the next depression, have learned how to use their money to the maximum service of their members and if they have in the meantime created central agencies of discount so that, with their own money, they can both protect their own credit and take care of the loan demands of credit union members everywhere through this central agency

of discount, the credit unions need have nothing to fear from the next depression.

Credit union managers generally have shown great ability and stability in these very trying times. They have answered for all time the question which was, in the early days of the credit union development, so often advanced against the credit union, "Can it be possible that average working people can be trained to manage their own money efficiently and honestly, particularly in times of stress?"

The answer is, ''They can."

HONESTY OF MANAGEMENT

As regards the honesty of credit union bonded officers, the record is quite as exceptional. I do not know just how many bonded people there are or have been in the credit unions during my fourteen years of credit union work. It would doubtless be in excess of twenty-five thousand. I know of less than twenty defalcations, about one half of which were not of sufficient importance to disturb at all the usual operation of the credit union. I recall two fairly typical cases: In one of them, the loss was made good by a note signed by the defaulting treasurer, the members of his family and *the members of the supervisory committee* who admitted that they were in large measure to blame because of a failure to do their complete duty as supervisors. In another case which I recall the members of the credit union absorbed the loss without recourse to the bonding company and did everything possible for the defaulter. I recall four defaulting treasurers who committed suicide and only two cases which were sufficiently important to result in jail sentences. *The attitude of the credit union membership in every case called to my attention was particularly free from malice or extreme resentment.*

Again, the credit unions should bond their own treasurers through their own bonding agency as they constitute a preferred risk and should be entitled to a preferred rate.

CREDIT UNION AND DEPRESSION

THE BANK HOLIDAY—THE R.F.C.

We may now fairly conclude that the credit unions have survived the depression; no credit union, closed during the bank holiday, failed to reopen at the earliest possible time after the holiday was over. Eligible to credit relief from the Reconstruction Finance Corporation, less than a dozen credit unions made use of it. We have operated without runs or exceptional excitement in times of greatest distress and general public lack of faith in all forms of banking; we have been able to keep open when many other banks have failed; we have been honestly administered; the credit union development has come very rapidly during the depression as men and women have turned to cooperation as the way out of their banking difficulties.

We have established possibly the most remarkable record for honest and efficient management in time of stress ever established under like circumstances by any form of banking except possibly the mutual savings banks with which we have shared that record. So much for *involuntary* liquidations.

VOLUNTARY LIQUIDATIONS

There are, however, two ways of liquidating a credit union and mention should be made of the second way, by voluntary liquidation. Assume, for example, that there is a credit union within a plant and the business by which the credit union members are employed is itself liquidated. This generally results in liquidation of the credit union, rarely with any resulting loss and most generally with a liquidation at better than par as the reserve or guaranty fund is then divided up. Doubtless, some of the liquidation of open-charter groups in New York and Massachusetts has been permitted on a voluntary basis by the state banking departments of the two states when the alternative would have been, in the long run, an involuntary closing.

CUNA EMERGES

Sometimes a wrong diagnosis is made. The credit union is not a miracle. It succeeds in proportion to the amount of work put into it, and sometimes the plan does not function within a group thought in advance to be typical. If that happens, there is generally a voluntary liquidation when there is a handful of members who have collected, in the credit union, but a handful of money, which is redistributed. Sometimes, executives of a company attempt to superimpose a credit union on the employee group, retaining control in the management group. Such a credit union generally fails, or it may have a stifled, very limited career. Quite generally the executive can be depended on to think improperly when he tries to advise a credit union, and we have one or two ugly cases of executive interference which has resulted in exploitation of employee savings and something akin to downright stealing.

THE ACHTZIES

In Massachusetts a few years ago, the then Bank Commissioner insisted on an amendment to the credit union law which would require that all of the neighborhood or family loan companies (known as achtzies) be reorganized as credit unions. It was obviously impossible for most of these very informal and badly managed loan clubs to do the paper work necessary for successful credit union operation. The credit unions protested against this amendment of the law, but it was enacted. It resulted in a flood of small loan companies reorganizing as credit unions. Over sixty of them are now in voluntary liquidation and listed every year in the Bank Commissioner's report, presenting a very misleading inference as to the general condition of Massachusetts credit unions.

The number of voluntary liquidations has, however, been small and losses from such liquidations negligible. The number of cases of improper diagnosis gets less and less as we understand more and more the proper uses of the credit

union. However it be viewed, the credit unions, from the standpoint of honest and efficient administration during five years of most difficult industrial collapse, have made an outstanding record.

There is no longer any possible question of the durability of the credit union.

CHAPTER IX

STATE AND NATIONAL ORGANIZATIONS OF CREDIT UNIONS

THE ideal, long since established by the credit union leadership in the United States, simply stated, has been a permanent credit union movement, directed efficiently by the credit unions in their own central organization. I cannot recall a time when we have not anticipated the organization of the Credit Union National Association—Cuna. We have also had in mind that there would be phases in the credit union development. The era preceding the Credit Union National Extension Bureau was the experimental era; from its experience we learned what a credit union is, and we had a great deal of experience also proving quite conclusively what a credit union is not. At the end of that era, there were 190 credit unions in the United States.

One difficulty in the matter of perfecting a strong national organization is to be found among some of these early credit unions which are still thinking in terms of the formative era.

The second era, which might be known as the legislative and experimental era or Bureau era, comprises the years between 1921 and 1935, during which time the Credit Union National Extension Bureau was securing the enactment of legislation everywhere in the United States and carrying on a vast experimentation which has resulted in greatly increasing the variety of successful credit union organization, showing the way to credit union mass production, improving operating practices and bringing the credit union total well over three thousand and the membership to three quarters of a million. The final objective of this era has been the national

association. Reverting again to our ideal in credit union organization, it has involved in its scope a national structure built first on strong credit unions, operating in strict accordance with the principles of co-operative credit as *credit* (not *investment)* unions, each credit union bringing the maximum service to its members, which service has been often described in this book and, when perfected, will include efficient attention to all of the details of the economic life of the credit union member involving him in the expenditure of money.

The credit unions, to pursue the ideal a bit further, should be organized in state leagues, which state leagues would be further fortified by city and district chapters which would form a sort of social nucleus which would, after the fashion of a Rotary or Kiwanis Club, bring credit union members (and particularly credit union officers) together at regular intervals (at least semi-monthly) for social purposes and also for interchange of experiences and for discussions of vital matters affecting credit union operation.

Finally, these state leagues will form a strong national association which will sustain and direct and protect and promote the credit union movement in the United States, maintaining such central agencies of service as can best operate through a national organization. The steps in the credit union development in the United States, therefore, summarize as being composed of (a) the experimental era (b) the Bureau era, and finally, (c) the permanent national association era in which the central organization of the credit unions of the United States will be composed of state leagues in every state, which state leagues will be composed of city and district contact chapters composed of the credit unions in these chapter areas.

This is, however, an ideal.

Various influences will work against it which, however, will not be of sufficient importance to greatly retard the program. The credit unions of the United States divide into three very general subdivisions in this matter: (a) the credit

unions which understand fully the importance and significance of the credit union movement and will unite in their state and national organizations without question. They constitute the majority; (b) there is a very small minority of credit unions which will always remain aloof from any central activity, taking gladly all of the benefits which accrue in protection, the perfection of practices, the added security of new credit unions, etc., but unwilling to contribute anything to the process. This group is very small; some of these credit unions, with new and more enlightened management, will eventually join the first subdivision. (c) The third division (a quite large division) will desire on all matters to be first shown the value in dollars and cents of national affiliation. This is altogether to be expected. The pioneer has always been in the minority; there have always been many folks glad to follow after the pioneer has taken all the risks incidental to showing the way. My own credit union, for example, refused to affiliate with the National Association because the dues would cost the credit union $100, and just before taking this action the credit union voted $400 for an anniversary celebration. We shall have, in our central organizations, the usual assortment of human nature to deal with.

How far have we progressed in this matter of perfecting credit union central activity?

THE CREDIT UNION NATIONAL ASSOCIATION

Long prior to the annual meeting of the Illinois State Credit Union League in March, 1934, there had been discussion among credit union members relative to the final objective of the Credit Union National Extension Bureau, namely, the organization of the National Association. It was found at the Illinois meeting that, quite without prearrangement, there were guests present from ten states. This fact being appreciated it was decided to take advantage of the circumstance and to devote a day to discussion of the possible organization of a central association of credit unions. Such a meeting was

held. At this meeting, Claude R. Orchard moved that as many of those present as possible so arrange their vacations that they would be together at Estes Park, Colorado, between August 7 and 11th, and that others of the credit union leadership be notified of this possibility of a vacation together, with the thought in mind that, if a sufficient number gathered from enough states, we would undoubtedly take some steps leading to the organization of a National Association.

It was left to the Manager of the League Central Committee, as being best acquainted with the credit union leadership, to send out the notices.

It was impossible to make this a meeting of League delegates; there were at the time, credit unions in 38 states and active state leagues in but five of them. It was decided to invite ex-officio the President of each League and the Managing Director where there was one. The effort was made, and quite successfully, to include within the group (which was of necessity limited in size both by the accommodations at the Park and by the necessity of keeping the number small enough so that a great deal of hard work could be done efficiently in four days) those men and women who had contributed a major service to the credit union movement in the United States. Edward A. Filene, the founder of our credit union movement, was of course invited. The complete list of those in attendance may be found in the appendix, and to the names I have added some designation to indicate qualifications. They finally included 52 men and women from 22 states. They assembled at the Park and were ready to go to work on August 7th. While four days (and nights) is a rather brief time for the drafting of a constitution and by-laws for an important national organization, it was accomplished. It was made possible by careful planning.

Prior to the opening session, four complete drafts were presented; one drafted by the President of the Illinois Credit Union League, T. J. O'Shaughnessy in cooperation with his Board of Directors, a second the work of Charles F. Donahoe,

the first President of the Massachusetts Credit Union League and contact man in 8 credit unions in which over 17,000 employees of the New England Telephone & Telegraph Company have membership. Mr. Donahoe had modeled his constitution and by-laws on the basic law of the National Association of Building and Loan Associations. A third instrument had been drafted by Edward A. Norman, Treasurer of the New York Credit Union League and a fourth by Earl Rentfro, Managing Director of the Missouri Credit Union League. I had drafted a fifth constitution and by-laws at the suggestion of those present at the Illinois meeting the previous March. It was felt, however, that we should work to an agreement, and that the resulting document should be relatively simple of amendment. The resulting draft was a compromise of many different opinions. On August 10th, the charter and by-laws of the National Association was signed by the 52 persons present. A copy of it is contained in the appendix.

There were but few basic differences of opinion. The majority agreed finally that the Managing Director should have power; that he should choose department heads, and that he should hold office at first for three years in order to enable him to cooperate effectively to put the machinery of the National Association together. The opposing opinion preferred a managing director elected for a single year, with department heads chosen by the Executive Committee. There was a difference of opinion relative to representation. There was a strong showing of opinion that representation should be based on the credit union membership within a given state, with a certain maximum and minimum. This argument was supported by the consistency incidental to having representation based on membership in that dues are based on membership. As the by-laws were finally drawn each state league is entitled to a single director plus one additional director for each one hundred credit unions in the League membership, with a maximum of five. While this is working out very well in practice, it is altogether probable that an amendment will be recommended

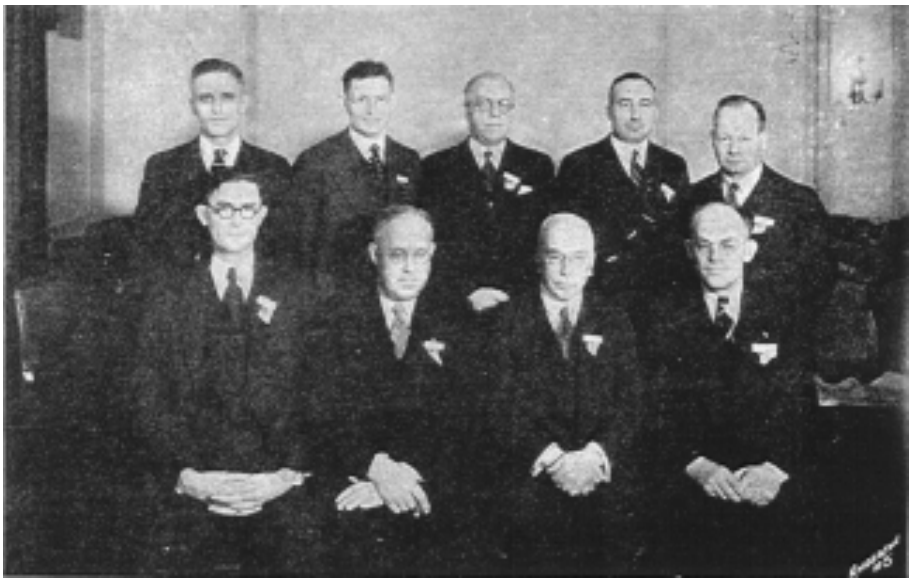
in another meeting calling for representation based on membership.

There were other minor differences but all present were ready to sign on the tenth and to pledge their united support to the program of ratification. Before recording briefly the steps which led up to the first national board meeting at Kansas City, Missouri, on January 27, 1935, it may be of interest to devote a paragraph to this remarkable document which came out of the now famous Estes Park Conference.

THE PLAN OF GOVERNMENT PROVIDED IN THE NATIONAL CONSTITUTION AND BY-LAWS

The Credit Union National Association is an organization of state credit union leagues. While there is a provision for admitting representation from a state which has no league, ratification was only possible by state leagues so that, practically from the outset, the National Association conforms with its original purpose that it be a union of state leagues. It is governed by a board of national directors, chosen one from each state league with an additional director for each one hundred credit unions in a state league, with a maximum of five as already indicated. The board meets annually in February and may have special meetings or transact certain of its business by mail. It chooses from its own number a president, treasurer, clerk, five vice presidents (chosen from geographical divisions) and, from the credit union membership, a managing director. These nine constitute the executive committee which committee meets quarterly to conduct the business of the National Association, as determined by the Board of Directors.

Every second year, beginning in 1938, there will be held, at such place in the United States as the directors at their previous meeting may determine, a meeting to which all credit unions affiliated with the National Association through their respective state leagues will be eligible to send delegates. This will constitute the Convention of the National Association. It



EXECUTIVE COMMITTEE, CREDIT UNION NATIONAL ASSOCIATION
Seated Left to Right: RHODES OF NORTH CAROLINA, BERGENGREN, FILENE, RENTFRO OF MISSOURI. *Standing:* DOIG OF MINNESOTA, ORCHARD OF NEBRASKA, SHANNEY OF MASSACHUSETTS, CLARKE OF OHIO AND MOORE OF CALIFORNIA

has powers of review, including the power to remove the Board of Directors and to call a new election. The ultimate power of the association vests in the credit unions exercised in this fashion.

The National Association will concern itself with all matters of common concern, including credit union promotion and protection, the establishment and maintenance of various central activities, the publication of a national magazine with statistics, auditing, and all other phases of common business.

The question of support of the National Association brought to the fore two distinct schools of thought in this matter. The first school believes that the National Association should be supported on a dues basis, with all net revenue resulting from central activities reverting to the State Leagues, credit

unions, and credit union members as patronage dividends. Another plan, which has many adherents, would call for minimum dues (and the eventual elimination of all dues) and a National Association supported entirely from profits arising from central activities.

This difference of opinion is well illustrated by a considerable controversy which has been in evidence recently at credit union meetings. Other small loans agencies have, from time to time, developed plans for insuring the lives of their borrowers. The avowed purpose of this insurance is the protection of the borrower's family and his endorsers in the event of his death, leaving an unpaid balance on his loan. It has been the opinion of the writer of this book that this loss is not a truly insurable item; that mortality records of credit union borrowers would indicate that this risk is so small that credit unions are not warranted in adding to the cost of loans service in order to insure against it. I am, for example, a director in the oldest Massachusetts credit union which, in twenty-five years of operating experience has never felt the need of this form of insurance protection. In fact, this matter has never been deemed of sufficient importance in Massachusetts, the pioneer credit union state, to bother with. Enterprising insurance companies have, however, sold the idea to a great many credit unions and it was expressed to be almost the unanimous opinion of the first national board that such service should be provided.

