

A CREDIT UNION PRIMER

An elementary treatise on Cooperative Banking, containing questions and answers concerning methods of organization and operation, necessary books and forms, suggested by-laws and the Credit Union Law of New York

by

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PREFACE

For a number of years the Russell Sage Foundation, through its Division of Remedial Loans, has been working to make it more and more possible for people of small incomes who find themselves compelled to borrow money for proper purposes to do so under reasonable conditions. It has tried to put an end to the iniquitous extortions of loan sharks. It has conducted a campaign of exposure through the public press; in various states it has aided in preparing and securing the enactment and enforcement of laws to limit strictly the rates of interest and charges that may be made on small loans; it has helped in procuring the evidence necessary to ensure the conviction of loan sharks and to obtain adequate hearings in the courts on disputed questions of law. One of its main functions has been to foster the formation in cities of remedial loan associations, whose object is to loan small sums at as low rates of interest and on as easy terms as may be compatible with a fair return on the capital invested. But when the loan shark is eliminated and agencies for loaning money on fair terms are established in all the cities the field will not be covered. An independent commercial agency which works for even a small profit must, in order to keep itself financially sound, carefully scrutinize the security offered to it and the responsibility of applicants for loans. The necessary investigation is costly and the smaller the size of loans, the greater the comparative cost. For this and other reasons such agencies must charge from twice to four times the ordinary commercial rates for loans. Their relations to borrowers are also in the main merely commercial and impersonal. Many persons needing small loans cannot, therefore, afford to use them; nor can they give a borrower helpful advice and supervision as to spending his money.

In Europe and Canada many associations for saving and loaning on a mutual, cooperative basis have been established and carried on for many years. These associations have been organized to meet the needs of country districts as well as of cities. They are managed by officers and committees selected by the members themselves. These officials usually serve without pay.

Their members being on the same economic plane, are well enough acquainted with each other to judge of the requirements and responsibility of those of their members who wish loans. They also require an applicant to tell the use to which the money will be put and they determine whether it is wise for him to borrow. Not only do they provide for their members a source of loans, but they are able to make very small loans at a low rate of interest and to regulate the time and method of repayment according to the needs of each case. On the other hand, they prevent borrowing for unwise purposes. More important still, they give practice in careful business administration, teach self-government on a democratic basis, and develop a community spirit. "Democracy financing itself is a matter of financial moment not alone for its first service but for the possibility it affords to collective industrial undertakings. In cooperative banking lies a source of enrichment, not only of material wealth but of character, and the education of the common man to the management and investment of a common trust."*

There is no doubt that cooperative associations are the best agencies for dealing with the problems of small loans as well as those of thrift. It is of real social importance that cooperative loan and saving associations should be widespread. It is unfortunate that in the United States only a few exist as yet. A most significant move was made by Massachusetts in 1909 when it enacted a law providing for the organization of such associations with legal sanction and supervision under the name of "Credit Unions." This Primer owes much to the Massachusetts law. It has been prepared for the purpose of encouraging the formation of similar associations throughout this country and elsewhere, and of showing in detail the various steps, regulations and forms that are necessary to proper and sound business management. It is founded on the practice in Massachusetts but its authors have made use of their own experience and of all the information that they could get from other sources to provide the best possible model that can be devised at the present stage of progress. Their work has been most careful, thorough and comprehensive. They are admirably equipped for such a work by both experience and study.

*Capitalizing Character by John L. Mathews. Harper's Monthly Magazine, October, 1913.

Mr. Ham, as Director of the Division of Remedial Loans of the Russell Sage Foundation, has made a close study of small loan conditions in cities. His six years of work in this field for the Foundation have brought him a great fund of information and experience. To him is due the success that has been achieved.

Mr. Robinson has been an effective pioneer. As general manager of the Jewish Agricultural and Industrial Aid Society he has for ten years been engaged in making loans to farmers in nearly every state in the union. He has acquired a wide knowledge of rural credit conditions and has succeeded in introducing small cooperative loan associations in a number of communities of Jewish farmers in the eastern states.

Together the authors are largely responsible for the passage, in 1913, of the New York Credit Union Law. Recognizing the futility of a mechanical copying of cooperative credit systems of other countries they have suggested an elastic system which it is believed will prove itself adaptable to varying conditions in various parts of this country. The Primer will undoubtedly have a wide and important social effect.

The Foundation is indebted to Mr. Pierre Jay, vice-president of the Bank of the Manhattan Company and former Bank Commissioner of Massachusetts; to M. Alphonse Desjardins, founder of the Canadian cooperative banking system; to Mr. George I. Skinner, First Deputy Superintendent of Banks of New York, and to others who have given much valuable advice in the preparation of this Credit Union Primer.

JOHN M. GLENN,
General Director of Russell Sage Foundation.

INTRODUCTION.

THE number of cooperative credit associations or Credit Unions now in existence in all parts of the world has been estimated to be more than 65,000, with a membership approximating 15,000,000 and an annual business amounting to \$7,000,000,000.

Impressive as these figures are, they are less striking than the economic and social results which this form of cooperation has achieved wherever it has found a foothold. It has regenerated and accelerated agriculture, commerce and industry. It has stamped out usury and raised millions of human souls from the depths of despair to lives of hopefulness and service. It has supplanted shiftlessness by industry; improvidence by thrift; intemperance by sobriety; selfishness by neighborliness; individual effort by concerted action—in fact, has proved to be one of the most potent moral, educational, and social forces in the history of civilization and in the enrichment of the life of the common people.

Credit unionism originated in Germany in 1849. Frederick William Raiffeisen and Franz Hermann Schulze-Delitzsch were the founders of the two systems of cooperative credit which are commonly known as the Raiffeisen system and the Schulze-Delitzsch system, respectively. All cooperative credit, wherever found, is patterned after one of these two systems.

The United States Commission, which recently made an investigation of rural credit in Europe, reports the number of Raiffeisen banks in Germany on January 1, 1910, as 14,993 with a membership of 1,447,766. The loans outstanding on that date aggregated \$452,749,961. The Commission estimates the total number of such banks in existence to-day in Germany to be 17,000 with a membership of 1,700,000. In 1911 the number of Schulze-Delitzsch banks was 1,051 with a membership of 671,589. Their total loans to members during that year reached the huge sum of \$1,106,165,207.

Italy was the second country to adopt the Credit Union. Ex-Premier Luzzatti introduced a modified Schulze-Delitzsch system into Italy in 1866 by creating the People's Banks, while Dr. Leone Wollemborg is responsible for the creation, in 1883, of Italian Rural Banks on the Raiffeisen plan. Austria followed in

1885. Ireland, under the inspiring leadership of Sir Horace Plunkett, has to-day over 200 cooperative banks. Cooperative credit was introduced into France in 1892. Russia has its Credit Unions; so has India. In 1909 Japan had 1,886 Credit Unions with a membership of 170,000.

In Canada the first Credit Union was founded in 1900 by Alphonse Desjardins, in the town of Levis, Province of Quebec. Through his enthusiasm, energy and self-sacrifice, over 150 Credit Unions have been formed and are in successful operation in the Canadian Provinces.* Credit Unions of various types are also known to exist in many of the countries of South America.

The wedge of credit unionism was driven into the United States by the enactment of the Massachusetts Credit Union Law in 1909. Since then legislation has been enacted in New York, Wisconsin and Texas. The Bank Commissioner of Massachusetts reported in 1913 the existence of 34 Credit Unions in urban communities in that state with a membership of 4,529 and a share capital of \$120,284.48. They loaned to their members during that year a total of \$146,740.53.

The first Credit Union to organize under the New York law was the Speedwell Credit Union formed by the employes of the real estate firm of Bing & Bing, in New York City. This Union, formed in January 1914, has already obtained a membership of nearly 200 and has accumulated assets of \$15,000.

The first, and so far the only, Credit Unions to be formed among farmers in the United States were those organized by the Jewish Agricultural and Industrial Aid Society of New York. Under the spur of necessity and without waiting for legislative or other aid, that Society has organized 18 Credit Unions since 1911—eight in New York, five in New Jersey, four in Connecticut, and one in Massachusetts. On September 30, 1913, they reported a membership of 547 and a total capital of \$9,665. They had then been in operation for periods averaging about 13 months, during which time they loaned to their members \$73,624.66, or eight times their capital. Although they charge

*A detailed account of the operations of the Canadian Credit Unions will be found in *The Cooperative People's Bank* by M. Alphonse Desjardins, N. Y. Russell Sage Foundation, Division of Remedial Loans, 1914.

only six per cent. annual interest upon loans their net profits up to that time aggregated \$1,317.93 or at the rate of 13¼ per cent. per annum on their capital.

However valuable the record of these Credit Unions may be as showing the possibilities of credit unionism in urban and rural communities and their adaptability to American conditions, it must be confessed that the figures taken by themselves look pitifully small and insignificant when compared with those of other countries.

Under present conditions in many parts of the United States if the farmer needs new machinery, live stock, draft animals or supplies to enable him to live until the time of returns from the harvest, he must buy upon credit at the dealers' prices or mortgage his farm. The absence of adequate credit facilities in some sections is one of the greatest drawbacks to the development of the land.

The need of better credit facilities for the small tradesman to enable him to conduct his business more efficiently and for the wage-earner when he meets reverses, sickness or other urgent need, is fully demonstrated by the pernicious activity of the loan shark. One has only to glance at the records of small loan agencies to be convinced that by far the greater part of loans made, while they may be the indirect result of improvidence, are due to wants that are real and pressing. Not only is small borrowing often a legitimate and defensible procedure occasioned by emergency needs that lay a heavy hand upon the wage-earner but it frequently is a prudent act committed in the spirit of economy. It enables a man to buy in large rather than small quantities or for cash instead of upon the credit plan, which allows the instalment agency to reap an unconscionable profit at his expense. With the marked progress made by credit unionism abroad before it the United States is just beginning to grasp the significance of this world movement while its agriculture suffers from the lack of adequate credit facilities, and the usurer grows rich in its cities.

Is it not remarkable that while we have given to the world an object lesson in political, civic and religious cooperation, we should have to look to other countries for inspiration and guidance in economic cooperation? Not that we are destitute

of economic cooperation—many cooperative enterprises both urban and rural have been launched in this country with a fair measure of success. True, their death rate has been high, but the student of European cooperation knows that even there failures have been numerous.

Has the adoption of the Credit Union by this country been delayed because its functions are already performed by other institutions? If so, an attempt to add it to our complex financial machinery would be worse than useless. What are the agencies now in existence which make small loans and encourage savings, and how well do they fill the place of the Credit Union?

The great contribution of the United States to cooperative credit is the building and loan association. In August, 1913, there were over 6,200 local building and loan associations with a total membership of more than 2,500,000. Philadelphia alone has 1,000 associations with a membership of 475,000 and assets of over \$200,000,000, making loans of \$500,000 each week. The remarkable growth and phenomenal success of these institutions are the object of envy of European co-operators. In providing opportunity for home building they are performing a function of prime importance, but they do not supply that urgent, short-term personal credit which means so much to the man in need; and they cannot enter this field for their loans must be secured by real estate mortgage or shares, the paid-up value of which exceeds the amount of the loan.

Amuch
The remedial loan associations, which have come into existence during the last few years, furnish a satisfactory source of credit for the man who has personal property to pledge or mortgage. There are now 36 in the United States with a combined capital of over \$12,000,000, and their number is rapidly increasing. They are usually joint stock companies formed not primarily for gain but to provide small loans to deserving borrowers at rates sufficient to pay the operating cost and a limited return upon the invested capital.* They can justly lay

*A unique form of organization is that of the Provident Loan Society of New York, the largest remedial loan agency in the United States. The Society was formed in 1894, as the result of efforts initiated by the Charity Organization Society of New York, to do a general pawnbroking business. It was incorporated under special act of the legislature as a membership corporation. Its capital, which now amounts to \$8,000,000, consists of \$2,000,000, 4½% gold bonds and \$6,000,000, certificates of contribution upon which interest not exceeding 6% per annum is paid. Membership in the corporation is limited to 100. The Society's

claim to considerable educational work and many of their borrowers are benefited morally as well as materially by contact with them. They are doing a meritorious work and by their competition are rapidly forcing the loan sharks in many cities to reduce their rates or discontinue operations, but on account of their business-like requirements their field is necessarily limited. They cannot loan to the man who does not possess the required security and because of their impersonal character they cannot effectively attempt to encourage borrowers to become thrifty in order to provide in advance for the emergencies which led to their distress.

For most people a savings bank account is the first step in accumulation. The present amount of deposits in savings banks, savings departments of national and state banks and trust companies, and postal savings banks cannot be less than \$7,000,000,000. Two and a half billion dollars is held by the mutual savings banks of New York, Massachusetts and Connecticut alone. That the savings banks have played an important part in promoting thrift is beyond question and their appeal has been considerably strengthened in the last year or two by the introduction of the "Christmas club" or "thrift club" plan under which regular weekly deposits, beginning with a few cents and increasing throughout the year, are accepted. At the end of the year the accumulated sum is returned to the depositor with small interest and may be deposited by him in a regular savings account. The plan was employed last year by 1,000 banks, mostly in towns and small cities, which collected in this way over \$40,000,000. The forerunner of the "Christmas Club" was the Penny Provident Fund, organized by the Charity Organization Society of New York in 1889 to receive savings of from one cent upward. Deposits are receipted for by stamps attached to a stamp card. No interest is paid upon deposits, but when a few dollars have been saved depositors are invited to open accounts in a savings bank where interest may be earned. More than 250 branch offices or stamp stations have been opened in

certificates are becoming more widely held each year and are increasingly used as investments for philanthropic and educational institutions. There are now about 700 holders. Trustees of the Society receive no compensation for their services and no certificate holder may hope to receive any profit other than legal interest upon his contributions even in the event of dissolution, for surplus profits, which amounted on December 31, 1913, to \$1,075,348, exclusive of real estate costing about \$1,250,000, are an indivisible reserve and are to be distributed among charitable institutions at the discretion of the trustees.

New York and other cities in and out of the state. By encouraging small savings, particularly among children, the Fund has developed into a thrift agency of considerable importance. But in spite of the enormous growth of the fiscal agencies which aid people to become thrifty, it is apparent that the appeal to the thrift instinct has not yet been heard by thousands of people.

Thrift is hardly to be termed one of the cardinal virtues of the native-born American, for he sees his immigrant fellow-citizen live in comfort on a wage that means deprivation for him. Many American wage-earners, who are now constantly borrowing from loan sharks at interest rates running as high as 500% per annum, would if accustomed to thrift be rehabilitated. Surely the man who can pay such charges out of income could, if so inclined, put aside a regular if small amount each week or month in provision for emergencies. Why has he not done so? It is because real thrift depends upon something besides the existence of a safe depository for surplus funds. In order to be thrifty many a man requires something more than agencies to receive his deposits and return them to him, when needed, intact with interest: he requires an agency which will make its hours of business conform to his convenience, which is conveniently located, which does not require him to stand in line for a long time awaiting his turn at the expense of his lunch hour and possibly of some of his employer's time: he requires an agency to which he is not ashamed to bring a dollar, fifty cents or even a quarter; an agency which once he has associated himself with it will constantly remind him of his resolution to save and which will reward his thrift by extending credit to him upon easy terms of repayment secured solely by his character and personal worth—credit which will enable him to effect economies in purchasing and embark in productive enterprises, and will protect him from the usurer.

This is the field of the Credit Union. By its proximity and convenience it persuades the man who has not been reached by the savings bank to become thrifty, and this without interfering with the growth of ordinary banking institutions—instead it actually increases the field of the banks. It makes the accumulated capital available to the persons who assisted in its accumulation. It does not become a substitute for the

building and loan association or the remedial loan society; instead it becomes a complement of these agencies, for the basis of the security for its loans is not collateral but character.

Character is a recognized form of security. Most borrowers possess such security and are entitled to credit upon this basis, but to ascertain the credit to which they are entitled requires a more or less intimate knowledge of their personal habits and of their financial and domestic situation. The customer of the commercial bank who desires a loan must furnish a statement of his assets and liabilities and information upon the following points: annual business done and profits made; relation of rent, salaries and overhead charges to gross profit; why the loan is desired; whether previous loans have been obtained and why; and the number, kinds, and wages of employes. This information is supplemented by inquiries, through credit reporting agencies and the bank's own investigators, into the personal habits of the prospective borrower, his mode of living, his position in the community, the appearance of his place of business, the service which he renders his customers, the amount of advertising which he does, the manner in which he settles his accounts, his reputation in the market from which he secures goods and supplies, the amount of his debts and of his quick assets.

Similarly, an intimate knowledge of the personal character and responsibility of the borrower of \$25 or \$50 must be obtained before a loan can safely be made to him. Such knowledge can be obtained by a commercial lending agency in a large city only at an expense which is prohibitive when either legal restrictions or the value of the money to the borrower are considered. Consequently such agencies making small loans of necessity require collateral security and, regardless of the need and apparent honesty of the applicant, cannot safely loan to him unless he can furnish personal property or other security in pledge or mortgage.

Credit Unions are formed on the principle that a man's best asset is his own associates' estimate of him. Their advantage is obvious. They are composed of a small homogeneous membership, mutually acquainted. Only those known to be honest and industrious are admitted to membership and loans are made only to such members as have a legitimate need for the money. The loan is further safeguarded, if of a

considerable size, by the endorsement of one or more fellow-members. Thus the cost of investigation to which the commercial lending agency is committed is largely eliminated and the abundance of security supplied is sufficient to attract savings deposits from members and enable the Credit Union to borrow when necessary on favorable terms from outside sources of capital. Cooperation therefore brings credit facilities within the reach of those who individually could not obtain them. Losses are reduced to a minimum, because each member is interested in every loan and the danger of a member defaulting or neglecting his obligations is decreased, not only because he is under the surveillance of other members, but because he knows that his fellow members would suffer. He is therefore not so likely to default in his payments as if he were dealing with an impersonal corporation or a philanthropic institution. As directors and committee members serve without compensation, the operating costs are confined to the cost of books and stationery, with sometimes, in the case of large Credit Unions, an honorarium to the person in active charge of the business.

The Credit Union is the simplest form of cooperation and its operations are less intricate than the daily activities of the average farmer or housewife. Its success depends not so much upon the business ability and acumen of its members as upon their honesty and thrift, their willingness to assume personal responsibility for and to act in sympathetic association with their fellows.

In details Credit Unions differ somewhat in the various countries in which they have been formed. The Raiffeisen association places no importance upon share capital and obtains its funds by deposits and loans from outside sources through the unlimited liability of members. Wherever the law requires the issuance of shares they are of nominal value. After the usual dividends are paid from such profits as accumulate, the balance is turned into an indivisible reserve fund. The purpose of the Raiffeisen association is to obtain loanable funds from any source for the aid of its members and members join for the sole purpose of obtaining credit.

The Schulze-Delitzsch organization aims chiefly to stimulate thrift among its members. At first associations of this type were

formed upon the basis of unlimited liability, but many have since departed from that practice. A large proportion of their funds consists of withdrawable shares which have a much higher value than in other types (minimum, \$30). Dividends are paid upon shares and in most instances the management is in the hands of paid officers. Like the Raiffeisen association deposits are accepted from non-members.

The Luzzatti banks of Italy issue instalment shares of small value, the liability of each member being limited as a rule to a few times his holdings. As in Germany, the cooperative banks of Italy receive deposits from all who come. The Raiffeisen associations are more or less assisted by the government but the Italian banks are independent of government aid.

The Canadian cooperative banks more nearly resemble the Italian type than the German types. The moderate-priced share with limited liability is used effectively in securing funds. Shares are payable in instalments and dividends are paid annually. Strong indivisible reserves are accumulated which, upon dissolution, are to be devoted to some work of public utility. Unlike the Italian and German banks the Canadian associations deal only with members. Their founder believes that no government aid should be accepted except in the nature of liberal laws. Expenses of operation are small as the manager alone receives compensation. Committee members who have charge of loans may not borrow. The tendency to allow undeserved credit to officers in European associations led the Canadian banks to prohibit the practice entirely. The Quebec statute (the only law authorizing cooperative credit associations in Canada) insists upon local control, permitting no branch system or centralization, which is a distinctive feature of the movement in Europe.

The type of Credit Union herein proposed resembles the Canadian type in many particulars. Deposits are accepted from and loans made to members only. The shares are withdrawable, of small value, payable in instalments and are to receive dividends. A reserve is to be built up from profits, fees and fines. Liability of members is limited to the amount of shares which they own or to which they have subscribed. Unlike the Canadian associations however they may make loans to officers and committee members upon the approval of a majority of all the mem-

bers and the reserve fund may, in the case of dissolution of the Credit Union, be divided among its members. Volunteer service is to be relied upon for the conduct of affairs except in the case of large Credit Unions where a nominal compensation is recommended for the treasurer or other executive officer.

The observer of the wonders that have been wrought by Credit Unions among farmers and wage-earners abroad should not fall into the error of believing that it is cheap credit alone that is responsible. An essential condition of any system of credit for any class is fair and adequate responsibility and the important thing about the Credit Union is that it is controlled and operated by the members in their own interests, that it deals only with its members and each is responsible for its success or failure. It is important that small borrowers should be able to obtain loans without undue difficulty and at a low interest rate, but this does not justify the suggestion of governmental loans in this field which would substitute paternalism for initiative and self-help.

The Credit Union not only inculcates and stimulates the habit of making small savings and renders the capital thus accumulated available to those who assisted in its accumulation but, to quote M. Desjardins: "It teaches its members how capital is managed, safeguarded and multiplied by useful employment; it teaches business methods, self-government and self-reliance and thereby makes its members better citizens; it transforms moral qualities into valuable assets and brings to the industrious and thrifty man a higher reward than wages—the confidence of his fellow-citizens."

Surely there is room in this country for such a beneficent agency. It is frequently said that the United States offers an unfavorable field for the Credit Union for the reason that Americans are strongly individualistic and incapable of cooperative endeavor and also because of the instability of their occupations and residence. But no country has ever wanted it at first or felt that its own peculiar conditions furnished a favorable field. Fixity of population is desirable for the formation and successful operation of Credit Unions and there is reason for believing that a large part of our population has the fixity necessary for such purposes. The brief experience already gained in the United

States indicates that the desired elements are to be found in agricultural districts; in labor, religious and fraternal organizations; and in industrial and mercantile establishments.*

Though Credit Unions should stand upon their own feet and receive no benevolent assistance from governmental or other sources, it is important that the state should protect them by enacting constructive laws requiring them to organize under the supervision of a competent authority and to operate in accordance with principles that have proven to be safe and wise.

The employer who realizes the evil effects of the loan shark system, which saps the moral fibre of his men, may assist by ceasing to discharge men who have borrowed money upon their wages. Such a custom accomplishes nothing except to make employes preferred risks for the loan shark, for it gives him an additional hold upon them. The employer should encourage his employes to form Credit Unions which, owned and managed entirely by themselves, will cultivate self-respect and knowledge of business methods and will become powerful agencies for thrift and efficiency.

The questions and answers, instructions, by-laws, forms and records which follow are intended to serve as a guide to persons who desire to form Credit Unions. There is no reason why the plan suggested should be adopted in detail if peculiar circumstances suggest modifications, for the Credit Union has a wide range of adaptability. The type is not of great importance provided the fundamental cooperative principles are adhered to.

*In addition to the Credit Unions already in successful operation here, there have been formed among the employes of many large corporations in recent years associations of various types designed to encourage thrift and extend credit based largely upon character. Though there are among many of these agencies varying degrees of difference from the fundamentals of the Credit Union in respect to democracy of administration and equality as to profits, they afford convincing evidence of the availability of the field for the Credit Union. Among the most successful of these agencies and those most nearly resembling the Credit Union are the Savings and Loan Association of the Celluloid Co., Newark, N. J., and the Deposit and Loan Bureau of William Filene Sons' Co., Boston, Mass. Another successful agency is the Mutual Investment Association of the Postal Telegraph Company.

