CHAPTER 27

Cooperative Credit Unions

**SECTION 34‑27‑110.** Powers and duties of supervision committee.

The supervision committee shall supervise the acts of its board of directors, credit committee and shall make or cause to be made an annual audit and shall submit a report of that audit to the board of directors and a summary of the report to the members at the next annual meeting of the credit union; shall make or cause to be made such supplementary audits as the supervision committee deems necessary to the board of directors; may by unanimous vote suspend any officer of the credit union or any member of the credit committee or of the board of directors, until the next members' meeting, which shall be held not less than seven nor more than fourteen days after any such suspension, at which meeting any such suspension shall be acted upon by the members; and may call by a majority vote a special meeting of the members to consider any violation of this chapter, the charter, or the bylaws, or any practice of the credit union deemed by the supervision committee to be unsafe or unauthorized. Any member of the supervision committee may be suspended by a majority vote of the board of directors. The members shall decide, at a meeting held not less than seven nor more than fourteen days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervision committee. The supervision committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, and not less frequently than once every two years. As used in this section, the term "passbook" shall include any book, statement of account, or other record approved by the commission for use by state credit unions.

HISTORY: 1962 Code Section 8‑662; 1952 (47) 1950; 1977 Act No. 87 Section 4.

**SECTION 34‑27‑130.** Officers.

At its first meeting, following the annual meeting, the board of directors shall elect officers from their number as prescribed in the bylaws, who shall be the executive officers of the corporation. The offices of secretary and treasurer may be held by the same person.

HISTORY: 1962 Code Section 8‑659; 1952 (47) 1950; 1961 (52) 175; 1977 Act No. 87 Section 2; 1979 Act No. 38 Section 3; 1982 Act No. 359, Section 6.

**SECTION 34‑27‑140.** Compensation of directors, officers, and committeemen.

No officer, director or credit committee member shall receive any compensation, directly or indirectly, for the services he performs for the credit union as such officer, director or credit committee member, except the treasurer who may be compensated for his services in the amount and in the way and manner provided for by the board of directors.

HISTORY: 1962 Code Section 8‑660; 1952 (47) 1950.

**SECTION 34‑27‑150.** Capital stock; entrance fee.

The capital stock of the credit union shall be unlimited in amount; shares of capital stock may be subscribed for and paid in such manner as the bylaws shall prescribe, but no certificate of shares shall be issued until the shares have been fully paid up. The par value of each share of the capital stock shall be set by each credit union in an amount not to exceed one hundred dollars. As an initial payment for the privilege of membership, the board of directors may assess a reasonable entrance fee. However, the board may elect to waive entrance fees. Each member must subscribe for not less than one share of capital stock.

HISTORY: 1962 Code Section 8‑664; 1952 (47) 1950; 1961 (52) 175; 1971 (57) 768; 1979 Act No. 38 Section 4; 1982 Act No. 359, Section 1.

**SECTION 34‑27‑160.** Shares of minors and trustees.

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

HISTORY: 1962 Code Section 8‑665; 1952 (47) 1950; 1961 (52) 175.

**SECTION 34‑27‑170.** Expulsion of members.

The board of directors may expel from the credit union 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 chapter or of the bylaws of the credit union, or whose private life is a source of scandal, or who habitually neglects to pay his debts, or who shall become insolvent or bankrupt, or who shall have deceived the credit union with regard to his property, resources, credit or use of borrowed money, but no member shall be so expelled until he has been informed in writing of the charges against him, and until an opportunity has been given him, after reasonable notice, to be heard thereon.

HISTORY: 1962 Code Section 8‑666; 1952 (47) 1950.

**SECTION 34‑27‑180.** Settlement with withdrawing or expelled member.

The amounts paid in on shares by members who have withdrawn or who have been expelled shall be paid to them, less all accrued interest and other gains or profits, but in order of withdrawal or expulsion and only as funds therefor become available, and after deducting any amounts due by the members to the credit union, but such expulsion shall not operate to relieve a member from any remaining liability to the credit union.

HISTORY: 1962 Code Section 8‑667; 1952 (47) 1950; 1961 (52) 175.

**SECTION 34‑27‑190.** Loans and investments.

The capital and the surplus funds of the credit union shall be either lent to the members for such purposes and upon such security and terms as the credit committee shall approve, or be deposited to the credit of the credit union in savings and loan associations or in building and loan associations or in trust companies or in State banks incorporated under the laws of this State or in national banks or in other credit unions, or invested in any investment which is legal for banks in this State.

HISTORY: 1962 Code Section 8‑668; 1952 (47) 1950; 1961 (52) 175, 673.

**SECTION 34‑27‑200.** Approval of loans.

The credit committee shall approve every loan or advance made by the credit union with the exception that it may delegate these powers to a loan officer and such officer shall not disburse a loan that he approves. Every application for a loan shall be made in writing and shall state the purpose for which the loan is desired and the security offered. No loan shall be made unless the credit committee is satisfied that it promises to benefit the borrower, nor unless it has the unanimous approval of those members of the committee who were present when it was considered; nor if any member of the committee shall disapprove thereof; but the applicant for a loan may appeal from the decision of the credit committee to the board of directors. Loans to members of the credit committee shall be approved by the board of directors.

