

OREGON TEACHER CREDIT UNIONS

by

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"NOT FOR PROFIT, NOT FOR CHARITY

BUT FOR SERVICE"

INTRODUCTION

Purpose of the Study. It is the purpose of this study to make a descriptive survey of the teacher credit unions in Oregon. For some time the writer has been interested in the cooperative movement as a whole, and especially in teacher credit unions, believing that through such organizations the morale and economic well-being of teachers can be improved. This study is made with the hope that the information gathered may be used by the Oregon League of Credit Unions to promote the cause of credit unions generally, to show the value of credit unions to teachers, and to particularize the progress made since the organization of the first credit union in the State of Oregon.

Sources of Information and Procedures. In gathering data for this study, the writer had access to the following sources of information:

1. Personal contacts with the treasurers of teacher credit unions in Oregon, the Oregon director of the Credit Union National Association, who is also manager of the Oregon State League of Credit Unions;
2. All books and records of the teacher credit unions in Oregon;
3. Letters, statistics, and materials from the Superintendent of Banks of Oregon, from the National Education Association, and from the Credit Union Section of the Farm Credit Administration;
4. State and federal credit union laws;
5. Books and other publications concerning credit unions.

When the information provided by these sources was organized, the problem was divided into three parts: (1) the organization and operation

of credit unions; (2) the development of credit unions from their origin in Germany to their institution in Canada and finally in the United States; and, (3) the development and financial status of teacher credit unions in Oregon. These parts of the problem, in the order named, form the bases for chapters included in this study.

Definition of a Credit Union. A teacher credit union is a co-operative association made up of teachers (and sometimes other employees of an educational system) for the purposes of promoting thrift and of creating a source of credit for provident or productive purposes.¹ Members accumulate savings and may negotiate loans from the capital accumulated from the savings of all the members. Credit unions may be organized in accordance with provisions of state law and operate under the banking departments of the various states; or, if organized under a federal charter (Credit Union Act, approved June 26, 1934), under the supervision of the Farm Credit Administration.

Purposes of a Credit Union. Credit unions are organized for such purposes as the following:

1. To encourage thrift by providing a safe, convenient, and attractive plan for the investment of the funds of members through the purchase of shares and the deposit of savings.
2. To provide credit facilities for members for provident or productive purposes at low interest rates.
3. To train members in business methods and self-government, to

¹Roy F. Bergengren, Cuna Emerges (Kingsport, Tenn.: Kingsport Press, Inc., 1936), p. 4.

endow them with a sense of social responsibility, and to educate them to a realization of the value of cooperation.

4. To fill the gap in the banking system which leaves the borrower of relatively small sums without adequate credit facilities unless usury is involved.²

Credit unions involve relationships which are largely personal in nature. Members bear relationships to the union which are quite different from that of a depositor to a commercial or savings bank. Each member of a credit union must feel some responsibility toward his fellow members. The officers are his fellow workers and are chosen by him. Most loans are small and are repaid in frequent small installments, the risk involved constantly growing less. In order to be successful, credit unions should be organized in natural groups of limited size characterized by a close community of interests, stability of employment, low turnover of employees, and by willingness and ability on the part of the members to carry on a cooperative enterprise the activities of which are highly personal in character. In general, teacher groups fulfill these requisites satisfactorily and therefore are excellent sources from which to recruit credit union members.

The low rates which credit unions charge are possible because of extremely low overhead. Until a credit union is large enough to pay its treasurer or manager, the services of the officers are gratuitous. Office space is often donated and rent is always low since it has been a policy of credit unions to do business in unostentatious quarters. The increase

²Arthur H. Ham, revised by Rolf Nugent, A Credit Union Primer (New York: Russell Sage Foundation, 1930), p. 17.

in the rate of growth in the number of credit unions shows that this form of cooperative banking meets with the approval of people with small or average salaries who generally do not possess bank credit.

Definition of Credit Union Terms

Capital. The capital of a credit union consists of the payments made by members on shares, unpaid dividends, and savings deposits.

Guarantee or Reserve Fund. Under the Oregon Law pertaining to credit unions, twenty-five per cent of the net profits must be set aside as a guaranty or reserve fund to care for possible losses on loans. This fund may not, however, exceed the capital of the credit union plus fifty per cent of its other liabilities. Entrance fees and all fines, remaining after the payment of expenses, are set aside in this fund. Under the Federal Credit Union Law, twenty per cent of the undivided profits or net profits, all entrance fees, and all fines are set aside as a reserve fund. This fund may not be liquidated except in case of formal dissolution of the credit union. A loan cannot be charged against the guaranty fund unless the board of directors and the supervisory committee decide the loan is uncollectible. If a part or all of the loss incurred in such an event should subsequently be recovered, it must be credited to this fund.

Loans. Members may borrow money from the credit union provided the purpose for which the money is to be used is stated in the written application. No loan in excess of fifty dollars may be made without security, which may be in the form of an endorsed note, assignment of

shares or deposits, or a salary check.

Surplus. The balance on hand at any given date, after all expenses have been deducted and the guaranty fund division has been made, is called the surplus.

Net Earnings. Net earnings means the balance remaining after deducting from the gross income received during any given period any losses sustained for which no specific reserve has been set aside.

CHAPTER I

ORGANIZATION AND OPERATION OF THE CREDIT UNION

According to the Farm Credit Administration, the chief requirements for organizing a credit union under state or federal charter are the following:

1. Members of the group which seeks to organize a credit union must have a close common bond of association, occupation, or residence, as a result of which they will be generally acquainted and have common interests.
2. Members of the group must be prepared to work together and must be genuinely desirous of assisting their fellow members. Officials of the credit union must be willing to give sufficient time to their duties to handle efficiently the affairs of the group.
3. The group should have a membership of at least 100 persons and must have been in existence sufficiently long enough to insure its permanency.¹

It must be remembered that the purposes of the credit union, which must be kept in mind by any organizing group, are to promote thrift by installment saving, to make useful loans to members at reasonable costs, and to help members use their savings and credit most effectively.

Procedure for Organization

Membership in a teacher credit union is usually limited to educators, although in some instances the other employees of the school district are included. At least seven persons with common needs and

¹C. R. Orchard, Director, Credit Union Section, Farm Credit Administration, Letter of June 10, 1940, to the writer.

common interests are necessary to organize a credit union, but a membership of thirty or more is highly desirable. Credit unions may be organized either under state or under federal law. To organize a credit union under the law of the State of Oregon, application must be made to the Superintendent of Banks. The notarized application must contain the name and location of the proposed credit union together with the signature, address, and number of shares owned by each subscriber. If the members wish to organize under the federal law, they must apply in like manner to the Credit Union Section of the Farm Credit Administration. After the petition for a charter has been approved, this document must be recorded with the clerk of the county in which the credit union is located. When this procedure has been completed the credit union may sell shares, of not to exceed \$25 each, to members and may make loans after proper written applications have been made to and approved by the credit committee. An entrance fee of twenty-five cents to one dollar (depending on the by-laws of the particular credit union) is paid by each new member. This is set aside as a part of the guaranty or reserve fund.

Duties of Officers

Directors, General Powers and Duties. The board of directors is responsible for the general management of all the affairs, funds, and records of the credit union. The directors must hold a meeting within ten days following each annual meeting of the shareholders for the purpose of electing a president, vice-president, secretary, and treasurer for the union.

Special Powers and Duties of the Directors. Unless the by-laws of a credit union expressly reserve any of the following to the shareholders, these are the further duties of the directors: to act upon all applications for membership and to expel members if necessary; to fix the amount of surety bond required of each officer having control or custody of funds; to determine, from time to time, the rate of interest which shall be charged on loans and allowed on deposits; to fix the maximum number of shares which may be held by and the maximum amount which may be loaned to any member; to declare dividends; to recommend amendments to the by-laws; to fill vacancies in the board of directors or in the credit committee; to direct the deposit or investment of funds; to pass on appeals from members who have been refused loans by the credit committee; and to perform such other duties as the by-laws may prescribe.