As the service has been developed by insurance companies, it has involved a charge for this insurance (generally 8½ cents per $100 per month) which cost, added to the loan and automatically bringing the cost of loans service above the one per cent a month on balances contained in most of the credit union laws, has all been borne by the borrower in spite of the fact that the 8½ cents has covered (a) the cost of the insurance (a fair charge against the borrower if there is any need for insurance) (b) the profit of the insurance company (c) a profit to the credit union and in some cases (d) a profit to

the state league. There has also been some indication of a profit to the credit union treasurer in a few cases and sometimes the profits to the credit union and to the state league are combined in a single profit.

According to the operating experience of states which have had borrowers' protection insurance for an appreciable period the losses are fairly within 2½ cents per $100 per month. Figures indicate that other loan agencies which have this plan make extraordinary profits out of it.

A credit union is a *credit* union.

Why do I keep repeating that?

I keep repeating that statement because we are so prone to forget it. Our job is to make loans at low rates. We are fighting usury. *We are in the business of eliminating one of the greatest and most ancient rackets practiced on men and women of small resources almost ever since there was any such thing as money.* We must combat the inclination to forget the sole justification for our existence. *Interest is what the loan costs.* If credit unions discount at the rate of 6 per cent (or one per cent a month on balances) and charge 8½ cents per $100 a month as an insurance charge, the loan is costing the borrower (for $100) $6 plus $1.02. A total charge for the service of $7.02 is at the rate of 7 per cent discounted or 14 per cent and is, in my judgment, a violation of the letter and of the spirit of the credit union law. The support of a state league by profits from borrowers' insurance amounts to nothing more nor less than a subdivision of the credit union membership into two groups, the borrowers and the non-borrowers and a special tax on the borrowers (who of the two can least afford the tax) to support a central activity which is to serve both groups.

That is fundamentally wrong.

The National Association will doubtless offer a borrowers' protection insurance plan, operating under a mutual insurance company charter and offering this insurance rate that the borrower will receive the insurance without intervening

profit to anyone on a truly cooperative basis.* I refer to this difference of opinion within the credit union membership because it illustrates, it seems to me, tendencies to forget the cooperative nature of the credit union which, once forgotten, destroys the one fundamental credit union purpose which makes our work unique and of truly national significance.

RATIFICATION

With the constitution and by-laws signed, the Credit Union National Extension Bureau delegated Thomas W. Doig and the author of this book to the job of securing its ratification. This meant submission to the boards of directors of existing leagues and the organization of 30 new state leagues and the submission of the constitution and by-laws to these leagues after organization. Between October 1 and Christmas, 1934, Mr. Doig and Mr. Bergengren, on two trips covering over 15,000 miles each, presented the constitution and by-laws to the credit unions of the United States. Every credit union in the United States was given an opportunity to attend a meeting to discuss this most important question. The final result was as follows: every existing state league ratified except Massachusetts; New York ratified but later withdrew. In Massachusetts I organized a new league, already referred to, which ratified. Montana, Florida, and West Virginia contained too few credit unions for state leagues but were found to be much interested. In thirty states, new state leagues were organized which ratified the constitution and by-laws. On December 16, 1934, applications for membership were submitted from 35 state leagues to the membership committee of the ratification committee (consisting of T. J. O'Shaughnessy of Illinois, Thomas W. Doig of Minnesota, Earl Rentfro of Missouri) and were admitted to membership. The first meeting of the national board was called for Kansas City, Missouri, on January 27, 1935. At this meeting the

*The Cuna Mutual Society has been organized by the Executive Committee of the National Association for this purpose.

BOARD OF DIRECTORS, CREDIT UNION NATIONAL ASSOCIATION

national board organized as indicated on page 220 of the appendix and the Credit Union National Association was an accomplished fact. Just as Earl Rentfro of Missouri has been and is conspicuously outstanding for his contributions to the legislative effort of the Bureau (and particularly the enactment of the Federal credit union law) so Thomas W. Doig should be noted as the man who, more than any other one man, convinced the credit unions of the United States not only that they should have a National Association but also that they should pay for it. Another notable service to the credit union movement in the United States was performed by Benjamin F. Hillebrandt of Missouri who presided with extraordinary ability over the Estes Park Conference and the first national board meeting. It is most fitting that the era of the Bureau proceeds into the permanent era of the National Association under the direction of Edward A. Filene who has so conspicuously served the credit union in the United States.

STATE AND NATIONAL CREDIT UNIONS

THE STATE LEAGUE

Prior to the organization of the National Association, there were self-sustaining state leagues of credit unions in Massachusetts, New York, Minnesota, Illinois, and Missouri. There were excellent leagues, operating in limited fashion and without appreciable budgets, in Iowa, California, Indiana, Georgia, North Carolina, and Alabama. Except in the five states first named and in Wisconsin, all state leagues now operate with the same general charter basis. The Minnesota, Iowa, Indiana, Illinois, Georgia, Alabama, North Carolina and Missouri Leagues were all organized on a uniform basis in 1930 by the Bureau. All leagues operate through a board of directors chosen annually, and are directed by managing directors who have charge of the organization work and general direction in the various states. These leagues are producing outstanding leadership in their managing directors; men like Joseph S. De Ramus of Illinois, Clifford O. Skorstad of Minnesota, Sidney Stahl of New York are contributing in major fashion to rapid credit union development in their respective states. In the appendix will be found a complete roster of the state leagues' personnel. It is anticipated that each state league will be the state office of the National Association operating activities and in charge of the direction of the credit union movement within each state in cooperation with the National Association.

THE CITY CHAPTER

As will also be noted in the appendix, several city chapters have been organized composed of credit unions within a given area or city. The purpose of the chapters is to bring credit union officers together for purposes of consultation, the solution of common problems, discussion of state and national matters, to hear state and national officers, to develop social activities and to bring the credit union membership closer and closer together in that great fraternity which the credit union

C. R. ORCHARD, DIRECTOR, CREDIT UNION SECTION, FARM CREDIT ADMINISTRATION

membership truly constitutes. It is hoped that eventually there will be a plan of meetings at regular intervals for city and district chapters which will enable credit union members to get together regularly and that the meetings will also be attended by credit union members visiting in the vicinity of the place of meeting. This is now in process of evolutionary development and it is altogether possible that there will come eventually into being a form of chapter organization which will supply the impetus and inspiration for all local credit union action without which it will be impossible for the credit union movement to come to complete fruition.

FEDERAL CREDIT UNION SECTION

Into the general plan has come a new and most important factor. The Federal Credit Union Bill, when enacted, carried

an appropriation. The Credit Union Section of the Farm Credit Administration, under the direction of Claude R. Orchard (who as Personnel Director of Armour & Co., Omaha, was primarily responsible for the remarkable credit union development within the far flung units of that organization) has taken vigorous direction of the utilization of the Federal Credit Union Law, enacted by the 1934 Congress. This has added a staff of well trained credit union organizers to the force of those available to cooperate in the matter of additional credit union organization. It is safe to assume that there will be, within a relatively short time, more Federal than state credit unions in the United States.

COOPERATION AVAILABLE FOR NEW GROUPS

A group of people, anywhere in the United States, in need of credit union service and interested to organize, can secure prompt cooperation without charge. On page 244 of the appendix is indicated the way and manner of contacting with the Credit Union Section of the Farm Credit Administration. On page 225 are listed all of the managing directors of state leagues; any managing director is well informed as to the organization process under the state law in his particular state and will be glad to cooperate. On page 271 are to be found typical credit union contacts, listed by various designations, to assist the new group to secure information relative to successful credit union operation within a similar group elsewhere. On page 259 is another list, containing typical credit unions in your state, so arranged as to supply you with a contact relatively near at hand. The National Association, state leagues, Federal Credit Union Section and individual credit union leaders in your vicinity will all be happy to assist on application without charge. The tables contained on page 84 hereof indicate how contact may best be established to procure forms, etc.

I conclude this chapter with a chart showing the form of credit union national organization in the United States:

CUNA EMERGES

Here
we have the
CREDIT UNION
NATIONAL ASSOCIATION
How is it composed?

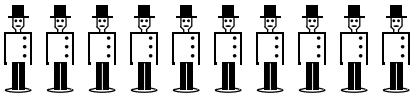
It is an organization of State Leagues!

Ill. + Ia. + Mo. + Minn. + N.C. + Cal.

Each State League is an organization of credit unions!

C.U. + C.U. + C.U. + C.U. + C.U. + C.U. etc.= League

The credit union is an organization of individual members!



THE
CREDIT UNION
NATIONAL ASSOCIATION
is, therefore, composed of all of the credit union members in the United States who belong to credit unions affiliated in State Leagues which have membership in the Credit Union National Association. It operates through:

A Board of National Directors composed of one Director from each affiliated State League, plus one additional Director (maximum of five) for each hundred credit unions in a given state league. It meets annually and elects

The Executive Committee, which consists of the President, five Vice-Presidents, the Treasurer, the Clerk and the Managing Director, meets quarterly to carry on the National Association business. A quorum consists of five.

Finally there is a Bi-ennial meeting to which all affiliated credit unions are entitled to send delegates which Meeting has the power of review and the further power to remove the National Board and require a new election if dissatisfied with the management of the National Association.

CHAPTER X

WHAT OF THE FUTURE?

WHAT is our primary objective in the United States?

If we could butanswer that question with a degree of finaliy, we could then the better understand the normal service that the credit union has to render to the average citizen.

If a thousand individual men and women were asked to state as concisely as possible what he or she required of life to make it worth while, there would probably be a surprising agreement on certain items. On the fundamentals, we would agree. We would differ, of course, as to the way and manner of finding individual happiness. The physician, true to his noble calling, would find happiness in the prevention and cure of human ills. The engineer would discover that the something in him which made him an engineer was comfortably satisfied by building bridges, possibly, or making a Norris Dam. I saw a motion picture recently which so ennobled the profession of nursing that I not only fell in love with the leading lady but have held the nursing profession in awe ever since. It is, however, with the fundamentals which nurse and doctor, engineer, and the iceman, the coalman, the miner, the farmer, the grocer, the errand boy all require in common that the credit union has to do.

What are those fundamentals?

If you have never been cold, real cold, in danger of freezing, if you have never found yourself on a park bench of a late November evening with a storm whipping up and without the price of a bed in the pocket of your ragged coat, you have not appreciated fully how we all need adequate heat. Likewise,

how essential the cooling breeze off the ocean on a hot summer day, the air we breathe, the water we drink, the many things we have and accept automatically without much inquiry as to how they became available for our so necessary use. They are universal needs. To illustrate usury I have spoken often of the two men, lost on a desert in a sand storm. One had a canteen of water, the other a thousand dollars and no water. At a given point, the man with the water can charge $1000 for a drink and get away with it unless the other man first takes the water away from him by force. *In every usurious transaction, the price of credit is measured in similar fashion by the need of the borrower and the greed of the lender.*

Can we generalize further as to the essential things?

It seems to me that the average of us, whatever our calling or place in the economic order, want the following simple things: (1) *Work* under decent working conditions; (2) which work will be *compensated* for *fairly* and carried on *within reasonable hours* with ample time for rest and recreation; (3) the assurance that the economic system, within which we operate, will enable us to use what we earn *that we may buy with what we earn the maximum of needed things and services;* (4) the certainty that there shall be within our reach that standard of living which should be fairly possible, taking into account the capacity of industry and agriculture to produce the things which make for a full life and the quite general willingness to work and to earn the right to enjoy such a standard of living; (5) such *life insurance* as will provide the maximum of protection (consistent with what is paid for insurance) for the family of the insured, in the event of his death; (6) the assurance that the state, the employer of labor and the employee shall combine during the work days of the employed man to make certain that he shall adequately be insured *in the event of his temporary disability, unemployment beyond his control and old age.*

These, it seems to me, are the essential services.

And we have a right, possibly the obligation, to inquire into

the economic order at any time in order to determine whether or not it is performing these essential services, and if not, to inquire into the reasons and, if possible, to advance to a closer approximation of those services.

It may have become self-evident to anyone who has read this book thus far that I believe in cooperation. It seems to me that capitalism stresses the wrong impulses in human nature. It is altogether possible that in the subjugation of a wilderness it is upon these impulses that we must rely for progress. The pioneer pushes forth beyond the frontier because he wants for himself the free land that is beyond the high mountains. The railroad must be built; the building calls for high adventure, for risking much and possibly all of the exploitation, all of the concentration of capital, all of the appeal to the impulse to acquire is necessary that the road may be built. Possibly the conquest of the weak by the strong, the survival of the most fit, is a concomitant of an advancing civilization. *But the railroads have been built, the pioneer has had his acres, the miner his virgin gold, the Indians are a remnant of a once numerous race.* The most productive part of a great continent now constitutes the United States of America, the richest country in the world. As we look to it and to what has come of an unrestrained impulse to acquisition possibly it is the right time to wonder whether or not advancing civilization calls for changing national impulses.

I do not share the popular theory that there can be no high effort except as the impulse be acquisitive. Lincoln apparently did not have it. While Washington and Hamilton had it, I doubt that it bothered Jefferson or Lee. The really great writers, who have contributed most to the literature of the world, for the most part have found no great fortunes. In fact, the very successful man, after a given point, seeks greater acquisition not so much, in the average case as I have encountered it, because he wants more things, but generally either because he wants more power or because he gets the habit of acquiring things and can't then shake it.

The great cooperative movements in England, Sweden, Denmark and in the many parts of the world where cooperative effort has come to major fruition, have not been motivated by acquisitiveness.

And, after all is said and done, there was a great man whom we may the more easily comprehend, if we view Him biographically and as without theological significance. He talked about man being his brother's keeper and about the brotherhood of man and of the catholicity of the point of view of the Good Samaritan. While we have done badly in an attempt to build a Church which would be at all true to his simple preachings, we have been profoundly affected none the less in our national and our individual lives by the fact that this Man, who is most generally accepted as the greatest Man who ever trod the earth, was by trade a carpenter, who never concerned himself much with money, who could have been all powerful and rejected the notion and who tried to give us a few simple rules consistent with the notion of a cooperative brotherhood. He left no estate to be administered.

My interest in cooperation, however, centers in the credit union and it seems to me that the credit union offers a cooperative program on which men and women everywhere can agree who have the same common need for the essentials, for the simple reason that the credit union offers the most effective machinery for enabling the average man to attain the essentials. And so it should be and is possible to have credit unions within industry and within church parishes and within cooperative effort groups and in all sorts of places and under all sorts of conditions where there is agreement as to the necessity for these essentials, however normally and rationally those so cooperating might disagree as to every other phase of the cooperative movement.

It is recognized to be the business of the state to do some things for the citizens of the state which are not left to private enterprise. It is, it seems to me, as logical to turn over to cooperation certain things, these essential things from which

the private profit motive should be eliminated because the need is so universal.

We, in credit unions, are, therefore, interested vitally that there be such regulation of production, such scientific relation of production to consumption, such international trade and intercourse as will obtain for our average member (1) a job at (2) fair pay and (3) fair hours and that the same scientific thinking be applied to industrial processes as is applied to preventive medicine. We know that we have in the United States adequate productive power for a population much greater than our own; we know that we are a part of a small world and that intercourse in that small world is essential to trade, *to the very job by which I maintain life.* This is, of course, a general interest. The credit union as such cannot assure jobs; it can assure the study of jobs, united, sustained, intelligent thinking about jobs, legislation which may be necessary, not so much to create non-productive jobs but to stimulate the trade within and outside the nation that there may be productive jobs under proper working conditions. And the time approaches when there must be planning about these things and as average credit union members are most concerned with the results of such planning, we must take a hand, possibly the initiative, in such planning. Meantime, we have immediate, very practical things to do. We, too, are interested in wars because we fight them. We die in them; we get wounded, horribly wounded in them and come back to insane asylums and to tubercular hospitals and to become hundreds of thousands of misunderstood veterans of wars, with all of the temptations which accompany the process, because jobs are destroyed in wars and property is destroyed and national credit is destroyed and ideals perish. As I write Germany declares for rearmament; the world stands by shocked, and yet Germany says that armament is essential because the rest of the world will not disarm as the rest of the world promised to do after the World War, and the chancellories of the world have no answer to that accusation. The United States will not

participate in another World War in this generation. Our business men lost too heavily in the last war; our government lost too much and a generation still very much alive became disillusioned. *But we, in credit unions, are interested that there be peace, intelligent, permanent peace, understanding among people superior to the understanding among their rulers.* In these matters we must be accurately informed and by our information be governed.

