

COOPERATIVE CREDIT UNIONS IN OKLAHOMA

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By

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PREFACE

Credit unions in Oklahoma operate under two Laws. One is the State Law passed in 1933, and the other is the Federal Credit Union Laws passed in 1934.

The reader should bear in mind that this study is not an attempt to evaluate either of these two Laws or to try to determine which type of organization is the most successful, and, anyone looking for such information should seek another source. Those who deal with credit union organization and development are not interested in whether a union is organized under Federal or State charter; their interest lies in the progress and success of all credit unions.

To acknowledge all of those who have assisted me in this study would require a long list, but, I would like to acknowledge the valuable information and suggestions given by Mr. C. R. Orchard and Mr. Milton Rygh of the Credit Union Section of the Farm Credit Administration, Mr. E. E. Wilson, the Chief Examiner for the Bank Commissioner, Mr. C. G. Hyland of the Credit Union National Association, the Oklahoma Credit Union League, and all of those credit unions answering the questionnaire that made the study possible.

H.E.P.

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CHAPTER I

FUNCTION OF CREDIT UNIONS

The problem of making one's financial resources serve his needs is one that faces millions of people today, just as it did yesterday and will tomorrow. One partial solution to this problem may be found in cooperative credit unions. According to Mr. Bergengren a cooperative credit society is:

..... a group of people, organized on the cooperative plan for the purpose of pooling their joint resources, thereby making it possible to care for the credit problems of the members of the group at fair interest rates, with all of the net earnings resulting from the interest charged on the loans (made exclusively to members) reverting to the members as dividends on their savings in the pool.¹

Credit unions are making it easier for the small wage earners to solve their financial problems. The past decade has seen a tremendous growth in this type of credit where people can borrow, from time to time, small amounts of money at low rates of interest. Every day someone finds it necessary to borrow small sums of money and unless he can borrow from the credit union he usually has to pay an extremely high rate of interest.

The purpose of the credit union is to help the person of small income with his personal finance. For the majority of the people their whole life is built around the making and spending of money. Thus, the aim of the credit union is to create a source of credit for productive or provident purposes.

The man who is able to meet his money problems from his savings account is the man who has adjusted his expenditures to fit his income and has put aside money for the proverbial "rainy day". This is indeed a difficult task and there are a large number who are not able to do this.

¹Roy F. Bergengren. Credit Union A Cooperative Banking Book, p. 9.

It is this group that the credit union serves best. Most everyone is familiar with unforeseen incidents which arise that cannot be met out of current income, such as accidents, deaths, hospital bills, out of town trips, and many others which occur at the most inopportune time.

When these expenses occur, one may borrow in several ways. He may get cash through a loan, or borrow through the charge account, or use the installment plan. In doing this he often pays more than he realizes.

To facilitate such borrowings a group with some bond of fellowship agrees to organize a credit union. After the union is established, it begins business by taking the savings of its members and pooling them into a central fund. This fund is available for member borrowings. They pay back these loans, usually, in regular payday installments with sufficient time allowed for repaying the entire amount. This creates a revolving fund, and is increased with the additional savings of old and new members. Interest charges on these loans are very small on whatever amount remains unpaid. The earnings of the credit union are used to pay expenses and to set up reserves, the remainder is returned to members as a dividend.

Just as businessmen attempt to use credit wisely, so can the credit union member. He is in a position to borrow at low rates of interest and can easily avoid the high cost of credit and its services. He does not need to use the high cost of installment plans or other credit sources that charge high interest rates.

Credit Union History

The first cooperative societies were for a group with some common bond who pooled their resources or products in order to take advantage of the large profit had by purchasing or selling in large quantities. One group would pool their resources and form a cooperative store, all

the savings going to the members in the form of low prices. Another group, farmers, perhaps, would pool their products in order to command higher prices because of the quantity they controlled.

In England the earliest cooperative store was organized at Huddersfield in 1827, but was unsuccessful. But in 1844, Charles Howarth organized a cooperative society which was successful.² This society was organized at Rochdale among the weavers who were poverty stricken at the time. The original share subscription was in five pound units bearing five per cent interest. All the additional profits were divided on the purchase basis and not on the amount of stock invested.

In France three men, Buchez (1796-1805), Proudhon (1809-1865), and Louis Blanc (1811-1882), were more successful in their efforts to write about cooperation than they were in organizing such societies.

Foreign Credit Unions

The first Belgium credit union was organized in 1848. Located at Brussels by its organizer, Francois Haeck, this union still operates on a cooperative basis.³

Germany proved to be the most fertile of all the early credit union fields. Victor Aime Huber (1800-1869) was the first man to apply cooperation to credit in Germany. But his most valuable contributions were his writings, which were most helpful for those who followed him in cooperative credit work.

Herman Schulze Delitzsch (1808-1883) and Frederick Herman Raiffeisen (1818-1888) are the two German economists who did most for the promotion of credit unions in that country and whose influence has been felt

²Bergengren, *op. cit.*, p. 135.

³*Ibid.*, p. 135.

throughout the world where credit union work is done.

Schulze Delitzsch organized what were called "people's banks". They served the small artisans and tradesmen and were found chiefly in cities and towns. Raiffeisen was more interested in the small rural communities and farmers, therefore, his credit societies were formed primarily to help these groups of people.⁴

The first self-sustaining society was organized at Eilenburg in 1850, by Schulz-Delitzsch. This was the first "people's bank" and it applied the same principle of cooperative credit as did Raiffeisen's societies, but they differed in several ways. The banks could have limited liabilities and all members had to buy shares, which soon became very high priced. They paid dividends or would credit the amount to the member's share account. The "people's banks" dealt in short-time loans (three months) but usually gave renewals. As business grew, they began paying more and more officials and permitted each bank to have branch banks in other cities.

Raiffeisen's first cooperative was a bakery, then he organized a cooperative cattle-purchasing society and not until December, 1849, did he organize a credit society. This was not a true cooperative because it received most of its funds from the well-to-do class of people in the district.

Some fifteen years after his first society was organized Raiffeisen abandoned the semi-charity principle and made them true self-help co-operatives.⁵ At which time the members were liable for the debts of the society to the full extent of their possessions. There was no entrance fee and no dividends. Funds of the society were obtained by

⁴Farm Credit Administration, Credit Union Section. A Summary of Credit Union History, p. 1.

⁵Ibid., p. 2.

borrowing or from the deposits as accepted from members or non-members. The society paid two per cent or more interest on these funds.

Loans were made for a provident or productive purpose and might run five or ten years for four or five per cent interest. The note was usually secured by two endorsers. The treasurer or cashier was the only paid official and this was very small.

Raiffeisen societies often engaged in cooperative buying and selling of farm necessities and products. They aimed to benefit members not only socially and materially, but spiritually as well.

The Austrian development of cooperative societies began in 1858, followed by Italy in 1866, and Hungary, Switzerland, Russia, and India. India later became a leader in credit union work.

In Italy, Luigi Luzzati, an economist, adopted his societies after the "people's banks". While Leone Wolleberg adopted his after Raiffeisen's type of cooperatives.

The first credit union on this continent was founded in Canada. Its founder, Alphonse Desjardins, was born at Levis, Province of Quebec, in 1854, and died in 1920.⁶

Desjardins was a college graduate, having graduated at Levis in 1870. He was a journalist and became interested in short-time credit because of the usurers in the cities of the Province. For fifteen years Desjardins studied credit union work before ever attempting to organize a credit union. In the latter part of the year 1900, he began work to organize his first union. Its membership was made up of parish

⁶ Bergengren, op. cit., p. 150.

priests and other members of the Catholic clergy. The society was known in Canada as the "people's bank". This first society was located at Levis, December 6, 1900.

The first installment paid was ten cents and the total amount of the first collection was \$26.⁷

The Canadian banks had shares of small denomination and paid dividends to stockholders. All members of the parish clergy, including women and children, were eligible to join the society.⁸ The banks accepted deposits only from its members and made loans for productive purposes. Members of these societies had limited liabilities.

Credit Unions In The United States

In 1908, Pierre Jay, Massachusetts Bank Commissioner, in making his annual report asked that a law be enacted making credit unions possible for that state.

However, in 1909, the first credit union in the United States was organized under a Special Act of the New Hampshire Legislature. It was founded by Alphonse Desjardins in cooperation with Monsignor Pierre Harvey, of Manchester.