Eligibility, Terms of Office, and Oath of Directors. The board of directors of any credit union must include five members elected by the shareholders of the organization at the annual meeting in January for a term of not more than three years. No member may be elected a director unless he is a holder in his own right of one share of fully paid for stock. Each director, when elected, must take an oath that he will, so far as the duties of his office devolve upon him, diligently and honestly administer the affairs of the credit union and that he will not knowingly violate or permit to be violated any of the provisions of the law applicable to the organization. Members of the board of directors may not be compensated for their services, nor can a director borrow or become surety for any loan by the credit union unless such loan shall

have been approved at a regularly called meeting of the directors or by a majority vote of a quorum of the shareholders present at any regular meeting.

Credit Committee, Loans, and Regulations. The Oregon law pertaining to credit unions states that there must be three members on the credit committee, the duty of which is to pass upon the written applications presented by shareholders for loans. All loans must have the unanimous approval of the members of the committee, provided that a majority of the committee is present when the application is considered. When this committee approves a loan, it instructs the treasurer to negotiate the required papers and pay the amount of the loan to the applicant. Any applicant whose application for a loan has been refused by the credit committee may appeal to the board of directors for reversal of the decision of this committee. In no case may a member of this committee receive any compensation for his services or serve as a member of the supervisory committee. (See below).

Supervisory Committee, Powers and Duties. The supervisory committee shall have the power to suspend the credit committee, any member of the board of directors, or any officer of the credit union provided such action is taken at a meeting of the committee called for that express purpose, and provided that action of the committee is unanimous. This committee may by a majority vote call a meeting of the shareholders to consider any violation of the state law or the by-laws, or any practice of the credit union which in the opinion of the committee is unsafe or unauthorized. It is the duty of this committee to inspect the securi-

ties , books, and accounts of the union and to supervise the acts of the board of directors, officers, and credit committee within seven days after suspension of the credit committee. This committee must cause notice of a special meeting to be given to the shareholders in order to take action regarding such suspension. At the end of the fiscal year, December 31, the committee must make an audit of the books and records of the credit union and must examine the business and affairs of the credit union for the year and make a complete report of its assets, liabilities, receipts, and disbursements to the board of directors. This report must be read at the annual meeting of the shareholders and filed with records of such credit union.

Officers, Powers and Duties. The powers and duties of the officers of a credit union are prescribed in the by-laws. Only the treasurer may receive compensation, the amount to be determined by the board of directors subject to the approval of the members.

President. It is the duty of the president to preside at all meetings of the shareholders and of the board of directors, to countersign all drafts, checks, and notes drawn by the credit union, and to perform all other duties generally connected with that office or such other duties as the board of directors may prescribe from time to time.

Vice-president. The vice-president shall, in the event of the absence or disability of the president, perform the duties of the president. He shall perform such other duties as the board of directors may direct.

Secretary. The secretary shall keep a correct record of all meetings of the shareholders and of the board of directors. He shall give notices of all meetings to the members and shall perform all other duties incident to his office.

Treasurer. The treasurer shall be the general manager of the credit union and shall be custodian of all funds, securities, books of account, and other valuable papers. He shall keep a separate set of books of entry, containing in detail all of the financial transactions of the credit union. He shall sign all checks, notes, and drafts drawn by the union. It is his further duty to prepare a report showing the condition of the credit union within seven days after the close of business each month and to give an annual report at the end of the fiscal year. The treasurer must be bonded for faithful service, in such amount as the board of directors may prescribe, the premium for the bond to be paid from the funds of the credit union.

Audits, Reports, Taxes

The federal-chartered credit unions records are inspected at least once a year by a government auditor at unscheduled times. The charge for these inspections is twenty-five cents for each one hundred dollars capital with a minimum charge of \$2.50. If the credit union has assets of less than \$25,000, the Governor of the Farm Credit Administration may accept the audit report of a practicing public accountant in place of the federal examiner and relieve the credit union of the obligation to pay the examination fee. Monthly and annual reports on a form provided,

through the State League, by the Farm Credit Administration are sent to the Credit Union Section of the Administration Bureau. These reports include a balance sheet, a statement of income and expenses, and a statistical report. The statistical report includes information as to the number and the amounts of loans, the reserve for bad debts which includes fees, fines, and twenty per cent of the net profit for the year, and information on delinquent loans, paid-in shares, and new members admitted. After twenty per cent of the annual net profits has been transferred to the reserve for bad debts, the remaining eighty per cent is transferred to the undivided profits account, thus leaving no amount to be shown as profit or loss on the balance sheet.

The state-chartered credit unions are examined annually by the superintendent of banks or by his representative who audits the books. When this examination is made, the fee is as follows:

1. When assets of the credit union are \$5,000 or less, \$10
2. When assets of the credit union are more than \$5,000 but not more than \$15,000, \$15
3. When assets of the credit union are more than \$15,000 but not more than \$25,000, \$25
4. When the assets of the credit union are over \$25,000, the actual cost of examination.

On or before the first day of February in each year every state-chartered credit union must submit to the superintendent of banks a written report which must contain a statement of its condition at the close of business on the thirty-first day of December of the preceding year. Every such report must be verified by the oaths of the president, treasurer, secretary and a majority of the members of the supervisory

committee. Each credit union must make such other reports to the superintendent of banks as he may, from time to time, require. If any credit union should fail to make any required report on the day designated, or fail to include any matter required by the superintendent, it may be fined five dollars for each day the report is delayed or withheld or for every day it shall fail to report any omitted matter, unless the time has been extended by the superintendent. (The superintendent, for satisfactory cause, may extend the time to twenty days.)

Until the legislature amended the Excise Tax Law dealing with exempted corporations, each credit union paid an excise tax. In 1939 this part of the law was changed to exempt state and federal credit unions so long as the interest or dividends paid on shares do not exceed eight per cent per annum. Other taxes apply to the credit unions as to any business of similar nature.

Annual Meetings

The annual meetings of teacher credit unions under the state and federal laws are held in January. Special meetings may be called by a majority of the board of directors or a majority of the supervisory committee, or upon the written request of ten members. Each member has one vote at any meeting of the shareholders, irrespective of the number of shares he may own. Voting by proxy is not allowed at any time. At any annual or special meeting a decision of the board of directors may be overruled by a majority vote of all the shareholders.

By-Laws, Amendments

At the time of submitting the organization certificate to the superintendent of banks, the incorporators must submit the proposed by-laws, in duplicate, which shall prescribe the manner in which the business of the credit union is to be conducted with reference to specific matters. The by-laws may be changed or amended by a three-fourths vote of the shareholders present at any meeting, provided the proposed change or amendment shall first have been approved by the superintendent of banks and further provided, the notice of such meeting, containing a copy of the proposed change or amendment, shall have been given to each shareholder as prescribed in the by-laws. A copy of any change or amendment thus adopted shall be filed in the office of the superintendent of banks within thirty days after its adoption.

Protection of Members and Loans

The liability of an individual member of a teacher credit union is limited to the amount of shares and deposits he has invested in the association. Members are protected against loss by the federal law, by the state credit union act, and by the bonding of all officers handling money. The books of all credit unions are audited monthly by the supervisory committee and annually by the bank department. Each loan over fifty dollars is guaranteed by the co-signors' and borrowers' character and salaries as well as by the borrower's insurance. The 'Guaranty and Reserve Fund' provides a reserve if loans are not paid; and funds are always liquid, since loans are paid back in monthly installments.

Dissolution Procedure

Any credit union organized under the provisions of the Oregon act pertaining to credit unions may, at a special meeting of the stockholders called for the specific purpose, by a vote of four-fifths of the entire membership of such credit union, authorize the dissolution of such credit union; provided, however, that after the dissolution of a credit union a statement containing the members' consent to said dissolution and the names and addresses of the officers and directors of the credit union be sent to the superintendent of banks. In case of liquidation, the assets shall be distributed in the following manner in the order listed: (1) repayment of money borrowed by the credit union together with the accrued interest; (2) payment of all legal obligations to non-members; (3) payment of deposits, including accrued interest; and (4) pro-rated apportionment of the balance among the shareholders.