The immediate problems have to do with the buying power of what little or much we do earn. I have spoken elsewhere of what the usurious money lender takes from us in hundreds of millions of dollars. There is no more place for usury in a civilization as advanced as we are than there is for unrestrained and uncontrolled leprosy. That, we must abolish by cooperative effort for the simple reason, the very simple reason, that the banking system, by not reaching the average man with the credit side of banking, leaves him to the usurer. The installment system is as bad. It penalizes with unfair and usurious penalties the individual of small buying power, at the same time using every modern sales promotion device to develop within the average of us the habit of installment purchasing.

That, we must eliminate. It is of the essential necessities.

The masses of the people with their own money under their own control can be trusted to solve all of the economic problems with which they are so essentially concerned.

What then of the Future?

In the first book of Moses, commonly called Genesis, in the first chapter and the twenty-seventh verse, it is related how God created man in His own image and in the twenty-eighth verse and the twenty-ninth He assigns to man dominion over everything. In conclusion it may be of interest to think of man as the "human race." Certainly, these verses had no particular prophetic reference to any individual. God obviously did not have Mussolini nor Napoleon nor the Rothschilds nor the Rockefellers nor even Adolph Hitler in mind. *The fair*

assumption is that He assigned dominion over the earth to the human race. Nor did He, with prophetic vision, assign this dominion to that part of the human race which we now call England, nor the United States, nor Japan.

It is possibly a bit whimsical to think that He may have had in mind a universe so fruitful in everything that the numerous lineal descendants of Adam and Eve would never lack for plenty. It should be the ultimate vision of those of the high heart and the prophetic look to restore eventually the dominion over the earth and the contents thereof to man. With this thought in mind, let us take a squint at what we can see about us in this tiny segment of the world with which we are personally in contact and let us try to get the vision of such restoration and see whether or not it is within the range of sane prophecy that the credit union may have a part to play in the process. To begin with, it is more or less obvious (although it has but remotely to do with the credit union) that man (using the word in its generic sense) has a common interest in this business of world dominion. I am by religion a protestant of the Congregational persuasion. I was in politics a Republican until it seemed to me that the party of Lincoln had forgotten its origin and I have become an adherent of the present President of the United States, because I believe he has the true credit union conception of courageous service.

I am by nature a conservative.

I refuse to believe, however, that George Washington in his Farewell Address (aided and abetted by Alexander Hamilton and Chief Justice Jay) spoke the ultimate of human political wisdom as applied to political, social, economic and international conditions as we are confronted with them in this amazing world of April 1935. Washington was the Father of his Country, but not the last word in political thinking. It seems to me that the lesson of the World War (which cost 34,000,000 casualties and property damage and destruction past all human capacity for computation) proved the necessity for less provincialism, in spite of the fact that the unfortunate

aftermath of the war has been the most extraordinary reversion to that type of provincialism known as nationalism ever witnessed in history.

Let us consider the gull for a moment.

He is following my ship across the English Channel from the chalk cliffs of Dover to the busy waters of LeHavre. He has no passport; he pays no duty on his luggage; no one challenges him as he passes the invisible line in the Channel which marks the place where England touches France. Having no mind, he relies upon his instincts and they are not acute enough to inform him that he has anything particularly on record against another gull of French origin. Or consider the poor and lowly worm. He is traveling two inches, from some spot in the clear in Germany across an invisible line to some spot two inches away in the clear in France where he seeks and obtains some desire without appreciating that he has left his Mother Country in the process.

Yet, human beings to whom God gave dominion over the earth go to the church in the home village on one side of that invisible line to pray for the success of their arms on the other side of that invisible line, to the same God who resides presumably in the first Church which they meet after they get over the line which Church they proceed to demolish with gun fire. We cannot change that inferior thinking of man, because it is the result of the reactions of centuries to bad habits called "traditions" and of bad thinking which has sealed up most of his mind, the parts of his mind which would make him as reasonable as the gull or the worm, if he would only let those parts of his mind function. I have met credit union people in Switzerland, Holland, Germany, and Belgium. I have talked credit union with men who had the same point of view I had in England and the best informed man I know on all matters pertaining to cooperation is my deeply and highly respected and beloved friend, Dr. G. Fauquet of Paris. When I think of the future, I think of the identity of interest of tram drivers in London and motor men in Kansas City. I

think of a universal language, the language of cooperation which will one day do away with passports and customs regulations and invisible lines separating men who have common interests and supersede in quite orderly fashion all of the demagogues and dictators and political bosses of the world, substituting cooperative effort, properly understood and successfully applied.

I shall be dead long before that happens but the catholicity of the cooperative movement is the one hope of the world.

I have a book called "Cumet" (which I am glad to give to anyone who has the courage to read it) which tells how some day we will start to break down the bad thinking which separates people by making foreign travel easy for credit union members.

It will be a beginning.

At home it seems to me the future must be found increasingly in cooperative effort. I like my country the way it is in theory; the Declaration of Independence is still good doctrine; the Constitution of the United States, amended progressively from time to time to fit advancing human needs, supplies the best theory of government yet developed in the world.

We have done ill with it in practice.

Cities have been governed by bosses responsive in no sense to the popular will. Often states have been the plaything of demagogues. Our national government has not ever realized the sort of service in Federal control intended by the Constitution. Bankrupt cities, states which have been exploited and brought to financial shambles, a national government which has at various times barely escaped national scandal, all have resulted, as has the collapse of our economic system, from the indifference of the citizen, of us average credit union people, to the common good.

It has resulted naturally from the national worship of greed.

But these are only surface faults of a very young country; we will build anew and if we can but learn from what has transpired how to avoid repetition we may yet realize a na-

tional life which will be truly of the people, for them, by them, in their service. *And again, the credit union of the future has the grave responsibility to teach good citizenship to the members.* We are over three-quarters of a million already. Over a million people have the service of the credit union already. We increase literally thousands per week; we shall inevitably number many millions, legion on legion of men and women, sobered by the management of great sums of money, good Americans who love their country and would see their basic institutions work in practice.

We suffer from a single evil, that evil which is involved in an economic system which makes a god of profit to the individual and forgets that the objective of the perfect life is service.

We shall, in credit unions, drive the usurious money lender from the temple. We shall in the credit unions equalize, by cooperation, those inequalities which make the worker at a modest wage pay more for everything he buys than does the individual whose wealth establishes him as a cash buyer of things. We shall in the credit unions eventually put about the home, for which our member goes forth to earn his daily bread, the protection of life insurance at cost and without exploitation. We shall eventually in the credit union establish such reserves for the worker in times of steady employment that he can withstand the rigors of unemployment without becoming either an object of charity or a ward of the state. We shall, in credit unions, encourage cooperation in its various manifestations as cooperation comes increasingly to supplant an economic system based on unfair profits with a system which operates on the sole basis of the maximum service by man to his fellow man without profit.

These things we shall do, conservatively, carefully, in the one and only true way, with complete loyalty to flag and country, with an earnest prayer that the earth and the fullness thereof which in the Divine Providence was to belong to man shall be restored to man.

APPENDIX A

DEBT SITUATION

THESE figures, taken from tables compiled for a study of the *Internal Debts of the United States,* edited by Evans Clark (The Macmillan Company, 1933) indicate the personal credit field. It is my personal conviction that credit unions should eventually cover this entire field of small credits. Many of these agencies, now covering this field on a profit basis, are doing excellent work in eliminating usury but I am convinced that only through cooperative credit can these problems ever be solved at normal rates. I am deeply indebted to this study for these figures and the conclusions are, of course, my own conclusions and are not contained in the study. These figures cover 1931; the second table is not taken from the book but contains my own deductions.

(1) Retail installment debts	$2,000,000,000
(2) Loan companies operating under the Uniform Small Loans Law	307,000,000
(3) Loans by pawn brokers	500,000,000
(4) Loans by industrial bankers	360,000,000
(5) Unlawful lenders, (loan sharks)	1,000,000,000

This business totals $4,167,000,000.
The tables indicate loan charges as follows:*

(1) Loan companies operating under the Uniform Small Loans Law	$ 77,900,000
(2) By pawn brokers	130,000,000
(3) By industrial bankers	30,000,000
(4) By unlawful lenders	350,000,000
Total	$ 587,900,000

Assuming an average difference of 20 per cent on goods sold on the installment plan as compared with goods sold for cash

* Not including installment credit cost.

(which is ultra conservative) the cost of the installment credit to American families was approximately $400,000,000.

Assuming that credit unions operate on the basis of one per cent a month on balances, the differences in credit union rates and the rates charged on these items of business would approximate:

Installment credit saving 8 per cent on $2,000,000,000 totals	$160,000,000
On the business of the uniform lenders, an approximate average saving of 24%	52,000,000
On business of pawn brokers	70,000,000
On business of unlawful lenders	230,000,000

These are extremely conservative approximations. They indicate a potential business of $4,000,000,000 now costing American families over $900,000,000 of carrying charges which business, if financed by credit unions, would save American families approximately over $500,000,000 per annum.

There is also a very heavy loss to American families resulting from insurance policy loans, totalling in 1931 $2,269,146,545. This loss is to be found primarily in the lapsed policies following loans which bear a very conservative relationship to the amount paid in premiums.

Other great sums will be saved by American families when they are able to buy for cash (with great resulting savings) goods now carried on retail open accounts totalling, at the end of 1931, $3,200,000,000.

The following table indicates the total of the family indebtedness in the United States: Table 81 as contained in *Internal Debts of the United States,* edited by Evans Clark (The Macmillan Company, 1933).

Class of Financing	At end of 1931	At end of 1932
(1) Retail Open Account Debts	$3,200,000,000	$2,500,000,000
(2) Retail Installment Debts	2,000,000,000	1,750,000,000
(3) Short Term Cash Loans by small loans agencies	2,223,083,000	1,720,000,000

(4) Estimated Total of Life Insurance Policy Loans	2,269,146,545	2,500,000,000
(5) Estimated Total U.S. Gov't Loans to Veterans on Life Insurance and adjusted certificates (for personal and household purposes)	1,206,620,537	1,425,339,019
(6) Estimated overdue rents, taxes, insurance premiums	2,000,000,000	3,000,000,000
(7) Personal Loans between individuals	1,000,000,000	1,500,000,000
Totals (Short Term Individual and Family debt in United States)	13,898,850,082	14,395,339,019

While considering this matter of our debts, this same interesting volume indicates that the farm mortgage debt as of 1931 was $9,240,000,000 and the urban mortgage debt $35,000,000,000.

It was estimated therein that, in 1929, 98 per cent of all families were in debt.

APPENDIX B

CHAPTERS

THE word ''Chapter'' in credit union terminology has come to mean a local organization of credit unions. This development has come almost automatically and as yet very informally in response to a recognized need for closer credit union contact. It is a part of the program of the Executive Committee of the National Association to devise a uniform method of Chapter organization which will provide for regular meetings (twice each month) with some of the formality of the typical luncheon club (of the type of the Rotary or Kiwanis Club), with a certain fixed, but brief formal program but with the greater part of each meeting devoted to informal social contact and to discussion of credit union problems. It is anticipated that, in this fashion, it will be possible for the State League and the National Association to easily and frequently contact credit unions in order that the credit unions may have first hand knowledge of the credit union program and of the services which may be had from the State League and the National Association. It will also afford credit unions a simple and convenient way of informing the State League and theNational Association of their requirements in common service. The author of this book has contacted many credit union meetings and always with an appreciation of the normal social bond uniting credit union members. We have common problems which can and will be met through effective chapter organization. The development of the Chapter is well described by S. R. Leach, President of the St. Louis Chapter of the Missouri Credit Union League, whose Chapter is typically active. By permission of the Direc-

tor of the Credit Union Section of the Farm Credit Administration I am reprinting this description from the May, 1935, issue of "Cooperative Saving with Federal Credit Unions," the official organ of the Credit Union Section. Mr. Leach would be glad to supply further data to anyone interested in Chapter organization. His address is S. R. Leach, St. Louis Yorkco Credit Union, c/o York Ice Machinery Company, 115 South 11th St., St. Louis, Missouri. Another very active Chapter operates at Mason City, which Iowa municipality has the honor of representing the largest proportional credit union development within any municipal unit in the United States. With a population of 25,000 Mason City has over 2000 credit union members. This is due largely to the activities of the Mason City Credit Union Chapter. L. G. Hawkins, Gas & Electric Employees Credit Union, Peoples' Gas & Electric Company, Mason City, Iowa, would be glad to supply information concerning it. Mr. Leach's article follows:

> ''In developing this chapter the foremost thought in guiding its activities was that over half of the potential members were from newly organized credit unions, the officers of which were feeling their way without benefit of any outside assistance. Realizing that the experience of those who had been active in credit union work would be extremely valuable to them, it was announced that the meetings for the first few months would be devoted entirely to the discussion of problems which are met most frequently in the early life of a credit union.
>
> This policy of conducting a school for new credit union officers has been responsible for the enthusiastic and well attended meetings every month. The meetings were not in the form of "classes,'' with specific instruction, but rather depended upon a free exchange of ideas with natural inquiries from the new members and voluntary answers by the older and experienced ones.
>
> It was announced, however, that each meeting would be devoted to some specific phase of credit union activity, such as: duties of supervisory and credit committees,

bookkeeping procedure, loans requiring co-makers, or treasurer's duties. This program began last April and has been carried out for a year, even during the hot months of July and August, with average attendance of well over 50 and a peak in March of 125 credit union folk.

Formalities in the conduct of meetings or anything that would tend to restrict attendance have been particularly avoided. A notice of each meeting is mailed to every credit union in the city regardless of whether they have formally made application for "membership" in the chapter. Only once has a poll of voting delegates been taken and that for annual election of officers. In fact, most of the meetings resemble old fashioned revival meetings, with rules of order not only suspended but forgotten.

While meetings are held on a fixed night each month we shift the location to any credit union which offers hostage and has the space and facilities to handle the meeting. Some officers attend for the first time when a meeting is held at the office of their own credit union and these officers are among those present at subsequent meetings. Meetings are called promptly at 8:00 P.M. and adjourn just as promptly at 10:00 P.M.

There has been some success in getting open indorsement of credit unions from various organized civic and commercial groups. Where formerly there was a faithful few of four or five, there are now at least twenty credit union leaders in St. Louis who may be called upon at any time for any phase of credit union work and gladly give not only enthusiastic response but well informed, efficient assistance."

At the time of this second edition there are 125 chapters in operation. A committee of the Credit Union National Association has prepared a standard uniform draft for chapter organization, copies of which may be had free from the Credit Union National Association, Raiffeisen House, Madison, Wisconsin.