The credit committee may grant loans to credit committee members and loan officers and loan officers may grant loans to credit committee members and other loan officers if the loan is to be fully secured by shares on deposit in the same credit union. In order to expedite other loan applications made by a member of the credit committee or loan officer, the credit union may gain approval by mail, in person, or telephone from the majority of the board of directors. Should this be done, it will be the duty of the approving directors to sign the loan application at the next scheduled board meeting.

HISTORY: 1962 Code Section 8‑669; 1952 (47) 1950; 1969 (56) 193; 1977 Act No. 87 Section 5.

**SECTION 34‑27‑210.** Payment of loans.

A borrower may repay the whole or any part of his loan in any day on which the office of the credit union is open for the transaction of business. For the failure to pay the interest or any installment required by the terms of the loan, the borrower may be fined if the bylaws so prescribe.

HISTORY: 1962 Code Section 8‑670; 1952 (47) 1950.

**SECTION 34‑27‑230.** Declaration and payment of dividends.

A dividend may be declared by the board of directors at different rates on different types of accounts to be paid or accrued at any interval authorized by the board from undivided surplus remaining after the deduction of all expenses and amounts required to be set apart as a guaranty fund. Such dividend shall be paid on all fully paid shares outstanding at the close of the fiscal year, but shares which become fully paid during the year shall be entitled only to a proportional part of the dividend, calculated from a day of the month to be designated by the board of directors which shall be no later than the tenth day following such payment in full. Dividends due to a member shall be paid to him in cash or credited to the account of partly paid shares for which he has subscribed. Provided, the board of directors may elect to pay quarterly or semiannual dividends, in which case the provisions would apply to a three‑month period ending the last day of each calendar quarter if paid quarterly or, if the semiannual case, a six‑month period would apply ending June thirtieth and December thirty‑first. Provided, further, the board may elect to grant dividends to members based on a daily balance in which case they would still be paid at the end of the quarterly, semiannual or annual period.

HISTORY: 1962 Code Section 8‑672; 1952 (47) 1950; 1961 (52) 175; 1969 (56) 193; 1971 (57) 768; 1977 Act No. 87 Section 6; 1982 Act No. 359, Section 7.

**SECTION 34‑27‑240.** Fiscal year.

The fiscal year of every such cooperative credit union shall end at the close of business on December thirty‑first or any other date approved by the State Board of Bank Control.

HISTORY: 1962 Code Section 8‑673; 1952 (47) 1950; 1961 (52) 175.

**SECTION 34‑27‑250.** Annual reports; fees.

Within thirty‑one days after the last business day of December in each year, every cooperative credit union shall make a report to the State Board of Bank Control, in such form as the Board may prescribe, signed by its president and its treasurer and by a majority of its supervision committee, which report shall certify and make oath that it is correct according to the best knowledge and belief of the president, the treasurer and the supervision committee of the cooperative credit union. Every cooperative credit union shall pay a filing fee of ten dollars at the time of filing the annual report provided by this section. Any cooperative credit union which neglects to make the annual report within the time prescribed shall forfeit to the State five dollars for each day during which such neglect continues unless the Board for good and valid reasons has granted the cooperative credit union a reasonable extension of time.

HISTORY: 1962 Code Section 8‑674; 1952 (47) 1950; 1960 (51) 1779.

**SECTION 34‑27‑260.** Dissolution.

Upon the recommendation of the board of directors and upon approval of the Board of Financial Institutions, a state credit union may go into voluntary liquidation after obtaining approval of a majority of its members in writing or by a vote in favor of such liquidation by a majority of the members of the credit union at a regular meeting of the members or at a special meeting called for that purpose. Where authorization for liquidation is to be obtained at a meeting of members, notice in writing shall be given to each member at least seven days before such meeting and minutes of the meeting shall show the number of members present and the number that voted for and against liquidation. If approval by a majority of all members is not obtained at the meeting of members, authorization for voluntary liquidation may be obtained by having a majority of members sign a statement in substantially the following form:

"I the undersigned member of the \_\_\_\_\_\_\_\_\_\_ Credit Union hereby request the dissolution of our credit union." A committee of three members shall thereupon be elected to liquidate the assets of the credit union, and each share of the capital stock, according to the amount paid in thereon, shall be entitled to its proportion of the proceeds after all debts of the credit union have been paid.

HISTORY: 1962 Code Section 8‑675; 1952 (47) 1950; 1961 (52) 175; 1977 Act No. 87 Section 7.

**SECTION 34‑27‑270.** Conversion of state into federal or federal into state credit union.

Any state‑chartered credit union operating in the State may convert into a federal chartered credit union and any federal‑chartered credit union may convert into a state‑chartered credit union upon approval of the authority under whose supervision the converted credit union will operate and upon compliance with applicable federal laws as to a converted federal credit union and upon compliance with applicable state laws as to a converted state credit union. The procedure for obtaining approval and effecting the conversion shall be as follows:

(1) A meeting of the board of directors, either regular or special, shall be called for the purpose of voting on converting from a Federal credit union to a State credit union or from a State credit union to a Federal credit union. A majority of the board of directors shall adopt a resolution approving the contemplated conversion.