The first general credit union law in the United States was passed in Massachusetts in 1909. Its passage was made possible by the cooperative efforts of Pierre Jay, Bank Commissioner, Alphonse Desjardins of Canada, and Edward A. Filene, a wealthy Boston merchant. Mr. Filene had become familiar with credit unions during his travels abroad and was interested in the passage of such a law. He and Desjardins were present at the State House and spoke in behalf of credit unions. There was present at this meeting many representatives of banks and trust

⁷ Bergengren, op. cit., p. 151.

⁸ Farm Credit Administration, Credit Union Section, op. cit., p. 3.

companies in Massachusetts who said they would not consider such institutions as competitors.

The second general law was passed in New York in 1913. It is interesting to note that President Franklin D. Roosevelt, then State Senator in New York, had introduced a bill for rural credit unions, but he readily agreed to withdraw his bill in favor of the broader institute.

Other states followed until at the present time about 45 states have passed similar laws permitting the organization of credit unions. The Federal Law, passed in 1934, permits the organization of credit unions anywhere in the United States.

It is said that Edward A. Filene gave a million dollars for the promotion of American credit unions, besides his talents of organization and leadership.

The Credit Union National Extension Bureau was organized through the joint efforts of Mr. Filene and Mr. Roy F. Bergengren. The Bureau was created in 1921, with four objectives in view;

1. To secure state and national legislation
2. To set up new credit unions everywhere
3. To build a network of state leagues
4. To create a National Association of Credit Unions.

At this time there were about 190 credit unions with approximately 72,000 members.

Beginning in 1923, the United States Post Office Department carried on a campaign to organize credit unions among the postal workers. This work resulted in the organization of more than 300 such unions.

In the United States credit unions followed mostly the Raiffeisen plan but they also have some of Schulze-Delitzsch cooperative principles.

In this country credit unions abandoned unlimited liabilities of members, usually adopting the regular amortization of member loans, charged a higher rate of interest, and relied chiefly on savings and deposits of members rather than borrowing the working capital. The greatest difference between credit unions here and those in Europe is found in the fact that the credit union in this country became an organization of consumers, mostly wage and salary earners, while elsewhere they were associations of small producers.

During August, 1934, fifty-two credit union leaders from several states met at Estes Park, Colorado and adopted a constitution and by-laws, and initiated an organization campaign for the Credit Union National Association.

Before the end of the year, 39 state meetings had been held, at which time the organization of the Credit Union National Association was discussed and all 39 meetings ratified the plan.

In September, 1935, the Credit Union National Association came into being and the Credit Union National Extension Bureau was formally dissolved. Business began in Raiffeisen House, Madison, Wisconsin, where the home office of CUNA is today.

Edward A. Filene was the first president of CUNA and until his last trip abroad he served on the National Board of Directors.

Mr. Filene died in Paris, France, September 25, 1937. The members of credit unions all over the United States wished to erect a memorial to Mr. Filene and at the fourth annual meeting of CUNA they voted: (1) to erect a suitable memorial; (2) that the memorial should be a building to house the Association; (3) to elect a National President of the Filene Memorial Building Committee and authorized the appointment of committees. Claude E. Clarke of Ohio, the second

CUNA President, was elected as the President of the Memorial Building Committee.

When the Credit Union National Extension Bureau was dissolved in 1935, it had only six members on the staff. CUNA now has forty-six. The members of credit unions increased from 3,555 to 7,900 and the number of members has increased to 2,000,000. There has been 350 chapters organized and the number of State Leagues increased from 35 to 45.⁹

The main office of CUNA functions to:¹⁰ (1) unite credit union movement in the United States and all over the world by information, education, and organization; (2) take care of tax and legal matters, as well as the necessary legislation; (3) contact and build leagues, chapters, and credit union; (4) prepare and distribute books and promotional material; (5) assist in promotion of credit unions in Canada when possible; (6) coordinate all departments and affiliates by keeping in close touch with them.

The CUNA Mutual Society began business August 16, 1935, on \$2,500 of borrowed money, which has been repaid. It serves 2,413 credit unions and has \$38,000,000 of coverage on its books. The statement as of December 31, 1938, showed it has paid 1,841 claims totaling \$216,937.77.¹¹

CUNA Supply Cooperative began business, on \$4,000 of borrowed funds, during the days of the National Extension Bureau. The total sales for 1938, was \$66,130.69.¹²

⁹CUNA and Affiliates. Program and Report Fifth Annual Meeting Credit Union National Association, p. 6.

¹⁰Ibid., p. 13.

¹¹Ibid., p. 14.

¹²Ibid.

- The bonds controlled by CUNA and handled by the CUNA office total in coverage \$4,710,500.¹³

The Federal Credit Union Act was sponsored in Congress by Senator Morris Sheppard of Texas. The act passed and became a law June 26, 1934.

The administration of this law was placed in the hands of the Governor of the Farm Credit Administration, though there is no connection between farm credit and credit unions. But the Farm Credit Administration deals largely with cooperative credit and credit unions are wholly cooperative in set-up. Most credit unions, however, are organized in cities.

The Governor of the Administration set up a Credit Union Section within his organization to take care of chartering and assisting Federal credit unions. The first Director of the Credit Union Section was Mr. Herbert Emmerich. Soon Mr. C. R. Orchard took his place and has held the position since.

The first Federal chartered union was the Morris Sheppard Federal Credit Union of Texarkana, Texas. This charter was issued October 1, 1934.

Below is a summary of Federal chartered credit unions; it shows the total number of charters issued at the end of the period given.

December 31, 1934	78
December 31, 1935	906
December 31, 1936	1862
December 31, 1937	2500
October 1, 1938	2926
May 1, 1939	3230

During the first four years, October 1, 1934, to October 1, 1938, there were 2,926 credit unions issued Federal charters. During the next eight months, 304 Federal charters were issued to new credit unions.

¹³Ibid., p. 15.

CHAPTER II

ORGANIZATION, MANAGEMENT, AND OPERATION OF CREDIT UNIONS

Before a credit union is created there should be a felt need for such an organization. Perhaps the best test may be found in these two questions: Do those who make up the proposed credit union need a system of saving regularly? If they have appreciable savings, the chances are a credit union will not greatly increase the amount they save. Second, do the proposed members have credit facilities at their disposal for equitable rates of interest? If they have short-time credit available easily and cheaply, then this part of the credit union will be of little value.

Experience has shown that the credit union plan works most successfully when the group has some common bond in occupation, association, or residence. A group consciousness tends to bring them into closer fellowship. These people already know one another and usually the financial and home problems that confront their fellow men.

Another important factor in determining the success of the organization is the interest each member takes. One of the main characteristics of credit unions is "self-management". Therefore, the officers and directors should be representative of all the members, not just picked because they are of high rank in other phases of life.¹

Organization

1. The interested party sends for the articles of incorporation and the by-laws. These can be obtained from the Credit Union Section of the Farm Credit Administration and usually from the Bank Commissioner of the State. The source depends on the type of charter desired.

¹Since Chapter III is devoted to the laws of credit unions, the organization that follows is of general character.

2. He calls a meeting of the prospective members to be served by the credit union and arranges to have someone there who is familiar with the operation of credit unions to answer questions. The questions that are asked will indicate the interest of the proposed members.

3. If they decide to organize, they will fill out the forms of articles of incorporation and by-laws. These are made out in duplicate and signed by seven residents of the State, each signing four times and supplying his address.

4. The four forms are sent to the supervisory authority, with the necessary fee as designated by law. A letter accompanying the form is sent, requesting a credit union charter.

5. The supervisory authority makes his decision within thirty days, and, if it is favorable, a charter is issued.

6. The incorporators, signers of the papers, meet and elect the board and committees and do whatever else the by-laws may provide.

7. The directors elect the officers, procure their oath, bond the treasurer and choose the bank. This must be done before a notary and is sent to the supervising authority.

Management

The board of directors is elected annually by the members of the credit union. Each member has only one vote, regardless of the number of shares he may own. No member of the board of directors may serve on the credit committee or the supervisory committee.

Generally speaking, when the laws do not prohibit officers and directors from borrowing from the credit union, it is discouraged, or exceptional care is taken in keeping check on those officers and directors who do borrow. Some of the state laws prohibit the officers,

members of the committees, and directors from endorsing a note for a loan. These are some of the important points for a strong internal organization for credit unions.

In some states the credit unions have organized, through their State Leagues, central credit unions for the purpose of serving all officers in the credit unions of the state. This seems to be the best arrangement for officer borrowing.