APPENDIX C

THE NATIONAL CREDIT UNION ORGANIZATION

ESTES PARK CONFERENCE

Signers of the National Constitution

Harold P. Winchester	Director, New York State Credit Union League
Paul A. Boberg	Managing Director, Washington Credit Union League
Sol Cohen	Director, Illinois Credit Union League
Thomas W. Doig	Minneapolis Postal Credit Union, Minneapolis, Field Secretary, Credit Union National Extension Bureau
Earl Rentfro	Managing Director, Missouri Credit Union League
Clifford O. Skorstad	Managing Director, Minnesota Credit Union League
Sidney Stahl	Assistant Secretary, New York State Credit Union League
Harold L. Loughrey	Director, Minnesota Credit Union League
Clyde M. Knodell	Director, Illinois Credit Union League
Rev. J. M. Campbell	St. Cecilia's Parish Credit Union, Ames, Iowa
T. J. O'Shaughnessy	President, Illinois Credit Union League
Anna Read	President, Portland Teachers' Credit Union

A. Neal Hutchins	President, Iowa Credit Union League
Joseph Campana	President, Massachusetts Credit Union League
Arthur L. Wanner	Director, Illinois Credit Union League
Ralph G. Long	Director, Illinois Credit Union League
John L. Moore	Managing Director, California State Credit Union League
Clyde C. Parker	Managing Director, Alabama Credit Union League
R. H. Pitts	President, Texas Credit Union League
Louis G. Weiler	President, New York State Credit Union League
C. G. Hyland	Wisconsin State Banking Department Credit Union Organizer
P. D. Holmes	Director, Illinois Credit Union League
A. J. Clauter	Director, Illinois Credit Union League
Garfield Seibert	Managing Director, Kentucky Credit Union League
H. M. Rhodes	Managing Director, North Carolina Credit Union League
E. H. Berry	KEMBA, Memphis Credit Union, Memphis, Tennessee
H. F. Ingram	Managing Director, Arkansas Credit Union League
L. A. Pinkney	Director, Missouri Credit Union League
Brice Martin	President, Herald and Review Credit Union, Decatur, Illinois
Claude E. Clarke	Managing Director, Ohio Credit Union League
Ben F. Hillebrandt	President, Missouri Credit Union League
Agnes C. Gartland	Manager, League Central Committee

APPENDIX C

Claude R. Orchard	Pres., Armour Employees C. C. A., Omaha, Neb.
Nial L. Brainard	President, Swift Chicago Plant Credit Union, Chicago, Illinois
William E. McKibben	Street Car Men's Credit Union, Des Moines, Iowa
Emil V. Riley	President, Postal Credit Union of Los Angeles, California
F. D. McKeag	Director, Illinois Credit Union League
Charles F. Donahoe	Telephone Workers' Credit Union, Boston, Massachusetts
J. L. Howard	Denver Postal Credit Union, Denver, Colorado
Louise McCarren	Secretary, Ohio Credit Union League
Andrew J. Percival	Director, Illinois Credit Union League
Joseph S. De Ramus	Managing Director, Illinois Credit Union League
A. F. Dodd	Denver and Salt Lake Railway Credit Union, Denver, Colorado
C. T. Bergeron	Managing Director, Texas Credit Union League
Edward A. Filene	Founder
J. Clarence Howell	Director, Michigan Credit Union League
A. Westergaard	Managing Director, Iowa Credit Union League
Roy F. Bergengren	Credit Union National Extension Bureau
Jerome K. Eldridge	President, Western Union Employees C. U., Washington, D. C.
Leo Kaminsky	Jewish Community Credit Union, Indianapolis, Indiana
Dora Maxwell	Field Secretary, Credit Union National Extension Bureau
E. G. Hampton	Credit Union Examiner, State Banking Department, Wisconsin

CONSTITUTION AND BY-LAWS OF CREDIT UNION NATIONAL ASSOCIATION

(Amended to August 1, 1936)

PREAMBLE

We, the credit unions of the United States, in order to form a more perfect union, do ordain and establish this Constitution and these By-laws for our National Association.

CONSTITUTION

ARTICLE I

NAME

SECTION I. The name of our association shall be the Credit Union National Association.

ARTICLE II

PURPOSES

SECTION I. The purposes of our Association shall be, (1) to facilitate and promote the credit union movement within the United States and the territorial possessions thereof, (2) to forward the cooperative movement in such fashion as may be deemed advisable from time to time, (3) to promote international good will by friendly contact with the cooperative credit movement abroad—all to the end that our great country may be benefited by the credit union movement.

ARTICLE III

MEMBERSHIP

SECTION I. Membership in this Association shall be limited to, (1) State Leagues of credit unions in states where State Leagues exist and, (2) credit unions cooperating as a unit in a state in which no State League exists in the way and manner indicated in the By-laws of this Association.

NATIONAL ASSOCIATION

ARTICLE IV

ADMINISTRATION

SECTION 1. The ultimate powers of this Association shall vest in the members who shall be represented by Directors whom they shall select.

§ 2. The management of this Association shall vest in a Board of Directors which shall operate in such a manner and shall exercise such powers as shall be provided in the By-laws of this Association.

ARTICLE V

FINANCE

SECTION 1. This Association shall be financed in the way and manner provided in the By-laws of the Association.

ARTICLE VI

FURTHER POWERS

SECTION 1. This Association shall have such further powers and exercise such further functions as shall be provided in the By-laws or amendments thereof. No amendments to the By-laws shall be in conflict with this Constitution.

ARTICLE VII

AMENDMENTS

SECTION 1. This Constitution may be amended, altered or repealed by a resolution adopted by a two-thirds vote of the Directors at any regular or special meeting, the notice of which shall set forth the resolution in full at least thirty days prior to the date of said meeting, and shall thereafter be ratified by three-fourths of the members of this Association, provided however that in the ratification of suggested amendments no state or territory shall have more than a single vote.

BY-LAWS

ARTICLE I

PURPOSES

SECTION 1. The purposes of the Credit Union National Association are as set forth in the Constitution of the Association.

§ *2.* These purposes as set forth in the Constitution shall be attained by:

(a) Maintaining the present high standards of credit union organization and operation by contact and supervision.

(b) Promoting and protecting all laws affecting credit unions.

(c) Establishing and maintaining such central agencies as may from time to time be deemed necessary to the effective operation of the Association by the Board of Directors and supplying in most effective fashion (1) credit union accounting forms

and other supplies, and (2) bonding, insurance and auditing services.

(d) Publicizing the credit union movement, publishing books relative thereto and maintaining such publicity organs as may be necessarily incidental thereto.

(e) Promoting the organization of credit unions, under state and federal laws, both by direct effort and in cooperation with other agencies having a similar purpose.

(f) Acquiring such property, both real and personal, and maintaining such operating personnel as shall be deemed necessary to the effective operation of this Association.

(g) Encouraging and assisting in the organization of city and district organizations of credit unions and of State Credit Union Leagues.

(h) Assisting State Leagues of credit unions to establish such State Central Credit Unions or other central financial organizations of credit unions as may by state or federal law be authorized from time to time, and establishing and maintaining such central national clearing house or other national central financial agency or agencies as may be from time to time authorized by federal statute.

(i) Developing a department of statistics having to do with various phases of credit union activity.

ARTICLE II

MEMBERSHIP

SECTION 1. Membership in this Association shall be as provided in the Constitution. For the purpose of these By-laws the term "credit union" shall include all cooperative credit organizations operating under state and federal laws in the way and manner of credit unions. Within the meaning of these By-laws the words "State League" shall include also any central organization of credit unions in the District of Columbia or in the territories of the United States.

§ 2. Application for membership in the Association by State Leagues shall be made to the Executive Committee in writing, shall contain an acceptance of and an agreement to abide by the Constitution and the By-laws of this Association, shall have been made pursuant to a resolution adopted by a majority of the Board of Directors of the State League, and shall be accompanied by a copy of the Constitution and By-laws of the State League which shall be acceptable to the Executive Committee. If the application is approved by a majority of the entire Executive Committee, the State League shall upon payment of dues hereinafter provided for become a member of the Association. In the event there are in any state two or more central organizations of credit unions to which all of the credit unions in the state are eligible, the Executive Committee shall determine which State League it shall recognize. No state may be represented in this Association by more than one State League.

§ 3. In a state which does not have a State League, or in which there is a State League which after invitation has refused to affiliate with the National Association, any two or more credit unions in said state may file with the Managing Director of the National Association an application for membership in the National Association as a group. Said application shall indicate on its face that

said credit unions have met through duly delegated representatives and have adopted a motion approving the filing of an application for membership in the National Association. All credit unions in said state shall be eligible to affiliation with this group. At such time as the number of credit unions so affiliated shall equal a minimum of ten credit unions, said credit unions shall meet through duly delegated representatives and shall elect from their own number a National Director to represent them. Credit unions affiliated in such a group prior to the time when their number shall equal ten shall be entitled to all the rights and privileges of the National Association except the right to elect a National Director. The application for affiliation of such a group in the National Association shall follow the usual procedure provided for the application of a State League to membership, and shall be governed by the same regulations. The application shall be in the form provided by the National Association.

§ 4. A member Credit Union State League may withdraw at any time, except that no withdrawal shall become effective until the next annual meeting of the Board of Directors. This Association reserves the right to accept credit unions into membership in any state where the State League has withdrawn from membership on the same basis as though the state had no Credit Union State League. The withdrawal of a State League shall in every case include the withdrawal of the Director or Directors representing said State League.

§ 5. A member State League may be expelled from this Association by a four-fifths vote of the Board of Directors at any annual meeting or special meeting called for the purpose, but only for cause and after a hearing. This Association reserves the right to accept credit unions into membership in any state where the State League has been expelled from membership on the same basis as though the state had no Credit Union League. The expulsion of a State League shall in every case include the withdrawal of the Director or Directors representing said State League.

ARTICLE III

ADMINISTRATION

(a) Board of Directors—How Constituted

SECTION 1. The affairs of this Association shall be administered by a Board of Directors, the members of which Board shall be known as National Directors.

§ *2.* Each member shall be entitled to be represented by one Director for each fifteen thousand credit union members or fraction thereof in the state belonging to credit unions affiliated with the member State League or group, but in no case shall there be more than five Directors in any given state, and provided that this Section shall not work a decrease in the present representation of any state. The number of Directors to which each member organization shall be entitled shall be based on the number of credit union members belonging to credit unions which are members of the member State League or affiliated group, in each case figured as of the close of the preceding calendar year.

§ 3. If at any given time it shall be determined by any member organization to send less than its quota of Directors to any meeting of the Directors, it may so certify to this Association and send a less number, who shall however be permitted to cast the number of votes equal to its quota.

§ 4. Members of said Board of Directors first chosen shall hold office for such part of the fiscal year of said Association as remains after the first meeting, except that one-third of the Directors shall be designated by lot, at such first meeting, to serve for a term of three years; one-third shall be designated by lot to serve for a term of two years and the remaining members of the Board of Directors elected in accordance herewith shall serve for a term of one year. Thereafter all members of the Board of Directors shall be elected to serve for a term of three years.

§ 5. Directors shall take office at the beginning of the next regular annual meeting of the Directors of the Association following their election.

§ 6. Within ten days of the election of a National Director the Managing Director of the Association shall be notified in writing by the member organization of the name and address of said National Director-elect.

§ 7. Each National Director must be a member of a credit union in good standing in a member organization.

§ 8. Whenever a vacancy shall occur in this Board of Directors the member organization affected shall fill such vacancy.

(b) Board of Directors—Meetings

§ 9. The annual meeting of the Board of Directors shall convene at such time during the month of April in each year as the Executive Committee may determine, at the principal office of the Association or at such other place as the Executive Committee may designate, the date and place to be fixed by the Executive Committee at least ninety days prior to the date of the meeting. Notice of the annual meeting shall be mailed to the last known address of each National Director and the State League or credit union group affiliated with the National Association at least thirty days before the date of said meeting, which notice shall designate the time, place and hour of the meeting.

§ 10. The first meeting of the first Board of Directors shall be held thirty days after this Association has been notified of the ratification of these By-laws by the tenth state.

§ 11. Special meetings of the Board of Directors shall be called on the request of the Executive Committee or upon the request in writing of the presidents of or all the National Directors from ten member organizations. The purpose of a special meeting shall be clearly contained in the call for the meeting, and the business of the meeting shall be confined to that purpose. Notice of special meetings shall be issued at least ten days before the date of the meeting.

§ 12. At all meetings of the Board of Directors representation from one-third of the member organizations shall constitute a quorum.

§ 13. On the request of the Executive Committee or of all of the National Directors from any five member organizations or of the presidents of any five member organizations, any specific question

submitted by them for referendum vote by the Board of Directors, except amendments of this Constitution and of these By-laws, shall upon receipt of such request be submitted forthwith to the Board of Directors by the Managing Director. National Directors shall be entitled to vote by mailed ballot on said question, and a majority vote of said National Directors shall be required for its adoption, except that votes on said question must be mailed to the Association within thirty days of the date of said notice.

(c) Officers

FOUNDER——EDWARD A. FILENE

§ 14. In grateful recognition of the fact that Edward A. Filene is the Raiffeisen of America—that he first brought cooperative credit to the United States—that he created in 1921 and financed from 1921 to 1934 the Credit Union National Extension Bureau in order that there might be a sustained development of cooperative credit in our country—in free acknowledgment of the unique debt which we and succeeding generations of credit union members owe and will always owe to him—we make a part of these our By-laws, not subject at any time to amendment, this acknowledgment—and we create the office of Founder of this Association and name Edward A. Filene to that office for life. Thereafter said office shall be abolished. As Founder he shall be a life member of this Association and ex-officio a member of its Board of Directors, with full voting powers.

(d) Executive Officers

§ 15. The Board of Directors shall elect, by and from their own number, a President, five Vice-Presidents, a Secretary, and a Treasurer, and from the credit union membership a Managing Director, who shall together constitute the Executive Committee. The five Vice-Presidents, if possible and when possible, shall be chosen one from the southeast area consisting of the District of Columbia and the states of West Virginia, Virginia, Kentucky, Tennessee, South Carolina, North Carolina, Georgia, Florida, Alabama and Mississippi; one from the northeast area consisting of the states of Maine, New Hampshire, Vermont, Rhode Island, Maryland, Delaware, Massachusetts, Connecticut, New York, New Jersey, Pennsylvania, Ohio, Indiana and Michigan; one from the north central area, consisting of the states of Wisconsin, Illinois, Iowa, Minnesota, North Dakota, South Dakota, Nebraska, Montana and Wyoming; one from the south central area, consisting of the states of Kansas, Missouri, Arkansas, Oklahoma, Texas, Louisiana, Colorado and New Mexico; and one from the western area, consisting of the remaining states and territories of the United States.

§ 16. The officers, other than the Managing Director, shall serve for one year or until successors are chosen and qualify. The Managing Director first chosen shall be elected to serve until the fourth annual meeting of the Board of Directors unless earlier removed for cause; thereafter he shall be elected annually.

§ 17. The President shall preside over all meetings of the Board of Directors and of the Executive Committee and shall perform such

other duties as may be assigned to him from time to time by the Board of Directors.

§ 18. In the absence of the President the Executive Committee shall designate the Vice-President who shall preside at meetings. The Vice-Presidents shall perform such other duties as may be assigned to them from time to time by the Board of Directors.

§ 19. The Secretary shall keep a complete record of all the meetings of the Board of Directors and of the Executive Committee and shall perform such other duties as may be assigned to him from time to time by the Board of Directors. The Secretary shall issue or cause to be issued notice of all meetings.

§ 20. The Treasurer shall be responsible for all the funds and accounts of the Association. He shall require that funds of the Association be collected and disbursed in the manner prescribed by the Board of Directors. He shall keep all funds in a bank or banks approved by the Executive Committee and in the name of the Association, subject to withdrawals by checks signed in such manner as may from time to time be directed by the Executive Committee. He shall prepare, or cause to be prepared, a monthly statement of the finances of the Association, and shall send or cause to be sent, a copy thereof to each National Director on or before the fifteenth day of each month for the previous month. He shall cooperate from time to time with any officers or committees which have in charge raising revenue for the Association. He shall prepare, or cause to be prepared, for the Twentieth Century Fund, Inc., an annual estimate of the budget expenses of the Association for the ensuing year for presentation to said Twentieth Century Fund, Inc., at its annual meeting in any year in which the matter of a subsidy to the Association from the Fund is pending. He shall perform such other duties as may be assigned to him from time to time by the Board of Directors.

§ 21. The Treasurer and any other officer or employee of the Association and any officer, employee or department head of any department established within the Association who handles money of the Association or of any department thereof shall be bonded in the way and manner prescribed by the Board of Directors.

§ 22. The Managing Director shall have general charge of the management of the Association under the direction of the Executive Committee. He shall appoint department heads and such personnel as may be authorized from time to time. All employees of the Association shall be compensated in such amounts as the Executive Committee may determine.

§ 23. The Executive Committee shall meet as often as may be necessary, but not less often than every fourth month after the annual meeting of the Board of Directors. In the interim between annual meetings the Board of Directors may delegate to the Executive Committee such of its administrative powers as they may determine. Members of the Executive Committee shall be compensated to the extent of expenses involved in attending meetings. The Managing Director shall give written notice of each meeting of said Executive Committee at least two weeks prior thereto. The President of the Association shall be Chairman of the Executive Committee and Chairman of the Board of Directors. The Managing Director

shall consult frequently with the Executive Committee, shall report not less frequently than bi-monthly, in writing, to all the members of the Board of Directors in sufficient detail so that the Board of Directors may determine accurately the then status of the Association, and shall carry out faithfully the purposes of the Board of Directors and of the Executive Committee.