(2) A meeting, either regular or special, of the shareholders shall then be called for voting on the proposed conversion. Notice of the meeting shall be given in the manner prescribed in the bylaws, and it shall be given not more than thirty days nor less than ten days prior to the date of the meeting. Proof of giving of the notice shall be by the affidavit of the president of the credit union. A majority of the members present at this meeting shall then approve the proposed conversion.

(3) Within ten days after the approval of the conversion by the majority of the shareholders, the president, vice‑president or treasurer shall file a verified copy of the resolution adopted by the board of directors with the State or Federal authority under whose supervision the converting credit union is to operate.

(4) Prior to the issuance of the articles of incorporation to a federal credit union converting to a state chartered credit union the State Board of Financial Institutions shall examine the records of the credit union seeking conversion along with its bylaws and proposed articles of incorporation to determine its financial condition and ability and intention to comply with state law. Unless the Board approves the issuance of the proposed articles of incorporation they shall not be issued.

(5) Upon the filing of the articles of incorporation with the proper state or federal authorities and with the written approval of the state authorities for credit unions applying for conversion to state credit unions or with the written approval of the federal authorities for credit unions applying for conversion to federal credit unions, the converting credit union shall, upon compliance with all other applicable state or federal laws, become a credit union under the laws of this State or the United States, as the case may be; and thereupon, all assets shall become the property of the new state or federal credit union, as the case may be, subject to all existing liabilities against the credit union, and every person who was a shareholder or member of the converting credit union shall be a shareholder in the new state or federal chartered credit union in like amount.

(6) In consummation of the conversion, the old credit union may execute, acknowledge and deliver to the newly chartered credit union instruments of transfer necessary to accomplish the transfer of any property and all right, title and interest therein.

HISTORY: 1962 Code Section 8‑676; 1961 (52) 175; 1980 Act No. 421, Section 2.

**SECTION 34‑27‑280.** Share certificates.

Notwithstanding any other provision of law, state chartered credit unions are authorized to issue share certificates to members and may vary the dividend rates and maturities on such share certificates. They shall impose the same penalties for withdrawal of funds before maturity as imposed on Federal credit unions by the National Credit Union Administration. Also, maximum dividend rates paid on such share certificates and minimum dollar requirements shall be the same as allowed Federal credit unions by the National Credit Union Administration, except that there shall be no maximum dividend rate on corporate share certificates issued to credit unions.

HISTORY: 1978 Act No. 644, Part II Section 45.

**SECTION 34‑27‑290.** Authority for state‑chartered credit unions to operate branches in other states.

(1) With the prior approval of the State Board of Financial Institutions, a credit union chartered under the law of another state may, subject to the laws of this State governing state‑chartered credit unions, conduct business as a credit union in this State. The Board shall approve an application for approval under this section if:

(a) The laws of the state in which the out‑of‑state credit union is chartered permit credit unions chartered in South Carolina to establish one or more branches in that state;

(b) Any conditions, restrictions, and requirements (other than regulations or requirements relating to the procedural steps necessary for approval of transactions authorized by this section) that would apply to the approval of authority to transact business in the state where the out‑of‑state credit union is chartered which would not apply to credit unions organized under the laws of that state are made applicable to the operation of the out‑of‑state credit union in this State;

(c) The out‑of‑state credit union is financially solvent, has account insurance comparable to that required for state‑chartered credit unions organized under this chapter, and submits evidence that it needs to conduct business in South Carolina in order to adequately serve its members in this State.

(2) The State Board of Financial Institutions may require reports under oath to keep it informed as to whether an out‑of‑state credit union authorized to conduct business in South Carolina pursuant to this section is in compliance with the provisions of this chapter and regulations and orders issued under this chapter. The Board may make examinations of the credit union, the cost of which is assessed against the credit union.

(3) The State Board of Financial Institutions may enter into cooperative and reciprocal agreements with the credit union regulatory authorities of other states for the periodic examination of out‑of‑state credit unions authorized to do business in this State pursuant to this section and may accept reports of examinations and other records from the authorities in lieu of conducting its own examinations. The Board may enter into joint actions with other regulatory bodies having concurrent jurisdiction over a state‑chartered credit union or may enter into the actions independently to carry out its responsibilities under this chapter and to assure compliance with the laws of this State.

(4) An out‑of‑state credit union authorized to conduct business in South Carolina pursuant to this section shall advise the State Board of Financial Institutions of the name and address of its resident agent located in South Carolina who is authorized to accept service of process on its behalf and shall promptly advise the Board of any changes in the office and agent it has filed with the Board.

HISTORY: 1984 Act No. 395, Section 3; 1985 Act No. 15.

**SECTION 34‑27‑300.** Credit unions exempt from business license taxes.

Credit unions chartered under the laws of South Carolina pursuant to Section 34‑27‑40 are exempt from business license taxes.

HISTORY: 1991 Act No. 154, Section 1, eff June 12, 1991.