It would seem advisable to have the number serving on the board of directors divisible by three. With such a division one-third of the directors could be elected annually and would not disrupt the management each year. In the first meeting one-third of the board could be elected to serve until the second annual election, and one-third to serve until the third annual election, and one-third to serve until the fourth annual election. Thereafter, in each annual election one-third of the directors could be elected and there would not be a complete reorganization.

The by-laws often provide for the removal of the directors when there are good reasons for doing so.

The credit committee may consist of three or more members, depending on the spread of the credit union. If it covers a wide area, it would be best to have more than three members on this all important committee. The members of this committee are elected annually by and from the credit union membership (but no director or officers are allowed to serve on this committee). Here again, if the number is divisible by three, and the general rule is to have only three members, it is best to elect only one member each year so that the committee will not be completely reorganized each year.

The work of the credit committee is confidential and the committee

usually works with the treasurer, but as a general rule the entire responsibility of passing on the loans rests with the committee.

The credit committee is the most important committee. They must be careful not to be too conservative, yet they must be certain that the loans are for provident and productive purposes. The word "provident" has been interpreted to mean a loan which, if made, promises to be a real benefit to the borrower. In other words a provident loan must serve the borrower in the best way and be of real benefit to him. The word "productive", when broadly interpreted, means a loan the proceeds of which will be used in an effort to produce something useful. Because of these reasons a credit committee needs to be conscious of our changing economic conditions.

The supervisory committee consists of three members elected each year. It is their duty to audit the books of the union, at least quarterly, to be sure the business is being conducted properly. This committee functions to see that the union lives up to the rules and that the money is handled safely.

This committee should be interested in their work, studying carefully the system of accounting used, and make periodic checks on the finances of the business. All three members should assist in the examination and make it thorough.

The supervisory committee has other broad powers. Another important duty is to see that each officer performs his task faithfully. As a general thing, the committee may suspend operations of the union and call a meeting of all members to act on improper conduct of officers, directors, or committee members.

All the officers are elected by the board of directors from their own group. The President presides over meetings and usually countersigns

all checks. The vice president presides in the absence of the president. The secretary keeps the records of board meetings and other important meetings. Sometimes the office of secretary and treasurer is held by one individual.

The treasurer is the managing director of the business and keeps the books. He need not be an accountant because the records kept by him are easily understood. It is important that the manager be interested and enthusiastic in credit union work since he is the most important individual in the organization.

The treasurer must be bonded and any other officer who handles credit union funds should also be bonded. The directors are responsible for the bonding of the treasurer and choosing the bank with which the union is to do business.

Credit Union Operation

A credit union may begin business with subscriptions of the incorporators, their savings, and the funds made available by the addition of new members. Credit Union experience has shown that it is usually best for business to begin small. That is, the union starts making loans as soon as it takes in a small amount of cash, say \$50, and keeps the money at work from the start.

A small beginning affords the officers and members a chance to learn operations and routines of the credit union. Their knowledge of the work increases as business becomes larger and they are in a position to reap the full benefits offered by credit unions.

The incidental expenses of organization may be advanced by some or all the organizers, to be repaid when business is in a financial position to do so. This expense is very small and can easily be raised among the proposed members.

Interest rates are generally fixed by the board of directors. This is usually one per cent per month on the unpaid balance without any investigation fees or other charges which might raise the cost of the loan. This should not be interpreted to mean that a credit union begins business at as low a rate of interest as possible, for often they start with a higher rate, which is reduced as business becomes more certain.

Usually, the only paid officer is the treasurer, but often he goes without compensation until the credit union is well established. His salary is determined by the board of directors.

In a recent publication of the Credit Union National Association the distribution of gross income of one of their members was shown. The chart given below indicates how the gross income of credit unions is spent.

DISTRIBUTION OF GROSS INCOME

1. Dividends.....	52.4%
2. Guaranty Fund.....	15.3%
3. Salaries.....	11.3%
4. Undivided Earnings.....	8.8%
5. Taxes.....	3.4%
6. National Association and State League.....	2.9%
7. Education and Advanced to Legislation.....	1.8%
8. Insurance, Less Claims Paid.....	1.3%
9. Miscellaneous.....	1.2%
10. Auditing.....	0.9%
11. Depreciation, Furniture and Fixtures.....	0.7%

Over 50 per cent of the gross income of credit unions goes to members as dividends, 15 per cent to guaranty funds, only 11 per cent to salaries, and 8 per cent to undivided earnings. To participate in State and National organization and to provide for educational activities and insurance requires only 6 per cent of the gross income. Not many credit unions have a tax item as this one did. The amount of dividends paid by this union was 6 per cent.

During the first few years, a credit union is wise if it is very

conservative in the amount of dividends paid. A low dividend rate facilitates the paying of the same rate in future years. Also, one must keep in mind that this is a credit union and not an investment union. The credit union should consider the loan protection and life insurance before dividends. This protection is of greater value to the individual member than the amount of dividends he would receive should the protection be discarded for a higher dividend rate.

To make it possible for all prospective members to join the credit union the par value is very low, usually five dollars per share, but may be higher. A share of stock in a credit union may be purchased in cash or in weekly installments of twenty-five cents.

If a member buys several shares on installment, it is the usual practice, for a credit union to consider one fully paid share as soon as enough money has been paid in to equal that amount.

There is no share certificate, the inside cover of a member's pass book indicates his membership and the number of shares of stock he owns.

Most credit unions pay dividends only on fully paid shares. These shares draw their dividends as of the first of the month following their payment in full.

A member may withdraw his savings, deposits, or shares of stock, at any time he may desire. The union may require 30 or 60 days notice as do other savings institutions, but, generally, they do not.

The withdrawing member is not allowed to participate in the Surplus or Undivided Profit account. This account along with the Guaranty and Reserve Fund is built for the safety of the credit union as a perpetual organization.

These reserves serve four purposes:² (a) they add to the security

²CUNA. Some Hints, p. 13.

of the shareholder; (b) they serve as a means of meeting unexpected withdrawals; (c) they serve as a source of credit when the credit union needs to borrow; and, (d) they are also a source from which dividends may be augmented in a poor year.

The Guaranty Fund is a percentage of the net earnings, usually 15 or 20 per cent, but the credit union may increase this percentage if it cares to do so. The fund is a reserve against bad loans which cannot be collected. The Guaranty Fund is distributed only in case of liquidation of the union.

When the credit union has funds not in demand by the members for loans, the board of directors may invest them; but only in such investments that are legal for trust funds and savings banks.

Credit unions also operate Vacation and Christmas clubs. These clubs are most successful when the plan is one which will reach the person least able to save. The entrance fee and installment unit should be small; encouraging all to save--those who can save large amounts, but, especially, those who can save only small amounts. These small savers are the ones who need credit union service most and credit unions are not for profit but for service.

The union should not discourage small loans, for this is really the credit union field. Several small loans are safer than one large loan of equal amount because it spreads the risk. This does not mean that large loans should not be made because the purpose of the loan, the credit rating of the borrower, and the size loan, all must be considered before a loan is granted.

Loans made by credit unions differ from those granted by other banking institutions because: (1) loans are made only to members of the credit

union; (2) and loans must be for the best benefit of the borrower.

Types of Credit Union Members

The best possible way of showing the type of members served by credit unions in the United States is provided by the Federal Chartered Credit Unions, because they are representative of all the credit unions in the country. Table I gives this distribution by types of membership as of May 1, 1939. The Federal government employees have the largest number of Federal Credit Unions with 300. Petroleum and schools have the next largest number with 230 and 220, respectively. Six types of members have over 100 credit unions each. Fifteen types have between 50 and 100 credit unions, and 25 types of members have less than 50 credit unions. The total number of Federal chartered credit unions at that time was 3,230.

Table I indicates that there are a variety of workers taking advantage of the credit union service. Employers are coming to realize that the well-being of his workmen is important to him and that he, in a roundabout way, receives some of the benefits which credit unions offer to its members. It is a well known fact that an employee, without heavy financial burdens, is more productive than the one whose mind is troubled with financial worries.

Because credit unions do help solve the problems, and, in turn increase the worker's value to his employer, many of them are willing to furnish office space and, perhaps, some equipment and clerical help in order that his men will have a credit union at their disposal.

Credit Union Association

Since no two credit unions are exactly alike, much valuable help and information may be exchanged. By contacting the nearest union it is

TABLE I.