For a detailed account of the operations of these and similar agencies, see "Remedial Loans—A Constructive Program" (By Division of Remedial Loans, Russell Sage Foundation, January, 1912), and Marquason, I. F., "The Wage Earner as an Investor" (In Saturday Evening Post, pp. 10-12, 33-34, April 25, 1914).

QUESTIONS AND ANSWERS.

What is a Credit Union?

A Credit Union is a cooperative association whose objects are:

1. To promote thrift among its members.
2. To provide its members with credit facilities.

What are the functions of a Credit Union?

1. It encourages thrift by providing a safe, convenient and attractive medium for the investment of the savings of its members through the purchase of shares and the making of savings deposits.

2. It promotes industry by enabling its members to borrow for productive and other beneficial purposes.

3. It eliminates usury by providing its members, when in urgent need, with a source of credit at reasonable cost, which they could not otherwise obtain.

4. It trains its members in business methods and self-government, endows them with a sense of social responsibility, and educates them to a full realization of the value of co-operation.

What are the basic principles of cooperative credit or credit unionism?

The principles of credit unionism are:

1. Equality. All members share equally in privileges and ratably in profits.

2. Democracy. The one-man-one-vote principle is fundamental. Each member has but one vote irrespective of the number of shares he may hold.

Where and by whom may a Credit Union be organized?

Any number of persons may combine to organize a Credit Union, in a city, town or rural community. In states that have Credit Union legislation a certain number of the incorporators must be citizens of the United States and of the state. Where a Credit Union is organized as an unincorporated or voluntary association this is not necessary.

What must be the basis of membership in a Credit Union?

The basis of membership in a Credit Union must be some common bond or community of interest. This may take a number of forms. It may be a neighborhood. It may be common occupation, employment by the same establishment or membership in the same church, club, lodge, labor union or other organization. In rural communities the church, parish, school district or local grange furnish a satisfactory foundation for membership.

What should be the qualifications for membership?

1. Identification with the basic unit upon which the Credit Union is founded—the church, the club, the business establishment, etc.
2. Good moral character and a reputation for honesty, sobriety and industry.

Should membership be limited?

Any limitation of membership within the group adopted as the basic unit is wrong in principle. It creates close corporations and cliques. It violates the cardinal rules of cooperation and credit unionism.

Is the large or the small Credit Union to be preferred?

The small Credit Union has many advantages over the large. One advantage lies in the intimacy among members which enables them to know one another's character, reputation and needs, and tends to increase the safety of the loans. Another advantage is the encouragement given each member to take an active interest in the management of the Credit Union.

How may a small Credit Union be organized within a large group?

Large numbers of men employed in one establishment or organization are usually divided into departmental or divisional groups. These groups may be taken as the basic units for the organization of Credit Unions. This is true of department stores, railroads and most establishments in which large numbers are employed. These groups may be federated to good advantage, but the individual Credit Union should not be so large as to become unwieldy. The smallest workable unit is about 25.

What constitutes the capital of a Credit Union?

The capital of a Credit Union consists of the funds paid in upon shares by members and unpaid dividends credited thereon.

Should the issue of shares be limited?

There should be no limit to the issuance of shares by a Credit Union in order that new members may be admitted at any time and that old members may have an opportunity to buy additional shares.

Should the number of shares that may be held by one member be limited?

As each member has but one vote no member or minority group of members can control the Credit Union, but it is possible for one or more members, if allowed to hold a large proportion of the shares, to influence unduly the policies of the Union. For this reason it may be wise to place a reasonable limitation upon the number of shares that each member may hold.

What should be the par value of a share?

It is desirable to fix a low par value of shares so that no eligible person shall be deprived of membership and that no member shall be deprived of the full privileges of membership. A par value of \$5 is recommended. Members should be encouraged to purchase from time to time as many shares as they can afford.

Should shares be issued on the instalment plan?

It is important to provide for payments on account of shares in weekly or monthly instalments, especially if the par value of the shares exceeds \$5.

Should an entrance fee be charged?

It is advisable to charge an entrance fee:

1. In order to defray the organization expenses of the Credit Union without impairing its capital.
2. In order to enable the Credit Union the more readily to accumulate a substantial reserve fund.
3. In order to make provision for the admission of new members upon an equitable basis when the book value of shares is in excess of their par value.

What should be the amount of the entrance fee?

The entrance fee should be nominal. A minimum of \$0.10 a share is recommended on the basis of a par value of \$5. This fee may be variable and should be determined annually.

Should shares be transferable?

Preferably, shares should not be transferable. But if the Credit Union so chooses, shares may be transferred from one member to another, upon the payment of a transfer fee which should be fixed in the By-Laws. It is advisable to create such restrictions as will discourage frequent transfers.

Should shares be withdrawable?

Since shares cannot be transferred, except to members, and then only under certain restrictions, they should be made withdrawable at any time under the following conditions:

1. Thirty days' written notice of intention to withdraw.
2. Withdrawals to be paid in the order of their filing and as funds therefor become available.
3. A member who has filed notice of his intention to withdraw to exercise no privileges of membership, although his shares continue to participate in profits until redeemed.
4. A withdrawing member should be entitled to the book value of his shares.

What funds in addition to its capital may a Credit Union have?

In addition to the funds realized from the sale of shares to its members, a Credit Union may also accept the savings deposits of its members and may borrow from members and others.

Why should deposits be accepted?

The reasons for accepting deposits are:

1. To provide members with a medium for saving on a preferred and therefore a safer basis than shares and on a slightly more remunerative basis than deposits in ordinary savings banks. Shares represent periodic savings for distant expenditures; deposits are regular or irregular savings for more immediate needs.
2. To provide additional funds in order that more liberal credit facilities may be extended to members.

What rate of interest should be paid on deposits?

The rate of interest paid on deposits may be variable and should be fixed at regular intervals. It should not, however, exceed by more than one per cent. per annum, the rate paid by the savings bank in the vicinity.* Deposits should draw interest from the beginning of each calendar month, but interest should be paid quarterly.

When should a Credit Union borrow?

The reason for borrowing by a Credit Union is to enable it to meet the credit demands of its members. Borrowing is an emergency measure and should be employed only when absolutely necessary. Where Credit Union legislation exists, the borrowing power is regulated by law, but the conditions under which a Credit Union may borrow should always be set forth explicitly in the By-Laws. It is best to leave all borrowing to the decision of the members at a general meeting who should authorize each loan before it is made.

How should the funds of a Credit Union be employed?

Except for the Guaranty Fund, which the law may require to be invested in a particular manner, the funds of a Credit Union are primarily to be used for the purpose of making loans to members. Surplus funds should be deposited in banks or invested in prime securities.**

Who may borrow?

All members in good standing, with the exception of the Board of Directors, Officers, and members of the Credit Committee and Supervisory Committee, should be eligible to borrow. Though members alone may borrow, the single share which a member must hold is of nominal value. The requirement therefore involves no hardship.

Should Directors, Officers, and members of Committees be allowed to borrow?

In Massachusetts this is expressly prohibited by law. In New York it is permitted under certain conditions. As a gen-

*It should be borne in mind that the depositor is also a shareholder and, as such, participates in profits realized by the Credit Union. After setting aside a portion to the Reserve Fund, profits are distributed among the shareholders as dividends.

**The New York law permits investment of funds to members and deposits in banks.

eral rule, it is advisable to elect officers who can do without loans, if the Credit Union is large enough to permit of this being done. Otherwise, it is well, if the law permits, to make provision in the By-Laws for such loans to be made with the approval of the members at a general meeting.

For what purposes should loans be granted?

Credit may serve a useful purpose or it may do harm. It is a fundamental principle of credit unionism that loans shall benefit and not injure the borrower. Furthermore, a loan that is of no benefit to the borrower is likely to be an unsafe investment. It is essential, therefore, that a Credit Union should loan only for productive purposes, purposes that will effect a saving, supply an urgent need or that will otherwise prove of benefit to the borrower; that the purpose of a loan be known and approved before it is made. For that reason applications for loans should be made in writing and should state specifically the purpose for which the money is needed.

Should loans be limited in amount?

It is well to limit the amount of the loans to each member for the sake of safety, and in order that the funds available for loans may be equitably distributed among members. The maximum amount of the loan may bear some relation to the capital of the Credit Union or may be a fixed sum. There is no necessity for a minimum. On the contrary, small rather than large loans should be encouraged.

What rate of interest should be charged on loans?

As a matter of principle the interest charged on loans should be no greater than is required to pay the operating cost, a moderate rate of interest on deposits, to provide for a reasonable reserve or guaranty fund, and to pay a moderate dividend on shares. It is well to fix the maximum interest rate in the By-Laws. This rate should as nearly as possible approximate the banking rate of interest. In New York the maximum rate of interest that a Credit Union may charge is 12% per annum. Care should be taken that the total charges upon loans do not exceed the maximum allowed by law.

What should be the maximum length of time for which loans are made?

The By-Laws may fix a general maximum, but the time of individual loans should be fixed by the Credit Committee with due regard for the nature of the employment in which the members are engaged, their ability to repay, and the objects for which loans are made. A maximum of one year should be sufficient even though it may be necessary at the expiration of that time to renew a portion of the loan.

How should loans be repaid?

Loans should be repaid in weekly or monthly instalments or in a single sum. This is to be determined in each instance by the Credit Committee.

How are loans secured?

Ordinarily the security that a Credit Union demands for loans is the promissory note of the borrower with one or more endorsements, supplemented by a lien upon the borrower's shares and deposits in the Credit Union. The requirement of endorsements may be waived in some cases if the loan is for a small amount. Large loans may also be made to members upon security of mortgage of real or personal property, but unless the Credit Union has an abundance of funds, preference should be given to the smaller loans.

Who may endorse?

As a rule members only should be accepted as endorsers. In exceptional cases non-members may be permitted to endorse for members. In either case the endorsers must be acceptable to the Credit Committee.

Is such security ample?

As the plan upon which Credit Unions are organized provides a basis of acquaintanceship and knowledge of each member's character and reputation, it is assumed that no loan will be made until the Credit Committee is possessed of all necessary information regarding the borrower and his endorsers, and the purpose of the loan. The mutual responsibility of members and their self-interest will cause such watchfulness over loans as to make the possibility of loss remote. This has been the uniform experience of Credit Unions.

May additional security be required?

The Credit Committee may, if it deems it necessary, require additional security upon any loan in the form of additional endorsements, a mortgage or other collateral.

What income has a Credit Union?

A Credit Union has two kinds of income:

1. Reserve income.
2. Ordinary income.

What is the reserve income?

The reserve income consists of entrance or initiation fees, transfer fees, fines, and similar forms of income which do not appear in the profit and loss account, but which, after the payment of organization expenses, are carried directly to the Guaranty Fund.

What is the ordinary income?

The ordinary income consists of interest received on loans and income from investments or deposits made by the Credit Union. The ordinary income constitutes the gross profits of the Credit Union.

What are the net profits?

The net profits consist of the gross profits after deducting interest paid or accrued and unpaid on loans and deposits, expenses, and losses.*

How are net profits distributed?

The net profits of a Credit Union are distributed as follows:

1. A certain percentage is set apart to the Guaranty Fund. This percentage is fixed by law where Credit Union legislation exists, otherwise it should be fixed in the By-Laws. Generally 25% is set aside in this way until an adequate Guaranty Fund is accumulated.
2. Such part of the balance as may be decided upon may be distributed as dividends among the shareholders.
3. The balance remaining is carried as surplus, or undivided profits.

*Under the New York law losses may be charged to the Guaranty Fund so that only when losses exceed the Guaranty Fund need they be deducted from gross profits.

What is the purpose of the Guaranty Fund?

The Guaranty Fund provides protection for depositors and other creditors of the Credit Union as well as protection for shareholders in the event of losses. The Guaranty Fund is the property of the Credit Union and no share in it may be claimed by any member except upon the dissolution of the Credit Union.

When are dividends declared?

Dividends, as a rule, are declared annually at the end of the fiscal year.

Should the rate of dividends be limited?

Credit Unions organized in states which have not definitely limited the charges upon loans to a reasonable rate should fix a maximum dividend rate in the By-Laws in order that there may be no incentive to increase unduly the cost of loans to borrowing members. This is not so important in the State of New York for the law limits the charge upon loans to 12% per annum.

What is the fiscal year?

The fiscal year is the financial year. It may be the calendar year as under the New York Credit Union law, or it may be from November 1st to October 31st, as is the case under the Massachusetts statute. Where there is no statutory provision, the fiscal year may be any 12 months, but the calendar year is always to be preferred.

Where does the control of a Credit Union rest?

The absolute control of a Credit Union lies in its membership. Though many powers are delegated to Directors, Officers and Committees, the members may always reverse their decisions.

How often should members meet?

Members may meet as often as they choose but they should meet at least once a year. Meetings not prescribed in the By-Laws are special meetings. Those so prescribed are regular meetings.

When is the Annual Meeting to be held?

The Annual Meeting should be held once a year within a reasonable time after the close of each fiscal year. The date of the Annual Meeting should be fixed in the By-Laws.

What is the purpose of the Annual Meeting?

The purpose of the Annual Meeting is to receive the reports of the Directors, Officers, and Committees for the preceding year; to take action upon such reports; to elect Directors and Committees for the current year, and to transact such other business as may properly come before it.

What should be a quorum at a members' meeting?

The holding of a meeting should not be made difficult by requiring too large a number of members for a quorum. A majority of the membership is a satisfactory number for a quorum.

What should be the order of business at regular meetings?

The order of business should be as follows:

1. Roll Call.
2. Reading of the Minutes of the preceding meeting.
3. Report of President.
4. Report of Treasurer.
5. Report of the Credit Committee.
6. Report of the Supervisory Committee.
7. Unfinished business.
8. New business.
9. Adjournment.

What should be the method of voting at members' meetings?

Voting may be by ballot or by any other method that the members may at the time determine. But each member should have but one vote and no voting should be by proxy.

Is there any limit to the powers that may be exercised by the members?

Within statutory provisions and in conformity with the By-Laws, there is no limit to the powers that the members may exercise. They may review the acts and reverse the decisions of the Board of Directors, recall any Director, Officer or member of any Committee, and adopt such rules and regulations for the conduct of the Credit Union as they may see fit.

Where does the direct management of a Credit Union rest?

The direct management rests in the Board of Directors, Officers, Credit Committee, and Supervisory Committee elected at the annual meeting.

What should be the number of Directors?

In states which have enacted Credit Union legislation the minimum number of Directors is usually fixed by law. Whether the number of Directors should exceed the minimum required depends upon the size of the Credit Union. If the membership does not exceed 50, the number of Directors need not exceed five. In larger Unions the number may be increased to seven, nine or even more.

What are the duties of the Board of Directors?

The Directors have the general management of the affairs of the Credit Union. Unless otherwise provided in the By-Laws it is their duty to act upon applications for membership and expulsion of members, to fix the surety bond of the Treasurer, to determine the rate of interest on loans and deposits, to declare dividends, to recommend amendments to By-Laws and to fill vacancies in their own membership until the election and qualification of successors.

What are the Officers of a Credit Union?

The Officers usually consist of a President, Vice-President, Treasurer, and Secretary. These are ordinarily elected by the Board of Directors out of their own number at a meeting held immediately after the Annual Meeting of the members. In small Credit Unions there is an advantage in permitting the offices of Secretary and Treasurer to be held by one member.

What are the duties of the Credit Committee?

The Credit Committee has complete charge of the loans made to members. It determines the security upon which each loan shall be made and fixes the terms of its repayment. In small Credit Unions, particularly in rural communities, it is sometimes advantageous to allow the Board of Directors to act as the Credit Committee.

What are the duties of the Supervisory Committee?

The Supervisory Committee audits the books, inspects the securities, cash and accounts of the Credit Union, and supervises the acts of the Board of Directors, Credit Committee and the Officers.

Should the Officers be remunerated for their services?

No Director or Officer and no member of any Committee, as such, should receive remuneration for his services. If the Secretary, Treasurer, or other Officer acts as Executive Clerk or Business Manager of the Credit Union, he may, if the members so decide, receive some compensation, but such compensation should be nominal. Large Credit Unions may find it necessary to employ a paid Manager or Clerk to assist the Treasurer or executive officer but the need for such an outlay will be the exception rather than the rule.

Why should not Officers, Directors and Committees be compensated?

Cooperation, which is the basis of credit unionism, means mutual assistance. If loans are to be made at reasonable rates, interest on deposits kept up to or slightly above the savings bank rate, dividends paid upon shares, the credit of the Union established and maintained—in short, if the Credit Union is to perform the service for which it is intended, its operating expense must be kept at a minimum. Experience shows that members who have been honored by their fellows by election to the Board of Directors or to one of the Committees are willing to devote a reasonable amount of time to the affairs of the Union without thought of compensation.

Is special legislation necessary in the organization of a Credit Union?

Legislation is not indispensable. The Credit Unions among the Jewish farmers in the United States were organized and still operate as voluntary or unincorporated associations. However, legislation is desirable for the sake of uniformity in organization and operation and in order that Credit Unions may receive adequate supervision and guidance.

Is the organization of a Credit Union difficult?

The organization of a Credit Union is extremely simple. Where there is no special legislation all that is needed is to follow the few fundamental principles of credit unionism, but in states which have enacted Credit Union laws, the organization of a Credit Union is more or less technical. Not only must the pro-

visions of law be adhered to, but the rules and regulations laid down by the Banking Department of the state, which generally has charge of this matter, must also be followed.

What is the first essential in organization?

The first essential is leadership. The chances of success are greatly enhanced if an energetic and upright man will undertake the actual work of organization. The history of credit unionism shows the importance and great value of capable, enthusiastic leadership. This applies not only to organization but also to operation. Unless trustworthy and efficient officers are chosen the Credit Union is not likely to succeed.

What is the procedure in organization?

The organization of a Credit Union ordinarily requires the holding of three meetings—the preliminary, intermediate and final organization meetings, but where the law or the regulations of the Banking Department do not provide to the contrary, any two, or even all three of these meetings may be combined into one.

How is the preliminary organization meeting to be conducted?

The following should be the order of business of the preliminary organization meeting:

1. Statement of the purpose of the meeting. (See page 32 for form of minutes).
2. Election of temporary Chairman and Secretary.
3. General discussion.
4. Adoption of resolution to form a Credit Union.
5. Election of Committee on Organization to draft Articles of Incorporation and By-Laws.
6. Setting date for the intermediate organization meeting.

What steps should be taken by the Organisation Committee between the preliminary and intermediate organization meetings?

The Organization Committee should at once draft the Articles of Incorporation and By-Laws. In states where Credit Union legislation exists, application should be made to the Banking Department for blank form of Articles of Incorporation and suggested form of By-Laws and the drafts when completed should be submitted to the Banking Department for preliminary

approval before the intermediate organization meeting is held. (Specimen Articles of Incorporation—Organization Certificate—and By-Laws will be found on pages 35 to 46).

How is the intermediate organization meeting to be conducted?

1. A temporary Chairman and Secretary should be elected. (See page 33 for form of minutes).
2. Report of the Organization Committee.
3. Adoption and signing of Articles of Incorporation.
4. Adoption of By-Laws.
5. Election of Directors.
6. Election of the Credit Committee.
7. Election of the Supervisory Committee.
8. Adoption of resolution authorizing the Organization Committee to take the necessary steps to obtain a charter or certificate of authorization.

Where Credit Union legislation exists the beginning of operations must await the granting of the charter or authorization certificate. In states which have no Credit Union laws and the Credit Union is formed as a voluntary association, organization may be completed and operations begun at once.

How is the final organization to be conducted?

1. A temporary Chairman and Secretary should be elected. (See page 34 for form of minutes).
2. Report of the Organization Committee.
3. Fixing of entrance fee and other fees not fixed by By-Laws or left to the discretion of the Board of Directors.
4. Election of additional members.
5. Adoption of resolution authorizing the Directors, the Credit Committee and the Supervisory Committee to perform all acts necessary for the proper conduct of the Credit Union.

Immediately after the adjournment of the intermediate organization meeting, each member of the Board of Directors and each member of the Credit Committee and of the Supervisory Committee should take such oath of office as is prescribed by the law under which the Credit Union may be organized.*

* No form of oath is suggested as it is advisable for Credit Unions to apply to the Banking Department or other supervisory state authority for authorized form.

Such oath should be certified by an officer authorized by law to administer oaths, such as a Justice of the Peace or a Notary Public, and should be immediately transmitted to the Superintendent of Banks. A similar oath should be taken immediately after the adjournment of the first meeting of the Board of Directors by the Officers elected at that meeting.

When is the first meeting of the Board of Directors to be held?

The first meeting of the Board of Directors should be held immediately after the adjournment of the final organization meeting. It is to be conducted somewhat as follows:

1. Election of officers. (See page 47 for form of minutes).
2. Fixing the amount of the Treasurer's bond.
3. Fixing the rate of interest on loans and deposits.
4. Fixing the entrance fee and other fees not fixed in the By-Laws or by the members.
5. Election of new members.
6. Adoption of books of account and forms for the conduct of the business of the Credit Union.

When is the first meeting of the Credit Committee to be held?

The first meeting of the Credit Committee should be held as soon after the final organization meeting as convenient. It should be conducted somewhat as follows:

1. Election of a permanent Chairman who shall also act as Secretary. (See page 48 for form of minutes).
2. Adoption of plans and suitable forms for the conduct of the business of the Committee in accordance with the By-Laws.
3. Consideration of applications for loans.

When is the first meeting of the Supervisory Committee to be held?

The first meeting of the Supervisory Committee should be held as soon after the final organization meeting as convenient. It should be conducted somewhat as follows:

1. Election of a permanent Chairman who shall also act as Secretary. (See page 49 for form of minutes).
2. Adoption of plans and suitable forms for the conduct of the business of the Committee in accordance with the By-Laws.

BOOKS AND FORMS.

The following books and forms are needed for the proper conduct of a Credit Union:

1. Application for membership.
2. Subscription for shares.
3. Certificate of shares.
4. Membership book.
5. Meeting notices.
6. Minute books.
 - a. Members' minute book.
 - b. Minute book of Directors.
 - c. Minute book of Credit Committee.
 - d. Minute book of Supervisory Committee.
7. Pass book.
8. Deposit slip.
9. Check book.
10. Bank book.
11. Loan application.
12. Promissory note.
13. Tickler book.
14. Interest table.
15. Cash book.
16. Individual and general ledgers.
17. Report and financial statement.

1. APPLICATION FOR MEMBERSHIP.

This application form should be filled in by all who apply for membership. It should be made out in ink and all names written in full.

All applications of elected members, in their numerical order, should be pasted in the membership book.

Rejected applications should not be numbered, but should be filed and retained for future reference.

In the case of charter members, the blanks opposite "Proposed by" and "Seconded by" need not be filled in.



ARRANGEMENTS have been made with The Clover Press, Grand and Centre Streets, New York City, to furnish complete outfits of the necessary books and forms for Credit Unions, at a total cost of \$25 per outfit. All books and forms conform to the suggestions contained in "A Credit Union Primer" published by the Division of Remedial Loans of the Russell Sage Foundation.

The supply, which is adequate for a Credit Union with a membership of 100, includes the following:

- 100 Pass Books (containing model by-laws)
 - 1 112-Page General Ledger
- 125 Individual Ledger Sheets
 - 1 Individual Ledger Sectional Post Binder
 - 1 Cash Book, 200 Leaves
- 125 Certificate of Shares Cards
- 100 Applications for Membership
- 100 Subscriptions for Shares
- 100 Regular Meeting Notices
- 100 Special Meeting Notices
- 500 Deposit Slips
- 100 Applications for Loan
- 100 Promissory Notes
- 50 Statement Forms
 - 1 Membership Book
 - 1 Minute Book
- 5 1% Interest Tables, printed on Linen Stock

THE CLOVER PRESS is prepared to furnish outfits for Credit Unions at short notice.