CHAPTER II

THE HISTORY OF THE CREDIT UNION MOVEMENT

"The cooperative movement grew out of a protest against social and economic exploitation of the working class."¹

Credit unions are of distinctly German origin, the first one (the Raiffeisen credit society) having been started in 1849 near Flammersfeld, Germany. Friedrich Wilhelm Raiffeisen wished to teach the peasants of that area how to help themselves by cooperative effort. In order to do this, he organized a cooperative bakery and cattle-purchasing society and later established a credit society which in its early days was financed from funds received from certain of the wealthy land-holders of the district. After fifteen years, this method of financing was abandoned and the organization became a truly self-help society which attempted to benefit its members spiritually and socially as well as materially.²

Another system of credit societies was founded by Herman Schulze-Delitzsch, who organized "peoples' banks" which served primarily the artisan-small tradesman class and which operated chiefly in cities and towns. This system, which began in the Rhine country in 1850, was based on the same principle of cooperation as was the Raiffeisen society although it differed in some particulars. Societies organized under this

¹M. R. Neifeld, Cooperative Consumer Credit (New York: Harper and Brothers, 1936), p. 10.

²Ibid., pp. 11-15.

system required each member to purchase shares in order to build up a considerable working capital to be used in making short-term loans. Substantial dividends were paid on these shares and, in consequence, their value rose rapidly.³

Both the Raiffeisen and the Schulze-Delitzsch systems of credit societies spread gradually into other parts of Europe and Asia. None was established in America, however, until 1900, when after fifteen years' study of European credit societies, Alphonse Desjardins started his "Peoples Bank" in Levis, Quebec. This bank was adapted to local conditions and as a result differed in several important respects from its European models. Its shares were sold for small amounts, dividends were paid, savings deposits were accepted from shareholders, and the liability of members was limited to the extent of their individual investments. Desjardins is credited with having "Americanized" the Raiffeisen form of cooperative society.⁴

Development of the Credit Union in the United States

In 1909, Pierre Jay, then bank commissioner of the State of Massachusetts, invited Desjardins to Boston and together they drafted and presented to the legislature of that state a bill permitting the formation of credit unions. This bill became a law after receiving strong support from Edward A. Filene, a Boston merchant who had just returned from Europe, where he had gone to study the European system of credit

³Ibid., p. 12.

⁴Ibid., pp. 11-15.

societies because he had seen in it a way to eliminate the usury involved in the loaning of money to people with little bank credit. As a result of the passage of this bill, Massachusetts became the first state in the United States to organize credit unions. These unions differed considerably from those operating in Europe. Members' liability was limited and the working capital was built up from the purchase of shares and the deposit of savings just as in the European organizations. The American unions, however, charged a higher rate of interest than did the European, and limited their activities to the loaning of money to members only.⁵ The aim of the credit union movement in the United States has, from its inception, been to create "an agency which will give cash credit from their own pooled savings to consumers at minimum cost."⁶

Leonard G. Robinson of New York had urged the organization of credit unions in the Jewish agricultural colonies of that state as early as 1907. In 1913 he drafted a bill which was introduced into the legislature by State Senator Franklin D. Roosevelt.

John Sprunt Hill, a North Carolina banker who had been a member of President Taft's commission to study credit union societies in Europe, was largely responsible for the passage of a law permitting the organization of credit unions in his state. Similar laws were enacted in Oregon, South Carolina, and Utah, but these laws were so devised that they did not, in effect, permit the organization of financially sound credit unions. New York, Rhode Island, Massachusetts, and North Carolina were

⁵Roy F. Bergengren, Cuna Emerges (Kingsport, Tenn.: Kingsport Press, Inc., 1936), pp. 16-19.

⁶Ibid., p. 19.

the only states with effective credit union laws, and these states had "190 credit unions by 1921, with a membership of 72,310 and resources of \$10,084,862."⁷

National Extension of Credit Unions

Mr. Filene's interest in credit unions continued after passage of the credit union law in Massachusetts. His plan for a nationwide system of credit unions was realized after his expenditure of "approximately a million dollars in credit union promotion."⁸ The Credit Union National Extension Bureau founded by Mr. Filene had four objectives which have since been largely attained: (1) to promote workable credit union laws in each state and territory of the United States; (2) to organize individual credit unions; (3) to organize state leagues which would promote credit unions and aid in their operation; and (4) to organize a national association of credit unions which would lobby for and publicize the credit union movement and which would educate the public concerning the benefits to be derived from credit union memberships.

The work of Mr. Filene's Bureau has been effective. On June 26, 1934, the Congress of the United States passed the Federal Credit Union Act, permitting the organization of credit unions in any state or possession of the United States. In addition, the laws of the various states have been so amended that credit unions are now operating in forty-five states. The May 8, 1940 report of the credit union section of the Farm

⁷Ibid., p. 19.

⁸Ibid., p. 23.

Credit Administration shows that up to December 31, 1939, 3,544 credit unions with 797,244 members had been organized under the Federal Credit Union Act, and that \$162,409,643 had been borrowed by the members.⁹

Credit Union National Association (Cuna)

In 1934 credit union leaders from twenty-two states met in Colorado and organized the Credit Union National Association (Cuna), which subsequently took over the work previously handled by the Credit Union National Extension Bureau. At the present time, Cuna, which is the central organization of all credit unions in the United States, is composed of forty-five state leagues in addition to individual credit unions in those states and territories where no state leagues exist. (If there is no league in the state in which it operates, a credit union may affiliate directly with Cuna.)

Each state league is represented on the National Board of Cuna by one director, who is elected at a meeting of the league called for that purpose. The National Board meets annually in May to determine the dues to be charged organizations which are members of the Cuna and to handle the other business of the organization. National dues are based on the number of members in each affiliated league or union, ten cents per member being charged if the union paid a dividend of three per cent or more during the year preceding. If a dividend of less than three per cent was paid, no dues are required by the Cuna.

The primary purpose of the National Association is to carry on

⁹Ibid., p. 19.

the work of credit union promotion and to aid in all national credit union problems, including those concerned with legislation. Other services are also provided by the Cuna for the state leagues and individual credit unions. Supplies are printed and sold at cost, a bonding service is provided for treasurers at a cost of \$3.00 per thousand, and insurance on loans is provided at a cost of seven and one-half cents per hundred dollars for full coverage, this amount being half that charged by most private bonding companies. "At the end of its first year (August 16, 1935) it (Cuna) had written a total coverage of \$11,387,855, covering over 250,000 loans."¹⁰

State Credit Union Leagues

At the present time there are forty-five State Leagues, each composed of all the credit unions within its state. One of the more important functions of these State Leagues is that of acting as intermediary between the Credit Union National Association and the individual credit unions. In addition, the Leagues carry on the promotion and organization of credit unions in the several states, at no cost to the new unions. These leagues are financed by dues paid by all member unions. Each union pays a three dollar entrance fee and an additional three dollar fee each year unless it pays to its shareholders a dividend of at least three per cent. When a union pays to its shareholders a dividend of three per cent or more per annum, its dues in the State League become ten cents* per member or four per cent of the gross income of the union, whichever is greater.

¹⁰Ibid., p. 227.

*This is the Cuna dues.

No credit union, however, pays more than \$250 in dues in any one year. These dues, part of which goes into the Reserve or Guaranty Fund required by the State Banking Departments, are used in the work of the State League.

Each State League sells shares to those member unions wishing to purchase them, and pays dividends on these shares in the same manner as do the individual credit unions. Funds obtained from the sale of shares are loaned to such credit unions as are in need of additional cash at any given time. Thus, the State Leagues provide a means of investment for those individual unions which have a large cash balance but no requests by members for loans, and at the same time provide ready cash at reasonable interest rates to those unions whose cash funds are so depleted that they cannot make the loans requested by members.

The Credit Union Section of the National Education Association

In 1937 the National Education Association created the Credit Union Section for the purpose of promoting the credit union movement among American teachers. In June, 1939, the Credit Union Section published a report, "The Status of Teacher Credit Unions in the United States", because of "widespread interest in the extent and activity of existing credit unions."¹¹ This report was based on information obtained from 174 state-chartered credit unions in answering a questionnaire sent out by the Committee on Credit Unions of the National Education

¹¹J. E. Moran and others, Status of Teacher Credit Unions in the United States (Washington, D. C.: National Education Association of the United States, 1939), p. 6.

Association, and from the annual reports of 208 federal-chartered unions. According to this report, the number of teacher credit unions in the United States has increased from 45 in 1933 to 404 in 1939. The report shows further that losses suffered by teacher credit unions have totalled less than one per cent. Tables I and II show the activities of these unions during the years indicated above. It is apparent from examination of these activities, that credit unions are proving their usefulness to the teachers of the United States.