FEDERAL CREDIT UNIONS*

Distribution by Type of Membership

Type	Total	Type	Total
ASSOCIATIONAL:		Hotels & Restaurants	57
Cooperatives	88	Laundries & Cleaners	35
Fraternal & Professional	117	Leather	17
Religious	88	Machine Manufacturers	60
Labor Unions	40	Metals:	
		Aluminum	17
OCCUPATIONAL:		Iron & Steel	103
Amusements	9	Other	44
Automotive Products	41	Paper	46
Banking & Insurance	44	Petroleum	230
Beverages	15	Printing & Publishing:	
Chemicals & Explosives	51	Newspapers	55
Construction & Materials:		Other	32
Lumber	22	Public Utilities:	
Other	31	Heat, Light & Power	99
Educational:		Telegraph	17
Colleges	27	Telephone	50
Schools	220	Rubber	17
Electric Products	97	Stores	186
Food Products:		Textiles	104
Bakery, Grocery & Produce	55	Tobacco Products	1
Dairy	55	Transportation:	
Meat Packing	46	Aviation	19
Other	42	Bus & Truck	32
Furniture	13	Railroads	146
Glass	21	Other	62
Government:		Miscellaneous	64
Federal	300		
Local	120	RESIDENTIAL:	
State	54	Rural Community	89
Hardware	29	Urban Community	23
		TOTAL	3,230

*Farm Credit Administration--Credit Union Section, May 1, 1939.

very likely that two credit unions can exchange information which will strengthen each respective union. New plans are being developed constantly; new advertising or educational schemes, new bookkeeping methods, or maybe a credit or supervisory committee has developed rules which are helpful.

If there are several credit unions in a city or district, they should, both State and Federal chartered unions, organize a chapter. "A Credit Union Chapter is an organization of credit unions.....meeting monthly for social purposes and primarily for the interchange of ideas relative to operating practices, etc."³ The Chapter will help promote the work and all will benefit from the experiences of the others.

Generally, when fifty credit unions have been organized in one state, they will cooperate to organize one central union such as a State League. This League is made up of both Federal and State chartered unions and should become a member of the Credit Union National Association. The Credit Union National Association is made up of forty-five State Leagues of credit unions. To be a member of one of these forty-five Leagues automatically makes a credit union a member of the National Association.

In States where there is no State League an individual credit union may become a member of the Credit Union National Association by paying the dues. When the number of such individual unions, in one State, reaches ten they are allowed to elect one National Director.

The State League is governed by the board of directors who are elected annually by the members. Like the individual credit union, the directors elect the executive officers--president vice president, secretary, and treasurer.

³
CUNA. Why Should A Credit Union Join Its State League?

Some of the important work of the State League is: (a) to assist new credit unions; (b) to organize new unions; (c) to promote the necessary legislation; and, (d) to carry on credit union educational activities.

The Credit Union National Association operates through a National Board of Directors composed of one Director from each affiliated State League.⁴ One additional Director is allowed from each additional one-hundred credit unions in a given State League, but the maximum is five Directors from one State.

The National Board of Directors meets annually and elects the Executive Committee which consists of the president, five vice presidents, the treasurer, the clerk, and the managing director. The Executive Committee meets every three months to carry on the National Association's business. A quorum consists of five members of this committee.

Twice each year there is a meeting to which all affiliated credit unions are entitled to send delegates. This group has the power to review and the further power to remove the National Board if dissatisfied with the management of the National Association.

In the field the Credit Union National Association is known as CUNA. Some of the important ways in which CUNA serves its members are given below.

The CUNA Mutual Society is an insurance company owned by the credit unions who operate it on a mutual basis. It offers protection against loans to members. The Society is an old line Legal Reserve Mutual Life Insurance Company, organized under Wisconsin laws. It guarantees the

⁴CUNA. Credit Union Work Booklet No. I. "Duties of the Credit Committee and of the Supervisory Committee", p. 188.

credit union against losses due to death or total and permanent disability of borrowing members.

When the Mutual Society was organized in 1935, other insurance companies were charging credit unions eight and one-half to twenty cents per month per hundred dollars for loan protection; the Society has succeeded in reducing this cost to four cents. There are no dues, a credit union needs only to belong to the Credit Union National Association. The members have complete control of management, rates, dividends, and operating policies.

In March, 1938, the Society introduced a life savings insurance. It is a group policy and is paid for at a low rate by the credit unions. This insurance is against the lives of all members in the amount of their monthly share balances.

The State Leagues own, also, a cooperative society in Wisconsin called the CUNA Supply Cooperative. It manufactures and distributes accounting forms on a net cost basis and gives League members a 20 per cent discount. Twice this Society has reduced prices while other concerns were raising prices.

CUNA publishes a monthly magazine which is called the Bridge. The magazine is devoted to the common problems of all credit unions and its members.

The CUNA Bonding Department has been able to reduce the bond rates by concentrating the business of the many unions. This department writes over \$4,000,000 worth of fidelity and faithful performance bonds for credit unions.⁵ Burglary and robbery insurance is also written for many credit unions. Like other CUNA services, this can be obtained by members at

⁵ CUNA. Why Should A Credit Union Join Its State League?

substantial savings.

In 1935, this department first began business, charging eight dollars per thousand dollars of coverage for a faithful performance bond and four dollars per thousand dollars for an honesty bond. This has been reduced to four dollars for the former bond and three dollars for the latter.⁶

⁶
ibid.

CHAPTER III.

FEDERAL AND OKLAHOMA LAWS PERTAINING TO CREDIT UNIONS¹

Credit unions in Oklahoma may be organized under either of two laws, the State Law or the Federal Law. Those credit unions organized under State Law are supervised by the State Bank Commissioner, while those under Federal charter are supervised by the Governor of the Farm Credit Administration. The reader must bear in mind that this chapter is not an attempt to evaluate either of the laws.

The Oklahoma Law, House Bill No. 699, passed the House of Representatives April 6, 1933. The Senate passed upon it April 21, 1933, and the bill was approved May 5, 1933, by the Governor of Oklahoma, William H. Murray.

The Federal Act was passed and became a law June 26, 1934, and was amended December 6, 1937.

Both Acts define a credit union as a cooperative society "for the purpose of promoting thrift among its members" and creating a source of credit for provident and productive purposes. The Oklahoma Laws provide that the credit shall be at legitimate rates of interest.

The two laws provide that the organization certificate or articles of incorporation shall contain:

- (1) The name of the credit union.
- (2) The place of business.
- (3) The term for which it is to exist, which may be perpetual.
- (4) The par value of the shares. Par value of Federal chartered

¹The Federal Credit Union Act may be found in United States Statutes At Large. 73D Congress, 1933-1934, pp. 1216-122. And as amended in the 75th Congress, 2D Session, 1937, pp. 4-5. The Oklahoma Law may be found in the Oklahoma Official Session Laws 1933. Chapter 157, pp. 363-369.

credit unions cannot exceed \$5. Under State charter they cannot exceed \$10 and the authorized capital stock cannot exceed \$15,000.

(5) The number of its directors or trustees and the names and residences of those who shall serve until the election of directors or trustees and the election of officers must be sent to the State Bank Commissioner--under State Law. The Federal Act provides for the names and addresses of subscribers to the certificate and the number of shares subscribed by each.

Copies of the articles of incorporation are submitted to the Bank Commissioner (under Oklahoma Law), and, if requirements have been met, he shall, within 30 days, issue a certificate of approval. This certificate is filed with the Secretary of State who certifies the copy, returning one to the Commissioner and issuing one to the credit union.

Under Federal Law, the Governor of the Farm Credit Administration must approve the articles of incorporation before a certificate is issued. The Law does not provide for a specified time limit within which they must be approved or disapproved.

In Oklahoma the Law provides that the fees for the certificate of incorporation shall be \$2. Under the Federal Law the Governor of the Administration shall determine the amount of such fees, but, they shall not exceed \$20. The fee must be paid whether a certificate is approved or not because this fee helps defray the expenses of investigation that is made prior to the approval of the certificate. Upon the approval of the certificate by the Governor an additional \$5 fee must be paid. Then, an annual fee is charged during December of each calendar year. This fee is fixed by the Governor of the Administration but is not to exceed \$10. It is paid to the Administration and is used by it to pay for supervision

and other expenses. No such annual fee is charged to credit unions for the fractional part of the first year.