(e) Standing Committees

§ 24. The Board of Directors shall, at its first annual meeting, appoint an Auditing Committee. The members of the Auditing Committee need not be members of the Board of Directors. Such other standing committees shall be appointed by the Board of Directors from time to time as they deem necessary.

§ 25. The Auditing Committee shall make or cause to be made an annual audit of all the accounts of the Association, including departmental activities of the Association, at the close of each calendar year, and such additional audits as the Board of Directors may require, and shall render reports of such audits promptly to the Board of Directors.

§ 26. Fifty per cent of the members of the Executive Committee shall constitute a quorum at all meetings of said Executive Committee, provided however that three of the five Vice-Presidents must be in attendance.

(f) Departments

§ 27. The Board of Directors shall establish such service departments from time to time as they shall deem necessary.

ARTICLE IV

THE BIENNIAL MEETING

SECTION 1. Having in mind the importance to the credit union movement of the exchange of ideas, personal contact of credit union members, and the need of suggestions based on practical experience, the year 1938 and each second year thereafter shall be designated as a Filene Year. During each and every Filene Year, at such time and place as the Board of Directors at their annual meeting shall designate (which date shall not, however, be sooner than five months after said annual meeting), the credit unions of the United States shall hold a general meeting for inspirational, fraternal, and educational purposes.

§ *2.* Not later than one month after said annual meeting in said Filene Year, the Secretary shall cause every credit union affiliated directly or indirectly with this Association to be notified of the date and place of said General Meeting, and every credit union shall be requested to name a delegate to said General Meeting and an alternate delegate to the same and to notify said Secretary of the names and addresses of said delegates and said alternates not later than one month prior to the date of said General Meeting. Said election of delegates may be held in such a fashion as the Board of Directors of said credit union shall determine. The National Association at any Filene Year meeting shall not pay the expenses of

the delegates to that meeting. One month previous to the general meeting the President of the National Association shall appoint a Credentials Committee from the elected delegates.

§ 3. At the time of fixing the date and place of said General Meeting, the Board of Directors shall appoint a committee of credit union members in each of the areas as indicated in Article III, Section 15 hereof, to be known as the Area General Meeting Committee, and shall instruct said Committee fully or cause it to be instructed as to the way and manner it may most effectively cooperate to assure the success of the General Meeting. At the same time said Board shall notify each State League of the date and place of the General Meeting and request the full cooperation of the said State Leagues in the matter of facilitating the work of said General Meeting. At the same time it shall appoint a standing committee of National Directors, to be known as the Committee on Arrangements for the General Meeting, which Committee shall have in charge matters pertaining to the business, entertainment, transportation and accommodation of delegates to the said General Meeting.

§ 4. The order of business at said General Meeting shall be as follows:

(a) Meeting called to order by the President of the National Association.
(b) Report of the Credentials Committee.
(c) Election of a General Chairman of the meeting from those present.
(d) Election of a Secretary of the meeting from those present.
(e) Report from the President of the Association.
(f) Appointment of a Committee on Audits.
(g) Report of the Treasurer of the Association.
(h) Report of the Managing Director of the Association.
(i) Report from the Manager of each Association Department.
(j) Report of the Committee on Audits.
(k) Discussion of problems affecting the good of the Association.
(l) Consideration of Resolutions.
(m) All other business.
(n) Adjournment.

§ 5. A quorum at the General Meeting shall consist of a majority of the delegates.

§ 6. In anticipation of the General Meeting, the financial affairs of the Association and of each department or activity thereof which involves money shall be audited by a certified public accountant, which said audits shall be available at said General Meeting for the consideration of the Committee on Audits.

§ 7. The Biennial Dinner of the Credit Unions of the United States shall be held at such time during the progress of said General Meeting as the Executive Committee of the Association may have fixed, not later than one month prior to said meeting.

§ 8. There shall be a meeting of the Board of Directors of the Association while the General Meeting is in progress. Members of the said Board and officers of the Association shall be ex-officio members of said General Meeting without the power of vote but with the power of discussion.

§ 9. If a two-thirds vote of the delegates present shall decide that

it is for the best interests of the Association so to do they may order a new election in the states represented in the Association of a Board of Directors for the Association, which said Board shall, upon the completion of its election, be substituted in its entirety for the existing Board.

§ 10. The National Board of Directors shall designate annually the birthday of Edward A. Filene as "Filene Day." On said day there shall be such publicity as national broadcasts, local chapter or state meetings, or whatever in the judgment of the Board of Directors they shall deem most advisable.

ARTICLE V

EMBLEM

SECTION I. The Board of Directors of this Association shall, after proper study, adopt an emblem which shall thereafter be used by the Association as its official designation. This emblem, in such modified form as may be standardized in each case by the Board of Directors, may be used by credit union members, credit unions, organizations of credit unions, and State Credit Union Leagues affiliated directly or indirectly with this Association.

ARTICLE VI

FINANCE

SECTION I. This Association shall be supported by (a) dues assessed and collected in the way and manner provided by the Board of Directors and in accordance with these By-laws; (b) revenue from central activities maintained by the Association; and (c) such grants, gifts and bequests as are received by the Association, but no grants, gifts, or bequests may be accepted without the approval of two-thirds of the Directors present at a meeting at which it is considered.

§2. This Association shall not open a National Office nor undertake any activities except the printing and distribution of bookkeeping forms until its operating expenses for a period of six months have been raised, either in cash or in pledges payable within said period. The Board of Directors shall at their first meeting prepare the first budget of this Association. Thereafter the annual budget shall be prepared in accordance with Section 4 of this Article.

§3. For the first three years of its operation an amount equal to at least one per cent of the annual budget of the Association shall be set aside as a surplus, and each year thereafter an amount equal to at least five per cent of the annual budget shall be set aside as a surplus, which said surplus may be used only in the way and manner determined by a two-thirds vote of the Board of Directors.

§4. The Executive Committee at its last regular meeting prior to the Annual Meeting of the Board of Directors, shall prepare or cause to be prepared, and submit to said Board of Directors, a budget for the ensuing year, together with an estimate of revenue with its recommendations relative thereto.

§5. At each Annual Meeting the Board of Directors shall determine the rate of dues to be paid by the members Associa-

tion for the ensuing year. Dues to the National Association shall be determined by the number of individual credit union members affiliated with credit unions which are directly or indirectly members of this Association, and the date to be used for determining this number shall be the thirty-first day of December of the previous year. In states where there are State Credit Union Leagues, the method of collecting dues payable to the National Association shall be determined by said State League, and all dues shall be due and payable in one installment on May first, and shall become delinquent on August first. In states where no State Leagues exist, each credit union shall, subject to the conditions hereof, determine the way and manner of collecting and paying said dues.

§ 6. The fiscal year of the National Association shall be from midnight of the last day of February of each year until midnight of the last day of February of the ensuing year.

ARTICLE VII

METHOD OF ORGANIZATION

SECTION 1. This Association shall complete its organization by the ratification of this Constitution and the acceptance of these By-laws in the following manner:

(a) *Provisional Organization*

§ *2.* As soon as this Constitution and these By-laws have been accepted and subscribed by one or more credit union members from at least fifteen states of the United States, those who have so subscribed shall meet and a Ratification Committee shall be chosen in the following manner: each subscriber who is the only person present at such meeting from his state shall become a member of the Ratification Committee from said state; two or more subscribers from the same state shall choose from their own number one to be a member of the Ratification Committee from said state.

§ 3. The Ratification Committee so chosen shall elect a Membership Committee consisting of three of their own number who shall pass on the eligibility of existing State Leagues to act on the ratification or rejection of the Constitution and By-laws. The Ratification Committee shall also choose from their own number or from the credit union membership a Chairman and a Provisional Managing Director who, under the direction of said Ratification Committee, shall have the direction of all matters pertaining to the formal ratification of this Constitution and these By-laws and the bringing into being of the Credit Union National Association in the way and manner hereinafter indicated.

§ 4. Said Ratification Committee, said Chairman, and said Provisional Managing Director shall have no other powers and shall hold office only until the first Board of Directors of this Association shall have completed its organization.

(b) *Ratification—How Accomplished*

§ 5. Within three months of the acceptance of this Constitution and of these By-laws as provided in Section *2* of this Article, the said Provisional Managing Director shall submit this Constitution and

these By-laws for ratification or rejection to each State League of Credit Unions. Certification of ratification shall be signed by a majority of the Board of Directors of said State League and shall be accompanied by a copy of said State League Constitution and By-laws and an application in writing for membership in the Credit Union National Association. This application shall contain an acceptance of and an agreement to abide by the Constitution and By-laws of this Association, and shall be submitted to the Membership Committee of the Ratification Committee. Approval of such an application must be by a majority of the Membership Committee.

§ 6. Upon notification to the Provisional Managing Director that the tenth State League has ratified this Constitution and these By-laws, the said Provisional Managing Director shall notify said State Leagues that this Constitution and these By-laws have been ratified in ten states, and shall request each State League which has so ratified to select a National Director and to certify as to his election immediately upon completion thereof.

§ 7. Upon receipt of the names and addresses of the National Directors, properly certified, from ten states, the said Provisional Managing Director shall, by correspondence or otherwise, arrange for a first meeting of said Board at such time and place as may be mutually convenient, which said time however shall be not later than three months after he shall have received notification of the election of the tenth National Director.

ARTICLE VIII

AMENDMENTS

SECTION I. These By-laws may be amended, altered or repealed by a two-thirds vote of the Directors present and voting at any meeting, if the call for the meeting sets forth the purpose of the meeting and includes a copy of the amendment. The Board of Directors shall include in the call for any Annual Meeting any amendment which has been proposed by five Directors, by the Executive Committee, or by the Board of Directors of any five member State Credit Union Leagues.

FIRST NATIONAL BOARD

State	*Name and address*	*Credit Union Affiliation*
Representing all states	Edward A. Filene Wm. Filene's Sons Company 426 Washington Street Boston, Massachusetts	Industrial Credit Union of Boston
Alabama	Clyde C. Parker 1242 Brown-Marx Building Birmingham, Alabama	Tenco Employees Credit Union, Birmingham
Arizona	Agnes C. Gartland 142 E. Gilman St. Madison, Wisconsin	Pyramid Credit Union, Tucson
Arkansas	H. F. Ingram 4801 Prospect Avenue Little Rock, Arkansas	Rock Island Credit Union, Little Rock
California	John L. Moore Box 964 Oakland, California	East Bay Postal Credit Union Government Service Credit Union, Oakland
Colorado	Albert F. Dodd, Ass't. Treas. Denver & Salt Lake Ry. Co. Denver, Colorado	Denver & Salt Lake Railway Transportation & Clerks Credit Union, Denver
Georgia	Moses C. Davis P.O. Box 2044 Atlanta, Georgia	Atlanta Postal Credit Union, Atlanta
Illinois	T. J. O'Shaughnessy Illinois Credit Union League 332 South LaSalle St., Room 627 Chicago, Illinois	LaSalle Station RIL Credit Union, Chicago
	and	
	A. L. Wanner Belden Mfg. Company 4647 West Van Buren St. Chicago, Illinois	Belden Credit Union, Chicago
Indiana	Leo Kaminsky, Esquire 600 Fletcher Trust Building Indianapolis, Indiana	Jewish Community Credit Union, Indianapolis
Iowa	A. Neal Hutchins 510 Securities Building Des Moines, Iowa	Independent School District Credit Union, Des Moines

NATIONAL ASSOCIATION

State	*Name and address*	*Credit Union Affiliation*
Kansas	C. E. Pray City Hall Kansas City, Kansas	Water and Light Credit Union, Kansas City
Kentucky	Garfield Seibert U. S. Post Office Louisville, Kentucky	Louisville Federal Credit Union, Louisville
Louisiana	Harold Moses, Esquire The Federal Land Bank New Orleans, Louisiana	F. C. A. Credit Union, New Orleans
Maryland	J. D. M. Marquette 222 P. O. Building Baltimore, Maryland	Baltimore P. O. Employees Credit Union, Inc., Baltimore
Massachusetts	Edward L. Shanney 49 Fairbanks Road Milton, Massachusetts	Telephone Workers' Credit Union, Boston
Michigan	J. C. Howell 1735 Calvert Avenue Detroit, Michigan	Detroit Teachers Credit Union, Detroit
*Minnesota	Thomas W. Doig Minneapolis, Minnesota	Minneapolis Postal Credit Union, Minneapolis
	C. O. Skorstad 1954 University Avenue St. Paul, Minnesota	League Credit Union, St. Paul
Mississippi	C. J. Brown Illinois Central Railway Vicksburg, Mississippi	Vicksburg I. C. Credit Union, Vicksburg
*Missouri	Earl Rentfro Kansas City, Missouri	Missouri State Credit Union, Kansas City
	B. F. Hillebrandt 1330 Baltimore Avenue Kansas City, Missouri	Edison Credit Union, Kansas City
Nebraska	C. R. Orchard Credit Union Section Farm Credit Administration Washington, D. C.	Armour Employees Coop. Credit Association, Omaha
New Jersey	W. W. Finlay Paterson, New Jersey	Wright Aeronautical Credit Union

* Present address is Raiffeisen House, Madison, Wisconsin.

State	*Name and address*	*Credit Union Affiliation*
New York	Louis G. Weiler New York State Credit Union League 55 West 42nd Street, Room 1410 New York, New York	Municipal Credit Union, New York
	N. C. Helman 55 West 42nd Street, Room 1410 New York, New York	Bronx Credit Union, Bronx
North Carolina	H. M. Rhodes U. S. Post Office Raleigh, North Carolina	Raleigh Post Office Employees Credit Union, Raleigh
Ohio	Claude E. Clarke, Esquire 1940 East 6th Street Cleveland, Ohio	Kemba Cleveland Credit Union, Cleveland
Oregon	Edgar Zehrung U. S. Post Office Portland, Oregon	Portland Postal Employees Credit Union, Portland
Oklahoma	Haney Hoskins c/o Armour and Company Oklahoma City, Oklahoma	Armour Oklahoma City Employees Credit Union, Oklahoma City
Pennsylvania	H. A. Hanemann 3rd St. and Woodland Ave. New Cumberland, Penn.	Pennsylvania State Employees Credit Union, Harrisburg
Rhode Island	Leopold L. Maynard Credit Union Central Falls Central Falls, Rhode Island	Credit Union Central Falls Central Falls
* South Carolina	Roy F. Bergengren Wenham, Massachusetts	Columbia P. O. Cooperative Credit Union, Columbia
Tennessee	Howard S. McIntyre 759 North Trezevant Street Memphis, Tennessee	Forest Hill Dairy Credit Union, Memphis
Texas	C. T. Bergeron 806 Martinique Street Dallas, Texas	Public Service Credit Union, Dallas
Utah	Hon. James H. Wolfe State Capitol Salt Lake City, Utah	Salt Lake Postal Employees Credit Union, Salt Lake City

* Present address is Raiffeisen House, Madison, Wisconsin.

NATIONAL ASSOCIATION

State	*Name and address*	*Credit Union Affiliation*
Virginia	C. H. Morrissett 212 South Colonial Avenue Richmond, Virginia	State Employees Credit Union, Inc., Richmond
Washington	Paul A. Boberg U. S. Post Office Spokane, Washington	Spokane Postal Credit Union, Spokane
Wisconsin	Charles G. Hyland *2255* South 68th Street West Allis, Wisconsin	State Capitol Employees Credit Union, Madison
	Earl D. Miller Milwaukee Stamping Co. Milwaukee, Wisconsin	Milwaukee Stamping Credit Union, Milwaukee, Wisconsin
Washington, D. C.	Jerome K. Eldridge c/o Western Union Tel. Co. Washington, D. C.	Western Union Employees Credit Union, Washington, D. C.