TABLE I

TOTALS OF TABLES I AND II FROM THE "STATUS OF TEACHER CREDIT UNIONS
IN THE UNITED STATES" DECEMBER 31, 1938

	Reserve Guaranty Fund	Undivided Profits	Twelve months period ended Decem- ber 31, 1938			Dividends Author- ized on Shares Outstanding, Dec. 31	
			Amount Loaned	Total Income	Total Expenses	Net Income	Amount
State-chartered Totals	\$166,511	\$154,845	\$6,040,959	\$431,020	\$142,525	\$233,419	\$173,878
State-chartered (average of those reporting)	974 171	922 168	35,958 168	2,506 172	838 170	1,381 169	1,129 154
Federal-chartered Totals	32,966		1,905,097	110,856	38,093	55,241	46,110
Federal-chartered (average of those reporting) 109)	158		9,115	530	182	264	221

TABLE II

TOTALS OF TABLES I AND II FROM THE "STATUS OF TEACHER CREDIT UNIONS
IN UNITED STATES" DECEMBER 31, 1938

	Membership		Total Assets	Share Balance	Loans Outstanding		Loans made since organization	
	Potential	Actual			Number	Amount	Number	Amount
State-chartered Totals	191,464	43,110	\$5,854,460	\$4,497,736	17,985	\$4,658,874	26,715	\$16,688,542
Number Reporting	157	173	173	172	145	172	78	146
Average (on basis of number reporting)	1,220	249	23,841	26,150	124	\$27,086	343	\$114,305
Federal-chartered Totals	95,529	26,686	1,509,031	1,355,502	\$7,995	\$1,197,175	7,995	\$1,197,175
Average (on basis of number reporting)	443	128	7,220	6,436	38	\$5,528	38	\$5,728

CHAPTER III

SURVEY OF TEACHER CREDIT UNIONS IN OREGON

Information concerning teacher credit unions in Oregon was obtained from the managers of each union, from the Oregon League of Credit Unions, from a study of the annual financial statements of the unions, and from the office of the Superintendent of Banks. There are four teacher credit unions in Oregon; The Eugene-Lane Teachers Credit Union; the Klamath Public School Employees Credit Union; the Portland Teachers Credit Union; and the Salem Public School Teachers Credit Union. One other, the Bend Teachers Credit Union, was organized under the federal credit union law on April 1, 1937 but was dissolved in 1939 because of the apparent lack of interest among its members. In addition to these unions, which are open only to school employees, there are several others to which teachers may belong, among them are the Lincoln County Employees Credit Union, and the Multnomah County Employees Credit Union with which all Multnomah County teachers outside of the city of Portland may affiliate.

TABLE III

TEACHER CREDIT UNIONS IN OREGON, MAY 31, 1940

Name of credit union	Date of organization	Kind of charter
Eugene-Lane Teachers	Oct., 1936	State
Klamath Public School Employees	June, 1936	Federal
Portland Teachers	Dec., 1932	State
Salem Public School Teachers	Jan., 1936	State

Eugene-Lane Teachers Credit Union

The Eugene-Lane Teachers Credit Union, with headquarters in the Eugene High School, offers membership to all public school teachers of Lane County. Mr. Harry B. Johnson is the manager-treasurer and has been the moving spirit in the development of this organization. The growth of this union has been slow but steady which is perhaps a desirable characteristic in the development of financial institutions. As a result of this slow growth, especially during the first three years of its existence, its capital was too small to permit loans to members in any substantial amount. In order to make the loans requested during these early years it was necessary for the organization to borrow money. This it obtained at interest rates of five and six per cent per annum, while it loaned money to members at the rate of one per cent per month on unpaid balances. At present, as indicated in Table IV, this union has ample capital to meet all normal requests from members for loans.

Shares in the Eugene-Lane Teachers Credit Union, as in all other Oregon teacher credit unions, are sold for five dollars. The entrance of uneven amounts under the heading "Value of Shares" (Table IV) is due to the fact that some members have paid their initiation fees but have not completed full payment for a share. Funds listed under "Cash on Hand" are those amounts actually on hand at the time the annual financial statements were made. Generally, the amount of cash on hand is greater during the first part of the year and drops off during the summer months when teachers borrow money for summer school fees, travel, or other needs. It is during the late spring and early summer seasons

TABLE IV

FINANCIAL AND STATISTICAL INFORMATION PERTAINING TO THE EUGENE-LANE
TEACHERS CREDIT UNION, 1936 TO MAY 31, 1940, INCLUSIVE

	1936	1937	1938	1939	May 31, 1940
Number of members (actual)	49	75	106	131	140
Number of loans	7	52	66	98	45
Amounts of loans	\$220	\$1810.81	\$4461.07	\$6355.84	\$6031.22
Value of Shares	252	2439.50	5028.22	9683.93	11870.87
Rate of Dividends on Shares (per cent)	---	5	6	6	---
Guaranty fund	---	39.86	147.70	320.08	320.08
Cash on hand	8.72	320.53	341.81	2090.85	4746.70
Undivided earnings	---	14.30	21.03	66.83	66.83
Interest Earned on Loans	---	148.12	405.24	790.17	383.90
Invested in School District Warrants	---	1925.52	1040.93	3986.25	465.00

that it is often necessary for this credit union and others comparable to it to borrow money in order to meet the demands of members for loans.

This union, on May 31, 1940, had investments in the Oregon League of Credit Unions amounting to \$1,330.17, this amount being divided between shares and deposits. Other funds were invested in school warrants which is a common form of credit union investment. During the past year, the problem of this union has been that of keeping its funds out in loans to members. It is only when a large proportion of the credit union funds is out in loans that a profit can be realized and dividends paid on shares.

During the four years since its organization, this credit union has loaned \$20,878.94 to its members and has suffered no losses whatever. That the members are satisfied with the activities of the union is indicated by the fact that of the twenty-one former members, only one withdrew his membership. Eleven of the others have moved from the county, eight have been retired from teaching, and one has died. The 140 present members own 2,374 shares, or an average of 17 shares each. The fact that these shares earned five per cent dividends in 1937 and six per cent in 1938 and 1939 is evidence of the value of this type of investment, these dividends being considerably larger than one is able to realize on such small investments in other types of stocks or securities.

News bulletins are published from time to time by the directors of the Eugene-Lane Teachers Credit Union; a recent one lists the following benefits of membership in the organization:

1. The E-L.T.C.U. affords a ready means for investing funds at a fair return. Since organization the dividend has not been under 5 per cent and the last two years 6 per cent was paid.

2. The E-L.T.C.U. places at the disposal of members an agency through which they may borrow for provident purposes. The interest rate is 1 per cent per month on the unpaid balance. Payments may be made in convenient installments.
3. Membership in the E-L.T.C.U. helps build morale. It is a self-help organization. Profits from investments go to our own fellow-teachers, and the money we invest in shares is in turn made available to other fellow-teachers who need to borrow.
4. The E-L.T.C.U. has helped many teachers keep their credit good, by helping them pay off old debts, finance summer school, pay doctor and hospital bills, purchase property, make home repairs, pay the college education of sons and daughters. One of our most important assets is our credit; without it people suspect our character.¹

The Klamath Public School Employees Credit Union

Mr. Harold Ashley, Altamont Junior High School, and Mr. Fred Peterson, Klamath County School Superintendent, have given considerable time to developing the "Klamath Public School Employees Credit Union" which is the only federal-chartered teachers credit union in Oregon. This union has a potential membership of approximately 300 but an actual membership of 149. By May 31, 1940 it had sold 904 shares to its members which is an average of six shares per member. While it was necessary for this union, during its early development, to borrow funds in order to meet requests from members for loans, at present the union has a cash balance of \$1,229.00. In other words, its members are not at present borrowing enough to keep the funds of the union at work. This credit union did not pay dividends on its shares until 1939, at which time five

¹News Bulletin of the Eugene-Lane Teachers Credit Union, 1940.