Both Acts provide for credit union examinations, each requiring at least annual reports, or, if the Governor of the Farm Credit Administration desires reports from Federal chartered unions more often, they must comply with his request, and, likewise, the State Bank Commissioner may require more than annual reports. Credit unions having a State charter, unless excused, for cause by the Bank Commissioner, are liable to a penalty of \$5 for each day the report is late. Credit unions organized under either Law must pay a fee for the annual examination made by the supervisory authority.

The powers given to credit unions are:

- (1) To make contracts, Federal Law.
- (2) To sue and be sued, Federal Law.
- (3) To purchase, hold, and dispose of property necessary and incidental to its operation, Federal Law.
- (4) Both require that loans shall be for provident and productive purposes. The Federal Law provides that the loans shall not have a maturity exceeding two years, at rates of interest not exceeding one per cent per month on unpaid balances. A further provision of this Act is that no loan to a director, officer, or member of a committee shall exceed the amount of his holdings in the Federal credit union as represented by the shares. No director, officer, or committee member shall endorse for borrowers.
- (5) To receive from its members payments on shares. The Oklahoma Law includes here, the right to receive deposits of members and the right to conduct Christmas Clubs, Vacation Clubs, and any thrift

organizations or clubs within the membership.

(6) To invest funds (a) in loans made exclusively to members; (b) in obligations of the United States or securities fully guaranteed as to principal and interest, Federal--while the State Law provides for investments that are legal for savings or trust funds in the State; (c) in loans to other credit unions, the Federal Law here provides that the total amount of such loans shall not exceed twenty-five per cent of the credit union's paid-in and unimpaired capital and surplus; (d) and in shares or accounts of Federal savings and loan associations, Federal Law.

(7) To deposit funds in State and National banks, but the Federal Laws include trust companies and savings banks.

(8) To borrow, from any source, in amounts not to exceed fifty per cent of the paid-in capital and surplus.

(9) To fine members as may be provided in the by-laws.

(10) To impress and enforce a lien upon shares and dividends of any member, to the extent of any loan made to him and any dues or fines payable by him, Federal Law.

Both credit union Acts require that by-laws be submitted for approval at the time the charter is applied for. To amend the by-laws a credit union, under State charter, must express this in a call for a meeting of the members. Three-fourths of the members present must pass upon the proposed amendment and all amendments must be submitted to the Bank Commissioner for his approval.

The two Acts are practically alike in the type of membership. The members consist of the incorporators and such other persons as may be elected to membership and subscribe to at least one share, pay the

initial installment, and the entrance fee. Credit union membership is limited to groups having a common bond of occupation, or association, or to groups within a well-defined neighborhood, community, or rural district.

The fiscal year of all credit unions in Oklahoma, whether Federal or State chartered, ends December 31. The Federal Act provides for the annual meeting to be held during January of each year. Both Laws limit any member to one vote, irrespective of the number of shares he may hold. There is no proxy vote; but a member other than a natural person may vote through an agent designated for that purpose.

The board of directors for a Federal credit union cannot be less than five; under State Law there cannot be less than seven directors. The credit committee must have at least three members and so must the supervisory committee, this is provided in both Laws. The Federal Law prohibits the majority of the members on the supervisory committee from being directors. Credit unions with State charters elect the directors and the committee members to serve one year; but, the by-laws of Federal credit unions determine their tenure of office. Under either of these Acts a record must be kept of the names and addresses of members of the board, the committees, and the officers to be filed with the supervisory authority.

The directors of a Federal credit union must meet at least once a month. In Oklahoma the directors of any credit union, whether Federal or State chartered, have control and general direction of the credit union business. Among other things they pass upon applications for membership; fix the amount and character of the surety bond of anyone having charge of funds; recommend the declaration of dividends, the State Law also provides that the directors shall make recommendations for amending the by-laws; determine the interest rates on loans, the

directors of State chartered unions also determine the rate of interest on deposits; fill vacancies in the board and in the credit committee until successors who are elected have qualified; have charge of investments other than loans to members; determine the maximum individual loan that can be made with and without security.

At their first meeting the directors elect from their own number a president, a vice president, treasurer, and secretary. The last two named offices may be held by one individual. The Federal credit union by-laws provide for compensation of these officers, if any is given. The treasurer is the general manager and the duties of the other officers are determined in the by-laws as provided by both Acts. The treasurer or any credit union officer who handles credit union funds must be bonded, the amount being determined from time to time by the board of directors. The Oklahoma Law provides that this bond be approved by the Bank Commissioner.

The credit committee has the general supervision of all loans to members. Applications for loans are made on forms prepared by the credit committee which sets forth the purpose for which the loan is desired, the security, if any, offered, and such other data as they may require. The assignment of shares, (or deposits, under State Law) or the endorsement of a note is considered as security. A majority of the credit committee must pass on the loan before it can be granted .

Under Federal charter a credit union cannot make a loan in excess of \$50 without adequate security and no loan can be made to any member in excess of \$200 or ten per cent of the Federal credit union's paid-in and unimpaired capital and surplus, whichever is greater.

The supervisory committee must make at least quarterly reports and an annual report to be submitted at the annual meeting of the members.

The committee may by unanimous vote suspend any officer of the union, board of directors, or credit committee until the next member meeting which may be called; the Federal Act provides this meeting to be held within seven days. The supervisory committee may fill vacancies in its own membership. All Federal credit union members must have their pass books and accounts verified with the treasurer at least every two years. It is the duty of the supervisory committee to see that this is done.

The two Acts specify the setting aside of 20 per cent of the net earnings before a dividend is declared; all the entrance fees and fines are added to this amount which is the reserve for bad loans. It is kept liquid and intact, to be distributed only in case of liquidation.

Both Acts provide for the payment of a dividend from the remainder of the net earnings after the 20 per cent has been set aside for reserve for bad loans.

A member may be expelled from any credit union in Oklahoma by a two-thirds vote of the members present at a meeting called for that purpose, but the member must be given a hearing. The State Law provides a withdrawal at any time, but the credit union may require 60 days notice of intention to withdraw shares and 30 days notice of intention to withdraw deposits. The withdrawal or expulsion of any member does not, under either Law, relieve him from liabilities to the credit union. Under Federal Law the amount paid the withdrawing member is determined in the by-laws. While under Oklahoma Law, all amounts paid on shares or as deposits of an expelled or withdrawing member, plus any dividends or interest to date shall, as funds become available and after deducting all amounts due from the member to the credit union, be paid to him.

Under Federal Law, minors may be issued shares in a credit union, either in his name or in trust.

The Governor of the Farm Credit Administration or the Bank Commis-

sioner, whichever supervision a credit union may be under, may suspend or revoke a credit union charter, if it is insolvent or bankrupt or violates any provisions of its charter or by-laws.

A credit union organized under the Laws of Oklahoma may be voluntarily dissolved. To do this, a meeting must be called, stating the purpose for such a meeting and there must be four-fifths of the entire membership's vote to dissolve. The union must then file a statement of its consent to dissolution, with the signatures of a majority of the officers. The Bank Commissioner determines if the union is solvent; if it is, he issues a duplicate certificate that this section has been complied with. This certificate is filed with the Secretary of State who files a copy in the office of the County Clerk of the County in which the credit union is located. The credit union must cease to do business, except to liquidate and distribute the assets. The union has three years to wind up all its affairs; during this period it may sue and be sued for the purpose of enforcing debts and obligations. After all adjustments are made, a final certificate is filed with the Secretary of State with the directors signatures attached. The Secretary of State certifies this statement and files a copy with the Bank Commissioner.

Under State Laws a credit union must have the written consent of the Bank Commissioner in order to change its place of business.

The only tax a credit union in Oklahoma must pay is on the real estate it owns.

Federal chartered credit unions, when requested by the Secretary of the Treasury, must act as fiscal agents of the United States. This service may require the collection of taxes and other obligations due the United States and the lending and borrowing, and repayment of money by the United States, including the issue, sale redemption or repurchase of

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bonds, notes, or Treasury certificates of indebtedness. The Secretary of Treasury may also designate credit unions as a depository of public money. To facilitate these purposes the Governor of the Farm Credit Administration must furnish the Secretary of the Treasury with the names and addresses of all Federal credit unions.

A sum not to exceed \$50,000 is made available for expenses of administration of the Federal Credit Union Act, this amount comes from a fund set up to aid in the establishment of agriculture credit corporations.

Both Federal and State Laws reserve the right to amend, alter, or repeal the Laws on credit unions.

Federal credit unions, when members are all Federal employees, may apply for the allotment of space in the Federal buildings in the community or district where the union does business. If space is available, the officer or agency of the United States charged with the allotment of space in Federal buildings may grant it to the credit union without charge for rent or services.