APPLICATION FOR MEMBERSHIP.

No. _____

THE _____ CREDIT UNION.

(Date)

I hereby apply for membership in the _____ Credit Union and agree to subscribe for at least one share in the said Credit Union at a par value of \$ _____ and do further agree to abide by the conditions prescribed in the By-Laws of the _____ Credit Union.

Name _____

Residence _____

Date of birth _____

Married or single _____

By whom employed _____

Where employed _____

In what capacity _____

How long in present position _____

(Signed) _____

Proposed by _____

Seconded by _____

Elected (date) _____

Secretary.**2. SUBSCRIPTION FOR SHARES.**

THE _____ CREDIT UNION.

(Date)

I hereby subscribe for _____ () shares in the _____ Credit Union of the par value of \$ _____ payable _____ in _____ instalments of _____ per share.
(weekly or monthly)

(Signature)

Member's No. _____

Shares previously subscribed for _____

Shares wholly paid for _____

Approved _____

Treasurer.

Date _____

3. CERTIFICATE OF SHARES.

Having been elected to membership by the Board of Directors and having become the owner of one or more shares, each member should receive a Certificate of Shares signed by the President and Secretary. The certificate is to be retained by the member as evidence of his membership and ownership of shares and must be surrendered when he borrows from the Credit Union. Whenever a member withdraws a part of his paid up shares or becomes the owner of additional shares a new certificate should be issued to him and the old one destroyed.

Certificates should be numbered consecutively. They should be printed upon small cards of good quality and thickness.

CERTIFICATE OF SHARES.

Transferable only to qualified members.

No. _____

The _____ Credit Union.

This certifies that _____ is the owner of _____ shares, par value \$ _____ each, in The _____ Credit Union in the city of _____, state of _____, and has been duly elected a member thereof.

_____ 191 _____

President.

Secretary.

4. MEMBERSHIP BOOK.

Any ordinary bound book containing an alphabetical index at the beginning, will serve as the membership book.

The full names of all members should be listed alphabetically in the index and their applications pasted in the membership book in numerical order.

The membership book serves as a permanent record of each member, including his signature. It should be in the custody of the secretary who is responsible for its safe keeping and whose duty it is to keep it up-to-date.

5. MEETING NOTICES.

NOTICE OF REGULAR MEETING.

The _____ Credit Union.

The Annual Meeting of the members of the _____ Credit Union will be held on _____ the _____ of _____, 191, _____
 at _____ M sharp at _____
 (day) (month and year)
 (hour) (street and number)

You are urgently requested to be present.

By order of the President.

 Secretary.

NOTICE OF SPECIAL MEETING.

The _____ Credit Union.

A special meeting of the members of the _____ Credit Union will be held on _____, the _____ of _____, 191, _____
 at _____ M, at _____ for the purpose of _____

You are urgently requested to be present.

By order of the President.

 Secretary.

6. MINUTE BOOKS.

a. Members' Minute Book.

The Members' Minute Book should be in the custody of the Secretary, and should contain a permanent record of the proceedings of all meetings of the members. For the purpose of roll call, it should contain on the first pages a list of all the members in the order in which they were admitted to membership. It should also contain the minutes of the organization meetings, including a true copy of the Articles of Incorporation and By-laws. A printed copy of the law, if any, under which the Credit Union is organized should be attached to the inside cover of the members' minute book for reference.

FORM OF MINUTES.

Preliminary Organization Meeting.

_____, _____, 191____
 The preliminary organization meeting of the _____
 Credit Union was held on _____, 191____, at _____
 o'clock P. M., at the residence of _____ at _____,
 _____.

The following were present:

(Insert in full the names of all present)

The meeting was called to order by _____ who outlined the objects of the meeting and pointed out the benefits which the organization of a Credit Union would confer upon the (*employees, members, residents, etc.*) of _____.

On motion, _____ was duly elected Temporary Chairman of the meeting and _____ was duly elected Secretary.

Following a general discussion it was voted, on motion duly made and seconded, to proceed with the formation of a Credit Union.

Upon motion made and duly seconded, it was voted to proceed to the election of a Committee on Organization and to authorize such committee to draft Articles of Incorporation (or Organization Certificate)* and By-Laws and to act for the Credit Union until organization is effected. Thereupon _____, _____ and _____ were duly elected a Committee on Organization.

It was voted to hold an intermediate organization meeting on _____ at _____ o'clock P. M. at which time a report of the Organization Committee will be submitted.

There being no further business, the meeting adjourned at _____ o'clock P. M.

 Secretary.

*Blank form of Organization Certificate may be procured from the Banking Department in states having Credit Union laws. Suggested form of Organization Certificate and By-Laws which have been approved by the Banking Department of New York will be found on pages 35 to 46.

Intermediate Organization Meeting.

_____, _____, 191—
 The intermediate organization meeting of the _____ Credit
 Union was held on _____, 191— at _____ o'clock P. M.
 at the residence of _____,
 _____.

The following were present:

(Insert in full the names of all present)

The meeting was called to order by _____, Chair-
 man of the Organization Committee.

On motion duly made and seconded it was voted that _____
 should serve as Chairman of the meeting, and _____ as
 Secretary.

The Chairman of the Organization Committee submitted a draft of
 Articles of Incorporation (Organization Certificate) and By-Laws, which
 he reported had been first submitted to the Banking Department and its
 preliminary approval obtained. After discussion, upon motion duly made
 and seconded, the Articles of Incorporation (Organization Certificate)
 and the By-Laws, as recommended by the Organization Committee were
 adopted and signed by all the incorporators.

On motion duly made and seconded, it was voted to proceed to the
 election of five Directors as provided in the By-Laws and _____,
 _____, _____, _____ and
 _____ were thereupon elected Directors to serve
 until the next annual meeting of the members, or until their successors
 are elected and have qualified.

Upon motion duly made and seconded it was voted to proceed to
 the election of a Credit Committee of five members and a Supervisory
 Committee of three members as provided in the By-Laws. _____,
 _____, _____ and
 _____ were regularly elected members of the Credit Com-
 mittee and _____, _____, and _____
 were regularly elected members of the Supervisory Committee to serve
 until the next annual meeting of the members, or until their successors
 are elected and have qualified.

It was voted to authorize the Organization Committee to proceed
 to obtain from the Banking Department a Certificate of Authorization
 and to complete the organization of the Credit Union.

The meeting then adjourned at _____ o'clock P. M.

 Secretary.

Final Organization Meeting.

_____, _____, 191_____.

The final organization meeting of the _____ Credit Union was held on _____, 191_____ at _____ o'clock P. M. at the residence of _____, _____, _____.

The following were present:

(Insert in full the names of all present)

The meeting was called to order by _____, Chairman of the Organization Committee.

On motion duly made and seconded it was voted that _____ should serve as Chairman of the meeting and that _____ should serve as Secretary.

The Chairman of the Organization Committee reported that the Banking Department had approved the Organization Certificate and the By-laws adopted at the last meeting and had issued to the _____ Credit Union a Certificate of Authorization.

Upon motion duly made and seconded it was voted that the Organization Certificate, By-Laws and Certificate of Authorization become a part of the minutes of this meeting.

Upon motion duly made and seconded it was voted that the entrance fee which the By-Laws provide shall be paid by each member, shall be _____ for each share issued and that the transfer fee which the By-Laws provide shall be paid upon the transfer of shares from one member to another, shall be _____.

The meeting then proceeded to elect the following additional members.

	Proposed by	Seconded by
_____	_____	_____
_____	_____	_____

On motion duly made and seconded, it was voted that the Board of Directors, Credit Committee and the Supervisory Committee be authorized to do and perform all acts in conformity with the law and the By-Laws necessary for the proper conduct of the _____ Credit Union.

There being no further business the meeting adjourned at _____ o'clock P. M.

Secretary.

ORGANIZATION CERTIFICATE OF CREDIT UNION.*

*Blanks for organization certificate of Credit Unions in New York State should be procured from the State Banking Department at Albany.

We, the undersigned, all being of full age and employed or residing in the State of New York, and _____ of us being citizens of the United States, for the purpose of becoming incorporated as a Credit Union, pursuant to the provisions of Article XI of the Banking Law, Chapter 2 of the Consolidated Laws, do hereby certify:

1. That the name of the proposed corporation is _____ Credit Union.

2. That the place where its business is to be transacted is _____

3. That the par value of its shares is _____ dollars

4. That the full name, residence and post-office address of each of the incorporators and the number of shares subscribed for by each, are as follows:

Name	Residence	Post-Office address	No. of shares subscribed
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

5. That the term of its existence shall be _____

6. That the number of its directors is _____ and the names and addresses of the incorporators who shall be its directors until the first annual meeting of its shareholders are as follows:

Names	Addresses
_____	_____
_____	_____
_____	_____
_____	_____

IN WITNESS WHEREOF, we have made, signed and acknowledged this certificate in duplicate, this _____ day of _____ 191 _____

STATE OF NEW YORK }
COUNTY OF } ss.
CITY OF }

On this _____ day of _____ 191—, personally appeared
before me _____

to me known to be the persons described in and who executed the fore-
going certificate and severally acknowledged that they executed the same.

_____*

*The signature of the Notary Public or Commissioner of Deeds who takes the
acknowledgments must be authenticated by a County Clerk's certificate.

BY-LAWS.

ARTICLE I

NAME.

The name of this corporation shall be the _____ Credit Union of _____.

ARTICLE II

PURPOSES.

The purposes of this Credit Union shall be to promote thrift among its members and to make loans to its members at reasonable rates, with or without security.

ARTICLE III

MEMBERSHIP.

Any _____ of _____ upon his election to membership and upon subscribing for one or more shares and paying for the same in whole or in part, together with the entrance fee as provided in Article X of these By-Laws shall become a member of this Credit Union.

ARTICLE IV

MEETINGS OF MEMBERS.

Section 1. The annual meeting of the members shall be held on the third Tuesday of January of each year. General meetings of members shall also be held quarterly on the third Tuesdays of April, July and October of each year. A notice of all meetings of the members shall be mailed by the Secretary to each member not less than five nor more than 10 days prior to such meetings.

Section 2. One-half of the members shall constitute a quorum. If a quorum is not present on the date first appointed, the meeting shall be adjourned for 10 days and a second notice shall be sent to all members, at which time those members present shall constitute a quorum for the transaction of all business.

Section 3. Each member shall have but one vote. No vote shall be cast by a proxy. When not otherwise provided in these By-Laws the vote of the majority of the members present at a meeting shall be the act of the corporation.

Section 4. The order of business of the meetings of the members shall be as follows:

- a. Roll Call.
- b. Reading of the Minutes of the Last Meeting.
- c. Report of the Directors.

- d. Report of the Treasurer.
- e. Report of the Credit Committee.
- f. Report of the Supervisory Committee.
- g. Unfinished business.
- h. New business.
- i. Adjournment.

c. Section 5. The members by a majority vote of all the shareholders shall have the power to review the acts and reverse the decisions of the Board of Directors of this Credit Union.

Section 6. The Board of Directors may at its discretion call special meetings of the members and shall do so upon the order of the Supervisory Committee or upon the request of any 10 members of the Credit Union in writing. Notice of such special meetings, wherein the purpose of the meetings shall be clearly stated, shall be sent by the Secretary to each member as provided in Section 1 of this Article. No other business than that specified in the written notice shall be transacted at such meetings.

Section 7. The fiscal year of this Credit Union shall end on the thirty-first day of December.

ARTICLE V.

DIRECTORS.

Section 1. At the annual meeting the members of this Credit Union shall elect a Board of Directors of five members, a Credit Committee of five members, and a Supervisory Committee of three members to serve until the next annual meeting of the shareholders and until their successors are elected and have qualified. No member of the Board of Directors shall serve on the Supervisory Committee nor shall any member of the Supervisory Committee serve on the Board of Directors.

Section 2. A meeting of the newly elected Board of Directors shall be held within 10 days after the annual meeting of shareholders, and the Board of Directors shall elect from their number a President, a Vice-President, a Secretary and a Treasurer who shall be the executive officers of this Credit Union. Thereafter the Board of Directors shall meet at least once in each month. At all meetings three members shall constitute a quorum.

Section 3. The Board of Directors shall have the general management of the affairs, funds and records of this Credit Union. It shall be their special duty to act upon all applications for membership and the expulsion of members; to fix the amount of the surety bond of the Treasurer; to determine the rate of interest on loans and deposits; to declare dividends; to fix the maximum number of shares which may be held by any one member; to recommend amendments to these By-Laws; to fill vacancies in the Board until the election and qualification of successors, and to perform such other duties as the members may from time to time authorize.

Section 4. No officer or other member of the Board of Directors shall receive compensation for his services with the exception of the Treasurer, (or Secretary) whose remuneration, if any, shall be fixed by the members.

Section 5. The members may, at a special meeting called for that purpose, declare by a two-thirds vote of all the members the office of any member of the Board of Directors vacant, provided said meeting was called in accordance with the provisions of Article IV, Sections 1 and 6 of these By-Laws.

ARTICLE VI

OFFICERS AND THEIR DUTIES.

Section 1. The officers of this Credit Union shall consist of a President, Vice-President, Treasurer and Secretary.

Section 2. The duties of the President shall be to preside at meetings of the members or of the Board of Directors; to countersign such checks, drafts and notes drawn by the Credit Union as may require his signature, and to perform the other usual duties connected with the office.

Section 3. The Vice-President shall, in the event of the disability of the President, perform the duties of the President and such other duties as the Board of Directors may from time to time prescribe.

Section 4. The Treasurer shall be the custodian of the funds, securities, books of account and all other valuable papers of the Credit Union. He shall keep a separate set of books of entry, containing in detail the financial transactions of the Credit Union. He shall sign all checks, drafts and notes drawn by the Credit Union. The Treasurer shall furnish a bond for the faithful performance of his duties in such amount as the Board of Directors shall prescribe.

Section 5. The Secretary shall keep correct records of all meetings of the members and of the Board of Directors. He shall give notice of all meetings of the members in the manner prescribed by the By-Laws and shall perform all other duties incident to his office. In the event of the disability of the Treasurer his duties shall be performed by the Secretary.

ARTICLE VII

CREDIT COMMITTEE.

Section 1. The Credit Committee shall consist of five members.

Section 2. The Credit Committee shall approve every loan made by this Credit Union to its members. Every application for a loan shall be made in writing and shall state the purpose for which the loan is desired and the nature of the security offered. No loan shall be made unless it has received the unanimous approval of those members of said committee who were present when it was considered, who must be at least a majority of said committee, nor if any member of said committee shall disapprove thereof.

Section 3. The Credit Committee may meet at any time and shall meet as often as 'necessary. The Chairman of the Credit Committee shall notify each member in advance of every meeting of the Committee. The Credit Committee shall keep a record of its proceedings in a special book provided for that purpose.

ARTICLE VIII

SUPERVISORY COMMITTEE.

Section 1. The Supervisory Committee shall consist of three members who shall be elected annually. The Supervisory Committee shall meet at least once every three months to audit the books of this Credit Union and make reports of the same to the members.

Section 2. The Supervisory Committee shall inspect the securities, cash and accounts of this Credit Union and supervise the acts of its Board of Directors, Credit Committee and officers.

Section 3. At any time the Supervisory Committee, by a unanimous vote at a meeting called for that purpose, may suspend any member of the Credit Committee or of the Board of Directors or any officer, and by a majority vote may call a meeting of the shareholders to consider any violation of Article XI of the Banking Law or of these By-Laws, or any practice of this Credit Union which, in the opinion of such Committee, is unsafe and unauthorized.

Section 4. Within seven days after the suspension of any member of the Board of Directors or Credit Committee or of any officer, the Supervisory Committee shall call a special meeting of the members to take such action relative to such suspension as may seem necessary. A notice of such meeting shall be mailed to each member of this Credit Union not less than five days prior to the date of such meeting. The Supervisory Committee shall fill vacancies that may occur in its own membership until the next annual meeting.

Section 5. At the close of each fiscal year the Supervisory Committee shall make an audit of the books and records and an examination of the business and affairs of the Credit Union for the year and shall make a full report of its assets and liabilities, receipts and disbursements to the Board of Directors, and shall cause such report to be read at the annual meeting of shareholders and filed with the records of the Credit Union.

Section 6. The Supervisory Committee shall keep a complete record of all its proceedings. All reports of this Committee shall be filed and preserved with the records of this Credit Union.

ARTICLE IX

CAPITAL.

The capital of this Credit Union shall consist of the payments made upon shares by its members, and unpaid dividends credited thereon.

ARTICLE X

SHARES.

Section 1. The number of shares which may be issued by this Credit Union shall be unlimited.

Section 2. The par value of each share shall be \$5.

Section 3. Shares may be paid for in full at the time of subscription or may be paid in regular weekly or monthly instalments.

Section 4. Whenever payments made by a member upon instalment shares shall equal the par value of a share such payments shall be transferred and he shall become the owner of a full paid share and shall receive a Certificate of Shares signed by the President and Secretary.

Section 5. An entrance fee to be fixed by the members shall be charged for each share subscribed for.

Section 6. Fully paid shares may be transferred to any person eligible for membership, subject to the approval of the Board of Directors and the provisions of Section 9 of this article and upon the payment of a transfer fee not exceeding \$0.25 per share. No transfer shall be permitted if the transferee is indebted to this Credit Union.

Section 7. The money credited on one or more shares may be withdrawn on any day when payments for shares may be received, provided the withdrawing member has filed a written notice of such intention; but the Board of Directors may require a member at any time to give 30 days' notice in writing of his intention to withdraw the whole or any part of the amount paid in by him on account of shares. Such withdrawing member shall receive the amount paid by him on account of shares, together with such dividends as have been credited thereto, less any lawful fines or other obligations to this Credit Union. Withdrawals shall be paid in the order of their filing and as funds therefor become available. After the filing of notice of withdrawal provided herein, the shares shall continue to participate in the dividends until they are redeemed. No member who has filed a notice of intention to withdraw shall exercise any of the privileges of membership.

Section 8. The Board of Directors may expel any member who has not carried out his obligations to the Credit Union, or who has been convicted of a criminal offense, or who neglects or refuses to comply with the provisions of the Statute under which this Credit Union is organized, or of the By-Laws, or who habitually neglects to pay his debts, or who becomes insolvent or bankrupt. The members at any regularly called meeting may expel any member whose private life is a source of scandal. But no member shall be expelled until he has been informed in writing of the charges against him and shall have had reasonable opportunity to be heard.

In the event of the expulsion of a member for any cause, such expelled member shall be deemed a withdrawing member as regards the conditions hereinabove provided for redemption of shares. Any member who withdraws or is expelled shall not be relieved of any liability to the corporation.

Section 9. No officer, director, attorney, committee member, clerk or agent of this Credit Union shall as an individual, discount, or directly or indirectly purchase from another member a share in this Credit Union, whether filed for withdrawal or not.

ARTICLE XI

FINES.

A member failing to make a payment upon shares when due shall pay a fine at the rate of two per centum per month or fraction thereof on amounts in default, provided however, that such fine shall in no case be less than \$.05. If the fine remains unpaid for three months, such member shall be suspended from membership and may at the discretion of the Board of Directors, be expelled from this Credit Union, and any balance remaining to his credit, after deducting all sums due this Credit Union shall be paid to him by the Treasurer.

ARTICLE XII

DEPOSITS.

Section 1. The Credit Union may receive on deposit the savings of members in such amounts as the Board of Directors may determine.

Section 2. Deposits shall draw interest beginning the first day of the month following the day of the making of the deposit.

Section 3. The rate of interest on deposits shall be determined by the Board of Directors, quarterly, in advance, and payable within 30 days after the first day of January, April, July and October, and shall be credited to the account of the depositor or withdrawn by him at his option.

Section 4. Any depositor may withdraw all or part of his deposit at any time that the office of this Credit Union is open for business. The Board of Directors may, however, require 30 days' notice in writing of the depositor's intention to make the withdrawal. Such withdrawals shall be honored in the order in which the notice therefor is filed, in the same manner as in the case of withdrawals of shares as provided in Section 7 of Article X of these By-Laws, provided, however, that in the matter of withdrawals, deposits shall be preferred over shares.

ARTICLE XIII

POWER TO BORROW.

This Credit Union may borrow money to an amount not exceeding 40% of its capital except when its capital is \$5,000 or less, in which event it may borrow any amount up to \$2,000, provided, however, that the amount to be borrowed, the terms upon which the loan is to be obtained and the name of the prospective lender are in each instance first submitted to a meeting of the members and the loan duly authorized by them.

ADDENDUM
Article XIV. Sec. 1.

C. They may be invested in federal, state and municipal government securities and railroad corporation bonds authorized as investments for savings banks by subdivisions one, two, three, four, five and seven of section two hundred thirty-nine of the banking law.

Section 1. The capital, deposits, guaranty fund, undivided profits and all other moneys of this Credit Union may be invested in one or more of the following ways and in such ways only:

a. They may be lent to members for such purposes and upon such security and terms as provided in Article XV of these By-Laws.

b. They may be deposited to the credit of this Credit Union in savings banks, state banks or trust companies incorporated under the laws of the State of New York, or in national banks located therein.

ARTICLE XV

LOANS.

Section 1. Loans may be made to any member of this Credit Union in good standing.

Section 2. No officer or member of the Board of Directors or of the Credit Committee or of the Supervisory Committee shall either borrow directly or indirectly or become surety for any loan from this Credit Union, unless such loan shall have been approved at a regularly called meeting of the members by a two-thirds vote of those present, and the notice of such meeting shall have stated that the question of loans to directors, officers, or members of Committees would be considered at such meeting.

Section 3. No loan in excess of \$50 shall be made by this Credit Union unless security therefor is taken. The term "security" shall include an endorsed note.

Section 4. From each borrowing member the Credit Union shall require a surrender and pledge of the Certificate of Shares* issued by it to the member to whom such loan is made.

Section 5. Loans shall be granted only for productive purposes or urgent needs.

Section 6. The amount of the loan, the time for which it is granted, the terms of its repayment and the form and value of the security shall be fixed by the Credit Committee.

Section 7. The rate of interest charged upon loans shall be fixed by the Board of Directors. In no event shall the interest rate exceed one per centum per month.

Section 8. All loans shall be secured by the promissory note of the borrower endorsed by one or more responsible endorsers. The Credit Committee may demand such additional security as it deems proper.

*As has been stated above these By-Laws are so drawn as to conform to the New York Credit Union Law. The issuance of a Certificate of Shares and its surrender by a borrowing member appears to be an unnecessary requirement and persons organizing Credit Unions in other states are advised not to include this provision in the By-Laws.

Section 9. Applications for loans shall state specifically the purpose for which the money is borrowed, and that no consideration has passed or will pass from the borrower to the endorser for their endorsement. In case the facts as stated in the application are not found to be as represented, or the money borrowed has been used for purposes other than those for which it was granted, or if the borrower*_____

the loan shall immediately become due and payable. In the event that the Board of Directors shall deem any loan not safe for any reason whatsoever, additional security or immediate repayment of the loan may be demanded.

Section 10. No loan shall be granted except with the unanimous approval of the members of the Credit Committee present when the same is considered, who shall constitute at least a majority of said Committee, nor if any member of said Committee shall disapprove thereof.

Section 11. Appeals from the decisions of the Credit Committee may be taken to the Board of Directors, who may lay the matter before the shareholders.

ARTICLE XVI

PASS BOOK.