TABLE V

FINANCIAL AND STATISTICAL INFORMATION PERTAINING TO THE KLAMATH PUBLIC SCHOOLS
EMPLOYEES CREDIT UNION, 1936 TO MAY 31, 1940, INCLUSIVE

	1936	1937	1938	1939	May 31, 1940
Number of members (actual)	34	38	112	131	149
Number of Loans	2	36	81	140	163
Amount of Loans	\$90.00	\$1757.00	\$4518.75	\$10660.00	\$13875.00
Value of Shares	147.00	987.00	1814.00	2021.00	4523.00
Rate of Dividends (per cent)				5	
Reserve Fund	8.25	25.00	50.00	84.00	84.00
Cash on Hand	36.00	270.00	410.00	124.00	1229.00
Undivided Earnings	-48.97	-34.66	20.60	122.48	20.60
Interest on Loans (earned)	1.20	38.14	139.43	294.54	190.35
Other Incomes	—	—	.30	1.50	3.83
Notes Payable	—	—	—	400.00	—
Fines and Initiation Fees	—	—	2.40	1.50	—

per cent was paid. Part of this failure to pay dividends in the past was due to the fact that debts incurred in organizing the union were so large that no net earnings were realized until 1938. Further income, however, has been derived from dividends on shares purchased in the Oregon League of Credit Unions, and from notary fees collected by the treasurer inasmuch as twenty-five cents is charged for notary services to members. According to Mr. Oppie King, Field Supervisor of the Farm Credit Bureau of the Federal Securities Administration, this is one of the best federal-chartered credit unions in the United States.

Portland Teachers Credit Union

The most outstanding figure in the promotion of credit unions in Oregon is Mr. Hugh G. Stout of the Portland Teachers Credit Union, who represents Oregon on the Board of Directors of the Cuna. He teaches one high school class in the Portland schools in order to qualify for his position as manager of the Portland Union but devotes the remainder of his time to the business of the credit union. (The by-laws set up by the State Superintendent of Banks requires that officers of all credit unions be actually engaged in the same type of work as other members of the unions; in other words, it is not possible for credit unions to go outside their own membership for officers.)

The Portland Teachers Credit Union is the oldest in Oregon, is the largest in actual and potential membership and, correspondingly, does the most business. During the first five years of its history it was possible only for regularly elected teachers who were under tenure to become members. Revision of the by-laws at a special meeting in 1937

made it possible for any employee of School District Number 1 to become a member, so that at present 1,291 employees of the Portland schools are members. Of 109 former members, eleven have withdrawn because of lack of interest, fifty-six have resigned from the Portland schools or have been retired from teaching, ten have left the Portland schools for positions elsewhere, and thirty-two have died since the organization of the union in 1932.

This credit union provides two types of investments for its members: (a) purchase of shares and (2) deposit of savings. Members may deposit a maximum of ten dollars per month provided the total amount deposited does not exceed \$5,000. Such deposits earn a definite rate of interest which is determined from time to time by the directors. While interest on deposits does not equal that paid on shares, it does exceed that paid by most savings banks. The union paid a dividend of six per cent on its shares in 1936, five per cent in 1937, five and one-half per cent in 1938, and four per cent in 1939. The low dividend during the past year was due, in part, to the excessive cash on hand in the credit union since requests for loans had decreased markedly.

The initiation fee of the Portland Union is one dollar, as compared to the twenty-five cents of the other teacher credit unions in Oregon. Shares sell for five dollars and the number of shares any one member may hold is unlimited. The union has sold 30,835 shares during its history and the present value of these is \$154,184.94. Fully paid-up shares may be transferred from member to member but only upon approval of the board of directors and upon payment of a transfer fee of twenty-five cents. Shares may be purchased in the name of a minor and held in trust for him

if he is a beneficiary of the trust and if the trustees' names are eligible to membership in the credit union. The credit union may hold a lien on the shares of any member and upon the dividends payable to him to the extent of any loans made to him or to the extent of dues or fines owed by him.

The Portland Teachers Credit Union loans money for modernization of homes at five and one-half per cent per annum, finances automobiles at five per cent per annum, handles teachers retirement loans at six per cent per annum, and negotiates personal loans at one per cent per month on the unpaid balance. Teacher retirement loans are made to those teachers who have been required to make additional payments to the Portland Teacher Retirement Fund in order to receive full payment of retirement annuities.

Table VI shows that there has been a continuous increase in the assets, loans to members, and other investments of this union during the four and one-half years reviewed. The Cash on Hand at present is more than sufficient to meet the demand for loans. Mr. Stout reports that since the last monthly report on May 31, 1940, a great many loans have been made since the period from June to September is the one in which most loans to members are made. This union has attempted to keep a large proportion of its cash invested in warrants of School District Number 1. When these warrants are called in, the amount of capital upon which the credit union can realize no earnings increases materially. The amount of money borrowed by members for the purpose of financing the purchase of automobiles has decreased during the past two years so that earnings from this source have decreased correspondingly.

TABLE VI

FINANCIAL AND STATISTICAL INFORMATION PERTAINING TO THE PORTLAND TEACHERS CREDIT UNION, 1936 TO MAY 31, 1940, INCLUSIVE

	1936	1937	1938	1939	May 31, 1940
Number of Actual Members					1,291
Amount of Loans	\$193,000	\$224,000	\$262,000	\$283,000	\$141,587
Value of Shares	93,000	117,000	127,000	149,000	154,184
Rate of Dividends on Shares (per cent)	6	5	5 $\frac{1}{2}$	4	—
Guaranty Fund	2,206	3,942	5,782	9,804	9,804
Cash on Hand	2,892	1,293	1,323	4,556	43,739
Undivided Earnings	473	423	688	567	567
Notes Receivable	89,615	110,100	129,183	146,568	141,587
Other Assets	113,219	183,209	160,951	191,845	20,670
Deposits	15,090	14,977	24,300	31,172	35,815
Interest on Loans (earned)	10,092	11,450	12,506	13,116	—
Interest on other Invest- ments (earned)	—	—	1,329	1,920	—
Interest on deposits (paid)	345	374	479	785	—
Salaries	1,537	2,363	2,923	3,453	—
Net Profits	6,388	7,607	8,016	6,923	5,573

TABLE VII

THOSE ASSETS INCLUDED IN OTHER ASSETS OF TABLE VI
FOR 1938 THROUGH MAY 31, 1940

	1938	1939	May 31, 1940
TRFA Notes	\$1,263	\$940	\$5,996
Oregon Central Credit Union Shares	5,000	5,000	5,005
Oregon Central Credit Union Deposits	5,000	10,000	15,000
School District Warrants	20,000	25,000	—
Multnomah County Employees Credit Union	—	5	—
Automobile Contracts	28,496	25,812	23,356

TABLE VIII

A COMPARISON OF THE CASH, NOTES RECEIVABLE, CONTRACT NOTES, SHARES, AND DEPOSITS, OF THE PORTLAND TEACHERS CREDIT UNION, 1936 TO MAY 31, 1940, INCLUSIVE

	1936	1937	1938	1939	May 31, 1940
Cash	\$2,898	\$1,293	\$1,323	\$4,556	\$43,739
Notes Receivable	89,615	110,100	129,183	146,568	141,587
Contract Notes	—	14,710	28,496	25,812	23,356
Shares	93,000	117,000	127,000	127,000	154,184
Deposits	15,000	14,977	24,300	31,172	35,815

Table VI shows that the Portland Teachers Credit Union is a strong financial institution from which teachers are receiving satisfactory returns on their investments and are also receiving low-cost financial service in times of need. A comparison of a loan from a loan company and a similar one from the Portland Teachers Credit Union will serve to emphasize this fact. A loan of \$100 was negotiated at a private loan company on January 10th, the borrower to pay not less than five dollars a month plus interest. When interest on the unpaid balance was less than one dollar for thirty days, one dollar was charged. The balance on September 1st of the same year was \$68.99, \$24.28 having been paid in interest. If this same loan had been negotiated with the credit union, the balance at the same time would have been \$49.89 and the interest paid \$6.32. The interest saving would have been \$17.96 in the eight and one-half months period. Furthermore, the interest paid to the credit union would have benefitted the entire membership, as one-fourth of the net profits of the organization remains in the credit union while the remaining three-fourths is paid to the investors in the form of dividends.

Salem Public School Teachers Credit Union

All public school teachers of Marion County and all instructors in Willamette University are eligible for membership in the Salem Public School Teachers Credit Union. Mrs. Gertrude Shisler is the president and Mr. F. O. Bradshaw is the manager of this state-chartered credit union which was organized in 1936. This union has approximately 700 potential members with but 94 actual members. Fourteen former members no longer reside in Marion County.