BOARD CHANGES TO AUGUST 1, 1936

Connecticut	James E. Moran Box 1121 Waterbury, Connecticut	Waterbury Connecticut Teachers' Federal Credit Union, Waterbury
Florida	George Gross City Engineer's Office Jacksonville, Florida	Jacksonville City Hall Credit Union, Jacksonville
Illinois	P. D. Holmes Illinois Credit Union League 332 South LaSalle Street Chicago, Illinois	Nyco Credit Union, Chicago
	and	
	Rev. Wm. M. McGuire Genoa, Illinois	Genoa Credit Union, Genoa
	and	
	Ralph G. Long 1002 Torrence Drive Lincoln Park Decatur, Illinois	Decatur Wabash Credit Union Decatur
	and	
	F. D. McKeag c/o Armour and Co. Union Stock Yards Chicago, Illinois	Armour Plant Employees' Credit Union, Chicago

and

	J. S. DeRamus Illinois Credit Union League 332 South LaSalle Street Chicago, Illinois	ICUL Credit Union, Chicago
Iowa	Ed. Walz 1714-22 Locust Avenue Des Moines, Iowa	Meredith Credit Union
Kansas	Clifford Van Sickel Farm Credit Administration of Wichita Wichita, Kansas	FCA Credit Union, Wichita
Missouri	Harry A. Pope 3515 South Broadway St. Louis, Missouri	Broadway Sole ISCO Credit Union, St. Louis
New York	not represented at present	
Oregon	Hugh G. Stout 307 Studio Building Portland, Oregon	Portland Teachers' Credit Union, Portland
Pennsylvania	Joseph A. Moore 203 City and County Bldg. Pittsburgh, Pa.	Pittsburgh Fireman's Federal Credit Union
South Carolina vacancy at present		
Tennessee	E. J. Triebe Kingsport Press Kingsport, Tennessee	Kingsport Press Credit Union, Kingsport
Virginia	Harry W. Culbreth Dillwyn, Virginia	
Wisconsin	John Roop City Hall, Treasurer's Office La Crosse, Wisconsin	La Crosse Municipal Credit Union, La Crosse
Washington, D. C.	D. Roland Potter 253 Senate Office Building Washington, D. C.	Senate Employees' Federal Credit Union, Washington, D. C.

EXECUTIVE COMMITTEE

Claude E. Clarke, President
1940 East Sixth Street
Cleveland, Ohio

NATIONAL ASSOCIATION

C. G. Hyland, Treasurer
2255 South 68th Street
West Allis, Wisconsin

Thomas W. Doig, Secretary
Raiffeisen House
Madison, Wisconsin

Hubert M. Rhodes, Vice President
United States Post Office
Raleigh, North Carolina

Edward L. Shanney, Vice President
Telephone Workers' Credit Union
125 Milk Street
Boston, Massachusetts

B. F. Hillebrandt, Vice President
Missouri Mutual Credit League
1330 Baltimore Avenue
Kansas City, Missouri

P. D. Holmes, Vice President
Illinois Credit Union League
332 South LaSalle Street
Chicago, Illinois

John L. Moore, Vice President
California Credit Union League
Box 964
Oakland, California

Roy F. Bergengren, Managing Director
Raiffeisen House
Madison, Wisconsin

ADDRESS:
Credit Union National Association
Cuna Mutual Society (borrowers' protection insurance)
Cuna Supply Cooperative (bookkeeping forms and equipment)
Cuna Credit Union (head-quarters credit union)
Raiffeisen House
142 East Gilman Street
Madison, Wisconsin

CUNA EMERGES

THE STATE ORGANIZATIONS

STATE LEAGUES

ALABAMA

C. E. Michaels, President
1129 Brown-Marx Building, Birmingham, Alabama

H. H. Luttrell, Vice President
Alabama Power Co., Montgomery, Alabama

J. B. Thomas, Treasurer
c/o Alabama Power Company, Birmingham, Alabama

Thomas S. Meade, Secretary
311 Dale Avenue, Birmingham, Alabama

Clyde C. Parker, Managing Director
1242 Brown-Marx Building, Birmingham, Alabama

ARIZONA

William Oldewage, President—Managing Director
20 East Second Street, Tucson, Arizona

Walter P. Taylor, Vice President
1746 E. 5th, Tucson, Arizona

George B. Mulford, Secretary-Treasurer
945 Penn Place, Tucson, Arizona

ARKANSAS

Fred H. Perkins, President
3000 West 13th, Little Rock, Arkansas

E. R. Hanna, Vice President
111 Fountain Avenue, Little Rock, Arkansas

Louis Bartsch, Treasurer
2401 E. Washington, North Little Rock, Arkansas

Frank H. Fredeman, Secretary
Veterans Credit Union, Little Rock, Arkansas

H. F. Ingram, Managing Director
4801 Prospect Avenue, Little Rock, Arkansas

CALIFORNIA

Harry G. Denton, President
City Hall, Sacramento, California

John L. Moore, Managing Director
P. O. Box 964, Oakland, California

COLORADO

Norman A. Dunham, President
1215 E. 12th Avenue, Denver, Colorado

Max M. Greenwald, Vice President
1249 Steele Street, Denver, Colorado

Albert F. Dodd, Treasurer
539 E. 12th Avenue, Denver, Colorado

J. A. Bruso, Secretary
1023 Knox Street, Denver, Colorado

Frank L. Hays, Managing Director
City Hall, Denver, Colorado

CONNECTICUT

Herbert Walker, President
c/o Colt's Patent Fire Arms Mfg. Co.
Hartford, Connecticut

L. R. Nixon, Managing Director
Senior High School
New Britain, Connecticut

DISTRICT OF COLUMBIA

Victor L. Lowe, President
5307 7th Street, N. W.
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George A. Casey, Vice President
2419 North Capitol Street
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Franklin H. Smith, Treasurer
429 East Madison Avenue
Riverdale, Maryland

Mrs. Louise H. Fox, Secretary
3006 Dent Place, N. W.
Washington, D. C.

D. Roland Potter, National Director
253 Senate Office Building
Washington, D.C.

FLORIDA

F. L. Andrews, President
Fire Station # 4
Jacksonville, Florida

J. W. Hollister, Treasurer
City Hall
Jacksonville, Florida

George Gross, Managing Director
City Engineer's Office
Jacksonville, Florida

GEORGIA

L. C. George, President
Federal Employees Credit Union, Atlanta, Georgia

M. W. Sohn, Vice President
Mutual Savings Credit Union, Atlanta, Georgia

Ben Friedman, Secretary
Atlanta Journal Credit Union, Atlanta, Georgia

Moses C. Davis, Managing Director
Room 302 Federal Annex Building, Atlanta, Georgia

ILLINOIS

P. D. Holmes, President
332 South LaSalle Street, Chicago, Illinois

Roy A. Dingman, Vice President
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72 West Adams Street, Chicago, Illinois

Ralph G. Long, Vice President
1002 Torrence Drive, Lincoln Park
Decatur, Illinois

A. J. Clauter, Vice President
c/o Armour and Company
1355 West 31st Street, Chicago, Illinois

Joseph S. DeRamus, Managing Director
332 South LaSalle Street
Chicago, Illinois

INDIANA

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926 No. Pennsylvania St., Indianapolis, Indiana
Indianapolis, Indiana

IOWA

Chas. O. Alexander, President
1329 Kellog Avenue, Ames, Iowa

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Fire Department, Davenport, Iowa

A. Neal Hutchins, Managing Director
510 Securities Building, Des Moines, Iowa

KANSAS

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High School East, Wichita, Kansas

E. P. Daniels, Vice President
Topeka, Kansas

M. V. Simpson, Treasurer
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Berea College, Kentucky

E. G. Jenkins, Vice President
Anchorage, Kentucky

Geneva Fleitz, Treasurer—Secretary
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U. S. Post Office, Baton Rouge, Louisiana

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Dr. R. J. Saville
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Ervin Kienbaum, Secretary and Treasurer
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Karl W. Guenther, Managing Director
19303 Centralia, Redford Station
Detroit, Michigan

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1954 University Avenue, St. Paul, Minnesota

Clifford O. Skorstad, Managing Director
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804 35th Avenue, Meridian, Mississippi

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P. P. McGee, Managing Director
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323 Hoffmeister Avenue, St. Louis, Missouri

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U. S. Post Office, St. Louis, Missouri

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Miss M. G. Clinton, Treasurer
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160 Lincoln Avenue East, Roselle Park, New Jersey

J. H. Darragh, Jr., National Director
Wright Aeronautical Corp., Paterson, New Jersey

NORTH CAROLINA

A. B. Prichard, President
c/o Enka Corporation, Enka, North Carolina

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United States Post Office, Statesville, North Carolina

H. M. Rhodes, Managing Director
United States Post Office, Raleigh, North Carolina

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Wilson & Company
Oklahoma City, Oklahoma

Haney Hoskins, Managing Director
c/o Armour and Company, Oklahoma City, Oklahoma

D. W. Temple, Secretary
Alvin Hotel, Tulsa, Oklahoma

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48478 East 65th Avenue, Portland, Oregon

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R. W. Caldwell, Treasurer
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Vida Hammond, Secretary
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Hugh G. Stout, Managing Director
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c/o Fulton Sylphon Co.
Knoxville, Tennessee

S. A. McCoy, Secretary and Treasurer
United States Post Office, Nashville, Tennessee

TEXAS

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U. S. Post Office, Dallas, Texas

W. O. Freeman, Vice President
c/o Armour and Company, Fort Worth, Texas

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U. S. Post Office, Tyler, Texas

G. W. Elder, Secretary
U. S. Post Office, Houston, Texas

UTAH

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252 Fern Avenue, Salt Lake City, Utah

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1936 Lake Street, Salt Lake City, Utah

M. P. Nielson, Treasurer
319 North 4th West, Salt Lake City, Utah

A. A. Selander, Secretary
1779 Yale Avenue, Salt Lake City, Utah

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VIRGINIA

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H. W. Culbreth, Managing Director
Dillwyn, Virginia

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M. J. Dubois, Vice President
Federal Land Bank, Spokane, Washington

J. M. Roberts, Treasurer
City Credit Union, Tacoma, Washington

A. T. Glanville, Secretary
Lewis County Teachers Credit Union, Centralia, Washington

Paul A. Boberg. East Washington, Managing Director
U. S. Post Office, Spokane, Washington

C. A. Andrus, West Washington, Managing Director
City Light Building, Seattle, Washington

WISCONSIN

N. T. Brice, President
1564 South 82nd Street, West Allis, Wisconsin

Joseph A. Kuemmel, Managing Director
259 E. Wells St., Milwaukee, Wisconsin

W. E. Meyer, Secretary
2717 West Lapham Street, Milwaukee, Wisconsin

STATE KEYMEN

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4801 Prospect Avenue, Little Rock, Arkansas

California

John L. Moore
P. O. Box 964, Oakland, California

Colorado

Albert F. Dodd
Denver & Salt Lake Ry. Co., Denver, Colorado

Connecticut

James E. Moran
Box 1121, Waterbury, Connecticut

District of Columbia

F. O. Billings
1300 E Street, N. W., Washington, D. C.

Florida

George Gross
City Engineer's Office, Jacksonville, Florida

Georgia

Moses C. Davis
302 Federal Annex Building, Atlanta, Georgia

ILLINOIS

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332 South LaSalle Street, Room 627, Chicago, Illinois

INDIANA

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926 No. Pennsylvania, Indianapolis, Indiana

IOWA

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510 Securities Building, Des Moines, Iowa

KANSAS

M. V. Simpson
521 South Madison, Wichita, Kansas

KENTUCKY

Garfield Seibert
U. S. Post Office, Louisville, Kentucky

LOUISIANA

Harold Moses
Federal Land Bank of New Orleans, New Orleans, Louisiana

MARYLAND

James D. M. Marquette
803 Venable Avenue, Baltimore, Maryland

MASSACHUSETTS

Richard L. Courtenay
Room 23, 5 Park Square, Boston, Mass.

MICHIGAN

Karl W. Guenther
19303 Centralia, Redford Station, Detroit, Michigan

MINNESOTA

Clifford O. Skorstad
1954 University Avenue, St. Paul, Minnesota

APPENDIX D

MISSISSIPPI

P. P. McGee
1618 25th Avenue, Vicksburg, Mississippi

MISSOURI

B. F. Hillebrandt
1330 Baltimore Avenue, Kansas City, Missouri

NEBRASKA

L. A. Borders
2434 Saratoga, Omaha, Nebraska

NEW JERSEY

G. G. Gudmundson
160 Lincoln Avenue East, Roselle Park, New Jersey

NEW YORK

Miss Dora Maxwell
Room 1518, 205 East 42nd Street, New York City

NORTH CAROLINA

H. M. Rhodes
U. S. Post Office, Raleigh, North Carolina

OHIO

Louise McCarren
384 Probasco Avenue, Cincinnati

OKLAHOMA

Haney Hoskins
c/o Armour and Company, Oklahoma City, Oklahoma

OREGON

Hugh G. Stout
307 Studio Building, Portland, Oregon

PENNSYLVANIA

James W. Copley
504 Delaware Avenue, Oakmont, Pa.

RHODE ISLAND

Wallace A. Hopkins
N. E. Telephone and Telegraph Company, Providence, Rhode Island

SOUTH CAROLINA

J. G. Thomas
U. S. Post Office, Charleston, South Carolina

TENNESSEE

E. J. Triebe
Kingsport, Tennessee

TEXAS

C. T. Bergeron
P. O. Box 534, Dallas, Texas

UTAH

Karl S. Little
865 Amanda Avenue, Salt Lake City, Utah

VIRGINIA

H. W. Culbreth
Dillwyn, Virginia

WASHINGTON

Paul A. Boberg
U. S. Post Office, Spokane, Washington

C. A. Andrus
City Light Bldg., Seattle, Washington

WISCONSIN

Charles G. Hyland
2255 South 68th Street, West Allis, Wisconsin

Note: For contacts in New Hampshire, Montana, Idaho, North and South Dakota, Nevada, Delaware, Vermont, Maine, New Mexico, Wyoming and West Virginia, together with the island possessions of the United States—write the Credit Union National Association, Raiffeisen House Madison, Wisconsin.

APPENDIX E

WISCONSIN STATE BANKING DEPARTMENT

Banking Commission

Peter A. Cleary, Chairman
State Banking Department
Madison, Wisconsin

Building and Loan Division

C. P. Diggles, Supervisor
State Banking Department
Madison, Wisconsin

For Organization Contact

Wisconsin State Organizer

C. G. Hyland
State Banking Department
Madison, Wisconsin

APPENDIX F

FEDERAL CREDIT UNIONS

The contact for all matters pertaining to the organization of credit unions in accordance with the provisions of the Federal Credit Union Law and the District of Columbia Credit Union Law and for all matters pertaining to the administration of this law is:

Claude R. Orchard
Director, Credit Union Section
Farm Credit Administration
Washington, D. C.

Since the publication of the first edition, Mr. Orchard has completed the organization of a field staff, and the United States has been divided into districts, each district in charge of a capable organizer. On application, Mr. Orchard will be glad to contact you with the organizer in your area. At this date (July 1, 1936) there are 1,500 Federal credit unions, covering every state in the United States, with a total membership of over 200,000 and total resources of over three and a quarter million dollars.

APPENDIX G

THE FEDERAL CREDIT UNION

(PUBLIC—NO. 467—73D CONGRESS]

[S. 1639]

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 Administration, 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 therefore.

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 incident 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.

APPENDIX G

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 sub-division an assignment of shares or the endorsement of a note shall be deemed security.

SUPERVISORY COMMITTEE

(c) 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 passbooks 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 proportionate part of said dividend calculated front 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. 6. (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 to 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.

APPENDIX H

SAMPLE ORGANIZATION CERTIFICATE

(Federal Law)

…….....……Federal Credit Union
To the Governor of the Farm Credit Administration:

We, the undersigned, with the common bond of association indicated hereafter, do hereby apply for permission to organize and to operate a Federal credit union for the purposes indicated in and in accordance with the provisions of Public Act No. 467 of the 73d Congress entitled "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;" we agree to comply with the requirements of said Act, with the terms of this organization certificate and with all laws, rules and regulations applicable now or later to Federal credit unions; and we hereby certify that:

(1) The name of this proposed credit union shall be……..... .....……..... Federal Credit Union.

(2) This proposed credit union will maintain its office at .....……..... and will operate in the following territory……..…..…… .....…….....……....

(3) The names and addresses of the subscribers to this certificate and the number of shares subscribed by each are as follows*:

*At least seven subscribers are required.

APPENDIX H

Full Name	Home Address	No. of Shares Subscribed for
……	……	……
……	……	……
……	……	……
……	……	……
……	……	……
……	……	……
……	……	……
……	……	……
……	……	……
……	……	……

(4) The par value of the shares of this credit union shall be $5.00.

(5) The proposed field of membership will be limited to those having the following common bond of association, occupation or residence.