Section 1. Each member shall receive a pass book in which shall be entered all moneys paid by him to the Credit Union on account of shares, deposits and loans, all moneys withdrawn by him and other debits and credits in connection with his account with the Credit Union. Each entry in such pass book shall be initialed by the Treasurer or other person receiving or paying out the money represented thereby. If a pass book is lost or stolen, the owner shall notify the Treasurer at once and may obtain a duplicate pass book upon establishing his ownership and paying a fee of \$0.25. In all cases a payment by the Treasurer upon presentation of the pass book and the member's Certificate of Shares shall be a discharge to the Credit Union for the amount so paid.

ARTICLE XVII

GUARANTY FUND.

Section 1. After the payment of organization expenses, all entrance fees, fines and transfer fees shall be known as reserve income and shall be added at once to the guaranty fund of this Credit Union.

Section 2. At the close of each fiscal year there shall be set apart as a guaranty fund 25% of the net earnings which have accumulated

*In the case of an urban Credit Union, these blanks should be filled out to provide for the contingency of the borrower's severing his connection with the employment, the fraternal, labor or religious organization or whatever the basic unit of the Credit Union may be, and in the case of a rural Credit Union, to provide for the contingency of the borrower's disposing of his personal property or his farm or ceasing to reside thereon.

during the fiscal year. Upon recommendation of the Board of Directors, the members at an annual meeting may increase, and whenever such guaranty fund equals the amount of capital, may decrease, the proportion of net earnings which is to be set apart as a guaranty fund. The guaranty fund shall not, however, exceed the capital plus 50% of the other liabilities of this Credit Union.

Section 3. Losses incurred by this Credit Union shall be charged to the guaranty fund. Any sums recovered on items previously charged to it shall be credited to such fund.

Section 4. The guaranty fund shall be the property of this Credit Union and shall be held to meet contingent losses and no share therein may be claimed by any member except upon dissolution in the manner provided by statute and Article XXI of these By-laws.

ARTICLE XVIII

DIVIDENDS.

Section 1. Dividends may be declared by the Board of Directors at their annual meeting immediately following the annual meeting of members, out of the undivided profits of this Credit Union. Undivided profits are to be arrived at by crediting to the profit and loss account, earnings from all sources, and charging against such account all expenses paid or incurred, interest paid or accrued and unpaid on debts owing by the Credit Union, and all losses sustained by it in excess of its guaranty fund. The credit balance of the profit and loss account as thus determined shall constitute the undivided profits at the close of such period and shall be applicable to the payment of dividends. But no dividends shall be declared or paid by this Credit Union until it shall have made good any existing impairment of its capital and carried to its guaranty fund such part of its net earnings as is required by Article XVII, Section 2 of these By-Laws.

Section 2. Dividends shall be paid only on fully paid shares. Shares which become fully paid during the year shall be entitled to a proportionate part of said dividend calculated from the first day of the month following such payment in full. Dividends may be credited or paid in cash at the option of the shareholder within 30 days after declaration or as soon thereafter as funds therefor shall become available.

ARTICLE XIX

LIABILITY.

Members shall be equally and ratably liable for the payment of the debts of this Credit Union but no member shall be liable for an amount in excess of the par value of the shares which he owns or for which he has subscribed.

ARTICLE XX.

AMENDMENTS TO BY-LAWS.

These By-Laws may be amended by a three-fourths vote of the members present at any meeting; provided the proposed amendment shall have first had the approval of the Superintendent of Banks and that notice of such meeting containing a true copy of the proposed amendment shall have been given to each member as prescribed in Section 1 of Article IV of these By-Laws.

ARTICLE XXI.

DISSOLUTION.

Section 1. At any meeting specially called to consider the subject, four-fifths of the members of the Credit Union, upon the unanimous recommendation of the Board of Directors, may in person consent that the Credit Union shall be dissolved and shall signify such consent in writing. The Credit Union shall then be dissolved in accordance with the statute under which it was organized.

Section 2. In the event of liquidation, distribution of the assets of the Credit Union shall be made in the following order:

- a. Repayment of money borrowed, including accrued interest.
- b. Payment of other legal obligations to non-members.
- c. Payment of deposits including accrued interest.
- d. Pro rata apportionment of the balance among the shareholders.

b. Directors' Minute Book.

The Directors' minute book should be in the custody of the Secretary and should contain a permanent record of the proceedings of all meetings of the Directors.

FORM OF MINUTES OF MEETING OF DIRECTORS.

_____, _____, 191____.
The meeting of the Board of Directors of the _____
Credit Union was held on _____, 191____ at _____
o'clock P. M., at _____,

The following were present:

(Insert in full the names of all present)

The meeting was called to order by _____.

It was voted that _____ should serve as Chairman
of the meeting and that _____ should serve as Secretary.

Thereupon, the following officers were regularly elected to serve
until the next annual meeting of directors.

_____ President.
_____ Vice-President.
_____ Secretary.
_____ Treasurer.

It was voted that the surety bond of the Treasurer should be fixed
at \$2,000.

It was voted that each member who is delinquent in the payment
of instalments upon his shares shall pay a fine of _____¢ per
share for each week during which such delinquency continues.

On motion it was voted to elect the following persons to member-
ship in the Credit Union, each having been regularly proposed and
seconded, and each having subscribed for at least one share.

Name	Proposed by	Seconded by
_____	_____	_____
_____	_____	_____
_____	_____	_____

On motion duly made and seconded it was voted that the Credit
Union shall pay interest at the rate of _____ per annum
upon all savings deposits made by its members. It was voted that the
rate of interest upon loans made to members shall be _____.

Secretary.

c. Minute Book of the Credit Committee.

The minute book of the Credit Committee should be kept in the custody of the Chairman of the Committee who also acts as Secretary, and should contain a permanent record of the proceedings of all meetings of the Committee.

**FORM OF MINUTES
OF MEETING OF CREDIT COMMITTEE.**

_____, _____, 191—.

A meeting of the Credit Committee of the _____
Credit Union was held on _____, 191— at _____
o'clock P. M. at _____,

The following were present:

_____ was elected permanent
Chairman of the Committee.

The Committee then proceeded to consider applications for loans. The following applications were granted, having received the unanimous vote of all the members present.

_____, \$50.00, secured by his note, endorsed by _____,
payable _____
with interest at _____%.

_____, \$150.00, secured by his note, endorsed by _____,
payable _____
with interest at _____%.

The application of _____ for a loan of \$200.00 was deferred until applicant furnishes endorsers satisfactory to the Committee. The application of _____ was rejected on the ground of _____.

On motion, the Committee adjourned to meet again in one week.

Chairman.

d. Minute Book of the Supervisory Committee.

The minute book of the Supervisory Committee should be in the custody of the Chairman of that Committee who also acts as Secretary. It should serve as a permanent record of all the proceedings of the Committee.

FORM OF MINUTES OF MEETING OF THE SUPERVISORY COMMITTEE.

_____, 191____.
A meeting of the Supervisory Committee of the _____
Credit Union was held on _____, 191— at _____
o'clock P. M., at the residence of _____,
_____.

The following were present:

_____ was elected permanent Chairman of the
Committee.

It was voted that a meeting of the Supervisory Committee should be held during the _____ week of _____ 191— for the purpose of auditing the books of the Credit Union.

On motion, the Committee adjourned.

Chairman.

DETAILS OF OPERATION.

A Credit Union receives cash and pays out cash. The Receipts consist of proceeds from shares, deposits, interest and payments on loans, fees, money borrowed, etc. The Disbursements consist of shares redeemed, dividends paid, deposits withdrawn, loans made, interest paid on deposits and upon borrowed money, borrowed money repaid, and expenses.

7. THE PASS BOOK.

The Pass Book is intended to provide each member with an individual record of his transactions with the Credit Union. In it should be entered all moneys received from or paid to the member. It should be of convenient size for mailing and pocket use and should contain about 20 pages printed somewhat like the pages of the individual ledger. The By-Laws should be printed at the end of the Pass Book for ready reference.

Pass Books should be retained by members and be presented whenever money is paid in or withdrawn accompanied by the Certificate of Shares*

As a safeguard against loss and to insure its possession when a borrower desires to make a withdrawal of funds from the Credit Union, the Certificate of Shares should always be kept in a pocket provided on the inside of the back cover of the Pass Book.

On the outside cover of the Pass Book should be printed the following:

_____Credit Union
 PASS BOOK
 of _____
 (*Owner's name*)

Transferable only to qualified members.

Upon the inside of the front cover of the Pass Book, the following directions should be printed:

This Pass Book shows the condition of your account with the Credit Union. Take good care of it.

Bring the Pass Book with you whenever you desire to pay in or withdraw money, and always keep your Certificate of Shares in the pocket of the Pass Book.

When you pay in money make out a Deposit Slip. See to it that the entries in your Pass Book correspond with those on the Deposit Slip.

The Pass Book is to be presented to the Treasurer at least once every three months for balancing. It should be presented for inspection when called for.

Upon discontinuance of your membership and settlement of your account, the Pass Book should be surrendered to the Treasurer.

*Ordinarily the Pass Book should be the badge of membership and payments should be made by the Treasurer upon its presentation. The New York Law however, requires borrowing members to "surrender and pledge" to the Credit Union "evidences of membership" issued by it. For this reason we have suggested above a Certificate of Shares which, instead of the Pass Book, may be surrendered by borrowing members, and retained by the Treasurer until the loans have been repaid. A borrowing member who is not the owner of a fully-paid share must surrender his Pass Book until the loan has been repaid or until such time as he becomes the owner of a share and receives a Certificate of Shares.

(PASS BOOK)

CREDIT UNION

IN ACCOUNT WITH

1

[illegible]

Carried forward,

8. DEPOSIT SLIP.

When money is paid in by a member on loans, shares, deposits or otherwise, the Pass Book should be accompanied by a Deposit Slip properly itemized, which should be retained by the Treasurer as a part of his permanent records.

FORM OF DEPOSIT SLIP.

Deposited in		
_____ CREDIT UNION.		
BY		

_____ 191_____		
Omit all dollar marks	Dollars	Cents
Shares _____		
Deposits _____		
Loans _____		
Int. on loans _____		
Fees and fines _____		

Total		

9. CHECK BOOK.

Money disbursed by a Credit Union should be by check drawn upon the bank selected as depository. The purposes for which the check is drawn should be itemized in the following manner on the stub from which the check is detached:

Deposits withdrawn \$ _____
 Interest No. _____,
 Shares withdrawn _____
 Dividend No. _____,
 Loan No. _____,

The use of a rubber stamp as above is of assistance in itemizing the check on the accompanying stub.

The Treasurer should draw no checks without authorization. Each check should be signed and countersigned as provided in the By-Laws.

FORM OF CHECK.

Countersigned _____ Credit Union _____ President.	No. _____	New York _____	191_____
	Bank of _____		
	Pay to _____ or order		
	_____ Dollars		
	_____ Credit Union		
	\$ _____	_____ Treasurer.	

10. BANK BOOK.

Immediately after the final organization meeting the Credit Union should select a bank as depository for its funds. Where the law gives preference in state institutions to Credit Union deposits, a state bank or trust company should be selected in preference to a national bank. All moneys received by the Treasurer should be deposited as soon as possible in the bank selected.

On the last day of each month the Treasurer should deposit all money on hand and leave the bank book to be balanced.

11. LOAN APPLICATION.

The upper part of the application for a loan should be filled out by or for the applicant and signed by him. The lower part should be filled out and signed by the Credit Committee.

The Credit Committee should record in its minute book every application approved or rejected.

Every granted application should be given a number. The same number should also be given to the loan to identify it through all its stages.

The Credit Committee's approval of an application is the sole authority for the Treasurer's drawing a check for a loan. The application should be kept by the Treasurer among his permanent records.

FORM OF APPLICATION FOR LOAN.

Loan No. _____

THE _____ CREDIT UNION.

Date _____

I hereby make application for a loan of _____
(\$ _____) for the purpose of _____

to be repaid as follows: _____

to be secured by my promissory note endorsed by:

Name _____ Address _____

Name _____ Address _____

I hereby certify that all the statements made by me in connection with this application are true.

Signature _____

Address _____

(To be filled out by credit committee upon the granting of loan)

Amount Granted _____ \$ _____

Purpose _____

Security _____

Endorsers _____

Terms _____

Remarks _____

The treasurer is hereby authorized to draw a check for the amount of this loan to the order of the above named member upon his presentation of the required security and the surrender of his Certificate of Shares.

Credit Committee {

12. PROMISSORY NOTE.

The note should be signed in full by the maker and the endorsers in the presence of the Treasurer. It should be given a number corresponding to the number of the loan.

FORM OF NOTE.

Loan No. _____ 191____.
(Place and Date)

For Value Received, we, _____
as principal, and _____ and _____
_____ as sureties, promise to pay to the order of
THE _____ CREDIT UNION at _____
the sum of _____ payable as follows:

_____ with interest at the rate of _____ % per month on monthly balances
payable _____

It is understood and agreed that, in default of payment of any instalment on this note or in the event that the money borrowed on this note is not used for the purposes set forth in the application, or in case the Credit Union shall deem the security thereof unsafe for any reason whatsoever, then this note or so much thereof as may remain unpaid shall immediately become due and payable.

It is further understood and agreed that in default of payment of any instalment on this note, the Credit Union may apply to its payment such amounts as have been paid by the principal upon shares as represented by the Certificate of Shares surrendered and pledged as collateral security hereon.

13. TICKLER.

The Tickler is a book in which due and maturity dates of notes and dates of instalment payments upon shares are entered. It enables the Treasurer to keep in intimate touch with the condition of each member's account. An ordinary commercial diary will answer the purpose.

14. INTEREST TABLE.

The interest table given below is constructed on the basis of one per cent. per annum.

To compute the interest on a given sum for a given time, find the amount in the first left-hand column of the table, then proceed to the right, until the column headed by the number of months desired is reached. The figures in that square give the amount of interest at the rate of one per cent. per annum. By multiplying that amount by the rate of interest to be charged or paid the correct amount is obtained.

It will be observed that the amounts run in multiples of \$5. If the amount upon which interest is to be computed is not a multiple of five, \$32. for example, it is necessary first to compute the interest on \$30., then the interest on \$2., and multiply the sum by the rate of interest to be paid or charged.

In computing interest on loans repaid in monthly instalments, interest for a full month should be charged for any portion of a month and interest on a dollar should be charged on any fraction of a dollar.

When loans are repaid in weekly or semi-monthly instalments, interest should be computed and paid at the end of each calendar month upon the balance due at the beginning of that month.

In computing interest on deposits, interest should be allowed only for full calendar months and no interest should be allowed for a fraction of a calendar month, nor for a fraction of a dollar.

INTEREST TABLE—ONE PER CENT. PER ANNUM.

Amt.	Months.											
	1	2	3	4	5	6	7	8	9	10	11	12
\$1.	\$.001	\$.002	\$.003	\$.003	\$.004	\$.005	\$.006	\$.007	\$.008	\$.009	\$.009	\$.01
2.	.002	.003	.005	.007	.009	.01	.012	.014	.015	.017	.019	.02
3.	.003	.005	.008	.01	.013	.015	.018	.02	.023	.025	.028	.03
4.	.004	.007	.01	.014	.017	.02	.024	.027	.03	.034	.037	.04
5.	.005	.009	.013	.017	.021	.025	.03	.034	.038	.043	.047	.05
10.	.01	.02	.03	.04	.04	.05	.06	.07	.08	.09	.09	.10
15.	.01	.03	.04	.05	.06	.08	.09	.10	.12	.13	.14	.15
20.	.02	.04	.05	.07	.09	.10	.12	.14	.15	.17	.19	.20
25.	.02	.04	.06	.08	.11	.13	.15	.17	.19	.21	.23	.25
30.	.03	.05	.08	.10	.13	.15	.18	.20	.23	.25	.28	.30
35.	.03	.06	.09	.12	.15	.18	.21	.24	.26	.30	.32	.35
40.	.04	.07	.10	.14	.17	.20	.24	.27	.30	.34	.37	.40
45.	.04	.08	.11	.15	.19	.23	.26	.30	.34	.38	.41	.45
50.	.04	.09	.13	.17	.21	.25	.29	.34	.38	.42	.46	.50
55.	.05	.09	.14	.18	.22	.28	.32	.37	.41	.46	.51	.55
60.	.05	.10	.15	.20	.25	.30	.35	.40	.45	.50	.55	.60
65.	.06	.11	.16	.22	.27	.33	.37	.44	.49	.54	.60	.65
70.	.06	.12	.18	.24	.29	.35	.41	.47	.53	.59	.64	.70
75.	.06	.13	.19	.25	.31	.38	.44	.50	.56	.63	.69	.75
80.	.07	.14	.20	.27	.34	.40	.47	.54	.60	.67	.74	.80
85.	.07	.14	.21	.29	.36	.43	.50	.57	.64	.71	.78	.85
90.	.08	.15	.23	.30	.38	.45	.53	.60	.68	.75	.83	.90
95.	.08	.16	.24	.32	.40	.48	.56	.64	.71	.80	.87	.95
100.	.09	.17	.25	.34	.42	.50	.59	.67	.75	.84	.92	1.00

15. CASH BOOK.

The cash book is the principal book of account of a Credit Union. It is divided into two main divisions—Cash Received and Cash Disbursed. Receipts are entered upon the left-hand or even numbered pages, and Disbursements are entered upon the right-hand or odd numbered pages. Each page is divided into columns headed by the items for which money was received or paid out.

To make a receipt entry in the Cash Book, there should first be put down, on the left hand page, the date and the name of the person from whom the money was received and the total amount entered in the column "Total Receipts." Then the items of the total amount as they appear on the accompanying Deposit Slip should be entered in their proper columns.

To make a disbursement entry in the Cash Book, there should first be put down, on the right-hand page, the date and the name of the person to whom the money was paid and the total amount in column "Total Disbursements." Then the items of the total amount as they appear on the stub of the check book should be entered in their respective columns.

Receipts and Disbursements shown by Deposit Slips and check stubs need not be entered in the Cash Book at the time of the transactions, but should be entered at some time during the day on which the transactions occurred.

When a page is filled, the columns should be footed up and the footings carried forward to the succeeding receipt or disbursement page, as the case may be. Entries should then be continued as before.

On the last day of each month all entries for the month should be footed up regardless of whether the page is filled or not, and the following month's entries begun on a new page.

The difference between the total Receipts and total Disbursements for the month plus checks drawn but not cashed should equal the balance of cash on hand and in bank. If it does not, there is an error in the cash and steps should be taken at once to trace and correct it.

Month of _____ 191

[illegible]

CASH DISBURSEMENTS

Month of 19.....

Month of _____ *19* _____

[illegible]

16. LEDGERS.

The books in which all transactions recorded in the Cash Book are assembled and classified are called the Ledgers, the classifications are called Accounts, and their transfer from the Cash Book to the Ledger is called Posting.

INDIVIDUAL LEDGER.

The Individual Ledger contains the accounts which relate to transactions with members or other persons with whom the Credit Union may have dealings. These are known as Individual Accounts. Their number is therefore unlimited. The Individual Ledger should contain an alphabetical tab index at the beginning and each account, when posted, should be immediately indexed under the proper letter.

GENERAL LEDGER.

The General Ledger contains the accounts which relate solely to the condition of the Credit Union, without reference to the persons with whom the Credit Union deals. These are called General Accounts. They are:

1. Cash—received and paid out.
2. Shares—redeemed and issued.
3. Deposits—withdrawn and received.
4. Accounts Payable—Obligations paid and obligations incurred (money borrowed).
5. Accounts Receivable—Loans made to members and repaid by them.
6. Interest—Paid and received.
7. Investments—Money in savings banks and other legal investments.
8. Expenses—Expenses for whatever purpose.
9. Profit and Loss—Net interest less expenses and losses.
10. Guaranty Fund—Reserve Income plus percentage set aside from net profits to the Guaranty Fund.
11. Dividends—Declared and paid.
12. Surplus—Balance of Profits not put in Guaranty Fund and not distributed in Dividends.

(INDIVIDUAL LEDGER)

DEPOSITS

[illegible]

CASH

[illegible]

SHARES

[illegible]

DEPOSITS

[illegible]

ACCOUNTS PAYABLE

[illegible]

LOANS RECEIVABLE

[illegible]

INTEREST

[illegible]

INVESTMENTS

[illegible]

EXPENSES

[illegible]

ERRATA

The positions of the debit and credit columns in the accounts which appear on this page should be reversed.

POSTING.

As the first eight General Accounts of the General Ledger represent cash transactions; namely, cash received and cash paid out, all that is needed in posting is to transfer at the end of the month the footings from the Cash Book to their proper accounts. These accounts should be posted once a month, as of the last day of the month. The Ledger page should be noted in the Cash Book underneath the amount transferred, thus—
L. P. In the same manner the Cash Book page should be noted in the Ledger column provided opposite the item posted. These notations are important as they indicate that the items have been posted. When these notations are absent, the presumption is that the items have not been posted.

The last four General Accounts do not represent cash transactions (except the Reserve Income) but consist of transfers from the other General Accounts, and cannot therefore be posted until the other accounts are posted.

Posting into the Individual Accounts should be done as soon as possible after the entry is made in the Cash Book so that these accounts may always be up-to-date. At the time of posting the Ledger page of each item should be noted in the Cash Book and the Cash Book page noted in the Ledger.

If the posting is properly done, the sum of the credits of the General Accounts and the sum of the debits of the General Accounts will equal. The footing up of the General Accounts is called taking a Trial Balance and proves the correctness of the entries. If the Trial Balance is found correct, a balance sheet, a statement of assets and liabilities, or any other financial statement, can safely be drawn from the Ledger.

17. STATEMENT OF

THE _____ CREDIT UNION.

(organized _____)

for the period from _____ 19..... to _____ 19.....

CONDENSED STATEMENT OF TRANSACTIONS						
	19.....		19.....		Increase Decrease	Increase Decrease
	Number	Amount	Number	Amount	Number	Amount
Members						
Shares subscribed						
Shares paid						
Loans made						
Loans repaid						
Deposits						
Interest earned						
Interest collected						

CONDENSED BALANCE SHEET				
ASSETS			LIABILITIES	
Cash			Shares	
Loans receivable			Deposits	
Investments			Loans payable	
Interest on loans, due and accrued			Surplus, Jan. 19.....	
Interest on balances in bank, accrued			Reserve Fund	
			Surplus for year	

CONDENSED INCOME ACCOUNT				
EARNINGS			EXPENDITURES	
	19.....	19.....		19.....
Interest on loans			Interests on deposits	
Interest on balances in banks }			Interests on loans	
			Operating expense	
			Losses	
			To reserve fund	
			Dividends	
			Surplus for year	

_____ Treasurer.

_____ 191_____

This is to certify that we have on _____ examined the books
of account, notes and other securities, vouchers, etc., of the _____
Credit Union and find the above statement to be correct.

}

Supervisory
Committee.

NEW YORK CREDIT UNION LAW.

(Article XI, Chap. 369, Laws of 1914.)

- Section 450. Incorporation; organization certificate.
451. Proposed by-laws.
452. When corporate existence begins; conditions precedent to commencing business.
453. General powers.
454. Limitations upon powers.
455. Capital.
456. Deposit of funds; preference.
457. Guaranty fund.
458. Calculation of earnings.
459. Dividends.
460. Change of location.
461. Exemptions and liability of shareholders.
462. Reduction of liability to shareholders.
463. Withdrawal and expulsion of members.
464. Meetings of shareholders.
465. Qualifications of directors.
466. Oaths of directors, officers and committee members.
467. Tenure of office of directors.
468. Powers and duties of directors.
469. Special duties of directors.
470. Credit committee.
471. Supervisory committee.
472. Officers.
473. Amendment of by-laws.
474. Credit union not liable to taxation.
475. Fiscal year.
476. Communications from banking department.
477. Reports to superintendent.
478. Penalty for loans to non-members.
479. Penalty for use of term "Credit Union."

§ 450. Incorporation; organization certificate.