TABLE IX

FINANCIAL AND STATISTICAL INFORMATION PERTAINING TO THE SALEM PUBLIC SCHOOL
TEACHERS CREDIT UNION, 1936 TO MAY 31, 1940, INCLUSIVE

	1936	1937	1938	1939	May 31 1940
Number of members (actual)	70	77	81	93	94
Number of Loans	11	15	26	24	10
Amount of Loans	\$391.00	\$257.78	\$1525.00	\$1385.00	\$1062.57
Value of Shares	249.50	523.85	800.85	1059.98	1103.70
Rate of Dividends (per cent)	—	—	2 $\frac{1}{2}$	3	—
Guaranty Fund	-20.33	-13.90	13.88	35.52	35.52
Cash on Hand	190.59	373.73	207.48	70.83	68.92
Undivided Earnings	—	17.22	12.90	5.70	5.70
Other Incomes	—	—	.04	.15	—
Savings Account Deposit	—	—	5.14	14.07	35.52
Interest on Loans (Earned)	11.90	7.08	51.36	78.63	38.53
Other Expenses	32.23	38.20	17.00	31.50	18.49

In the four years since its organization, this union has made 86 loans, totalling \$4,621.35, to its members. While its capital is not sufficient to permit large loans, the fact that the Cash on Hand amounts to only \$68.92 indicates that members are making use of the funds available. This union has sold 220 shares, which means that the organization has a working capital of only \$1,100. No dividends were paid until 1938 since the organization was in debt for supplies and filing fees. One fact peculiar to this union is its savings bank deposit of \$35.52 and its earned interest of nineteen cents. Due to the fact that demands of members for loans is so large that no appreciable cash balance is ever present, this union cannot invest in shares in the Oregon League of Credit Unions or in school warrants as do other unions. In order to keep its small funds earning a little interest, the union has kept its available cash in a savings bank, preferring to earn a low rate of interest rather than to permit its funds to remain idle.

Comparison of Oregon Teacher Credit Unions

A recapitulation, by years, of the activities of all teacher credit unions in Oregon is given in Table X. It is significant that only forty-two per cent of the potential members actually belong to these credit unions. This number could be increased through enthusiastic promotion of credit unions among the teachers of Oregon. The amount of loans to members of Oregon teacher credit unions has increased consistently and the number of shares owned by members now totals 34,336--an increase of fifty-four per cent in four and one-half years. The "Cash on Hand" in all credit unions except that in Salem is larger at present than it has been in the past in-

TABLE X

RECAPITULATION OF DATA CONCERNING CREDIT UNIONS IN OREGON,
1936 TO MAY 31, 1940, INCLUSIVE

	1936	1937	1938	1939	May 31, 1940
Number of Members (actual)	153 ^a	240 ^a	299 ^a	355 ^a	1,674 ^c
Number of Loans	20 ^a	103 ^a	173 ^a	262 ^a	218 ^a
Amount of Loans	\$193,201	\$227,825	\$268,504	\$303,400	\$162,555
Value of Shares	93,648	125,977	134,642	161,763	171,680
Guaranty Fund	2,194	3,993	6,592	10,071	10,071
Cash on Hand	3,132	2,156	2,281	6,840	56,622
Undivided Earnings	425	420	742	762	762
Interest Earned on Loans	10,106	11,643	13,101	14,278	611 ^a
Interest on Investments (earned)	—	148 ^b	1,739	2,724	383 ^b
Number of Losses on Loans	0	0	0	0	0

^aPortland not included

^bEugene-Lane only

^cIncludes 1,291 in Portland

dicating that the unions are able to meet all demands by members for loans.

During the existence of teacher credit unions in Oregon they have suffered no losses in their loans or in their investments. The fact that no losses have been experienced with regard to loans to members is due, in part, to the nature of the members' work since a poor credit standing often prevents teachers from holding their positions or from obtaining new ones. Moreover, no losses have been experienced in investments of the teacher credit unions in Oregon due to the fact that these organizations have invested their surplus funds in the Oregon League of Credit Union shares or deposits, or in school warrants of districts whose financial condition is relatively sound.

Present Plans for the Future Development of Teacher
Credit Unions in Oregon

Mr. A. A. Rogers, Superintendent of Banks in Oregon, says concerning the future development of credit unions in Oregon,

It is my belief that the future of the credit unions, the same as any other business or organization, depends on the management given by the board of directors and their officers.²

This statement applies especially to the credit union studied and to the possibility of developing new organizations in areas not served by those already operating. The future progress of credit unions appears to depend upon the enthusiasm and energy of the board of directors and officers.

²A. A. Rogers, Superintendent of Banks of Oregon, Letter of May 25, 1940 to the writer.

Mr. Rogers says further,

In organizing a credit union those interested should consider the number which may be served together with the permanency of their employment in the given territory.³

A study made by Mr. Hugh G. Stout, director of the Oregon League of Credit Unions, is based on belief in the value of this suggestion. As a result of his study, Mr. Sout has divided the State of Oregon into twenty-two districts and according to the geographical accessibility of the area included.⁴ Four of these districts, Multnomah, Lane, Klamath, and Marion counties, are already organized.⁵ By instituting within the State of Oregon a carefully planned program of teacher-education concerning the benefits of membership in credit unions it should be possible, in the future, to develop functioning credit unions in each of these districts. Before this can be accomplished, however, considerable "missionary" work must be done among teachers attending such meetings as the annual convention of the Oregon State Teachers Association and the various regional and county institutes. When teachers become interested in credit unions to the extent that they ask for additional information, or when they ask for aid in organizing credit unions, the Oregon League of Credit Unions will provide whatever information and leadership may be required for such or-

³Ibid.

⁴Map in Appendix.

⁵Since receipt of this information, a credit union has been formed in Lincoln County to render service to all county employees. Since the schools in Lincoln County are organized under the county unit system, all teachers in the county are eligible for membership.

ganization. Officials of this league feel that such activity on their part should wait upon requests from teaching groups; in other words, they believe that the methods of promotion developed by many financial institutions should not be used by credit unions.

SUMMARY AND CONCLUSIONS

Summary

This study has served to emphasize the following points:

1. There has been a steady increase in the number of credit unions in the United States and its possessions since the passing of effective state and federal credit union laws.

2. The increase of teacher credit unions in Oregon has been slow due to (1) the fact that the majority of Oregon schools are small and are scattered, and (2) because of a lack of active and enthusiastic promotion.

3. The morale of many teachers has seemingly been improved where credit union facilities have been available because of the privilege of repaying loans in small monthly installments and at a lower rate of interest than is possible with other small-loan institutions.

4. Credit unions charge a lower rate of interest on loans than do most private lending agencies and make loans possible at legal rates to many teachers who are unable to borrow small amounts from the banks.

5. The money invested in teacher credit unions is protected by by-laws approved by the banking departments of the various states, by the character and salary of the borrowers and co-signors, by state and federal credit union laws, by the guaranty or reserve fund of the union, and by insurance on loans.

6. No loss of funds has occurred in any Oregon teacher credit union, and the loss in credit unions in the United States and its possessions has been less than one per cent.

7. The teacher credit unions which are most successful are those which have enthusiastic officers and members.

8. Few credit unions pay dividends on shares until they have been organized at least three years because the initial expenses usually are greater than the earnings of the first two years.

9. Low operating and overhead costs enable credit unions to lend money at lower rates of interest than most private loan institutions.

10. The most common investments of teacher credit unions have been in school warrants and in shares of the State League.

11. The initiation fees of teacher credit unions in Oregon are reasonable enough to enable all teachers to become members.

12. Since their organization the teacher credit unions of Oregon have consistently increased the amount of their loans, their capital, and their earnings from interest on loans and investments.

13. Few members of teacher credit unions withdraw their membership; hence, it may be assumed that those teachers who have taken advantage of membership are satisfied with the results obtained.

14. The future development of credit unions in Oregon depends upon a planned educational program regarding the value and nature of credit unions which will reach all teachers in the state.