…….....

…….....

(6) The term of this credit union's existence shall be perpetual; provided, however, that the Governor of the Farm Credit Administration may suspend or revoke this organization certificate upon his finding that this credit union is bankrupt or insolvent or has violated any provision of this organization certificate, of the bylaws, of the Federal Credit Union Act including any amendments thereto or thereof, or of any regulations issued thereunder.

(7) This certificate is made to enable the undersigned to avail themselves of the advantages of said Act.

(8) The management of this credit union, the conduct of its affairs, and the powers, duties and privileges of its directors, officers, committees and membership shall be as set forth in these attached bylaws and any amendments thereto or

thereof approved by the Governor of the Farm Credit Administration.

IN WITNESS WHEREOF, we* have hereunto subscribed our names this……day of……, 19….

Signature	Signature
……	……
……	……
……	……
……	……
……	……

}ss

*At least seven signers.

State of……..……

County of ……..……

BEFORE ME, the undersigned, a Notary Public, in and for said State and County this……...……day of……...…, 19....., personally appeared.....

……	……	……
……	……	……
……	……	……

subscribers to the foregoing Organization Certificate and acknowledged the same to be their free act and deed.

…….. (SEAL)

Notary Public

My Commission Expires: ……

The foregoing Organization Certificate is approved by me, pursuant to the provisions of Section 4 of the Federal Credit Union Act.

……, 19….

…….....

Governor, Farm Credit Administration

By: …….....

For By-laws and all matters pertaining to the Federal law see contact Appendix F.

APPENDIX I

TYPICAL ORGANIZATION CERTIFICATE OF CREDIT UNION

(State Law)

.....Credit Union

We, the undersigned, residents of the State of Maryland, do hereby associate ourselves with the intention of forming a Credit Union in accordance with the provisions of Chapter 337 of the Laws of Maryland of 1929, entitled "An Act to authorize the establishment and operation of credit unions."

(1) The name of the proposed credit union is.....
.....Credit Union.

(2) Incorporation is desired in accordance with the provisions of Chapter 337 of the Laws of Maryland of 1929, entitled "An Act to authorize the establishment and operation of credit unions."

(3) The par value of the shares shall be.....
(Not more than Ten ($10.00) Dollars)

(4) The office of the credit union shall be located in the

{city / town / village} of .....

(5) The names and addresses of the subscribers to this Certificate of Organization and the number of shares of stock subscribed by each are as follows:

Name	Address	Shares
.....	.....	.....
.....	.....	.....
.....	.....	.....

…… …… ……
…… …… ……
…… …… ……
…… …… ……
…… …… ……
…… …… ……
…… …… ……

IN WITNESS WHEREOF, we have made, signed and acknowledged this Certificate of Organization in duplicate this…… day of……....., 1 9…..

…… ……
…… ……
…… ……
…… ……
…… ……
…… ……

State of Maryland
City } ss:
County of

I HEREBY CERTIFY, that on this……day of……, in the year 19……, before me, the subscriber, a Notary Public in and for the State and City / County aforesaid, personally appeared,

…… ……
…… ……
…… ……
…… ……
…… ……
…… ……

and they did each and severally acknowledge the foregoing certificate to be their act.

.....
Notary Public.

CERTIFICATE OF APPROVAL
OF THE BANK COMMISSIONER

I do hereby approve the foregoing certificate of organization.

As witness my hand and seal this.....day of ....., 19.....

.....
Bank Commissioner of Maryland.

For By-laws in any particular state, See state contact men, p. 239 et seq., and analysis of laws, pp. 84-101, inc.

APPENDIX J

CREDIT UNION ACCOUNTING FORMS

EARLY in the credit union development a credit union accounting system was developed on the supposition that the system must be simple, that most credit union managers would have had no prior experience with accounting, and that it must be uniform in order to accommodate allied groups over a large area, operating under many different credit union state laws. Such a system was developed originally in cooperation with the Massachusetts State Banking Department. On the enactment of the Federal credit union law and the creation of the Federal Credit Union Section, in similar fashion the Section worked out a uniform system of accounting for credit unions operating in accordance with the Federal law. In 1930 the League Central Committee was organized by the Bureau for the purpose of providing these forms. The Committee borrowed $4000 in order to stock the forms and to extend to new credit unions long credits so that a new credit union would not be obliged to add to the cost of organization the expense incidental to procuring the needed accounting forms. Enough was added to the cost of the forms first to pay the loan and, after the loan had been retired, to purchase the first items of equipment for experimental purposes in order to determine carefully in practice how most efficiently the forms could be produced. This original equipment has been paid for and on March 1, 1935, the League Central Committee became the Supply Department of the Credit Union National Association. It will operate until September 1st at 5 Park Square, Boston, Massachusetts; thereafter at National Headquarters at Madison, Wisconsin. It

continues the policy of providing new credit unions with forms with substantial credit. With the installation of new machinery at Madison it will be able to accomplish substantial reductions in the cost of forms to the credit unions. The success of this Department of the National Association depends on the loyalty of the credit unions to it. It will at Madison add a purchasing department through which, as the central purchasing agency of the credit unions for the many things which they all use, it anticipates adding materially to its service value by accomplishing substantial savings for all credit unions.

The plan is as follows: a new credit union, upon receipt of its charter, generally orders a complete outfit of forms (including binders) for either fifty or a hundred members, depending on what is anticipated by way of membership the first six months. Thereafter, as the forms give out, they may be ordered by number and will be promptly shipped from stock. The cost of a complete outfit for fifty members (May 1935) is, including in the average case three permanent binders and a bound ledger, approximately sixteen dollars—for one hundred members twenty-one dollars. It is anticipated that the new credit union will pay for the initial forms within a reasonable time after it starts to operate.

The Supply Department of the National Association will strive to maintain low prices for these forms, passing on all economies either in reduction of prices or as consumer dividends to the State Leagues of credit unions on the basis of the sales of bookkeeping forms in a given State. Like all activities of the National Association, it will operate on a cooperative basis.

Address all inquiries relative to bookkeeping forms to the Supply Department, Credit Union National Association, Madison, Wisconsin. Copies of the State or Federal Bookkeeping Primer (illustrating in complete detail the accounting system and adequately illustrated with photographs of the forms properly executed) may be had free on application.

As rapidly as State Leagues are in position to maintain offices and personnel these forms will be stocked by the State Leagues and supplied by the National Association to the State Leagues and by the State Leagues to the credit unions. Thus far (August, 1936) these forms are stocked by the following State Leagues and all inquiries, orders for forms, etc., should be addressed to the Leagues at addresses indicated elsewhere in this appendix: Minnesota, Iowa, Indiana, Illinois, Missouri, New York, California, Michigan, Ohio, Kansas, New Jersey, Wisconsin and Massachusetts (Massachusetts at Raiffeisen Associates, Inc., 5 Park Square, Boston).

APPENDIX K

TYPICAL CREDIT UNIONS

(So distributed as to enable you to contact a credit union in your own state).

ALABAMA

Covington County Postal Credit Union, P. O. Box 934, Andalusia, Alabama

A.P.C. Co. Generating Station, Employees Credit Union, c/o Alabama Power Company, Birmingham, Alabama

Northern Division Credit Union, c/o Alabama Power Company, Huntsville, Alabama

Amtroca Employees Credit Union, c/o Capital City Laundry, 1001 Madison Avenue, Montgomery, Alabama

ARIZONA

Pyramid Credit Union, U. S. Post Office, Tucson, Arizona

Arizona Western Union Employees Credit Union, Phoenix, Arizona

ARKANSAS

Camden Paper Makers Credit Union, c/o Camden Paper Box Company, Camden, Arkansas

St. Joseph Parish Credit Union, Conway, Arkansas

El Dorado Rock Island Credit Union, Rock Island Lines, El Dorado, Arkansas

Franke's Incorporated Credit Union, 1101 West Third, Little Rock, Arkansas

CALIFORNIA

Adohr Milk Farms Federal Credit Union, c/o Adohr Milk Farms, 1801 So. La Cienega Boulevard, Los Angeles, California

Berkeley Farm Credit Administration Credit Union, c/o Federal Land Bank, 15th and Clay Streets, Oakland, California
California State Employees Credit Union, No. 1, 306 Public Works Bldg., Sacramento, California
Armour San Francisco Credit Union, c/o Armour and Company, San Francisco, Cal.

COLORADO

Sacred Heart Parish Credit Union, Alamosa, Colorado
Pikes Peak Credit Union, U. S. Post Office, Colorado Springs, Colorado
The Albany Hotel Employees Credit Union, c/o Albany Hotel, Denver, Colorado

CONNECTICUT

Meriden Postal Federal Credit Union, U. S. Post Office, Meriden, Connecticut
Stamford Teachers Association Federal Credit Union, Stamford, Connecticut
Armour Waterbury Employees Federal Credit Union, Armour & Co., Waterbury, Conn.
New Haven Post Office Federal Credit Union, U. S. Post Office, New Haven, Conn.

DISTRICT OF COLUMBIA

Farm Credit Administration Employees Credit Union, Washington, D. C.
Swift Employees Credit Union of the District of Columbia, Swift and Company, 1101 First Street, N. E., Washington, D.C.
Railway Mail Service Credit Union, Washington, D.C.

FLORIDA

Jacksonville Fire Department Employees Credit Union, Jacksonville, Florida
The Miami Daily News Federal Credit Union, Miami Daily News, Miami, Florida
Florida State Employees Credit Union, Comptroller's Office, Tallahassee, Florida

Tampa Standard Oil Employees Credit Union, Standard Oil Company, Tampa, Florida

GEORGIA

Albany Federal Employees Credit Union, U. S. Post Office, Albany, Georgia
Atlanta Postal Credit Union, Atlanta, Georgia
Augusta Federal Employees Credit Union, U. S. Post Office, Augusta, Georgia
Savannah Federal Credit Union, U. S. Engineer's Office, Savannah, Georgia

ILLINOIS

Armour General Office Employees Credit Union, c/o Armour and Company, Union Stock Yards, Chicago, Illinois
Aluminum Workers Federal Credit Union, East St. Louis, Illinois
Kraft Credit Union, c/o Kraft-Phenix Cheese Corporation, Freeport, Illinois
Illinois Watch Credit Union, The Illinois Watch Company, Springfield, Illinois

INDIANA

C & E I (Evansville) Credit Union, 28 S.E. 8th Street, Evansville, Indiana
J. D. Adams Employees Credit Union, c/o J. D. Adams Mfg. Co., Indianapolis, Ind.
Kokomo Post Office Credit Union, U. S. Post Office, Kokomo, Indiana
International Harvester Company, Richmond Works Employees Credit Union, International Harvester Company, 520 North 15th Street, Richmond, Indiana

IOWA

Crown Credit Union, Standard Oil Company, Davenport, Iowa
Meredith Credit Union, Meredith Publishing Company, Des Moines, Iowa

P. G. & E. Employees Credit Union, People's Gas and Electric Company, Mason City, Iowa
Fairmont Employees Credit Union, Fairmont Creamery Co., Sioux City, Iowa

KANSAS

Swift Clay Center Employees Credit Union, Swift & Co., Clay Center, Kansas
Hutchinson Federal Employees Credit Union, U. S. Post Office, Hutchinson, Kan.
Argentine Santa Fe Credit Union, Santa Fe Railroad, Kansas City, Kansas
Jacob Dold Employees Credit Union, Jacob Dold Packing Co., Wichita, Kansas

KENTUCKY

The Ashland Armco Employees Credit Union, American Rolling Mill Company, Ashland, Kentucky
Amalgamated Clothing Workers Credit Union, 613 E. 21st St., Covington, Ky.
Adler Credit Union, c/o Adler Mfg. Company, 2901 W. Chestnut Street, Louisville, Kentucky
Postal Credit Union, U. S. Post Office, Paducah, Kentucky

LOUISIANA

Alexandria Postal Credit Union, U. S. Post Office, Alexandria, Louisiana
Baton Rouge Postal Credit Union, Baton Rouge, La.
F. C. A. Credit Union Federal Land Bank, New Orleans, La.
Post Office Employees Credit Union, U. S. Post Office, Shreveport, Louisiana

MAINE

Government Employees of Maine Credit Union, U. S. Post Office, Portland, Maine
Maine Corenco Employees Federal Credit Union, c/o Portland Rendering Company, Portland, Maine

APPENDIX K

MARYLAND

Federal Employees Union No. 124 Credit Union, Hotel Maryland, Annapolis, Maryland
B. of R. C. Credit Union, 1722 East 29th Street, Baltimore, Maryland
Baltimore Post Office Employees Credit Union, Room 222 Post Office Building, Baltimore, Maryland
St. Louis Credit Union, Clarksville, Maryland

MASSACHUSETTS

Meco Federal Credit Union, Mass. Envelope Co., 641 Atlantic Avenue, Boston, Massachusetts
Butchers Rendering Employees Credit Union, Butchers Rendering Company, Fall River, Massachusetts
Hamel Employees' Credit Union, c/o L. H. Hamel Leather Company, 117 Essex Street, Haverhill, Massachusetts
Swift Springfield Employees Credit Union, c/o Swift and Company, 130-132 Lyman Street, Springfield, Massachusetts

MICHIGAN

Budd Employees' Credit Union, Edward G. Budd Manufacturing Company, 12141 Charlevoix Avenue, Detroit, Michigan
Delta County Teachers' Credit Union, Escanaba High School, Escanaba, Michigan
Detroit Teachers Credit Union, 1735 Calvert Avenue, Detroit, Mich.
Pontiac Postal Employees Credit Union, U. S. Post Office, Pontiac, Michigan

MINNESOTA

Duluth Federal Employees' Credit Union, U. S. Post Office, Duluth, Minnesota
Armour St. Paul Employees Credit Union, St. Paul, Minnesota
Hormel Employees Credit Union, Geo. A. Hormel Packing Co., Austin, Minnesota

Crookston Interstate Employees Credit Union, Interstate Power Company, Crookston, Minnesota

MISSISSIPPI

Mispoco Employees Credit Union, c/o Mississippi Power Company, Gulfport, Miss.
Loyalty Credit Union, c/o Freight Office, Jackson, Mississippi
Mutual Credit Union, U. S. Post Office, Vicksburg, Mississippi

MISSOURI

Big Smith Credit Union, c/o Smith Brothers Mfg. Company, 6th and Howard, Carthage, Missouri
Jefferson City Mo. P Credit Union, c /o Missouri Pacific Lines, Jefferson City, Mo.
Blue Ribbon Credit Union, Brown Shoe Company, 12th and Russell, St. Louis, Mo.
Armour Employees Credit Union, 3414 St. Joseph Avenue, South St. Joseph, Mo.

MONTANA

Our Lady of Ransom Credit Union, Hingham, Montana
Milwaukee Employees Credit Union, Miles City, Montana
Missoula Credit Union, U. S. Post Office, Missoula, Montana
Whitefish Credit Union Association, Box 135, Whitefish, Montana

NEBRASKA

Fairfield Cooperative Credit Association, Fairfield, Nebraska
Fremont Eagles Cooperative Credit Association, 521 North Broad, Fremont, Neb.
Bureau Employees Cooperative Credit Association, Orpheum Theater Building, Lincoln, Nebraska

World-Herald Employees Cooperative Credit Association, c/o World-Herald, 15th and Farnum Streets, Omaha, Nebraska

NEW HAMPSHIRE

Concord Postal Employees Credit Union, U. S. Post Office, Concord, New Hampshire
Laconia Veterans Credit Union, Laconia, New Hampshire
Telephone Workers Credit Union of New Hampshire, 25 Concord Street, Manchester, New Hampshire
Nehadi Credit Union, New Hampshire Gas & Electric Company, 46 Congress Street, Portsmouth, New Hampshire

NEW JERSEY

Bergen Passaic Postal Credit Union, U. S. Post Office, Englewood, New Jersey
Jersey City Postal Employees Credit Union, U. S. Post Office, Jersey City, N. J.
Armour Newark Credit Union, c/o Armour and Company, 197 High Street, Newark, N. J.
John A. Roebling's Sons Co., Employees Credit Union, 1640 So. Broad St., Trenton, N. J.