When authorized by the superintendent of banks as provided in section twenty-three of this chapter,* seven, or more persons employed or

* 28. Investigation by superintendent of proposed corporation, private banker or personal loan broker; refusal or approval; filing certificate.

When any such certificate shall have been filed for examination, the superintendent shall thereupon ascertain from the best sources of information at his command, and by such investigation as he may deem necessary, whether the character, responsibility and general fitness of the person or persons named in such certificate are such as to command confidence and warrant belief that the business of the proposed corporation, private banker or personal loan broker will be honestly and efficiently conducted in accordance with the intent and purpose of this chapter, and whether the public convenience and advantage will be promoted by allowing such proposed corporation, private banker or personal loan broker to engage or continue in business.

After the superintendent shall have satisfied himself by such investigation whether it is expedient and desirable to permit such proposed corporation, private banker or personal loan broker to engage or continue in business, he shall within sixty days after the date of the filing of such certificate for examination, endorse upon each of the duplicates thereof over his official signature the word "approved" or the word "refused," with the date of such endorsement. In case of refusal he shall forthwith return one of the duplicates, so endorsed, to the proposed incorporators, private banker or personal loan broker from whom such certificate was received. In case of approval he shall forthwith give notice thereof to the proposed incorporators, private banker or personal loan broker and file one of the duplicate certificates in his own office and the other in the office of the clerk of the county in which is located the place of business of such proposed corporation, private banker or personal loan broker.

residing in the State of New York may form a corporation to be known as a credit union. Such persons shall subscribe and acknowledge and submit to the superintendent of banks at his office an organization certificate in duplicate which shall specifically state:

1. The name of the corporation which shall include the words "credit union."
2. The place where its business is to be transacted. If the condition of membership is employment of its members by a certain individual, partnership or corporation, the place of business of such individual, partnership or corporation may be stated as the place of business of such credit union.
3. The par value of the shares, which shall not exceed twenty-five dollars.
4. The full name, residence and post office address of each of the incorporators and the number of shares subscribed for by each.
5. The term of its existence, which may be perpetual.
6. The number of its directors which shall not be less than five, and the names and addresses of the incorporators who shall be its directors until the first annual meeting of shareholders.

§ 451. Proposed by-laws.

The incorporators shall subscribe and acknowledge and submit to the superintendent of banks at his office proposed by-laws, in duplicate, which shall prescribe the manner in which the business of the credit union shall be conducted with reference to the following matters:

1. The purposes of the corporation.
2. The qualifications for membership.
3. The date during the month of January of the annual meeting; the manner of conducting meetings; the method by which members shall be notified of meetings, and the number of members which shall constitute a quorum.
4. The number of directors necessary to constitute a quorum, and the compensation and duties of officers elected by the directors.
5. The powers and duties of the credit committee and the number of members, not less than three, of which it shall be composed.
6. The powers and duties of the supervisory committee and the number of members, not less than three, of which it shall be composed.
7. The conditions upon which shares may be issued, paid for, transferred and withdrawn.
8. The fines, if any, which shall be charged for failure punctually to meet obligations to the corporation.
9. The conditions upon which deposits may be received and withdrawn.
10. The manner in which the funds of the corporation shall be employed.
11. The conditions upon which loans may be made and repaid.
12. The maximum rate of interest that may be charged upon loans.

13. The method of receipting for money paid on account of shares, deposits or loans.

14. The manner in which the guaranty fund shall be accumulated.

15. The manner in which dividends shall be determined and paid to members.

16. Whether the members shall be equally and ratably liable for the payment of the debts of the corporation.

§ 452. When corporate existence begins; conditions precedent to commencing business.

When the superintendent of banks shall have endorsed his approval on the organization certificate, as provided by section twenty-three of this chapter, the corporate existence of the credit union shall begin, and it shall then have power to elect officers and to transact such other business as relates to its organization. But it shall transact no other business, until the superintendent shall have duly issued to it the authorization certificate specified in section twenty-four of this chapter.*

§ 453. General powers.

In addition to the powers conferred by the general corporation law a credit union shall, subject to the restrictions and limitations contained in this article and in its by-laws, have the following powers:

1. To issue shares to persons qualified for membership.
2. To charge an entrance fee to subscribers for such shares.
3. To charge a reasonable fee for the transfer of its shares.

*** 24. Authorization certificate; when and to whom issued; contents; filing and recording.**

Before authorizing any corporation, private banker or personal loan broker to begin or continue business the superintendent shall be satisfied that such corporation, banker or broker has in good faith complied with all the requirements of law and fulfilled all the conditions precedent to commencing business imposed by this chapter. In the case of every stock corporation, he shall examine or cause an examination to be made in order to ascertain whether all of its capital stock has been fully paid in cash. In the case of every personal loan broker and of every private banker subject to all the provisions of article four of this chapter, he shall examine or cause an examination to be made in order to ascertain whether there has been invested in such business, or deposited in cash to be invested therein, the amount of permanent capital stated in the certificate of such banker or broker.

If satisfied that such corporation, banker or broker has in good faith complied with all the requirements of law and fulfilled all the conditions precedent to commencing business imposed by this chapter, the superintendent shall, within six months after the date on which such organization certificate or private banker's or personal loan broker's certificate was filed by him for examination, but in no case after the expiration of that period, issue under his hand and official seal, in triplicate, an authorization certificate to the person or persons named in such organization certificate or private banker's or personal loan broker's certificate. Such authorization certificate shall state that the corporation, private banker or personal loan broker named therein has complied with the provisions of this chapter and with all the requirements of law, that it is authorized to transact within this state the business specified therein, and that such business can safely be intrusted to it. One of the triplicate authorization certificates shall be transmitted by the superintendent to the corporation, private banker or personal loan broker, thereby authorized to commence or continue business, another shall be filed in the office of the superintendent, and the third shall be filed by the superintendent in the county clerk's office wherein the organization certificate of such corporation or the private banker's or personal loan broker's certificate has been filed by him. The superintendent and said county clerk shall respectively attach such authorization certificate to such organization certificate or private banker's or personal loan broker's certificate previously filed in his office and shall record both such certificates in the book of records of incorporation therein.

4. To receive the savings of its members in payment of shares or on deposit.

5. To lend money to its members upon such terms and conditions as the by-laws provide and as the credit committee shall approve, at rates not exceeding one per centum per month, inclusive of all charges incident to the making of such loan.

6. To deposit any moneys received by it and not lent to members, as provided in section four hundred and fifty-six of this article.

7. To borrow money to an amount not exceeding forty per centum of the capital of such corporation, except where the capital is five thousand dollars or less, in which event such credit union may borrow any amount up to two thousand dollars.

8. To reduce its liability to shareholders as provided in section four hundred and sixty-two of this article.

9. To fine members for failure to meet punctually obligations to such credit union.

10. To expel members, as provided in section four hundred and sixty-three of this article.

11. To impress a lien upon the shares and dividends of any member to the extent of any loans made to him and for any dues or fines payable by him.

12. To cancel the shares of any member who withdraws or is expelled, and apply the withdrawal value thereof to the liquidation of such member's indebtedness to the corporation.

13. To hold shares in and make deposits with other credit unions.

§ 454. Limitations upon powers.

No credit union shall:

1. Pay any commission or compensation for securing members or for the sale of its shares.

2. Make any loan in excess of fifty dollars unless security therefor is taken. The term "security" within the meaning of this subdivision shall include an endorsed note.

3. Impose a fine, in case of failure of a member to make payments on shares, exceeding two per centum per month or fraction of a month on amounts due, except that a minimum fine of five cents per month or fraction thereof may be imposed.

4. Permit any director, officer or member of the credit committee or supervisory committee to borrow directly or indirectly or become surety for any loan or advance made by the corporation, unless such loan shall have been approved at a regularly called meeting of the members of the corporation by a majority vote of those present, and the notice of such meeting shall have stated that the question of loans to directors, officers or members of committees would be considered at such meeting.

5. Issue shares or accept deposits in trust, except in the name of the trustee, as such, for a specified beneficiary whose residence shall be disclosed to the credit union by such trustee.

6. Issue any shares except to those qualified for membership under its by-laws, and unless there is printed upon the certificate or other evidence of such shares the words "transferable only to qualified members."

7. Lend to any of its members without requiring at the time of such loan a surrender and pledge of any certificates or other evidences of membership, issued by such credit union to the member to whom such loan is to be made.

§ 455. Capital.

The capital of a credit union shall consist of the payments made by members on shares, and unpaid dividends credited thereon.

§ 456. Deposit of funds; preference.

The capital, deposits, undivided profits and guaranty fund of any credit union may be deposited in one or more savings banks, state banks or trust companies, incorporated under the laws of the State of New York, or in national banks located in the state. Funds deposited in a state bank or trust company shall, in the event of the liquidation of such depository, be entitled to priority of payment to the same extent as deposits of savings banks as provided in section two hundred and seventy-eight of this chapter.*

§ 457. Guaranty fund; how created and regulated.

Every credit union shall create a guaranty fund which shall in no case exceed the capital of the corporation, plus fifty per centum of its other liabilities, and which shall be held to meet contingencies until the corporation is dissolved, when it may be distributed among the shareholders.

Such guaranty fund shall be created and regulated as follows:

1. All entrance fees, transfer fees and fines remaining after the payment of organization expenses shall be set aside to such fund.

2. At the close of each fiscal year twenty-five per centum of the net earnings of the corporation for the year shall be carried to such fund, provided that, upon the recommendation of the board of directors, the shareholders, at the annual meeting, may increase or, if such fund equals or exceeds its capital, may decrease the proportion of net earnings to be thus set aside.

3. Any sums recovered on items previously charged to it shall be credited to such fund.

Losses incurred by a credit union may be charged to its guaranty fund.

*** 278. Preference of deposits made by savings bank.**

All the property of any bank or trust company which shall become insolvent, shall be applied by the trustees, assignees or receivers thereof, or by the superintendent of banks if such insolvent bank or trust company is being liquidated by him under the provisions of section fifty-seven of this chapter, in the first place ratably and proportionately to the payment in full of any sum or sums of money deposited therewith by any savings bank, savings and loan association or credit union, but not to an amount exceeding that authorized to be so deposited by the provision of this chapter, and subject to any other preference provided for in the charter of any such bank or trust company.

§ 458. Calculation to determine whether dividends may be declared and amount thereof.

On or after the date of the close of each fiscal year, in order to determine whether a dividend may be declared, and the amount thereof, the earnings from all sources, may be credited to the credit union's profit and loss account and the following items shall be charged against such account:

1. All expenses paid or incurred of whatever nature in the management of its affairs, the collection of its debts or the transaction of its business.
2. The interest paid, or accrued and unpaid, on debts owing by it.
3. All losses sustained by it in excess of its guaranty fund.

The credit balance of the profit and loss account as thus determined shall constitute the undivided profits of the credit union at the close of such period, and shall be applicable to the payment of dividends except as provided in the next succeeding section.

§ 459. Dividends to shareholders; how often and from what payable; conditions precedent.

The directors of any credit union may, at the close of each fiscal year, declare such dividend from its undivided profits as they shall judge expedient. But no credit union shall declare, credit or pay any dividend to its shareholders until it shall have:

1. Made good any existing impairment of its capital.
2. Carried to its guaranty fund such part of its net earnings as is required by section four hundred fifty-seven of this article.

Only fully paid shares shall be entitled to dividends, and shares which shall have been fully paid during any year in which dividends were declared shall be entitled only to a proportionate part of such dividends calculated from the first day of the month following such payment in full.

§ 460. Change of location.

Any credit union may make a written application to the superintendent of banks for leave to change its place of business to another place in the same county. The application shall state the reasons for such proposed change, and shall be signed and acknowledged by a majority of its board of directors and accompanied by the written assent thereto of at least two-thirds of its shareholders. If the proposed place of business is within the limits of the village, borough or city, if in a city not divided into boroughs, in which the place of business of the credit union is located, such change may be made upon the written approval of the superintendent; if beyond such limits, notice of intention to make such application, signed by two principal officers of the credit union shall be published once a week for two successive weeks immediately preceding such application in a newspaper published in the city of Albany in which notices by state officers are required by law to be published, and in a newspaper to be designated by the superintendent, published in the

county in which the present place of business of such credit union is located. If the superintendent shall grant his certificate authorizing the change of location, as provided in section fifty of this chapter,* the credit union shall cause such certificate to be published once in each week for two successive weeks in the newspapers in which the notice of application was published. When the requirements of this section shall have been fully complied with, the credit union may, upon or after the day specified in the certificate, remove its property and effects to the location designated therein, and thereafter its place of business shall be the location so specified; and it shall have all the rights and powers in such new location which it possessed at its former location.

§ 461. Exemptions and individual liability of shareholders.

The shares of members of any credit union and all the accumulations on such shares shall be exempt from sale on execution and proceedings supplementary thereto to the amount of six hundred dollars. The transfer of such shares shall not be taxable under the provisions of article twelve of the tax law.

Unless the by-laws so provide the shareholders of such a credit union shall not be individually liable for the payment of its debts.

§ 462. Reduction of liability to shareholders.

Whenever the losses of any such credit union resulting from a depreciation in the value of its securities or otherwise exceed its undivided profits and guaranty fund, so that the estimated value of its assets is less than the total amount due its shareholders, the board of directors may, with the written approval of the superintendent of banks, order a reduction of the liability to each of its shareholders, so as to divide the loss equitably among such shareholders. If thereafter the credit union shall realize from such assets a greater amount than was fixed in the order of reduction, such excess shall be divided among the shareholders whose assets were reduced, but to the extent of such reduction only.

*** 50. Change of location; approval or refusal; certificate.**

Upon receipt by the superintendent of a written application from any corporation or private or individual banker or personal loan broker to which this chapter is applicable for leave to change its place of business to another place in the same county and within the limits of the village, borough or city, if in a city not divided into boroughs, in which its principal place of business is then located, the superintendent shall, if he shall be satisfied that there is no reasonable objection to such change of location, give his written approval of the proposed change. If the proposed place of business is without such limits, the superintendent shall designate for the publication of the notice of intention to make such application a newspaper published in the county in which such place of business is located. Upon receipt by the superintendent of evidence satisfactory to him of due publication of such notice, he shall, if satisfied that there is no reasonable objection to such change of location, make a certificate in triplicate under his hand and official seal authorizing such change and specifying the date on or after which, and the place to which such change may be made, and shall file one thereof in his own office, one in the office of the clerk of such county, and shall transmit the other to such applicant. If the superintendent shall be satisfied in any case that such change is undesirable or inexpedient, he shall refuse such application and notify such corporation or banker of his determination.

§ 463. Manner of withdrawal and expulsion of members; effect upon liabilities to credit union.

A member desiring to withdraw from a credit union shall file a written notice of his intention to withdraw. The board of directors may expel any member who has not carried out his engagements with the credit union, or who has been convicted of a criminal offense, or who neglects or refuses to comply with the provisions of this article, or of the by-laws, or who habitually neglects to pay his debts, or who becomes insolvent or bankrupt. The members at any regularly called meeting may expel any member whose private life is a source of scandal. But no member shall be expelled until he has been informed in writing of the charges against him and shall have had reasonable opportunity to be heard.

Any member of a credit union who withdraws or is expelled shall not be relieved of any liability to the corporation. The amounts paid in on shares or deposited by such members, together with any dividends credited to their shares and any interest which has accrued on their deposits, shall be repaid to them in the order of their withdrawal or expulsion, as funds become available therefor, but the credit union may deduct from such payments any sums due it from such members.

§ 464. Meetings of shareholders; voting.

At all meetings of shareholders of every credit union each shareholder shall have one vote irrespective of the number of shares which he holds, and no shareholder may vote by proxy. At any annual or special meeting a decision of the board of directors may be overruled by a majority vote of all the shareholders.

1. Annual meeting. An annual meeting for the election of directors, a credit committee and a supervisory committee shall be held during the month of January upon such notice and at such time and place as the by-laws provide.

2. Special meetings. At the request of ten members, or by order of the directors or the supervisory committee, special meetings may be held, after notice to the members as provided in the by-laws.

§ 465. Qualifications and disqualifications of directors.

Every director of a credit union shall be a shareholder in his own right; and every person elected to be a director, who, after such election, shall hypothecate, pledge or cease to be the owner in his own right of his qualifying share shall thereby vacate his office, and shall not be eligible for re-election as a director for a period of one year from the date of the next succeeding annual meeting.

§ 466. Oaths of directors, officers and members of committees.

Each director, officer and member of committee when appointed or elected, shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the credit union, and will not knowingly violate, or willingly permit to be violated,

any of the provisions of law applicable to such corporation, and that he is the owner in good faith and in his own right, of at least one share subscribed for by him or standing in his name on the books of the credit union and that the same is not hypothecated, or in any way pledged as security for any loan or debt, and, in case of re-election, that such share was not hypothecated, or in any way pledged as security for any loan or debt during his previous term. Such oath shall be subscribed by the directors, officers and members of committees making it, and certified by an officer authorized by law to administer oaths, and immediately transmitted to the superintendent of banks.

§ 467. Tenure of office of directors.

The directors, unless sooner disqualified or removed, shall hold office until the next annual meeting of shareholders after their election and until their successors are elected and have qualified.

§ 468. Powers and duties of directors; not entitled to compensation.

The board of directors of every credit union shall have the general management of the affairs, funds and records of the corporation. The directors shall hold an annual meeting within ten days after the annual meeting of shareholders for the purpose of electing a president, vice-president, secretary and treasurer of the corporation.

If the by-laws so provide the directors may elect the same person as secretary and treasurer.

No member of the board of directors shall receive any compensation for his services as a member of said board.

Whenever the directors shall deem any loan unsafe they may, in their discretion, require additional security to be given by the borrower, and if such security is not furnished as required by them, they may declare the loan due and take action to collect the same.

§ 469. Special duties of directors.

Unless the by-laws shall expressly reserve any or all of the following duties to the shareholders, it shall be the special duty of the directors:

1. To act upon all applications for membership and to expel members.
2. To fix the amount of surety bond required of each officer having the control or custody of funds.
3. To determine from time to time the rate of interest which shall be allowed on deposits and charged on loans.
4. To fix the maximum number of shares which may be held by, and the maximum amount which may be lent to any one member.
5. To declare dividends.
6. To recommend amendments to the by-laws.
7. To fill vacancies in the board of directors or in the credit committee.
8. To direct the deposit or investment of funds, except loans to members, and to perform such other duties as the by-laws may prescribe.

§ 470. Credit committee; duties.

The credit committee of every credit union shall meet as often as necessary, after due notice has been given to each member, for the purpose of passing upon applications of members for loans and advances. Every such application must be made in writing and must state the purpose for which the loan is desired and the security offered. No loan shall be made unless the application has received the unanimous approval of the members of the committee present at the meeting, provided that a majority of the committee shall be present.

Any applicant for a loan may appeal from the decision of the credit committee to the board of directors.

In no case shall a member of the credit committee receive any compensation for his services as a member of such committee, or serve as a member of the supervisory committee.

If a credit union is located elsewhere than in a city, its board of directors may, if the by-laws so provide, act as its credit committee.

§ 471. Supervisory committee; powers and duties.

The supervisory committee shall have power:

1. To suspend at any time by unanimous vote, at a meeting called for that purpose, the credit committee or any member of the board of directors or any officer.

2. By a majority vote to call a meeting of the shareholders to consider any violation of this article or the by-laws, or any practices of the credit union which, in the opinion of the committee, are unsafe or unauthorized.

It shall be the duty of the supervisory committee:

1. To inspect the securities, cash and accounts of the credit union and supervise the acts of its board of directors, officers and credit committee.

2. Within seven days after the suspension of the credit committee, to cause notice of a special meeting to be given to the shareholders to take action regarding such suspension as may be deemed necessary.

3. To fill vacancies in the supervisory committee until the next annual meeting of the shareholders.

4. At the close of each fiscal year to make an audit of the books and records and an examination of the business and affairs of the credit union for the year and to make a full report of its assets and liabilities, receipts and disbursements to the board of directors, and to cause such report to be read at the annual meeting of shareholders and filed with the records of such credit union.

In no case shall a member of the supervisory committee receive any compensation for his services as a member of such committee, or serve as a member of the credit committee.

§ 472. Officers; powers, duties and compensation.

The powers, duties and compensation of the officers of any credit union shall be such as are prescribed in the by-laws.

§ 473. Amendment of by-laws; approval of superintendent of banks.

The by-laws of a credit union may be changed or amended by a three-fourths vote of the shareholders present at any meeting; provided the proposed change of amendment shall have first had the approval of the superintendent of banks; and provided further, that notice of such meeting, containing a true copy of the proposed change or amendment, shall have been given to each shareholder as prescribed in the by-laws. A copy of any change or amendment thus adopted shall be filed in the office of the superintendent of banks within thirty days after its adoption. Any credit union deeming itself aggrieved by the refusal of the superintendent of banks to give his approval to a proposed change or amendment, may apply to any justice of the supreme court of the district wherein the credit union is located, upon notice to the superintendent of banks, for a review of such decision. Such justice shall review the decision of the superintendent and may overrule or set aside the action of the superintendent and approve such change or amendment. An approval thus obtained shall enable such credit union to make the change or amendment as approved.

§ 474. Credit union not liable for taxation.

Any credit union subject to the provisions of this article shall be deemed an institution for savings within the meaning of the law which exempts such institutions from taxation. No law which taxes corporations in any form, or the shares thereof or the accumulations therein, shall apply to corporations doing business in accordance with the provisions of this article, unless such corporations are specifically named in said law.

§ 475. Fiscal year.

The fiscal year of every credit union shall end at the close of business on the thirty-first day, of December.

§ 476. Communications from banking department must be submitted to directors and supervisory committee, and noted in minutes.

Each official communication directed by the superintendent of banks or one of his deputies to a credit union or to any officer thereof, relating to an investigation or examination conducted by the banking department or containing suggestions or recommendations as to the conduct of the business of the credit union, shall be submitted, by the officer receiving it, to the board of directors and to the supervisory committee at the next meeting of such board or committee and duly noted in the minutes of the meetings of such board, or committee.

§ 477. Reports to superintendent; penalty for failure to make.

On or before the first day of February in each year, every credit union shall make a written report to the superintendent of banks which shall contain a statement of its condition on the morning of the first day of January in said year and shall be in the form and contain the

matters prescribed by the superintendent. Every such report shall be verified by the oaths of the president, treasurer, secretary, and a majority of the members of the supervisory committee. The verification shall state that the report is true and correct in all respects to the best of the knowledge and belief of the persons verifying it, and that the usual business of the credit union has been transacted at the location required by this article and not elsewhere.

Every such credit union shall also make such other special reports to the superintendents as he may from time to time require, which shall be in such form and filed at such date as may be prescribed by the superintendent and shall, if required by him, be verified in such manner as he may prescribe.

If any such credit union shall fail to make any report required by this section on or before the day designated for the making thereof, or shall fail to include therein any matter required by the superintendent, such credit union shall forfeit to the people of the state the sum of five dollars for every day that such report shall be delayed or withheld, and for every day that it shall fail to report any such omitted matter, unless the time therefor shall have been extended by the superintendent as provided by section forty-nine of this chapter.*

§ 478. Penalty for loans to non-members; recovery.

Any officer, director or member of a committee of a credit union who knowingly permits a loan to be made or participates in a loan to a non-member of the corporation shall be guilty of a misdemeanor and shall be primarily liable to the corporation for the amount thus illegally loaned, and the illegality of such a loan shall be no defense in any action by the corporation to recover the amount lent.

§ 479. Penalty for use of term "Credit Union."

The use by any person, partnership, association or corporation, other than those authorized as provided in this article, of any name or title which contains the two words "credit" and "union" shall be a misdemeanor.