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CHAPTER IV.

CREDIT UNION OPERATION IN OKLAHOMA

Oklahoma credit unions date back to the middle of the 1920 decade. In 1925, there were two credit unions in operation in Oklahoma.¹ These two unions were organized among the postal employees at Oklahoma City and Tulsa and probably were the result of the campaign carried on by the United States Post Office Department to organize credit unions among the postal employees. These two organizations were serving 240 members with a paid-in share capital of \$4,352. The two unions had 136 borrowers in 1925 with loans amounting to \$9,680 or an average of \$71 per loan; at the end of the year there were \$4,041 outstanding in loans to members. Only one of the two unions reported a reserve fund; it amounted to \$405. Both credit unions paid a dividend in 1925, which amounted to \$250 or a 5.7 per cent rate of return to the members.

The next report on credit unions, made by the Bureau of Labor in 1929, showed that Oklahoma had three credit unions but none of these reported to the Bureau.²

The Bureau of Labor Statistics made another statistical report on cooperative credit unions in 1933; the study showed that Oklahoma then had fourteen credit unions in operation but only eight of them reported their operations to this Bureau.³ These eight societies reported 168 borrowers and a total of \$18,412 in loans granted to these borrowers or an average of \$110 per borrower. Over the eight year period, 1925-1933,

¹United States Department of Labor, Bureau of Labor Statistics. Handbook of Labor Statistics 1924-1926, p. 99.

²Florence E. Parker. Consumers', Credit, and Productive Cooperative Societies 1929, p. 56.

³Florence E. Parker. Consumers', Credit, and Productive Cooperation in 1933, p. 62.

for which data were available the average loan to members increased from \$71 to \$110, or an average increase of \$39 per loan. Loans outstanding at the end of the year 1933, totaled \$10,002.

Only two of the fourteen reported the amount of dividends returned to members; this dividend amounted to \$416 for the two unions reporting.

Six credit unions reported a reserve fund of \$482, however, none of the unions reported any losses.

Of the eight Oklahoma credit societies reporting, five made loans aggregating under \$1,000; one made loans aggregating between \$1,000 and \$5,000; and, two reported they made loans aggregating between \$5,000 and \$10,000.

In 1933, Oklahoma passed a general credit union law, which became effective May 5, making it lawful for the organization of credit unions in the state.

The Federal Credit Union Law was passed June, 1934, and the first credit union under this law in Oklahoma was organized at Okmulgee, April 8, 1935, and the second at Tulsa, April 20, 1935.⁴ By the end of the year, six Federal credit unions had been organized in Oklahoma, and, by December 31, 1936, there were fifteen. This number had increased by the same period in 1937, and by December 31, 1938, there were thirty Federal chartered credit unions in Oklahoma.

The Oklahoma Credit Union League was organized October 23, 1934. During the time the campaign to organize the Credit Union National Association was being carried on, a convention of Oklahoma credit unions was held in Oklahoma City for the purpose of forming State and National credit union leagues.

⁴Letter to the author from Mr. Henry L. Patterson, Farm Credit Administration, Credit Union Section, April 24, 1939.

At this meeting Mr. Tom Doig, of St. Paul, Minnesota, explained that through the activity of Mr. Filene and the cooperation of credit unions all over the United States, a definite program had been worked out as follows:⁵

- I. Legislation;
 1. Enactment of a Federal Credit Union Law.
 2. Right to form a credit union in any State in the Union.
 3. A maximum dividend of 6 per cent.
 4. Investment of surplus in Government bonds.

- II. Organization Campaign;
 1. Rapid development of credit unions.
 2. A more widespread and wholesale development of credit unions throughout the United States.
 3. Necessity of organizing state leagues as a result of the campaign.

- III. State League discontinuance of the National Credit Union Extension Bureau, effective March 1, 1935.
 1. The drafting of a set of by-laws and adoption of a constitution drawn up at a conference held in Estes Park, Colorado, this year.
 2. A presentation of by-laws and constitution to credit union representatives of thirty states, with the adoption and ratification of same by twenty states.

- IV. National League;
 1. Following the organization of the state leagues, a consolidation of same for the purpose of forming a National League.
 2. Purpose of National League to sponsor and promote legislation favorable to credit unions.

In the discussion that followed it was learned that at this time there were twenty-eight credit unions in Oklahoma and if seven of these would sign the by-laws a state league could be formed. Dues to the state league could be paid with one-half of one per cent of the dividends or one-sixth of the previous year's earnings would be sufficient. All leagues affiliates would be voluntary and no salary would be paid league officials until the membership had reached one hundred credit unions.

⁵ Secretary, Oklahoma Credit Union League. Minutes of State Convention of Credit Unions.

The meeting was opened for the election of nine members to the board of directors, five of which would serve one year and four would serve two years. The election proceeded and the nine directors were elected.

In this first meeting the League voted to become a part of the Credit Union National Association.

At the first meeting of the Board of Directors Mr. Doig suggested that Mr. Haney Hoskins, of Oklahoma City, be made Managing Director of the State League; the Directors voted their approval of this suggestion. The election of officers for the State League followed and Mr. J. C. Greager, of Ponca City, was elected president; Mr. V. T. Colglazier, McAlester, vice president; Mr. R. L. Aston, Tulsa, treasurer; and, Mr. F. G. Spain, Shawnee, was elected secretary.

Mr. Doig explained that the expenses of the State representatives would be borne by individual credit unions and that the expenses of National representatives would be borne by the State Credit Union League.

At the next meeting of the board of directors, nine new members were voted in; the treasurer of the State League was bonded at \$1,000; the National Bank of Tulsa was chosen as the depository of the State Credit Union League. It was also voted that all forms of credit unions be purchased from the National Association and be distributed from the office of the Managing Director, the price to all credit unions being the list price plus 10 per cent, but to members a 10 per cent discount would be given for cash or if paid in thirty days.

June 14, 1939, there were 83 credit unions in the State of Oklahoma, 46 of these are members of the State League.⁶

⁶Letter to the author from Mr. W. K. Cunningham, secretary-treasurer, Oklahoma Credit Union League, Okmulgee, Oklahoma, June 14, 1939.

Types of Credit Union Members in Oklahoma

Table II gives the types of credit union members served in Oklahoma. In 1938, there were thirty credit unions operating under Federal charter in Oklahoma and early in 1939, there were forty-two with State charters, making a total of seventy-two. Employees of the petroleum industry had the largest number of credit unions with a total of twenty-two. The employees of the meat industry and Federal government had the next largest number of unions, having eight each. Education and those that were unclassified had a total of seven unions each.

Though credit unions in Oklahoma are more highly concentrated in the petroleum industry, which is perhaps the largest industry in the state, Table II indicates that there are a variety of people taking advantage of the credit union services as rendered by Oklahoma credit unions.

Analysis of Credit Unions in Oklahoma

The remaining part of this chapter will be devoted to analysis of State chartered credit unions in Oklahoma as found by a mail questionnaire. The questionnaire was mailed to 42 State credit unions for information on operations from December 31, 1933, through December 31, 1938. Also, data on Federal chartered credit unions operating in Oklahoma as reported by the Farm Credit Administration, Division of Finance and Research, from December 31, 1936, through December 31, 1938, will be used.

Tables III and IV show the results of the questionnaire sent to all credit unions organized under state charter as of March 20, 1939. Forty-two questionnaires were sent to credit unions; about a 25 per cent return resulted as eleven replies were received.

Only one credit union reported any operations as early as 1933, but

TABLE II.

TYPES OF CREDIT UNION MEMBERS IN OKLAHOMA

Type	No. of Federal* Charters	No. of State** Charters	Total
Associational			
Cooperatives	2	0	2
Occupational			
Automotive Products	0	1	1
Banking and Insurance	1	0	1
Educational	1	6	7
Electric Products	0	1	1
Dairy Products	0	2	2
Meat Packing	0	8	8
Government			
Federal	4	4	8
Local	0	2	2
Minerals			
Petroleum	15	7	22
Newspaper	2	0	2
Printing Craft	0	1	1
Heat, Light, & Power	1	0	1
Telephone	1	0	1
Stores	2	0	2
Railroads	1	3	4
Unclassified	0	7	7
Total	30	42	72

*Farm Credit Administration, Credit Union Section, December 31, 1938.