Conclusions

The credit unions in Europe and the United States differ as to the types of services rendered to their respective memberships. In the United States the sole aim of the credit union movement has been to create "an agency which will give cash credit from their own pooled savings to con-

sumers at minimum cost."¹ The European credit unions, under the Raiffeisen and Schulze-Delitzsch systems, were organized chiefly to aid and encourage production through cooperative activities of many kinds, including cattle-purchasing, bakeries, and food depots.

The survey made of the teacher credit unions in Oregon shows that the larger unions are more likely to succeed than the smaller ones because their large capital resources enable them to meet all requests for loans by their members. The smallest of the credit unions in Oregon has a lending power of less than twelve hundred dollars and a membership of less than one hundred. The only teacher credit union studied which has more than sufficient capital with which to meet all demands happens to be the largest, with 1,291 members.

Credit unions lend money to members at interest rates lower than those charged by most other small-loan agencies. Private small-loan agencies in Oregon are allowed by the Small Loan Law to lend money to clients at a maximum rate of $3\frac{1}{2}$ per cent per month on the unpaid balance, although some charge only $2\frac{1}{2}$ per cent per month on the unpaid balance.

Credit unions have proven themselves to be safe financial institutions in which to invest one's money; the loss suffered by credit unions in the United States has been less than one per cent, while in Oregon there has been no loss sustained by any teacher credit union.

Due to the original cost of organization, a new credit union is usually unable to pay dividends on shares for the first two years follow-

¹Roy F. Bergengren, Cuna Emerges (Kingsport, Tenn.: Kingsport Press, Inc., 1936), p. 19.

ing its organization. Once its organization debts are paid, however, the dividends which it pays on investments are, at present, larger than those paid by most savings institutions. Of the credit unions studied, one paid dividends the first year, one the second, a third the third year, and the fourth the fourth year. The larger the credit union membership, the greater is the possibility of paying dividends in the first or second year of organization.

In 1939 the teacher credit unions in Oregon paid dividends of 6, 5, 4, and 3 per cent respectively. This is a greater return than the $1\frac{1}{2}$ per cent paid by the savings banks and the 2 per cent paid by postal savings.

It is recommended that an attempt be made to organize teacher credit unions in those sections in Oregon which include enough teachers to give promise of organizations with sufficiently large memberships and capital. Where this is impossible, as in those areas in which the few teachers employed are geographically widely separated, it should be possible to form credit unions offering membership to all county employees, as has recently been done in Lincoln County, and permit teachers to join these.

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APPENDIX

Analysis of the Credit Union Enabling Act
of the State of Oregon¹

CREDIT UNION LAW

Chapter 23, Title 22, Oregon Code 1930, as amended by Chapter 183, Oregon Laws, 1939

1. What assistance is provided by law for applicants for charter? None.
2. What groups may apply for charter? Seven or more persons employed or residing in the state.
3. How is charter secured? Certificate of organization and by-laws are submitted in duplicate with a filing fee of \$5.00 to the superintendent of banks for his decision based on (1) whether the standing of the incorporators assures proper administration, and (2) whether public convenience would be served. This decision must be rendered within 60 days. If refused, he returns one copy of the certificate of organization endorsed "refused." If approved, he notifies the incorporators and files one copy of the certificate of organization in his own office and the duplicate with the clerk of the county in which the credit union is located. If he is satisfied that conditions precedent to commencing business are met, he issues within 6 months after original filing of the certificate of organization an authorization certificate in triplicate. He sends one copy to the corporation, files one in his own office, and files the other with the clerk of the county in which the credit union is located.
4. Under supervision of what official? Superintendent of banks.
5. Extent of supervision required by law. Annual reports and annual audits by the superintendent of banks are required. Additional reports may be required by the superintendent of banks.
6. Charges made for supervision. Examination fees:

Assets	0-\$5,000.	Fees	\$10
	\$5,000-15,000.		15
	15,000-25,000.		25
	25,000 and above	Actual cost of examination.	
7. Par value of shares. Not to exceed \$25.
8. Minimum number of directors and committee members. Board of directors, 5; credit committee, 3; supervisory committee, 3.
9. Compensation of directors and committee members. Prohibited.

¹Arthur H. Ham and Leonard G. Robinson, A Credit Union Primer, revised by Rolf Nugent, (New York: Russell Sage Foundation, 1930), pp. 132-33.

10. Compensation of officers. Fixed by the by-laws.
11. Entrance fee for membership. Fixed by the by-laws.
12. Maximum fine. Two per cent a month.
13. Dividend limitation. None shall be declared in excess of 6 per cent per annum.
14. Maximum loan. Fixed by the board of directors but no loan may exceed 10 per cent of the capital of the credit union.
15. Maximum loan without security. \$50.
16. Maximum rate of interest. One per cent a month on unpaid balances.
17. May directors and committee members borrow? When approved by the membership at a special meeting.
18. How may funds be invested other than in loans to members? In shares and deposits of other credit unions.
19. Borrowing capacity of credit union. Not to exceed 40 per cent of its capital, but when its capital is \$5,000 or less the credit union may borrow up to \$2,000.
20. Maximum value of shares which one member may hold. Fixed by the board of directors.
21. Maximum deposit by one member. No limitation.
22. What income must be transferred to reserve fund? Fees, fines, and 25 per cent of net earnings.
23. When may the percentage of net earnings required for reserve fund be reduced? When the guaranty fund equals the capital. (The guaranty fund may not exceed the capital plus 50 per cent of its other liabilities.)
24. How may reserve fund be invested? In the same manner as general funds.
25. Provision for taxation made by enabling act. Exempted from taxation except such taxes as are levied against mutual savings and loan associations unless they are specifically named in the taxing statute. ("The 1939 legislature amended the Excise Tax Law dealing with exempted corporations and added the following sub-section: 'State and federal credit unions, so long as the interest or dividends paid on shares do not exceed eight per cent (8%) per annum'.")

Nutshell Facts About Credit Unions for Teachers

What are they? Teacher credit unions are local associations for helping their members save money and giving them a place to borrow at reasonable rates.

Why are they needed? Teachers have many calls for extra funds--for summer courses, help to relatives, attending conventions, buying clothes and equipment, vacations, medical service, house and car repairs, and family expenses. They need facilities which will make it easy for them to anticipate money demands by regular saving, or to obtain loans without having to pay excessive interest charges.

Who may be members? Each credit union serves the teachers in a given locality, usually an entire city, town, or county, with such membership restrictions as the by-laws may provide.

How are savings handled? The credit union treasurer promptly deposits savings in an insured bank, where they are held until needed for loans or withdrawals. The treasurer and all others handling credit union money must be bonded.

Can Savings be withdrawn at will? Yes, subject to the usual savings-bank provision for sixty days' notice, which is rarely invoked. Borrowers or endorsers on a credit union note must obtain the credit committee's consent before reducing their holdings below their obligations.

Who may borrow? Only members of a given credit union may borrow from its funds.

For what purposes may members borrow? Members may borrow for any useful purpose.

What is the loan procedure? The member wishing to borrow files an application for a loan, which is considered by the credit committee. If the loan is approved, and funds are available, the treasurer issues a check for the full amount to the applicant.

Who knows about the transaction? The fact that a member has asked for a loan, and all details concerning the transaction, are kept strictly confidential by credit union officials.

How are loans repaid? Usually in monthly or pay-day installments. A loan may run for as long as two years.

What interest rate is charged? Federal credit unions are restricted by law to a maximum interest rate of 1 per cent per month on the unpaid balance. At this rate a loan of \$100 repaid in ten monthly installments would cost a total of \$5.50 in interest.

Who runs the credit union? A board of directors, a credit committee, and a supervisory committee. All are elected by the members. The board chooses the credit union officers from its own membership.

How are credit unions supervised? The supervisory committee keeps an eye on credit union business and audits the books. Federally-chartered credit unions are examined periodically by examiners of the U. S. Farm Credit Administration. State-chartered credit unions are under the supervision of state authorities.

How has the credit union plan actually worked? The practical workability of teacher credit unions has been proved by their highly successful record over a long period of years, in good times and bad. Over 350 teacher credit unions are now actively at work. Each year they loan their members many millions of dollars. The largest teacher credit union now has a share capital of approximately \$1,000,000.

How may a credit union be started? For a federal credit union charter an application blank, together with credit union literature, will be supplied from Washington on request. At least seven persons must sign the application. If the local conditions are such that a credit union would be likely to operate successfully the charter will probably be granted. For state credit unions a similar procedure is usually followed.