*** 49. Extensions of time by superintendent.**

For satisfactory cause to him shown, the superintendent may grant extensions of time to corporations or private or individual bankers or personal loan brokers to which this chapter is applicable, as follows:

1. He may extend for not more than one year the time within which any such corporation may commence business. Such extension shall only be made by an order under his hand and official seal which shall be executed in triplicate and one copy thereof shall be filed in the superintendent's office, one in the office of the clerk of the county in which the organization certificate of such corporation has been filed, and the third shall be transmitted to such corporation.

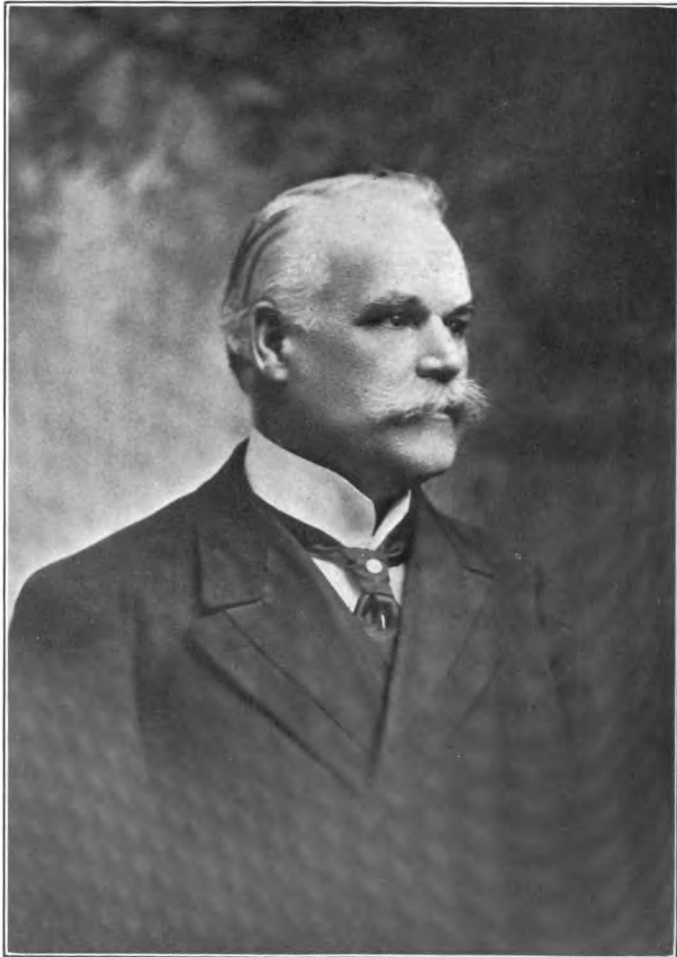
2. He may extend for not exceeding ten days in the case of a bank, trust company, private banker or individual banker, and for not exceeding twenty days in the case of any other corporation to which this chapter is applicable or of a personal loan broker, the time within which any such corporation, banker or broker is required to make and file any report to the superintendent.

3. He may extend for such period as he may deem proper the time within which any corporation or private or individual banker is required by this chapter to dispose of real estate held by it.

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- RL16 THE COOPERATIVE PEOPLE'S BANK. August, 1914. By M. Alphonse Desjardins. 56 pp. Published by Division of Remedial Loans.

* Out of print.



Alphonse Desjardins

**THE
COOPERATIVE PEOPLE'S BANK
LA CAISSE POPULAIRE**

by

ALPHONSE DESJARDINS

**Commandeur de L'Ordre de Saint Gregoire le Grand
Fondateur des Caisses Populaires
President et Gerant de La Caisse Populaire de Levis
Directeur General de L'Action Populaire Economique**

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PREFACE

The growing interest in cooperative credit as a possible solution of the problem of financing the farmer and eliminating the evils of the small loan business in cities, intensified by the investigations of the American and United States Commissions abroad and the publication of the reports of their findings, prompts the Russell Sage Foundation, through its Division of Remedial Loans, to publish this brief statement of the operations of the Cooperative People's Banks of Canada, written by a Canadian who has been correctly termed "The founder of co-operative banking on the American continent."

To the efforts of M. Desjardins and Mr. Pierre Jay is due no small part of the interest now being manifested in the subject in the United States, for it was at the invitation of the latter while Bank Commissioner of Massachusetts that M. Desjardins visited that state in 1908 to explain to the legislative committee on banking the theory and practice of his Canadian system and to arouse public interest in this important agency for thrift and effective weapon against usury. As a result of the efforts of these two men Massachusetts enacted in 1909 a credit union law which has been used as a basis for legislation in New York, Texas, and Wisconsin. Under the Massachusetts law thirty-four credit unions have been organized and are now in successful operation in that state.

To avoid possible confusion it may be well to state that the Cooperative People's Banks of Canada, the People's Banks of Italy, the Cooperative Credit Associations of Germany and other European countries and the Credit Unions of the United States, while differing in many details (chiefly in respect to the liability of members), are essentially identical in that they are cooperative agencies which stimulate thrift and put at the disposal of the thrifty, for beneficial purposes, funds which they have accumulated and funds which through their combined credit they have obtained from other sources.

M. Alphonse Desjardins was born at Levis, Quebec, in November, 1854. After graduation from Levis College in 1870 he entered journalism. He continued in this profession for a number of years gradually becoming interested in the problem of usury because of frequent references to it in the press and on the floor of the Canadian Parliament. For twenty years he studied the cooperative credit associations of Europe, familiarizing himself with the history of their growth and corresponding frequently with Mr. Henry W. Wolff, M. Eugène Rostand, M. Charles Rayneri and other leaders in this movement abroad. He studied the habits of the Canadian people, their surroundings, and their necessities, and evolved a new type of people's bank. Finally, in 1900, he called a few friends together at his home in Levis to discuss the advisability of organizing a credit union in that city. Three months after this meeting La Caisse Populaire de Levis was organized with a membership of ninety and a paid-in capital of twenty-eight dollars. Since that time M. Desjardins has been the manager and president of the Levis credit union, giving his services without remuneration.

M. Desjardins was the principal expert witness called in 1907 by the Canadian Parliamentary commission which made an exhaustive enquiry into the subject of cooperative credit.

Though he is an official of the Canadian House of Commons and a busy man, M. Desjardins has found time not only to watch over the Levis Bank but also to deliver his message to communities in all parts of the Provinces of Quebec and Ontario, with the result that one hundred and fifty cooperative credit associations are now in successful operation. He has not yet succeeded in convincing Parliament of the necessity of enacting a Dominion law for cooperative enterprises, but last year the Pope conferred knighthood upon him, thus recognizing the immense value of his work, his self-sacrifice and energy in laboring for the common good.

ARTHUR H. HAM,
Director, Division of Remedial Loans,
Russell Sage Foundation.

THE COOPERATIVE PEOPLE'S BANK

LA CAISSE POPULAIRE

The keen observer of the phenomena of economics cannot fail to realize the important part credit plays in promoting and sustaining productive activities. Without its actual or potential support many of the greatest and most beneficent enterprises would never have been conceived, or, once conceived, would have become completely paralyzed.

While in a more humble sphere than that of the financier—namely among the working classes—credit has not so great an importance, yet the power to contract loans for legitimate and useful purposes is nevertheless necessary and such loans often prove extremely advantageous. The history of the early middle ages demonstrates this fact as clearly as do recent events. The founding in Italy in the middle of the 15th century of the associations called “Monts de Piété” which afterwards spread throughout central Europe, shows how great and how universal was this need.

Forcibly struck by the meagre borrowing resources of the poor and by the evils resulting from the practices of usurers—the only agents who gave credit to the working classes—a number of religious bodies, helped by benevolent citizens, set themselves to work out the problem. They succeeded in organizing charity upon a new ground. Bernadin de Feltre, a monk, distinguished himself above all in this field by his intense zeal for the well-being of the working classes as well as for the salvation of their souls. He founded many Monts de Piété and restored many others which were declining, giving them all a vigorous impetus, and his conquering and persuasive eloquence caused Christian charity to overflow to the great benefit of these popular institutions. One can assert, with Father Ludovic de Besse, that the Monts de Piété were but the forerunners of the improved savings agencies which today cover not only Europe, but all the civilized world, their universality being but a natural consequence of their highly beneficial character in satisfying needs which always exist and are often urgent.

But the *Monts de Piété* thus temporarily restored through the influence of Bernadin de Feltre soon declined again on account of the inherent weakness of the basis upon which they rested. With the charity of the faithful and the liberality of wealthy individuals as their only resources, these organizations could not reckon upon adequate funds with which to meet the demands made upon them. Thus the management was obliged later on to offer remuneration (in other words to pay interest) to those making deposits either temporarily or permanently. This measure was the first step towards the system of the savings bank as it exists today, but as we will see later they were performing only half their function, for while the *Monts de Piété* offered loans to the poor on personal property they made no provision to take the place of the traditional wool stocking.

The adoption of remuneration or payment of interest referred to above gave a new impetus to the *Monts de Piété* but did not assure them the stability hoped for because the essential features of the small savings system were not understood, and the kind of investment offered could be profitable only when funds of some magnitude were deposited. But these funds were soon attracted by activities promoted by the great movement of international trade which had resulted from the improvement of maritime transportation, and they gradually took other directions, leaving the *Monts de Piété* without resources except those provided by charity, now greatly lessened by indifference. No wonder that these institutions disappeared one by one, many of them being transformed into purely industrial loaning offices, thus losing the high character given them by the Christian spirit that had inspired their creation.

In studying these economic organisms of past centuries, one can see their defects while recognizing to the fullest extent the gratitude that their authors and restorers so well deserve. In taking up the problem of a credit system for the poor, social duty as well as personal conscience urges us to turn to account the knowledge that new methods and varied financial experiences put at our disposal. But let us not deceive ourselves; while correct business methods are essential, zeal for the public welfare—another manifestation of

charity and brotherly love—should today as formerly play a considerable rôle in these enterprises. 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 evils of usury from which for generations the masses suffered have been far-reaching and almost universal. It is no wonder therefore that sociologists, philanthropists, economists, and ecclesiastical and civil authorities have thought it their bounden duty to try to lessen this burden. Even governments have taken a leading part in the struggle through enacting proper legislation or through giving support to those who were foremost in the movement. Without doubt the magnificent expansion of small savings institutions over the civilized world is largely due to the united action of all those social forces which have been bent upon removing the obstacles that have prevented the people from enjoying the whole benefit of their labor and thrift, and upon establishing a sure reservoir to which they might go in case of need, as the manufacturer or the merchant goes to his bank when he wishes to supplement his own funds with borrowed capital.

THE NECESSARY ASSOCIATION

The people's welfare can best be secured by institutions organized by the people themselves, because these institutions are most likely to possess the characteristics that appeal to the people and therefore the stability necessary to perpetuate their services.

Their beneficial influence will be still greater if, to a spirit of devotion, disinterestedness and Christian charity, is added the direct personal interest of the people themselves, interest purified, strengthened and made nobler by a thorough knowledge of their social duty. Resting on such a solid basis, as beneficial from the moral point of view as from the purely material, such an organization will have a reassuring strength

and cannot but command the attention of all thoughtful minds.

It must, of course, aim at a permanent result, in order that one success may secure another, thus avoiding that uncertainty which depletes the energies by the necessity of perpetually renewing efforts without the hope of attaining a definite end. To secure that desirable aim the organization should be worked out in surroundings and under circumstances which will properly support and fortify its activities, and put it in a position to overcome the obstacles that are certain to present themselves. Developing in a neighborhood which has its own traditions and a distinct existence, this economic organ would not fail to increase in vitality in consequence of constant contact with the life of the community which it serves. Growing with the growth of the neighborhood, the credit society would by its very association with it as well as by its benefits to it, finally complete the social life and raise it to a higher plane. Thus would the society be endeared to the hearts of the people.

IMPORTANT DEFECTS OF THE MONTS DE PIÉTÉ SYSTEM

The principles thus explained, let us now examine the defects of earlier systems and consider the means at hand of solving the problem of the financial needs of the working man. The Monts de Piété, as we have shown, were the first associations furnishing credit to the working classes. The system they adopted was not broad enough; for, on the one hand, charity alone was relied upon to bring funds to the institutions and, on the other, loans could be granted only upon the pledge of personal property, the value of which was supposed to be sufficient to insure reimbursement if the borrower would not or could not pay the sum borrowed. Although the service thus rendered was inadequate, the system entailed other privations such as the absence of household furniture, clothing, etc., pledged as a guarantee. Moreover, the sum thus loaned was much less than the real value of the pledges. One can therefore realize the loss that the borrower

had to meet if he was unable to repay the loan. The net result to him was a greater impoverishment. In spite of such defects the system was, however, a great improvement upon the methods of usurers.

Another factor of economic improvement was also neglected in this early credit system—that of savings systematically stimulated by a well devised organization. It is undeniable that this form of providence minimizes the evils of the life—always more or less precarious—of the laboring class, with its liability to accidents, to sickness, and to unemployment, and its many other drawbacks, which do not force themselves with the same intensity upon other classes of the community. The habit of saving can, as has since been demonstrated, lighten this heavy burden.

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 through providence. Alas! long years were to elapse before the leading features of such a system were worked out.

A STEP FORWARD

In the early days when public attention was first attracted to the financial straits of the working classes, it was entirely concentrated upon the necessity of teaching them the habit of saving. Eminent philanthropists earnestly took up the question and organized savings clubs. These clubs were of a very rudimentary character, since they were simply a sort of association, wholly temporary, having as a basis the zeal of a devoted citizen who volunteered to receive the savings laid aside and put them in a safe place or kept them at the disposal of the depositors for urgent needs. Later, the success of those crude attempts induced their authors to enlarge their field of action. Thus were organized, notably in England and elsewhere, the first independent savings banks, which grew rapidly and acquired a strength that none

could have foreseen at the start. Unfortunately abuses of confidence caused losses, the more to be deplored because they were inflicted upon poor people unable to bear them without cruel privations. These happenings stirred public opinion to a very high degree and induced people to look for a remedy to such evils in a system of rigid state control. As in most reactions, the movement was violent and exaggerated. The need of the working classes for credit was forgotten and care was bestowed only upon the protection of their savings. Thus the working man in search of a loan was left to the mercy of the loan sharks. Moreover through an exaggerated paternalism, governments took possession of these funds, and utilized them to defray expenditures on public or large capitalistic enterprises. They thus deprived the people of the means whereby their resources could have been developed, their spirit of enterprise stimulated and their economic horizon enlarged.

GOVERNMENTAL SAVINGS BANKS

This insurmountable distrust of every utilization of savings except investment in large, carefully selected enterprises, or in loans to corporate bodies whose character resembled that of the state itself, deflected the savings of the people to the rich. Common sense should, it would seem, have induced the authorities to adopt an entirely different course. But instead of making an effort to dispel the timidity of the people everything done had the effect of increasing it. Instead of endeavoring to find out the best means of organizing institutions that could offer proper security and at the same time serve as reservoirs of credit for the working classes, the government, without the least hesitation, undertook the duties of universal banker. This mistake, full of peril from an economic point of view, soon produced unfortunate results, the evils of which were pointed out by economists. Already the governments that adopted this course have begun to suffer from the magnitude of the funds which they attracted and which the distrust that the masses felt for other guardianship brought into their coffers in ever increasing quantities.

In France, this evil reached such an extreme that the government was compelled, four or five years ago, to enact a law diminishing the maximum of individual deposits in its savings banks, and compelling its clients to withdraw sums aggregating more than four billions of francs. It was frightened by the responsibility that was being placed upon the state. And what is most remarkable is the fact that when these deposits were highest, French agricultural interests were deploring the lack of capital to secure their development and improve their methods.

However, it must be observed that this want of financial equilibrium in the utilization of savings funds is now calling forth the best attention of the very governments whose short-sighted policy so largely contributed to its existence. England, which inaugurated the policy of governmental banking through the organization of its postal savings banks, is endeavoring now to organize a regular system of credit for the benefit of its agricultural classes, and with this object in view has caused exhaustive inquiries to be made into the systems now so extensively adopted by the Continental countries of Europe. The results of those inquiries were a revelation to the English public and proved to be a complete confirmation of what Mr. Henry D. Wolff,* the eminent economist, has said upon the subject in his many informing, luminous books and pamphlets. 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 help them obtain adequate credit. Not only is it wise economically to put such funds at their disposal, but the system offers as great a security, if not a greater one, than that of any banking system known.

*Some of Mr. Wolff's books on the subject are:

Agricultural Banks; their Object and their Work. 109 p. 1894.

Cooperation in Agriculture. (Chapter XII, Cooperative Credit, p. 251-273.) 378 p. Lond. King, 1912.

Cooperative Banking: its Principles and Practice, with a Chapter on Cooperative Mortgage-Credit. 301 p. Lond. King, 1907.

Cooperative Credit Bank Handbook. 74 p. Lond., King, 1907.

People's Banks; A Record of Social and Economic Success. Ed. 3, rev. and enl. 587 p. Lond. King, 1910.

THE SCHULZE-DELITZSCH AND RAIFFEISEN BANKS

Two German economists were the first to obtain a clear conception of the economic needs of the working and agricultural classes and of the best means of satisfying these needs. The names of Schulze and Raiffeisen* are inseparably attached to the history of the beneficent institutions they founded, and their memory is held in great respect through all the German-speaking countries and other nations where institutions like theirs exist. These banks, under conditions of perfect security and availability to all, put at the disposal of depositors the funds accumulated by themselves, and since this security is based upon the principle of thrift and honesty, the material pledge is of secondary importance. In every case the good character of the borrower is the first security required. Thus the ideal solution of the financial straits of the laboring classes was found, for they can readily offer personal guarantees of the highest value, while they cannot always give material guarantees.

The first popular bank of the new type was organized in 1848, but the novelty of that institution, together with the absence of a law specially enacted for the working out of such a new mechanism, retarded its expansion. These obstacles once overcome, the banks soon acquired an extraordinary popularity. During the last 25 years they have spread not only in Germany but all over Continental Europe. Their marvelous expansion is the best evidence that they satisfy urgent needs. The solution of the economic problem of the popular classes was thus at last secured in an institution designed both to inculcate a spirit of thrift and to give credit.

THE CANADIAN PEOPLE'S BANKS

It is the very essence of this system which has been introduced in Canada—more particularly in the Province of Quebec—under the name of “People’s Banks” (*Caisses Populaires*).

*Franz Hermann Schulze-Delitzsch, b. 1808 at Delitzsch, d. Apr. 29, 1883, at Potsdam. Friedrich Wilhelm Raiffeisen, b. Mar. 30, 1818, at Hamm, Westphalia. d. Mar. 11, 1888, at Herresdorff.—Ency. Brit.

Our social environment required us to make certain changes in the European system. In particular, a somewhat different basis was adopted in connection with the formation of the resources to be created, a basis designed to stimulate highly the spirit of thrift.

At the outset the limitation of the activities of a people's bank and the restricting of its membership to a small area was determined upon. This small territorial unit was chosen because by its very nature, except in large cities that are ports for immigrants, it is not liable to frequent and rapid changes of population, and also because—and this is an essential condition of success—it offers opportunity for members to become known to one another. They can therefore form sound judgments of the moral and economic stability of their fellows. This limited area may in rural districts be either that of the village or the township, or in cities that of a religious or fraternal organization, the municipal ward or the neighborhood. Such a unit offers the essential conditions of success. The intimate relation of parishioners or, under ordinary static conditions, of members of the same municipal district, provides the best means of acquiring a good knowledge of the character, honesty, integrity and moral habits of the members of the banks. This factor of success has proved its value in other countries, and although our communities differ much from those of Europe, still it applies to many groups in America. There is no reason why these elements of strength and of success should not be used here for the promotion of people's banks. But since a certain portion of our population is unstable, it goes without saying that great care and prudence should always be exercised in establishing a cooperative bank, especially in the granting of membership and credit to newcomers who may not be well known to their neighbors. That a certain percentage of people move from one locality to another and 10, 20, or even 30 per cent. of the population are more or less unknown to their neighbors, is however, no reason for depriving the stable portion of the population of the benefits of such a credit association.

WHO MAY BE A MEMBER OF THE BANK

Having determined the basic unit upon which such an institution should be built, let us now see who can and should be members of it. Everybody—that is, men, women, and children—should become members because they form part of the social order of the unit chosen. But there is an essential condition of admission that must be complied with; namely, that every one shall be honest, sober and industrious. The admission to membership in such a bank should be a certificate of good conduct and loyalty. This is certainly not a condition calculated to exclude a great portion of the population. Thank God it is only to the few that such a condition can be an obstacle, and even in such cases it is very easy to remove the obstacle by a happy return to a better life.

It will be observed that no mention has yet been made of money or funds, and that for a very good reason. Money is but a secondary consideration, and not, as elsewhere, a primary one, because the people's bank is above all an institution aiming at the betterment of its members rather than at mere profits—an association of honest individuals rather than one of mere funds like a joint-stock company. If money were the first consideration the institution would be deprived of its genuinely social character. 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.

Easy of access, it is an ideal institution in the restricted area in which it operates. By its family-like nature, so to speak, it cannot fail to invite everybody to put in his savings, accepting the pennies of the poor and not refusing the dollars of the well-to-do. By its loans it benefits not members alone, but the whole community. Funds for loans are provided by small shares payable in weekly or monthly instalments of a few cents each, and by small deposits. Through its workings it puts the savings of the people at the disposal of the people; it becomes a school of thrift which every one can attend, helping through the spirit of enterprise and through the virtue of providence.

It is this double character which caused Luzzatti, the illustrious founder of the Italian people's bank, to say that these institutions are "Perfected Savings Banks." From an economic point of view they are the triumphant success of an honest and industrious democracy. After half a century of experiments and deplorable mistakes the long-awaited popular institution has been evolved.

Surely it is not necessary to insist that the heads of families and young men should become members of such a bank; this is self-evident. But why should women, young girls, and especially children join?

When the Canadian wife is virtuous, reliable and thrifty—and thank God the great majority are so—she is generally the Minister of Finance of the family, and the same is true of many workingmen's families in the United States. It is to her that the good husband entrusts his wages; it is she who manages them with wisdom and prudence. Such a wife will always succeed in accumulating a small amount for a rainy day, to prevent suffering in time of unemployment, of sickness and other unforeseen occurrences. And if she is a member of the people's bank she will feel deeply interested in its success; she will also induce her husband to interest himself in it. This union of energy and good-will in the family should bring forth wonderful results of providence and thrift. The time is past when women, above all American women, were a negligible factor in the economic world.

Young girls should also feel interested in the welfare of such a bank. Most of them will probably later on be wives and so called upon to take up the functions and duties now the lot of their mothers. Can they be taught at too early a date? Must they not be educated in thrift as well as in any other line and shown how necessary it is to insure the material well-being of those that will be dear to them, and consequently to make possible for those dear ones a quiet life, secure against the privations and misery of poverty so often brought about by improvidence?

The children, too, should be members, because it is of the utmost importance for them to combat in their first years the instincts of dissipation and gluttony that develop so rapidly, alas, in our nature. So shall we form in these young people

the commendable habit of making sacrifices to overcome the regrettable practices of today. Moreover, such a course will insure to the bank a prosperous and long career by forming for later years very desirable members. These children of today will be the young men and young girls of tomorrow, future husbands and future wives of new households, and in their early years they are well disciplined, later on they will be the very backbone of such local social institutions.

So much for the first element, membership. This is the first and most essential factor; without it there cannot be a real people's bank, but simply a society of dollars like many already in existence.

The second factor is the funds. Two sources bring them into the bank; the shares subscribed by members and the savings that they temporarily deposit. Let us examine successively these two sources of capital.

THE SHARES

Usually the value of the shares is \$5 each; payable as we have already said, in small instalments of a few cents each. These shares represent savings made for a distant need. They form a reserve, a small capital that everyone should gradually accumulate in order to be always ready for any emergency and not be obliged to face poverty or to ask charity from his neighbor. It is the small treasury placed far above the daily temptations of foolish expenditures, which increased with perseverance, becomes a sum sufficient offered to make one the owner of a property or of a home.