**Oklahoma Bank Commissioner, March 20, 1939.

it has already been shown in this chapter that other credit unions were in operation in Oklahoma before this time. This one credit union served 339 members, with the total assets amounting to \$5,444.08. Since this union was organized under State Laws, it could accept from its members deposits which amounted to \$3,799.06 in 1933. This union loaned \$5,178 to its members; only \$284.36 was repaid, leaving \$4,893.64 in force at the end of the year.

For 1935, there were five credit unions reporting. The total membership was 1,875 for four of these unions, and all five of the unions loaned \$261,017.19 to their members. They received \$155,969.62 in repayments for loans which left \$122,246.94 outstanding in loans at the end of the year. For the first time in this study credit unions charged off bad loans against the reserve they had built up. This reserve amounted to \$2,137.81 in 1935, and only \$57.83 was charged off. The five credit unions had total assets amounting to \$147,808.95 and deposits from members of three unions amounted to \$110,121.64. The total income for four credit unions was reported at \$10,976.54 and total expenses at \$6,159.36.

Eleven credit unions reported their operations for 1938. Ten unions served 3,024 members. Total assets for the eleven unions were \$361,680.53 and deposits for ten unions amounted to \$226,507.81. The reserve for bad loans had reached \$4,071.21 and the shares of stock were \$14,812.15, while expenses were \$12,895.22 for these unions. Eight credit unions made \$309,243.62 in loans during 1938; \$168,558.04 of loans were repaid to seven credit unions. Ten credit unions had \$239,735.33 worth of loans in force at the end of the year. Two unions charged off \$758.36, which was over twice as much as was charged off for the other four years.

TABLE III.

OKLAHOMA CREDIT UNION OPERATION

YEAR	NUMBER REPORTING	Number of members	Total Assets	Deposits	Shares	Reserve for Bad Loans	Total Income	Total Expense
1933	1	339	\$5,444.08	\$3,799.06	\$1,356.25	-----	\$358.75	\$69.98
1934	4	1,459	86,172.72	69,496.36	11,246.25	\$914.35	5,230.22	3,180.78
1935	5	(b) 1,875	147,808.95	(a) 110,121.64	24,861.92	2,137.81	(b) 10,976.54	(b) 6,159.36
1936	6	(c) 2,166	202,475.64	(a) 164,121.89	20,336.66	(c) 3,555.52	(b) 12,874.90	(b) 9,465.77
1937	8	(e) 2,540	251,153.29	(d) 204,451.31	26,864.57	4,052.02	(d) 11,900.64	(d) 10,304.00
1938	11	(f) 3,024	361,680.53	(f) 226,507.81	29,052.36	4,071.21	(f) 14,812.15	(f) 12,895.22

- (a) Three unions reporting.
(b) Four unions reporting.
(c) Five unions reporting.
(d) Six unions reporting.
(e) Seven unions reporting.
(f) Ten unions reporting.

TABLE IV.

LOANS OF OKLAHOMA CREDIT UNIONS

YEAR	Number Reporting	Loans Made This Year	Loans Repaid This Year	Loans in Force At End of Year	Loans Charged Off For The Year
1933	1	\$5,178.00	\$284.36	\$4,893.64	-----
1934	4	138,417.53	77,949.80	67,671.23	-----
1935	5	261,017.19	155,969.62	122,246.94	(a) \$57.83
1936	6	(b)253,457.23	(b)156,295.06	136,920.30	-----
1937	8	(d)237,974.57	(c)140,302.47	(d)178,267.94	300.15
1938	11	(e)309,243.62	(d)168,558.04	(f)239,735.33	(a) 758.36

- (a) Two credit unions reporting.
(b) Five credit unions reporting.
(c) Six credit unions reporting.
(d) Seven credit unions reporting.
(e) Eight credit unions reporting.
(f) Ten credit unions reporting.

Table V shows the operation of Federal credit unions in Oklahoma. Questionnaires were sent to the six Federal credit unions organized in Oklahoma before 1936. Two reported their operation prior to 1936; the data from 1936 to 1938, was taken from the reports of the Farm Credit Administration, Division of Finance and Research.

The two Federal credit unions returning the questionnaires on operations before 1936, served 189 members with assets amounting to \$3,815.86. The amount paid in on capital shares was \$3,913.59. These two unions had 59 loans outstanding at the end of the year in the amount of \$2,714.20. The total income amounted to \$167.25 and expenses \$9.51.

By December 31, 1936, fifteen credit unions in Oklahoma had been issued Federal charters. Twelve reported a membership of 1,398. Total assets amounted to \$46,020 and the paid-in shares amounted to \$43,495. Income for the year was \$2,966 and expenses were only \$870. These twelve credit unions had 564 loans outstanding at the end of the year which amounted to \$35,905.

December 31, 1938, is the last available report on credit unions in Oklahoma as made by the Farm Credit Administration. At this time, 30 credit unions in Oklahoma had been issued Federal charters; two of these did not report to the Administration. The 28 Federal credit unions reporting had a combined membership of 3,538. The total paid-in share balance was \$145,948 and assets amounted to \$161,508. The 28 credit unions had 7,063 loans outstanding which amounted to \$545,721. The total income was \$12,213 and expenses amounted to \$3,424.

In Table VI is shown the combined State and Federal chartered union operation in Oklahoma. In studying this table, one must remember that it represents only about 25 per cent of the State chartered credit unions

TABLE V.

FEDERAL CREDIT UNION OPERATION AND LOANS IN OKLAHOMA*

YEAR	Number Chartered	Number Reporting	No. of Members	Total Assets	Loans Outstanding		Total Income	Total Expense	Reserve For Bad Loans	Shares
					Number	Amount				
1935	6	2	189	\$3,816	59	\$2,714	\$167	\$10	\$58	\$3,914
1936	15	12	1,398	46,020	564	35,905	2,966	870	688	43,495
1937	23	20	2,494	92,926	1,010	77,015	6,575	1,689	2,178	85,783
1938	30	28	3,538	161,508	7,063	545,721	12,213	3,424	2,321	145,948

*Farm Credit Administration, Division of Finance and Research.

and that the reports for Federal chartered credit unions are almost complete, except for two or three credit unions each year.

During the first two years, as shown in Table V, no federal chartered unions existed. In 1935, there were two Federal chartered credit unions and five State chartered credit unions reporting; six reported a membership of 2,064. The loans outstanding at the end of the year amounted to \$124,961.14. Total income for six was \$11,143.79 and expenses only \$6,168.87. The seven unions transferred \$1,112.77 to the reserve for bad loans. The total assets amounted to \$151,624.81 with \$28,775.51 as paid-in share capital.

By December 31, 1937, data on 28 credit unions in Oklahoma were available. Twenty-seven of these unions served 5,032 members, with paid-in share capital at \$344,079.29. Total assets of the 28 unions amounted to \$344,079.29. There were \$255,322.94 outstanding at the close of the year. The 26 unions reported an income of \$18,475.64 and expenses amounted to only \$11,993. This year 27 credit unions transferred \$2,576.74 to the reserve for bad loans.

For the year 1938, thirty-nine credit unions reported their operations. Thirty-eight of these credit unions served 6,562 members. Assets for the 39 credit unions were well over half a million dollars, being \$523,188.53. By December 31, 1938, the 39 credit unions had \$791,051.23 outstanding in loans. Thirty-eight credit unions reported \$27,025.15 income for the year and \$16,319.22 expenses. The amount transferred to the reserve for bad loans amounted to \$6,392.21 for 39 credit unions and the paid-in share capital was \$175,000.36.

Table VII is an analysis of both Federal and State chartered credit unions in operation in Oklahoma as to membership, share balance, and loans. Though the report on State chartered credit unions represents

TABLE VI.