NEW MEXICO

Albuquerque Postal Employees Credit Union, U. S. Post Office, Albuquerque, New Mexico

NEW YORK

Albany Municipal Employees Credit Union, Albany, New York
J. N. Adam & Co. Employees Credit Union, 389 Main Street, Buffalo, New York
American Express Credit Union, 65 Broadway, New York, New York
Armour Syracuse Credit Union, 305 West Street, Syracuse, New York

NORTH CAROLINA

Asheville Teachers Savings and Loan Association, c/o T. H. Hunt, David Millard Junior High School, Asheville, North Carolina
Charlotte Teachers Savings and Loan Association, 604 Clement Avenue, Charlotte, North Carolina
Highway Savings and Loan Association, Highway Commission, Raleigh, N. C.
Champion Credit Union, Champion Fibre Company, Canton, N. C.

NORTH DAKOTA

Armour Creameries Fargo Federal Credit Union, c/o Armour Creameries, Fargo, North Dakota
Fargo Public Schools Federal Credit Union, Fargo, North Dakota
Fargo Postal Employees' Credit Union, U. S. Post Office, Fargo, North Dakota

OHIO

Cincinnati Railway Mail Service Credit Union, Inc., Room 424, Federal Bldg., Cincinnati, Ohio
Cleveland Photo-Engravers' Credit Union, 404 Erie Building, Cleveland, Ohio
Columbus Telephone Employees Credit Union, c/o Ohio Bell Telephone Company, 575 S. Front Street, Columbus, Ohio
KEMBA Toledo Credit Union, Kroger Grocery & Baking Company, 135 Tecumseh Ave., Toledo, Ohio

OKLAHOMA

Swift Enid Employees Credit Union, c/o Swift and Company, Enid, Oklahoma
Municipal Employees Credit Union, City Hall, Oklahoma City, Oklahoma
Tulsa Postal Employees Credit Union, P. O. Annex, Tulsa, Oklahoma
Woodward Community Credit Union, Woodward, Oklahoma

APPENDIX K

OREGON

Blue Mountain Government Employees Credit Union, U. S. Post Office, Pendleton, Oregon
Pepco Employees Credit Union, Hawthorne Building, Portland, Oregon
Multco Employees Credit Union, Court House, Portland, Oregon
Salem Postal Credit Union, U. S. Post Office, Salem, Oregon

PENNSYLVANIA

Erie Postal Credit Union, U. S. Post Office, Erie, Pennsylvania
Harrisburg Postal Employees Credit Union, U. S. Post Office, Harrisburg, Pa.
Philadelphia Navy Yard Federal Credit Union, Philadelphia Navy Yard, Philadelphia, Pennsylvania
Armour Pittsburgh Credit Union, c/o Armour and Company, Pittsburgh, Pa.

RHODE ISLAND

Credit Union Central Falls, Central Falls, Rhode Island
The People's Credit Union, 166a Thames, Newport, Rhode Island
Columbus Credit Union, Pawtucket, Rhode Island
Telephone Workers Credit Union of Rhode Island, 234 Washington Street, Providence, Rhode Island

SOUTH CAROLINA

Charleston Postal Cooperative Credit Union, U. S. Post Office, Charleston, S. C.
Pacific Mills Employees Columbia (S. C.) Federal Credit Union, Pacific Community Association, 701 Whaley Street, Columbia, South Carolina
Columbia FCA Federal Credit Union, Farm Credit Administration, 802 Central Union Building, Columbia, South Carolina

SOUTH DAKOTA

Morrell Employees Federal Credit Union, c/o John Morrell & Co., Sioux Falls, S. D.
Northern States Power Company (Sioux Falls Division) Federal Credit Union, c/o Northern States Power Company, Sioux Falls, South Dakota

TENNESSEE

Chattanooga Terminal Credit Union, N. C. & St. L. Ry., Union Depot, Chattanooga, Tennessee
City Hall Employees Credit Union, City Hall, Knoxville, Tennessee
The Appeal Papers Credit Union, c/o Memphis Commercial Appeal, Inc., 495 Union Avenue, Memphis, Tennessee
The Dixie Line Credit Union, N. C. & St. L. Ry. Co., 924 Broad Street, Nashville, Tennessee

TEXAS

Armstrong Packing Company Employees Credit Union, 2300 South Lemar Street, Dallas, Texas
Conoco Employees Fort Worth Credit Union, Continental Oil Company, 1710 Fair Building, Fort Worth, Texas
Alamo Postal Credit Union, U. S. Post Office, San Antonio, Texas
Retail Employees Credit Union, 212 Service Mutual Building, Waco, Texas

UTAH

Cyprus Credit Union, c/o Utah Copper Company, Garfield, Utah
Police and Firemen's Credit Union, Fire Station, No. 1, 2556 Grant Avenue, Ogden, Utah
Provo Postal Credit Union, U. S. Post Office, Provo, Utah
Railway Express Credit Union of Salt Lake City, 606 McCormick Building, c/o American Express Company, Salt Lake City, Utah

APPENDIX K

VERMONT

Burlington Rendering Company Employees Federal Credit Union, c/o Burlington Rendering Company, Burlington, Vermont

VIRGINIA

Railway Employees Credit Union, Inc., c/o C. & O. Freight Office, Charlottesville, Virginia

Belt Line Employees Credit Union, Inc., 123 Terminal Building, Norfolk, Virginia

Kingan Employees Richmond Virginia Federal Credit Union, c/o Kingan & Company, 15th and Cary Streets, Richmond, Virginia

Roanoke (Times World) Federal Credit Union, 201 Campbell Avenue, Roanoke, Va.

WASHINGTON

Central Division (P.S.P. & L.) Employees Credit Union, Puget Sound Power & Light Company, Electric Building, 7th and Olive Street, Seattle, Washington

Armour Spokane Credit Union, c/o Armour and Company, P. O. Box 1475, Spokane, Washington

City Credit Union of Tacoma, City Hall, Tacoma, Washington

Walla Walla Teachers Credit Union, High School Building, Walla Walla, Washington

WEST VIRGINIA

Du Pont Belle Employees Federal Credit Union, c/o E. I. Dupont de Nemours Company, Belle Works, Belle, West Virginia

C. & O. Railway Employees Credit Union, c/o Chesapeake & Ohio Ry. Co., Charleston, West Virginia

Huntington Postal Credit Union, U. S. Post Office, Huntington, West Virginia

The Extension Credit Union, Oglebay Hall, Morgantown, West Virginia

WISCONSIN

Dells Credit Union, Dells Paper & Pulp Company, Eau Claire, Wisconsin

A. C. Plow Works Credit Union, c/o Allis Chalmers Manufacturing Company, La Crosse, Wisconsin

Badger Credit Union, c/o Wisconsin Foundry & Machine Company, 623 East Main Street, Madison, Wisconsin

Manitowoc Employees Credit Union, 128 River Drive, Manitowoc, Wisconsin

FIFTY TYPICAL CREDIT UNIONS

A Credit Union of Federal Employees:
F. C. A. Credit Union, Farm Credit Administration, Washington, D. C.
Of State Employees:
State Employees' Credit Union, State Library Building, Richmond, Virginia
Of City Employees:
City of Boston Employees' Credit Union, Room 42, City Hall, Boston, Massachusetts
Of School Teachers:
Detroit Teachers' Credit Union, 1735 Calvert Avenue, Detroit, Michigan
Of Firemen:
Indianapolis Firemen's Credit Union, 30th and Kenwood Sts., Indianapolis, Indiana
Of Policemen:
Des Moines Police Department Credit Union, Des Moines, Iowa
Of Telephone Company Employees:
Telephone Workers' Credit Union, 119 Milk Street, Boston, Massachusetts
Of Railway Employees:
Gary Railways Credit Union, 1085 Broadway, Gary, Indiana
Within a Utilities Company:
Edition Credit Union, Kansas City Power and Light Co., Kansas City, Missouri
Of Employees of an Electric Power Company:
Pepco Credit Union, Portland Electric Power Company, Hawthorne Bldg., Portland, Oregon
Within a Utility and Railroad Corporation:
Tenco Credit Union, 1242 Brown-Marx Building, Birmingham, Alabama

Of Department Store Employees:
The Emporium Credit Union, c/o The Emporium, San Francisco, California
Of Employees of a Hardware Store:
Vonnegut Employees' Credit Union, 124 East Washington Street, Indianapolis, Indiana
Of Chain Grocery Store Employees:
Rogers Credit Union, 682 Whitehall Street, Atlanta, Georgia
Of Chain Stationery Employees:
Horder Stores Employees' Credit Union, 231 South Jefferson Street, Chicago, Illinois
Of Employees of a Newspaper Distributing Company:
Newsco Credit Union, 19 Reed Street, Boston, Massachusetts
Of Packing House Employees:
Armour Employees Cooperative Credit Association, Armour and Company, Omaha, Nebraska
Of Standard Oil Company Employees:
Octane Credit Union, Colonial Beacon Oil Company, Everett, Massachusetts
Of Du Pont Company Employees:
DoyleWorks Credit Union, Doyle Works of the Du Pont Viscoloid Co., Leominster, Mass.
Of Residents of a Small Community:
Mansfield Credit Union, 120 No. Main Street, Mansfield, Massachusetts
Of Members of a Catholic Church Parish:
St. Andrew's Parish Credit Union, 323 Hoffmeister Avenue, St. Louis, Missouri
Of Members of a Farm Bureau Federation:
Noble County Farm Bureau Credit Union, Indiana Farm Bureau Federation, Albion, Indiana
Of Members of a Farmers' Union:
Omaha Farmers' Union Credit Union, 11th and Jones Streets, Omaha, Nebraska
Of Members of a Social Service House:
Jewish Community Credit Union, Indianapolis, Indiana

Of Students and Faculty of an Agricultural College:
Essex Agricultural Credit Union, 420 Maple Street, Danvers, Massachusetts
Of Extension Service Employees of an Agricultural College:
Extension Credit Union, Oglebay Hall, Morgantown, West Virginia
Within a Rural Community:
Alma Exchange Credit Union, Alma, Georgia
Of Faculty Employees of a State University:
University Faculty Credit Union, University of Wisconsin, Madison, Wisconsin
Of Ground Employees of a State University:
Service Credit Union, University Service Building, Madison, Wisconsin
Of Students, Faculty and Townspeople of a College:
Berea Credit Union, Berea College, Berea, Kentucky
Of Mine Employees:
Reserve Mines Credit Union, Reserve Mines, Cape Breton, Nova Scotia
Of Employees of a Paper Company:
Champion Credit Union, Champion Fibre Company, Canton, North Carolina
Of Employees of a Radio Corporation:
American Bosch Credit Union, American Bosch Magneto Corporation, Springfield, Mass.
Of Employees of a Candy Factory:
The Brach Credit Union, Brach Candy Company, 1246 S. 16th Avenue, Chicago, Illinois
Of Employees of a Motion Picture Industry:
Universal Studio Credit Union, Pacific Coast Studios, Universal City, California
Of Employees of a Major Industrial Group:
Norton Credit Union, Norton Manufacturing Company, Worcester, Massachusetts
Of Members of a Cooperative Association:
Waukegan Credit Union, 665 McAllister Avenue, Waukegan, Illinois
Of Employees of a Laundry:
Modern Laundry Credit Union, 212 Fifth Avenue, South, La Crosse, Wisconsin

Of Shipbuilders:
N.N.S. & D.D. Co. Employees' Credit Union, Newport News Shipbuilding and Dry Dock Company, Newport News, Virginia
Of Newspaper Employees:
Times Credit Union, the Chattanooga Times, Chattanooga, Tennessee
Of Insurance Employees:
Commonwealth Credit Union, Commonwealth Life Insurance Company, Louisville, Kentucky
Of Bank Employees:
Marquette Credit Union, Marquette National Bank, Minneapolis, Minnesota
Of Employees of the Western Union Telegraph Company:
Western Union Employees Credit Union, Washington, D. C.
Of Postal Employees:
Atlanta Postal Credit Union, U. S. Post Office, Atlanta, Georgia
Of a Manufacturing Company:
Belden Credit Union, Belden Manufacturing Co., 4647 West Van Buren, Chicago, Illinois
Within a Grocery and Baking Company:
Memphis KEMBA Credit Union, Kroger and Company, Memphis, Tennessee
Major Community Group:
Credit Union, Central Falls, Central Falls, Rhode Island
Within a Veterans' Group:
Laconia Veterans Credit Union, Laconia, New Hampshire
Employees of an Oil Company:
Conoco Employees Fort Worth Credit Union, Continental Oil Company, 1710 Fair Building, Fort Worth, Texas
See National Association for other contacts.

APPENDIX L

BIBLIOGRAPHY

The credit union bibliography is very limited. The following books are recommended and at this time credit is also gratefully extended to these books for much of the informative material contained in this book.

BOOKS:

Rural Credits—Land and Cooperative, Myron T. Herrick and R. Ingalls (D. Appleton and Company, 1916).

The Evolution of People's Banks, Donald S. Tucker (the Columbia University Press).

The Cooperative People's Bank, Alphonse Desjardins (A publication of the Russell Sage Foundation in 1914).

Cooperative Democracy, Dr. James P. Warbasse (The Macmillan Company).

EARLIER CREDIT UNION BOOKS:

Cooperative Banking—A Credit Union Book, Bergengren (The Macmillan Company, 1923).

Credit Union—A Cooperative Banking Book, Bergengren (The Beekman Hill Press, 1931).

As to the Present Status of the Cooperative Movement in the World:

The People's Year Book—National and International, the 17th Annual of the English and Scottish Cooperative Wholesale Societies (by the Cooperative Press Agency) The Cooperative Wholesale Society, Ltd., 1 Balloon Street, Manchester, England.

Two books of exceptional importance because of the problems of popular economics involved:

Financing the Consumer, Evans Clark (Harper & Brothers Publishers, 1931).

The Internal Debts of the United States, Evans Clark (The Macmillan Company, 1933).

Data relative to the credit union movement, free publicity, work booklets, etc., may be had on application from the

Credit Union National Association
Raiffeisen House
Madison, Wisconsin

APPENDIX M

THE CUNA MUTUAL SOCIETY

The Executive Committee has organized under the mutual insurance company laws of the State of Wisconsin the CUNA Mutual Society. Its board consists of the same membership as the Executive Committee with the addition of Charles G. Hyland of Wisconsin. The immediate purpose of the Society is to write loan protection (sometimes called borrowers' protection) insurance. It seeks to bring this insurance to credit union borrowers at a net rate plus necessary accumulation of surplus capital. Already its operation has resulted in cutting in half the rates being charged for this service by many companies. At the end of its first year (Aug. 16, 1936) it had written a total coverage of $11,387,855, covering over 250,000 loans. All inquiries relative to it should be addressed to Earl Rentfro, CUNA Mutual Society, Raiffeisen House Madison, Wisconsin.

APPENDIX N

THE CUNA SUPPLY COOPERATIVE

The Printing and Supply Department of the Credit Union National Association has been re-organized under the cooperative laws of the State of Wisconsin as the Cuna Supply Cooperative. The members of this cooperative consist of the state leagues and affiliates of the National Association. It is managed by B. F. Beales, who should be addressed Cuna Supply Cooperative, Raiffeisen House, Madison, Wisconsin.

APPENDIX O

NOVA SCOTIA CREDIT UNION LEAGUE

As a result of the initiation and activity of the Department of Extension of St. Francis Xavier University, Antigonish, Nova Scotia, a splendid credit union law was enacted for that Province a few years ago. The Department has maintained an educational and promotional campaign until at present a substantial credit union development progresses in the Province. The Credit Union National Extension Bureau and more recently the National Association is cooperating in this development and available to assist credit unions in Nova Scotia in every possible way. The Nova Scotia credit unions have organized a strong league and all inquiries relative to it should be addressed to A. B. MacDonald, Managing Director, Nova Scotia Credit Union League, St. Francis Xavier University, Antigonish, Nova Scotia. This development is following community lines and is of the utmost significance to the credit union movement in North America.

APPENDIX P

THE BRIDGE

The BRIDGE is the official organ of the credit union movement in the United States. It is published monthly by the Credit Union National Association, Raiffeisen House, Madison, Wisconsin. The subscription price per single subscription is $1.00 per annum. In lots of five or more subscriptions, the subscription price is fifty cents. For advertising rates, sample copies, data, etc., address Janet Bubier, Bridge Tender, Raiffeisen House, Madison, Wisconsin.

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