Must these shares be left forever in the bank? That is to say, can they never be withdrawn from it? No, such shares can always be withdrawn whenever their owners wish, even if there have been but a few cents paid in. They are at the entire disposal of the members, subject only to the requirement in the by-laws of a notice of 30 days—generally a legitimate safeguard in cases where a withdrawal of shares would involve a large amount. But the bank should always keep on hand against any emergency a sufficient amount to meet occasional and reasonable withdrawals.

This requirement of a notice is to meet extraordinary cases. During their existence of 60 years few of the people's banks in Europe have ever felt obliged to exact any notice. It goes without saying that the bank has the strongest possible reason to avoid exacting that notice, as it wishes to gain the confidence of all and to encourage subscription for new shares. It must also be remembered that the law empowers ordinary banks to compel depositors to give a three months' notice for ordinary withdrawals on deposits. Of course, banks very rarely exercise such a right, but nevertheless the law can be enforced at any time. The 30 day withdrawal notice of the shares of the cooperative banks is a much shorter period, but as the activities of such banks are confined to a very limited area, this is considered a perfectly safe one.

VARIABLE CAPITAL

Why have we chosen the type of variable capital (withdrawable shares) instead of the more stable one of permanent shares so widely known? We make the choice for two reasons. First, because of the personnel of these popular societies. Members are recruited almost exclusively from the working classes who cannot permanently isolate even the smallest part of their resources on account of possible wants. To have compelled members at the very outset to tie up even a few dollars of their savings, would have destroyed their good will and prevented them from joining. Such a requirement would have deprived these classes of the advantages it was sought to confer upon them. Second, from a common sense point of view non-withdrawable shares would have been a great mistake. Experience has demonstrated that the withdrawal feature has been the very basis of the phenomenal success of the savings banks and of the savings departments organized in our own banks of discount. If a non-withdrawable condition had been even temporarily imposed by these banks, the laboring and agricultural classes which have used them to the number of hundreds of thousands, nay millions, would never have put their savings in them in such large, ever-increasing amounts. If the soundness of this con-

tention should be contradicted, all doubt might be removed by instituting the non-withdrawable system and telling the depositors that in future they will not be allowed to have their money when they please; one would then see the effect upon the minds of the people. The members of cooperative banks must always enjoy full liberty to withdraw their laboriously accumulated savings whenever they like, whether from necessity or pure caprice. This is essential.

EFFECT OF THE WITHDRAWABLE FEATURE ON FUNDS

Does the withdrawable feature of the shares prevent a proper and profitable utilization of the funds?

By no means, and to be convinced of this one has only to remember what takes place in connection with the daily savings deposited with and loaned by our chartered banks. They are withdrawable, yet this facility to which is due the marvelous increase of these deposits does not prevent the banks from loaning them out with a fixed date of repayment. These funds, almost entirely so loaned, bring to the banks large sums of money yearly, so that they are able to pay interest upon deposits and earn very considerable profits besides. If these methods serve the ordinary banks why should they not more readily serve a people's bank, the personal characters of whose members are known to the directors and whose activities are limited to the small area of a parish or municipality or to the ranks of a labor union. A close study during half a century of the movement of funds in savings banks shows that deposits, far from diminishing because they are withdrawable, increase year by year. Moreover, since the shares of members are money laid aside with a view to meeting distant needs, they are less likely than ordinary savings bank deposits to be suddenly or frequently withdrawn.

CONFIDENCE THE BASIS OF SECURITY

We have spoken of the honesty and thrift of the members. These qualities are the basis of security. Supervision

is direct and easy because members are inhabitants of the same locality. In a joint-stock company supervision is much more difficult; directors are entrusted with very considerable powers and shareholders are often spread all over the country, not knowing each other or having a personal knowledge of what is done.

In addition to the experience of cooperative banks on the European continent, a similar experiment nearer home, although carried on under conditions much less reassuring in certain respects, furnished us further security in adopting this new feature in the people's banks. The mutual savings banks of New England have no capital to guarantee depositors; that is to say, no shareholders are made responsible for deposits by putting up capital to insure reimbursement. The whole system is based upon the honesty and good faith of the organizers who, to the number of 20 at least, take upon themselves to carry on such a savings bank. These men have the exclusive right to select from their number the officers and the directors to be entrusted with the management of the funds deposited by the public. Management expenses being paid, all profits are handed to depositors, less a small percentage which is annually laid aside with the aim of forming a guarantee fund to protect depositors against loss. Such a fund must, however, when completed never exceed an amount equal to ten per cent. of the total average of the deposits, which is the maximum usually prescribed by law.

Organizers and directors are in no way personally or financially responsible for the deposits. It goes without saying that if found guilty of fraud or defalcation involving a loss, they would be amenable to and punished according to law.

This is the system under which are operated the 600 odd mutual savings banks of New England and other states. They have been in existence for more than 70 years. Should it be contended that the system is a weak one and that it would fail to inspire confidence in the public generally, we would call attention to the results. The number of those savings banks in 1911 was 635; the number of their depositors was 7,690,973, and the deposits totaled the huge sum of \$3,458,883,612. Can there be better evidence of the confidence

of the public in such banks notwithstanding the apparent weakness of the system?

After careful study of the results of withdrawable and non-withdrawable capital, such an example appeared to us so conclusive that we thought we could safely follow it. As to the other leading principles underlying the people's banks, they are similar to those prevailing in the cooperative banks of Europe. Later on it will be shown that the system is still more strengthened by the accumulation of a guarantee fund belonging exclusively to the society; which fund, according to law, can never, even in case of liquidation of the society, be divided among the shareholders.

DEPOSITS

To come now to the savings branch, properly so-called. In the first place no one but members may deposit in a people's bank. Members may deposit sums which they expect sooner or later to withdraw. The purposes for which these small savings are often designed are current expenses, rent, wholesale provisions for the winter season, taxes, etc., together with the monthly contributions to the mutual benevolent societies to which many workingmen and agriculturists belong. Such savings also provide for occasional contingencies such as births, marriages, etc. Thus are members saved from appealing for credit to retailers and from the usurers' shops.

A man who does not follow the wise course of providing in advance for such expenditures often finds himself short of ready money, foolishly adopts a credit system and buys more than he really needs or more than his means justify. But the day comes when he must pay and then the amount due seems very high, and his uneasiness is great. It must also be observed that money is saved by buying for cash, for much more care is exercised when what is bought must be paid for on the spot. Under such circumstances buying is strictly limited to the amount of money on hand.

Deposits are always withdrawable and if a withdrawal notice is prescribed by the by-laws, it is one of but a few days and only for the purpose of giving the bank time in special

cases. As has already been said, a sufficient sum can be kept on hand to meet ordinary demands, but generally the new deposits received are ample to fill the gap left by withdrawals.

MANAGEMENT

The funds being provided, who is to manage them? Officers freely chosen, by secret ballot if members so desire. These officers are selected at the general meeting of all the shareholders. Each shareholder has but one vote, no matter what the number of his shares. All are therefore on a footing of perfect equality, contrary to the system prevailing in stock companies, where stockholders have as many votes as they have shares. Let it never be forgotten that the cooperative people's bank is an association of persons, not of dollars, that the dominating factor is not capital, but persons. This is why each member has but one vote.

Management is entrusted to the officers but this does not imply that they have absolute authority to do as they please. On the contrary the general meeting composed of all the shareholders is the real and dominating power, the officers being only its servants subject to its constant and direct control. Their powers are very limited and if they exceed them they do it at their own risk, that is to say, they are then personally responsible for every violation of the members' mandates. These officers are divided into three committees; the Board of Administration composed of at least five numbers, but generally of nine; the Credit Committee of at least three members, but ordinarily of four; and the Board of Supervision of three members.

BOARD OF ADMINISTRATION

To the Board of Administration is given the general management of the bank. It is entrusted with the important duty of deciding what applicants may be members and of excluding those who no longer deserve to be, for here again let it be recalled that it is not money, but good character that

entitles one to membership. The Board must make recommendations to the general meeting upon all measures which in its best judgment seem to be necessary to insure the prosperity of the society. It acts also as a board of arbitration in cases of conflict and of appeals prescribed by the by-laws.

THE CREDIT COMMITTEE

The Credit Committee deals exclusively with loans to members. Its duties are delicate and important and the selection of its members must be made with care. Men possessing experience, prudence and generally well acquainted with the moral character of the members should be selected, for it is the moral character of the borrower that will be the prime guarantee of the faithful reimbursement of the sums borrowed. No loan can be made by the manager without having been first unanimously agreed upon by the Credit Committee. If one member present is opposed to a loan or does not give his consent to it, the decision is suspended until he has obtained all the information necessary to justify him in sharing the opinion of his colleagues. If such an unanimity cannot be established, the loan is refused.

The cooperative people's bank should loan money only for productive purposes as for emergency needs, never for a frivolous or extravagant purpose. Expenditures of this sort cannot benefit the borrower. The bank being organized not for the purpose of damaging its members, but of helping them to become more prosperous, should never agree to such loans. It is for this reason that the borrower is always compelled to tell the manager the object for which he seeks a loan. If he deceives the society this is sufficient to cause his immediate expulsion as a member.

The Credit Committee supervises with great care the repayment of loans and must always stimulate the manager to compel payment of any arrears. It should never allow a borrower to be in default in his payments, even for one day, without satisfactorily explaining why he has not been strictly faithful to his engagements. This is an important point, for to permit such bad habits to take root among borrowers

would be a grave mistake and would imperil the interests of the bank, apart from being a great wrong to the borrower himself. Indeed it would be an invitation to him not only to be careless in such matters, which is always deplorable, but to spend extravagantly the money that should be used to discharge his obligation, relying on being able to come to an easy settlement with a bank which has shown undue leniency to those in debt to it. The greatest care should be taken to avoid giving so unfortunate an impression. Moreover, the payment of the loan if deferred might fall due at a date when it would be very difficult for the borrower to pay it, on account of some unforeseen circumstance. Such negligence is also liable to embarrass the business of the bank. Funds not being very abundant and the demand for loans numerous, it follows that the Credit Committee will have to rely upon a rigid regularity in reimbursement—unless proper notice is given—to satisfy the loans asked for. Loans should be granted to the greatest possible number of members. This is one of the objects of the society, and can be accomplished only through punctuality based upon a well-regulated system of maturity of notes, the instalment plan being always more advantageous to society and to borrower alike. On the other hand the borrower always should be able to rely upon the good-will and even the kindness of the bank as represented by the Credit Committee and the manager. If he is unable to pay his loan when due, the bank should never be harsh or unreasonable with him; circumstances may arise under which it is absolutely impossible to fulfil one's obligations, however willing one may be. It must be borne in mind that the bank never loans money to a non-member however good may be the security offered or the reasons given.

Reimbursements should as far as possible be divided into 5, 10, or 20 instalments. This facilitates repayment and insures a constant flow of funds to the bank, but the borrower has always the right to repay his loan before maturity, unless the contrary is clearly stipulated.

Members of the Credit Committee cannot borrow from the bank, either directly or indirectly; that is to say, through a third party. This provision may result in inconvenience to them, but such a rule is a great safeguard. To loan to

oneself other people's money is always a serious matter. It is so easy to exaggerate one's own solvency. Hence, members of the Credit Committee are strictly forbidden to borrow from the bank while in office. Law as well as prudence so prescribes.

BOARD OF SUPERVISION

This Board, whose very name shows the nature of its duties, is the most important one in a cooperative people's bank. Its powers are large with regard to the supervision of the business. It may even temporarily suspend the officers if it finds them guilty of some violation of the by-laws, but it must immediately put all the facts before the general meeting which it must call with the least possible delay, leaving to that meeting decision upon measures to be adopted. It must examine the accounts, verify minutely the exact value of each loan and see that the security offered is sound and good. It must see that each committee and each officer does his duty without favor or partiality. As a matter of fact, such a board is to all intents and purposes the general meeting sitting in permanence, and having its eyes upon each and every one of the officers. Great care therefore must be exercised in the selection of this board.

THE MANAGER AND OTHER OFFICERS

The internal management of the society is entrusted to a manager, chosen by the Board of Administration. He acts as bookkeeper and receives all the funds. To insure the faithful fulfilment of his duties he must give surety to a reasonable amount. Every request for a loan should be sent to the manager. A borrower must never talk to a member of the Credit Committee about a loan. Such a custom, if permitted to grow up, raises serious difficulties and puts the members of the committee in a delicate position. The manager is the only channel of communication between members and the officers and committees of the society.

The manager is therefore a very important official, and care must be taken to select one who is competent, courteous,

amiable and always ready to be helpful, but rigid in the strict observance of the by-laws, even to the smallest detail. He must not allow any departure from the rules, for such departures become in the end a source of regrettable abuse and may bring about the failure of the best societies. If he has to point out abuses or negligence in the observance of rules, he must do so without hesitation, but should temper his criticism with courtesy and good will, qualities which do not exclude firmness. He must also have a general knowledge of the character and status of members, be acquainted with their reputation and their solvency. It is not as difficult as one might suppose to find men who possess all these qualities. Many possess them without knowing it.

Money on hand should be deposited to the credit of the society in one or several chartered banks, selected by the Board of Administration. The manager should only keep on hand a small sum to meet daily requirements. That the sum should be small is in his own interest, since he is personally responsible for all such sums.

The services of all the officers of a cooperative people's bank save those of the manager are gratuitous; the law and social zeal require that this be so. The manager alone may be compensated for his work, and his salary should be in proportion to his duties. If they be light he should receive but little; if heavy, his remuneration should be higher, for the bank doing a larger business and therefore receiving more profits will be able to give to him a larger sum without inconvenience.

DUTIES OF THE OFFICERS

A word now about the general duties of the officers. The president exercises a general supervision over the business of the bank and sees that every one performs the duties pertaining to his office. The vice-president assists the president in the discharge of his duties and, in case the latter is absent or incapacitated, takes his place.

The secretary edits the minutes of the meetings of the members and of the committees and carries on the correspondence of the society. The office of manager may be

filled by any one of the three officers just named or by another member. Usually the secretary is chosen as manager.

DIVIDEND

At the end of the year after all expenses, losses (if any) and interest upon deposits have been paid, the balance—net profits—is appropriated first to the accumulation of a special fund belonging to the society as a whole. This fund is divided into three distinct parts called respectively “reserve fund,” “provident fund” and, if it is thought advisable because there is still a balance left, a “surplus fund.” For the two first funds a fixed percentage of net profits is taken each year. The balance left after these fixed percentages have been taken is divided in the shape of a bonus or dividend among the shareholders, in proportion to the amount of shares paid in full and to the time during which such shares have been paid in full during the last fiscal year. This appropriation of the gross profits is, of course, made when the year is closed and all the accounts have been rendered. Up to now no cooperative bank in Canada has paid a dividend on its shares of less than four per cent., and many have paid four and a half and even five per cent. Savings deposits are allowed the customary yearly interest of three per cent.

THE RESERVE FUND

We now come to a very important point—the reserve fund. A cooperative people's bank is compelled by law to lay aside yearly at least ten per cent. of its net profits. This percentage must be allowed to accumulate year by year until the total amount reaches a sum equal to double the maximum of the liabilities represented at any time by the shares and deposits of members. But it is wise, especially in the beginning, to lay aside more than ten per cent., even if possible to double that percentage, so that the reserve fund may increase rapidly and reach during the first years an amount of some relative importance. To prevent the temptation to distribute the reserve fund, the law prescribes that in case of

liquidation, even voluntary, the balance of the assets, including the reserve fund, shall not be distributable to the shareholders but shall be given to an object of public utility to be designated by the Lieutenant Governor in Council. This proviso is a very wise one, for it would be unfair that a group of individuals should have the right, at a given moment, to appropriate the results of the providence of their predecessors who had accumulated this surplus with the primary object of insuring the permanency of their society to the benefit of future generations.

The purpose of these funds is: first, to protect shares and savings against all possible loss; also to strengthen a system which is based upon a variable capital. These funds are never to be drawn upon except in cases provided by the by-laws and, as has been said, never to be distributed under any pretext whatsoever. Neither are they to be kept idle, but are to be invested in sound enterprises or deposited in banks* and so made to produce a revenue. Their existence, aside from the advantages already indicated, will benefit depositors by increasing the total sum of the net profits to be distributed upon shares and will benefit borrowers by reducing the rate of interest upon loans. Thus, the cooperative character of the bank is kept well in view.†

Borrowers as well as lenders are an indispensable factor to the progress and solidity of the bank. Were there no borrowers, there would be no profits; were there no members to put in their savings, there would be no funds to be loaned out. Moreover, the member who puts in savings today may be a borrower tomorrow. The two groups continually vary so far as individuals are concerned, but the simultaneous existence of both is absolutely necessary. They are of equal importance to the success of the bank and are treated with equal justice in the division of the net profits, giving to one a higher dividend and to the other reducing the rate of interest on loans. Therefore, whenever the dividend is increased, conditions for the borrowers must be bettered either through a reduction of the rate of interest or otherwise. Hence the ne-

*Also loaned to public bodies and invested in government debentures.

†The average rate of interest charged by the Canadian cooperative banks is about 6% per annum—Ed.

cessity of acting with great prudence when increasing the dividend and reducing the rate of interest on loans, in order not to imperil the future income of the bank, and to necessitate return to a lower dividend and a higher rate of interest on loans.

This is the cooperative principle upon which such credit and savings societies are worked out. True, the principle is a new one in banking matters, but it is the very expression of equity and solidarity. It must not be forgotten also that even the borrowers benefit by the increased dividend, because they too are owners of shares. The general reserve fund will largely contribute to insure the permanent existence of the bank because future generations that inhabit the parish or locality will desire, from the same motives that influenced their fathers, to maintain it in its integrity. Through it therefore the parochial or municipal unit will come to stand not only for a religious or political unit but also for an economic one; bettered materially, intensified in its sense of fellowship and more fruitful because it will enjoy a better social organization.

Without giving to this new factor of mutual financial relationship an exaggerated importance, we believe that it contains the germ of a happy evolution for agricultural communities. Here lies one of the encouragements to the "back to the land" movement; a new inducement to abandon the false attractions of city life.

THE COOPERATIVE BANK A NATIONAL BENEFIT

Whatever may be the immediate or far distant, the probable or unforeseen consequences of the full development of these organisms, the nation can through them accumulate for the benefits of its citizens a treasury that will never be despoiled. It can build a true economic fortress upon the parochial or municipal unity which will give our young democracy the help required to develop its energies, widen its activities, render fruitful its initiatives, and coordinate its existence.

Relying upon the possession of a capital protected against the cupidity of individual egoism which will automatically increase through the very fact of its existence, we will be able

to increase our national wealth in a much greater ratio than heretofore, as well as the prestige that attaches to wealth. This will help us to protect all that is dear to us and to extend the domain of our legitimate influence.

To make these economic units more secure, to perpetuate their existence by the accumulation of a capital never to be divided among the members, and as a natural consequence to extend our national influence—this in the last analysis was our aim and desire in giving to these people's banks so strong a local organization. By the mobilization of the individual funds we hoped to secure the cooperation of every one of good-will, however humble; and by the creation of a reserve fund to insure the stability of the bank itself.

Such then was our ideal, an ideal which should sustain these banks, apparently financially weak, and make them capable of great beneficial service.

A RECAPITULATION AND A SURVEY

Let us now summarize in a few words what has already been demonstrated throughout the study. A cooperative people's bank 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 to the extreme limit. The people's bank 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 upon the high conception, wholly just, equitable and fruitful, of "union for life" instead of "struggle for life." It does not look for big profits, although the future may have in store surprises of a very agreeable character, as has happened in Europe where, thanks to the wise measures taken at the start, yearly dividends reach today proportions that no one would have dreamed of when these banks were organized.

It is open to all, provided that each is honest, industrious, sober, and lives up scrupulously to his engagements. Money

alone cannot entitle one to become a member. Dollars count only after honesty; they cannot replace this quality. In the joint-stock company honesty is never thought of as necessary to membership because such a company is a mere aggregation of funds.

The area within which it operates is limited to the boundaries of a parish or a rural municipality, a labor union, a ward or a religious congregation in a large city. Its business is supervised by the interested persons themselves, and supervision is facilitated by the restricted field in which the bank is doing business.

Is it any wonder that banks of this character should have spread with wonderful rapidity throughout the world until there are today about 65,000 such banks in operation, all prosperous, and their membership as well as their number increasing month by month?

While Europe is at the head of the movement, even Asia has awakened and in Japan alone at least 5,000 such banks have been organized within the last few years. America alone seems to have ignored the idea, but a vigorous movement is now started and before many years one may hope to see great achievement here.

The yearly turnover of these banks in the old world has reached a stupendous figure. Although incomplete, the record for 1910 showed that the turnover amounted to \$5,900,000,000. No doubt the figure today has reached a total of at least \$7,000,000,000.

What is most striking is not the financial power of the units taken separately, except that of certain banks in Italy, —for almost none has reached any remarkable sum—but the collective strength of these units taken together and their rapid multiplication. The great masses of capital accumulated by the popular classes and managed by themselves, through their freely chosen officers, are everywhere helping the spirit of enterprise and providing for the daily needs of these very classes.

LA CAISSE POPULAIRE DE LEVIS

It was the deplorable revelations brought about by law suits in Montreal and elsewhere, where poor borrowers had been obliged to pay to infamous usurers rates of interest amounting to several hundred per cent. for most insignificant loans, that induced the writer to study carefully this problem with a view to finding out the best possible solution. The experience offered, above all by Germany, soon enlightened him.

After 15 long years of constant study, at last believing that he had acquired the necessary theoretical knowledge and being induced to do so by many of the leaders of the movement in Europe, he undertook the establishment of this new system. Aided by the devoted zeal of a certain number of citizens—the parish priest and several members of the Catholic clergy of the locality—he succeeded in founding in Levis, Canada, the first bank of this type ever organized on this continent.

From the exalted ideal of the theory, pure and simple, the next step was the practical working of the system. It was the only way to convince obstinate as well as timid opponents that the theory upon which it was based was a sound one, however hazardous it might at first appear.

The Levis Cooperative People's Bank was organized on December 6, 1900, but for one reason or another it did not begin its business until January 23, 1901. This delay had one good result: it showed that the zealous members of the first hour possessed as enduring a conviction as the founder himself.

The first money received confirmed the modest hope of the organizer. The first instalment paid was a dime and the total of the first collection amounted to 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; to feel confident of bringing about something like a revolution by the new system seemed absurd. Indeed, there was no lack of prophets to foretell a complete fiasco. The founder was freely criticised and was even the object of assertions of the most offensive character. But supported by devoted sympa-

thizers, he continued his work of propaganda with even greater energy, and today the highest civil, social and ecclesiastical authorities publicly support this movement in Canada.

The progress of the Levis Bank was very slow compared with that of societies organized since. The first collection, as has been said, brought but \$26.40, and the first financial monthly statement showed total assets of \$242.80. The following month this total was but \$497.20. The first six months gave a total of \$1,715.63. The assets of the first fiscal year were \$4,935.54, and only after two full years did they reach \$15,513.86 and the general turnover amount to \$31,116.42.

We give these figures to prove how slow was the development of this first bank and to show that it had no wealth to rely upon and does not owe its present success to outside help from moneyed men, but that it contained a powerful germ that needed only to be fertilized by perseverance and steady purpose.