COMBINED STATE AND FEDERAL CREDIT UNION OPERATION IN OKLAHOMA

YEAR	Number Reporting	Number of Members	Loans Outstanding	Total Income	Total Expense	Transferred to Reserve for Bad Loans	Shares	Total Assets
1933	1	339	\$4,893.64	\$358.75	\$69.98	-----	\$1,356.25	\$5,444.08
1934	4	1,459	67,671.23	5,230.22	3,180.78	\$809.50	11,246.25	86,172.72
1935	7	(a) 2,064	124,961.14	(a) 11,143.79	(a) 6,168.87	1,112.77	28,775.51	151,624.81
1936	18	(c) 3,564	172,825.30	(b) 15,840.90	(b) 10,335.79	(c) 1,529.58	63,831.66	248,495.64
1937	28	(e) 5,034	(d) 255,322.94	(d) 18,475.64	(d) 11,993.00	2,567.74	112,647.57	344,079.29
1938	39	(g) 6,562	(f) 791,051.23	(g) 27,025.15	(g) 16,319.22	6,392.21	175,000.36	523,188.53

- (a) Six credit unions reporting.
(b) Sixteen credit unions reporting.
(c) Seventeen credit unions reporting.
(d) Twenty-six credit unions reporting.
(e) Twenty-seven credit unions reporting.
(f) Thirty-five credit unions reporting.
(g) Thirty-eight credit unions reporting.

only one-fourth of the total while the report on Federal unions represents almost a complete coverage, it is evident that the average number of members for State chartered unions are between two and three times the size of Federal chartered credit unions. While the State unions have the largest dollar share balance, the average share investment per member for Federal credit unions is between four and five times as great as that of members of State chartered unions.

Sufficient data were not available on the number of loans made per year to members of State chartered credit unions. Federal chartered credit unions made 188 loans to members during 1935; these loans amounted to \$11,092 or an average of \$59 per loan. The following year Federal credit unions made 1,165 loans amounting to \$85,599 or an average of \$73 per loan; this was a considerable increase in number and average size of the loans. In 1937 the number of loans increased to 2,988 in the amount of \$240,934, or an average of \$81 per loan. In 1938, the number of loans increased to 7,063 in the amount of \$545,721; but the average size of the loan, \$77, was below that of 1937.

The first two years that Federal chartered credit unions made loans in Oklahoma they were far below the dollar value of those made by State chartered unions. But during 1937, and 1938, the dollar value of loans made by Federal chartered credit unions has increased rapidly and they are taking their place along with State chartered credit unions in making thousands of dollars worth of small loans to their members.

Due to incomplete reports on State chartered credit unions, the number used in Table VIII had to be reduced to those giving the information needed.

Funds used by State chartered credit unions to make loans to members are derived from the shares and deposits of members, while those

TABLE VII.

ANALYSIS OF STATE AND FEDERAL CHARTERED CREDIT UNIONS AS TO MEMBERS, SHARES, AND LOANS

State Chartered Unions												
YEAR	Number Reporting	Members		Share Balance		Loans for Calendar Year			Loans Charged Off for Year		Dividends Paid On Shares Outstanding December 31.	
		Actual	Av. Per Union	Total	Av. Per Members	Number	Amount	Av. Size	Amount	%	No. Reporting Dividends	Amount
1933	1	339	339	\$1,356.25	\$4.00	-----	\$5,178.00	----	-----	---		
1934	4	1,459	366	11,246.25	7.77	-----	138,417.53	----	-----			
1935	4	1,875	368	14,204.60	7.58	-----	241,200.18	----	\$57.83	.0002	3	\$371.03
1936	5	2,166	433	18,666.66	8.61	-----	227,626.70	----	-----		3	599.54
1937	7	2,540	320	24,535.57	9.66	-----	183,325.18	----	282.02	.0016	4	764.37
1938	10	3,024	302	26,217.36	8.67	-----	235,392.07	----	758.36	.0031	4	847.72

Federal Chartered Unions*												
1935	4	422	106	\$7,938.00	\$19.00	188	\$11,092.00	\$59	-----	----	1	\$41.00
1936	12	1,141	95	38,587.00	34.00	1,165	85,599.00	73	-----	----	10	1,093.00
1937	20	2,218	111	80,449.00	36.00	2,988	240,934.00	81	\$48.00	.02	13	2,682.00
1938	28	3,538	126	145,948.00	41.00	7,063	545,721.00	77	118.00	.02	22	5,236.00

*Farm Credit Administration, Division of Finance and Research.

made by Federal chartered credit unions are derived only from the shares account. In this study the four State credit unions reporting for 1935, held, on an average, \$22.10 in cash in banks for each \$100 of shares and deposits. The one Federal credit union reporting held \$29.10 in cash in banks for each \$100 in shares held by members. During 1935, if the four State credit unions had used the entire amount of their resources, they would have received about \$8.10 for every \$100 of shares and deposits. The one Federal chartered union for this year could have received about \$4.20 for each \$100 of shares had it used its entire resources. If all the resources had been loaned in 1935, it would have cost the four State chartered credit unions, on an average, \$2.60 for each \$100 in loans made; while the one Federal union would have spent about 20 cents for expenses for each \$100 loaned during the year.

Four State credit unions had, on an average, \$30.50 held in cash in banks for every \$100 of shares and deposits during 1936, while Federal credit unions held only \$22.50. In other words, the Federal chartered credit unions held less cash or had more of their resources at work than did State chartered credit unions. The income for State unions during 1936, would have been \$8.80 for every \$100 shares and deposits if they had had them at work but Federal credit would have made only \$8.40 if their entire resources had been at work. On the other hand, if State chartered credit unions had had their entire resources at work, their expenses would have been \$4.10 for each \$100 loaned, while it would have cost Federal credit unions only 90 cents per \$100 of loans. On the basis of this, it would have been more profitable for Federal chartered credit unions to have their entire resources at work during 1936, than for State chartered credit unions because State unions could have made only 40 cents more income per \$100

TABLE VIII.

COMPARISON OF CASH IN BANKS TO SHARES AND DEPOSITS, INCOME TO TOTAL RESOURCES,
AND EXPENSES TO LOANS THAT COULD HAVE BEEN MADE DURING THE CALENDAR YEAR

State Chartered Credit Unions									
Year	Number of Unions	Cash in Banks	Deposits and Shares	Cash to Deposits And Shares	Income	Income to Resources That Could Have Been Used	Expenses	Loans Made During The Calendar Year	Cost Per \$100 Loan For Entire Resources
1933	1	\$550.44	\$5,155.31	10.6	\$358.75	7.0	\$69.98	\$5,178.00	1.4
1934	4	18,505.02	80,563.53	23.0	5,230.22	6.5	3,180.78	138,417.53	2.3
1935	4	29,885.63	134,983.56	22.1	10,976.54	8.1	6,159.36	241,200.18	2.6
1936	4	44,326.50	145,407.11	30.5	12,874.90	8.8	9,465.77	231,135.23	4.1
1937	6	53,240.16	156,202.23	34.1	11,900.64	7.6	10,304.00	207,443.57	5.0
1938	8	22,174.51	195,339.85	11.4	13,891.85	7.1	12,117.04	317,145.62	3.8

Federal Chartered Credit Unions*									
Year	Number of Unions	Cash in Banks	Deposits and Shares	Cash to Deposits And Shares	Income	Income to Resources That Could Have Been Used	Expenses	Loans Made During The Calendar Year	Cost Per \$100 Loan For Entire Resources
1935	1	\$987.22	\$3,389.07	29.1	\$153.05	4.2	\$9.51	\$4,262.50	0.20
1936	12	8,680.00	38,587.00	22.5	2,725.00	7.0	807.00	85,599.00	0.90
1937	20	15,150.00	80,449.00	18.8	6,109.00	7.6	1,583.00	240,934.00	0.60
1938	28	23,544.00	145,948.00	16.1	12,213.00	8.4	3,424.00	545,721.00	0.60

*Federal Credit Unions cannot accept deposits from members therefore the fourth column represents shares only.

than Federal chartered credit unions and they would have spent \$3.20 more in expenses per \$100 loan.

In 1937, State chartered unions held \$34.10 in cash in banks for each \$100 of shares and deposits; this is an increase of \$3.60 per \$100 over 1936. Federal chartered credit unions reduced the amount of cash in banks from \$22.50 to \$18.80 per \$100 of shares held by members. The income of State unions was reduced \$1.20 per \$100 for 1937 while Federal credit unions income went up 60 cents per \$100 of shares. The State chartered credit unions income was reduced and at the same time the cost per \$100 loan went up 90 cents and the Federal was reduced 30 cents per \$100 loan. Therefore, Federal chartered credit unions enjoyed a more profitable year in 1937, than did State chartered credit unions.

State chartered credit unions held only \$11.40 per \$100 of shares and deposits during 1938, as compared with \$34.10 in 1937. Federal chartered credit unions also reduced their cash held in banks from \$18.80 in 1937, to \$16.10 in 1938. The income of State unions would have been \$7.10 per \$100 of resources if they had had all of them invested; Federal income would have been \$9.40 if all resources had been at work. Expenses of State unions during 1938, were \$3.80 per \$100 loan and for Federal credit unions during the same period were only 60 cents per \$100 loan.

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