The Levis People's Bank completed its twelfth full year November 30, 1912. On that date the general assets amounted to \$188,306.33. The amount of current loans was \$179,108, and gross profits had reached \$8,593.16. It has already paid to its members in the shape of dividends the sum of \$17,759.50, the rate being now 5% on \$5 shares. The savings deposits have received interest to the amount of \$4,334.49. The total amount loaned out to members was, on the same date, \$971,761.94. Not one cent has yet been lost, although the total number of loans on November 30, 1912 was 5,670, three-fourths of these having been small loans not exceeding \$200.*

Such is the astonishing progress that has been accomplished during 12 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 working man's family! Nevertheless, 12 years are almost nothing in a career which should last forever.

*On June 30, 1914 the total assets were \$304,985. On that date the Levis bank had made 7,208 loans amounting to \$1,396,916. The same proportion of small loans had been preserved.

In order to show more clearly the popular character of these banks, let us consider the amount of the great majority of the loans on the Levis bank. Here are the principal figures:

Loans of less than \$10.	660
“ “ \$10. up to 25.	1004
“ “ 25. “ “ 50.	1070
“ “ 50. “ “ 75.	541
“ “ 75. “ “ 100.	651
	<hr/> 3926

Out of a grand total of 5670 there have been 3926 loans made for sums varying between \$1 and \$100. These figures show that this institution is truly the bank of the people. And what lessons in thrift it has taught! He who appreciates the value of a penny is faithful to his obligations and never fails to pay what he owes. The spendthrifts, those who profess that the penny is not worth laying aside, are the very persons who never pay their debts and who are always hard-up. But they never fail to attend all the pleasure trips, theatricals or other amusements where the dollars must be spent. And the same individuals will complain in the loudest terms if they are refused credit or a loan. Unwilling to make the least sacrifice, they look for others to make the sacrifice in order to compensate their improvidence and caprice, if not their vice and debauchery.

What a comforting sight it is to see an honest working-man, or a settler coming to honor his signature! During the last 12 years, we have had numerous opportunities to enjoy that spectacle, and it has been the complete fulfilment of our dream of basing credit on the merit of the man himself. Up to now there has been no organization capable of appreciating the very qualities which justify confidence. Thank God, such is no longer the case. These men have been proud to show that they understood their responsibility as well as do the manufacturer and the merchant who are the clients of the big banks.

THE OTHER BANKS—FACTS AND FIGURES

We have dwelt more upon the results of the Levis Bank than we shall upon those of others, because the Levis experiment is the oldest and was founded in order to convince us that such a bank could be worked out successfully in Canada. With the utmost care we watched this pioneer bank in its different stages, strengthening or rejecting points that might be inferior or faulty. It required eight years of excellent results to dispel in our mind every vestige of hesitation, timidity or uneasiness for the future. It may be that we indulged in too many precautions, that we overdid the experiment, but this should not be a subject of blame but rather of commendation, since those precautions show that we did not allow ourselves to be carried away by the attractions of a new system, but that we acted with even an exaggerated prudence and wisdom. This explains also why the expansion of cooperative banks outside of Levis was begun only four years ago. We wished to complete the experiment before spreading any knowledge of it. So during eight long years and more we steadily refused every invitation to organize them elsewhere, with the exception of two cases, where, on account of the proximity of the localities, we could supervise personally the working of the banks.*

There are now over 150 cooperative banks in Canada—not one of which has yet lost a penny. Obviously, to give the history of each would take too long. We will therefore speak only of those that typify distinct groups because of the peculiar character of the locality and the special calling of the majority of the population. These are (1) banks in urban centers with a laboring population; (2) banks in rural agricultural centers; (3) those in mining districts; and (4) banks among settlers.

1. URBAN AND LABORING DISTRICTS.

Levis as an urban district has already been quoted. Let us now take Quebec and Montreal. The cooperative bank

*There is no Dominion law in Canada for cooperative banks. Quebec has enacted a provincial statute recommended by M. Desjardins but outside of this province cooperative banks must be formed as voluntary associations.—Ed.

of St. Sauveur, a suburb of Quebec, was founded in January, 1909. On November 30, 1912, it had \$24,802.21 in assets and a general turnover of \$57,334 for less than three years.

The Quebec-East People's Bank, in another suburb of Quebec, was organized in August, 1910, and on January 31, 1913, after 30 months of existence, it had assets of \$12,893.19 and a general turnover of \$32,163.32, with loans to the amount of \$21,780.69. It had 350 members, 136 depositors and 91 borrowers. The penny savings system organized for the benefit of the school children had in a few months collected \$207.79.

The oldest people's bank in Montreal was established in the parish of the Immaculate Conception, January 31, 1909. At the end of January, 1913, its assets amounted to \$20,867.45 and its general turnover to \$111,272.00.

In the parish of St. Joseph a bank was started April 7, 1912, and 23 days later its assets amounted to \$1,807; on December 31, 1912, they had increased to \$3,552.01, and the general turnover was \$6,415.41.

In the parish of St. Stanislas a bank was organized on May 12, 1912, and its progress has been even more considerable, taking into consideration the time and circumstances. On Dec. 31, 1912, seven and a half months after its organization, total assets had reached \$5,227.74, with a general turnover of \$12,110.71.

Three Rivers is a small manufacturing city of about 18,000. Its cooperative bank was organized October 17, 1909, and on January 31, 1913, its assets amounted to over \$43,280; its general turnover to \$104,959.70; its loans to \$49,794.40; deposits received, \$64,266.34; deposits withdrawn, \$43,101.68. It had paid for interest on deposits \$306.69; for dividends on shares, \$615.86; for all expenses, only \$135.81. The last item is indeed very small compared with the general business done of \$104,959.70. Its guarantee fund is already close to \$600.

There are also localities outside the large cities or towns where workingmen are in the majority. These are to be found in rural districts where a considerable number of families are living out of their labor in the woods; for example, or in some small local industry. These small centers present a variety by themselves and have to a certain extent

the character of an urban district. In such localities people's banks are prosperous and render great service to the laboring men.

Matane, in the country of Rimouski, has a people's bank opened on August 20, 1911; in 18 months the total turnover reached \$11,302.80. The assets on the 28th of February, 1913, were \$4,760.26.

St. Joseph of Levis, including the small town of Lauzon, has a population composed mostly of workingmen. Its co-operative bank was organized in 1901. On January 31, 1913, assets amounted to \$9,140.96; the general turnover, to \$64,630.31; loans to members to \$33,293.13. \$778 had been distributed in interest and dividends. The guarantee fund stood at \$705.16.

The Windsor Mills People's Bank during eight months—from October 1, 1911, to May 21, 1912—had done business amounting to \$2,340, of which \$1,457 was for small loans.

The People's Bank of Ste. Anne, in the city of Ottawa, was organized on April 1, 1912, and on January 1, 1913, the assets were \$5,415.51, and the general turnover for the nine months had reached \$10,355.97.

Let us see how such a bank works among a population employed almost entirely in a great cotton mill, the "Montmorency Falls Cotton Mill." The parishes of St. Gregoire and St. Louis de Courville are largely populated by workingmen who find their living in that industry. Each of them has its parish bank. That of St. Gregoire has assets amounting to \$7,000, and the current loans exceed \$5,000. The general turnover has reached \$35,000. St. Louis de Courville has had its parish bank only since April 29, 1912; the assets exceed \$11,000; the general turnover, \$13,191; loans, \$6,680.

2. AGRICULTURAL DISTRICTS

Let us now see what has been done in purely farming districts among that class of people which up to now has been without economic organization, the victim of the cupidity of the middlemen and the trusts. This deplorable state of affairs has been one of the most active agencies in the movement from the farms to the cities. If it continues we

may perhaps in Canada see a situation like that deplored by René Bazin, who, writing of his native land, exclaimed: "The farms are deserted and dying!"

It is of the highest importance that the farmers should be organized as are other classes of the community, and the first step toward this end is an institution that will afford these tillers of the soil the capital they need to improve their industry. They should not be frightened at an innovation by those so-called wise men who exaggerate prudence and who, as a matter of fact, are the victims of their own intellectual deformity or of a deplorable professional prejudice which causes them to look at any new step with fear or bias. Obviously, wisdom is necessary, but audacity coupled with thoughtfulness and prudence is also the key to progress. These men always want to see "how the enterprise will turn out" before taking part in any movement even if it has sustained the test of experience. We have met a good many of these unfortunate human beings who are always behind the rest of the population but who believe themselves to be leaders.

As a whole our countrymen are in sympathy with progress based upon wisdom and do not, thank God, fear to take upon themselves the responsibility that it involves. That our rural population is endowed with intelligence is apparent by the number of cooperative banks which are now working with great success among industrious and honest farmers.

St. Ulric in the County of Rimouski, situated along the shores of the St. Lawrence, is a parish having a population of about 1,600, all farmers. A cooperative bank was organized on September 26, 1909, and in 37 months it had accumulated assets of \$24,460.38 and its general business had reached the rather startling figure of \$116,817.86, of which there have been loans amounting to \$73,530.05. Not a cent has been lost on those loans. The dividends paid amounted to \$632, and interest on deposits to \$562. The reserve or guarantee fund stands at \$664, representing almost 10% of the share capital paid in.

Armagh, in the County of Bellechasse, has a population of about 1,400, all farmers. The bank there was organized on February 13, 1910, and on December 31, 1912, after a lapse

of 34 months, the assets amounted to \$27,138.23 and the turnover, the enormous figure of \$356,686.03; the loans, \$37,643.58. The dividends paid on shares amount to \$400.68; the interest on deposits to \$533.79, while the guarantee fund stands at \$701.82, or more than 12% of the amount paid in upon shares. To give an idea how small is the cost of management, it will be sufficient to state that the whole expenses incurred were but \$173.49 for Armagh and for St. Ulric, \$168.27.*

The parish bank of St. Maurice of Champlain, an exclusively rural parish, was founded August 1, 1909. Its assets on November 30, 1912, were over \$54,000 and its general turnover for the period of 39 months had reached the enormous sum of \$424,000 in round figures, although the population of the whole parish does not exceed 1,000.

Maria, in the county of Bonaventure, is a small parish situated on the shores of the Bay des Chaleurs, near the Gulf of St. Lawrence. Its population is about 800. The majority are farmers, but a good number of families are still living on what was the only industry in that place in years gone by—fishery. The cooperative bank was organized there on September 13, 1908, and on November 30, 1912, the assets were \$20,485.06, and the general business done in those four years had reached the amount of \$49,294.36, of which \$29,625.91 had been for loans. Interest paid on deposits amounted to \$468.51; dividends on shares to \$334.48; and the total expense for the four years to \$530.67. It must be stated here that the population is poor and it is a wonder to every one who knows the locality that such splendid results could have been achieved in so short a period.

Let us now take up still smaller parishes, where, fortunately, energetic and enterprising citizens are to be found, and we will see still better results considering the number of people.

St. Jean des Piles with a population of 800, part of whom are laboring men and the rest very small farmers, is situated in a rather poor agricultural country at the foot of the Laurentian Mountains in the district of Three Rivers, half

*By way of illustrating the continuous and rapid growth of these banks, especially in farming communities, the report of the Armagh bank on May 31, 1914, is given: Assets, \$79,749; general turnover, \$568,653; loans, \$123,060; dividends paid, \$1,209; interest paid on deposits, \$1,930; guarantee fund, \$1,673. While all of these items showed a large increase, expenses increased to only \$225, an increase of barely \$52.

way between Montreal and Quebec. Its cooperative bank was organized on August 22, 1910, and on September 30, 1912, in 25 months, it had accumulated assets of \$11,972.60, and its general turnover amounted to \$60,378.49; loans, \$36,236.77; interest paid on deposits, \$308.86; dividends on shares, \$172.42; guarantee fund, \$354.77; savings deposits, \$30,551.56; withdrawals, \$21,683.64. The total expenses were \$224.30.

The total number of loans was at that date, 459, divided into very small sums: i. e., loans of \$10 and less, 44; from \$10 to \$20, 76; from \$20 to \$30, 86; from \$30 to \$40, 48; from \$40 to \$50, 40; from \$50 to \$60, 20; from \$60 to \$75, 24; from \$75 to \$100, 30; from \$100 to \$150, 37; from \$150 to \$200, 20; from \$200 to \$300, 19; from \$300 to \$500, 12; and from \$500 upward, 2. There has even been a loan of \$1,000, making a grand total of \$36,236.77.

St. Joseph, situated to the extreme west of the Province of Quebec; in fact, the last parish on the west, is mainly inhabited by poor settlers. The total population is about 1,400, out of which there are 500 to 600 Indians. The parish bank was organized on October 22, 1911, and on January 31, 1913, the assets were \$8,225.94; the general turnover, \$34,829.91; total loans, \$16,805.77; savings deposits, \$23,240.55; withdrawals, \$16,964.11; interest paid on deposits, \$102.96; dividends, \$23.80; general expenses, \$45.00; guarantee fund, \$51.42.

St. Onesime of Kamouraska is a very small parish inhabited mostly by farmers and settlers who have to work in the shanties of the lumbermen part of the year to supplement their poor agricultural earnings. When we were invited to organize a bank there the priest asked us if his parish was not too small for such a venture. We answered no, and went there to organize the bank in May, 1912. On December 31, 1912, the assets were \$2,913.80; savings deposits, \$3,322.51; the general turnover had been \$3,938.29, the amount loaned out, \$571; withdrawals, \$975.99.

For a number of the above-mentioned parish banks we have given the amounts of savings deposits received and withdrawn, but we could have noted the same facts for every one of the 150 now in operation, as they all carry on the savings business with equal success. For instance, the Levis

Cooperative People's Bank up to January 31, 1913, had received savings deposits amounting to \$549,699.34 and had reimbursed \$493,490.57, leaving on that date a balance of \$56,208.77.

3. MINING CENTERS

Perhaps the worst ground to be chosen on account of the shifting character of the population is a mining center. In spite of this great difficulty, however, the cooperative bank has succeeded here better than one could expect.

Thetford Mines is known all over Canada as the greatest asbestos mining center on the continent. The population of about 7,000 works in the mines. The people's bank was organized about four years ago; its assets are over \$30,000 and its general turnover exceeds \$100,000.

Black Lake is another small mining town, situated three miles from Thetford Mines. Its bank was organized four years ago. Without so considerable a showing as the Thetford Mines bank, it is nevertheless proud to point to its general turnover of \$12,000, and to its numerous small loans granted to miners amounting in all to \$9,143.82.

4. BANKS AMONG SETTLERS

We now come to the last group of people served by cooperative banks and from our standpoint it is the one which more than any other deserves attention. The value of the tree is to be judged by the excellence of its fruit and what we are going to relate should induce one to think of the future possibilities that are in store for the colonization of the immense territory yet to be settled in Canada.

On November 2, 1910, at the invitation of the parish priest of St. Damase of Matane who wished to organize a cooperative bank in his parish, we had the pleasure of visiting that locality, mainly inhabited by poor but courageous settlers. The population consisted then of about 700 souls. As elsewhere in Canada, the settlers of St. Damase are industrious, honest, and full of that energy which is needed to conquer and settle new land. But settlers are generally very poor, and

we confess that we were not very hopeful about the success of a cooperative bank among them.

From the start, however, members were eager to join. But our apprehension persisted for some time, for we could not believe that the enthusiasm shown at first would continue. It did continue, however, and on January 31, 1913, 26 months after it was founded, the bank had in round figures assets of \$6,900 and showed a total business of \$25,356.78. True the guarantee fund laid aside was very small, but its very existence proved that the members were hopeful and had faith in the future. The loans granted amounted to \$14,140.18; \$4,825.05 had been paid on shares, and \$11,021.81 in savings deposits. Such were the wonderful results of the bold initiative of a devoted priest and of an intelligent population who well understood how to use the self-help principle. Our fears were entirely dispelled and our confidence at the elasticity of the scheme increased to enthusiasm.

St. Martin, in the County of Beauce, is another instance of the same character and the results were as good as those already mentioned. The bank there was organized on July 25, 1910, and on August 31, 1912, 25 months later, it had assets of \$8,864 and had done a total business amounting to \$92,417, while the loans had reached a total of \$43,092.

Ste. Euphemie, in the County of Montmagny, is a very small parish exclusively rural, with a population of about 400. The land is poor and hilly, sparsely settled and opened up to farming within a relatively recent period. The idea of organizing a cooperative bank in this locality seemed a most hazardous one. Nevertheless the experiment was tried and the following figures tell their own story in such a vivid and convincing way that one need add nothing to their interesting tale.

The parish bank was organized November 13, 1910, and on January 31, 1913; that is, some 26 months afterwards, the total assets were \$5,103.41 of which \$4,568.73 was loaned out in short-time loans. The general business done reached \$11,000.48, of which \$7,502.76 was for loans and \$2,934.03 had been reimbursed. Not a cent had yet been lost nor was in danger of being lost.

The guarantee fund amounted to \$94.79; the interest paid on savings deposits, \$26.56; dividends, \$94.98, and the

total expenses \$40.50. The bank had received \$5,512.80 in deposits and had reimbursed depositors to the sum of \$2,728.34, leaving still on hand a balance of \$2,784.46. The shares paid in totaled \$2,221.10; refunded, \$77.58 only; balance on hand, \$2,143.52—the whole showing a magnificent result surpassing our most sanguine expectations.

We recently had the pleasure of meeting the parish priest of St. Joseph of North Temiscamingue and we asked him how the bank in his parish was doing. He said that it was more and more appreciated by the population and added that several Indians were the best members of the bank, some of them being so enthusiastic that they bought a share for their children on the day of their birth.

PEOPLE'S BANKS IN THE UNITED STATES

Cooperative banks exist also in New Hampshire and Massachusetts, and so far as we have heard, all are doing well. The Commonwealth of Massachusetts in 1909 enacted a law to authorize the formation of cooperative banks, and on a recent visit to Boston, we were told by the Assistant Bank Commissioner that over 30 such banks, called credit unions, were in full operation. We have the figures for two of these institutions and are happy to quote them as instances of the success of such banks in the United States.

The St. Jean Baptist Credit Union of Lynn, organized by the Reverend Father Parent, whose zeal and devotion are well known to all his parishioners, is a very prosperous institution. On January 31, 1913 the assets were \$16,754.27; the general turnover, \$27,525.35; loans, \$17,834, of which \$14,704.17 were still outstanding. The interest paid on deposits amounted to \$82.50; dividends to \$424.32 and total guarantee fund to \$233.21. These results were achieved in the short period of 28 months.

The Credit Union of the parish of Saint Ann of New Bedford was organized by the parish priest, ever zealous for the welfare of his flock, Rev. Father O. Valois. After two years of operation, on December 31, 1912, the assets were \$10,551.86; the general turnover, \$20,159.31; loans, \$12,152, of

which \$7,930 were still outstanding. There was a total guarantee fund of \$129.89.

There are also in operation in the United States a number of credit unions among Jewish farmers in New York, Massachusetts, Connecticut and New Jersey.

SHARES

We now turn to the internal structure of the system and to its workings, and call particular attention to the withdrawable feature of the share capital. As previously set forth, it has been frequently objected that such a facility offered to members would seriously handicap the working of the funds. This apparent objection, however, falls completely to the ground in the light of a practical experience extending over many years under the most varied circumstances. For instance, the Levis Cooperative Bank has reimbursed \$19,950 of its share capital during its 12 years and two months of existence, and still the amount of the share capital is constantly increasing, being on January 31, 1913, \$124,931.39. This has been the case in all of the 150 banks which have been in operation for any length of time.

If on the other hand, the shares had not been withdrawable, the tendency would have been to make them as small as possible, as is done in Belgium, for instance, where shares are as small as one franc each. This is done that only the most insignificant amount need be so immobilized, each member being required to subscribe for only one share, the balance of their savings being placed on deposit.

The European system is based upon unlimited and joint liability, because many of the cooperative banks there mainly draw their funds from outside sources, while in our new system appeal is made largely to the spirit of thrift of the members.

Having taken such a view, there was no necessity of appealing to the unlimited and joint-liability principle. The pioneers of the cooperative credit movement in Europe did the best they could with the elements they had to deal with, and in departing from the main principle of their system, we acted not in a spirit of criticism or self-pride, but with

a sense of practical economics. We admired what had been done in Europe, but we thought that our admiration should not prevent us from improving upon the old system or adopting a new one better suited to the conditions, circumstances, ideas, and prejudices of our people.*

DIVIDENDS

The yearly dividend on shares has been invariably at least four per cent., even for the first year of operation. Some banks have even paid five per cent., but we cannot approve of such a course. It is extravagant and should not be indulged in during the first years, because it is of paramount importance to increase the guarantee fund considerably before granting such a dividend. If there is one principle that should more than any other be always strictly adhered to, it is that the dividend should never be lowered. Therefore wisdom compels one to be very careful about increasing the rate paid on shares. A good system that we recommend is to increase the dividend, not according to yearly profits but according to the increase of the guarantee fund. Of course, the larger the guarantee fund, the larger also will be the yearly profits, for that fund is not supposed to be idle; on the contrary it earns something and thereby increases the total gross profits.

DURATION OF LOANS

Most of the loans made by the Canadian cooperative banks are for short terms extending to six months at the outset, some having been renewed for an additional six months or more; but loans have also been made for several years' duration upon mortgages.

*On page 847 of the Report of the American Commission, Mr. Henry W. Wolff is quoted as saying: "In Canada there is a cluster of admirable banks which have been in existence since 1900.....I do not recommend them because they are in a very imperfect and elementary state. The first bank was formed in Quebec in 1900 and is an exact facsimile of the Luzzatti bank, and the Luzzatti system is the one most likely to fail in America."

Mr. Wolff now states that his views concerning the Canadian cooperative banks have been incorrectly reported. In a letter to M. Desjardins of May 2, 1914, he reaffirms the opinion he expressed in an article in the *Economic Review* of London of October, 1913, that the Canadian system of cooperative banks is the one system likely to succeed in the United States.

Nothing prevents such banks, especially after some years of existence, from granting loans for 5, 10, 15, 20 or even more years, repayable by annual instalments or amortization, including both principal and interest, so that at the end of the period prescribed, the whole debt is extinguished. As a matter of fact the Levis Cooperative Bank has granted such a loan extending to 25 years, repayable by annual instalments including $1/25$ of the principal and the interest due for the balance of the loan, deduction being made each year for the amount repaid upon the principal.

Such long-time loans can be safely made when the guarantee fund has reached a sum of some importance representing, say, three-fifths of the total amount of such loans, and when the share capital has become steady, being almost free of yearly withdrawals. As the bank grows older and these withdrawals become less and less in amount—the holders of shares preferring to borrow so as not to lose current dividends—these shares are secured to the bank. Moreover, we have observed, especially after four or five years, a general tendency on the part of shareholders to buy the shares of those who wish to withdraw them, thus protecting the society against any serious decrease in the amount of its capital. That has been and is our constant experience with the Levis Cooperative Bank, and no doubt the same result will prevail later with others.

All these factors make it possible to grant long-time loans. The rural cooperative banks of Europe make loans for even a term of 30 years, and during their history of over 60 years none has experienced any difficulty on this account.

NO LOSS

A most remarkable fact, already stated but which deserves special emphasis, is that we have never yet heard that any of these cooperative banks have lost one cent upon its loans. A Boston banker, being apprised of this fact, told us that it is a marvel, but he acknowledged that it is due to the network of provisions made to insure their good working and to the field of activity so happily chosen in which they are carrying on their beneficial work.

CONCLUSION

While the foregoing pages contain much evidence of the material advantages already derived by the people from the working of these cooperative banks, financial betterment is not the only benefit. For instance, we are often met by the objection that as there is an agency or branch of a commercial bank in the parish, there is no necessity to organize a cooperative people's bank. Such an objection shows a complete failure to understand the material benefits and moral influence of our societies. 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 to enlighten these same farmers and workingmen so that they may be in a 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 the People's Banks. Success for the young democracies of this continent depends upon the prosperity and worth of life to the millions of workingmen who compose them. For the benefit of these, let us substitute for the old phrase, the "struggle for life," the new Christian ideal, "union for life."

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