For further information write to the
CREDIT UNION SECTION
FARM CREDIT ADMINISTRATION
Washington, D. C.

Eugene-Lane Teachers' Credit Union
Eugene, Oregon

Statement of Receipts and Disbursements for month ending May 31, 1940:

<u>RECEIPTS</u>		<u>DISBURSEMENTS</u>	
Shares	304.30	Loans	1154.13
Loans	1174.38	Interest refund	3.75
Interest	72.21	Expense	6.04
Entrance fees	2.00	Warrant purchased	65.00
Warrant cashed	86.25		
TOTAL RECEIPTS	<u>1639.14</u>	TOTAL DISBURSEMENTS	<u>1228.92</u>
Cash at beginning of month	4336.48	Cash at end of month	4746.70
	<u>5975.62</u>		<u>5975.62</u>

Statement of Condition May 31, 1940:

<u>ASSETS</u>		<u>LIABILITIES</u>	
Cash on hand in bank	4746.70	Shares	11870.87
Oregon Central C.U. deposit	1004.76	Entrance Fees	9.00
Oregon Central C.U. shares	325.41	Guaranty Fund	320.08
School warrants	465.00	Undivided earnings	66.83
Loans	6031.22	Interest	399.52
Expense	93.21		
	<u>12666.30</u>		<u>12666.30</u>

Total number of members at close of month 122
Total number of borrowers at close of month 43

The following represents a financial record of the affairs of the credit union for the period from January 1, 1939 to December 31, 1939.

STATEMENT OF CONDITION

<u>ASSETS</u>		<u>LIABILITIES</u>	
Cash and due from banks	714.58	Shares, including dividends	9683.93
Loans outstanding	8355.84	Guaranty fund	320.08
Bonds-Springfield warrant	86.25	Undivided earnings	67.83
Oregon Central C.U. shares	5.41	Accrued expense	95.00
Oregon Central C.U. deposit	1004.76		
TOTAL ASSETS	<u>10166.84</u>	TOTAL LIABILITIES	<u>10166.84</u>

Statement of Condition, Eugene-Lane Teachers' Credit Union, Cont'd

RECEIPTS AND DISBURSEMENTS

RECEIPTS		DISBURSEMENTS	
Shares including dividends	6746.69	Shares withdrawn	2090.98
Loans repaid	8449.25	Loans made during year	12344.02
Warrants sold	386.06	Warrants purchased	86.25
Money borrowed	2400.00	Borrowed money repaid	2400.00
Interest received	813.97	Interest paid	11.36
Entrance fees	25.00	Dividends paid	395.33
Cash long	3.35	Expenses	216.45
Accum exp.-salaries	95.00	Dep. with Oreg.Cent.C.U.	1005.17
Shares trans. Und/Earn	3.00		
TOTAL RECEIPTS	<u>18923.32</u>		<u>18549.56</u>
Cash at beginning	341.82		714.58
TOTAL	<u><u>19264.14</u></u>		<u><u>19264.14</u></u>

PROFIT AND LOSS STATEMENT

EXPENSES		EARNINGS	
Salaries	95.00	Interest on loans	790.17
Interest on borrowed money	11.36	Interest on securities	25.80
Printing and supplies	16.83	Cash long	3.35
Legal expenses	19.00		
Other expenses	85.00	TOTAL EARNINGS	<u>817.32</u>
TOTAL EXPENSES	<u>227.81</u>	TOTAL	<u><u>817.32</u></u>
Net earnings	589.51		
TOTAL	<u><u>817.32</u></u>		

DISTRIBUTION OF NET EARNINGS

Net earnings	589.51	25% trans. to Guar/Fund	147.38
		Dividends cred. to shares	395.33
TOTAL	<u>589.51</u>	Net add. to Unddiv/Earn	46.80
			<u><u>589.51</u></u>

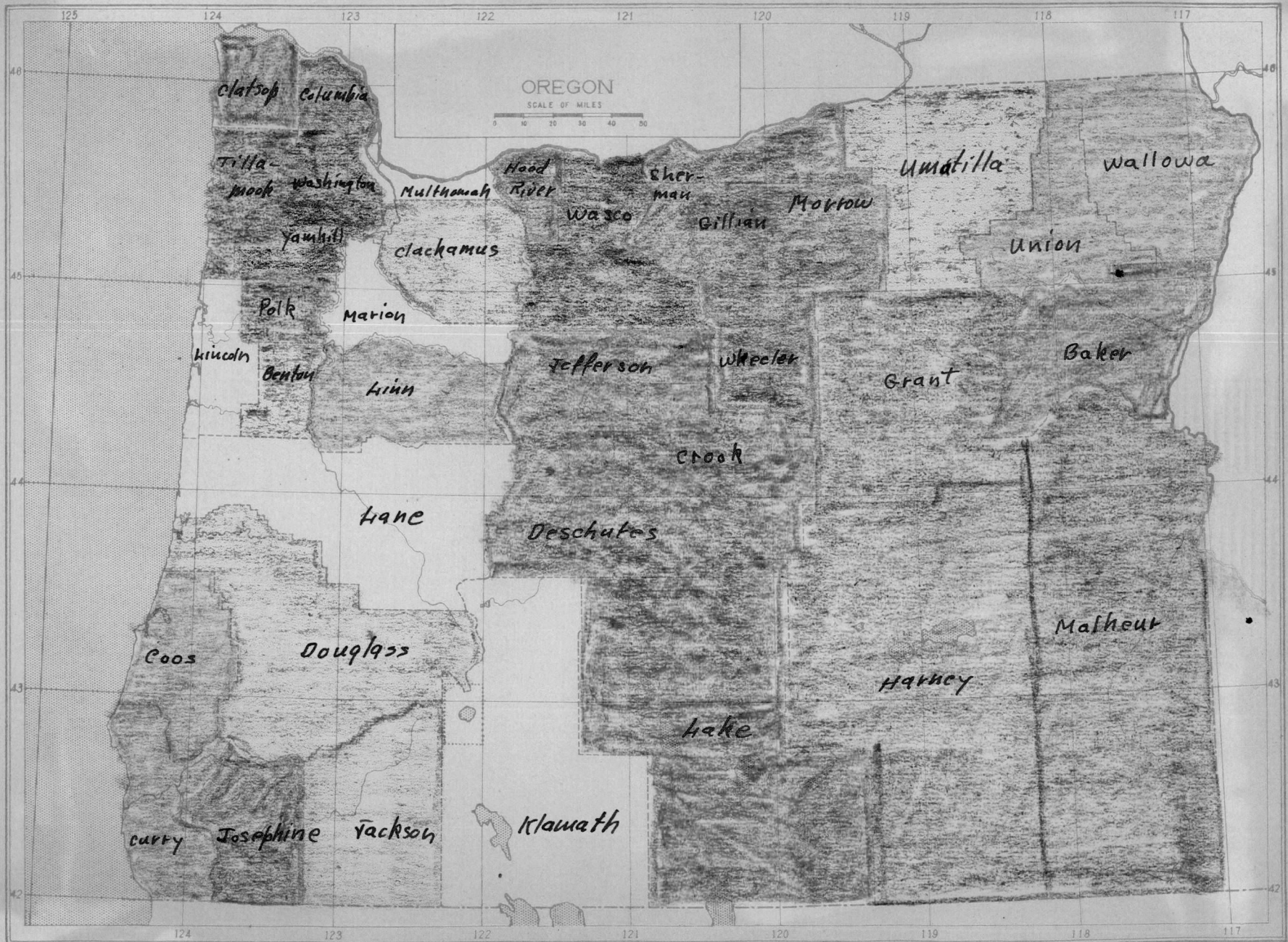
GUARANTY FUND

		Additions during year:	
		25% of net earnings for yr.	147.38
		Entrance fees	25.00
Bal. in G/F close of yr.	320.08	Bal. in G/F beg. of yr.	147.70
TOTAL	<u><u>320.08</u></u>		<u><u>320.08</u></u>

Eugene-Lane Teachers' Credit Union, financial statement, January 1, 1939
to December 31, 1939, Concluded

Number of members added during the year	25
Number of members at close of year	115
Number of borrowers at close of year	60
Annual rate of dividend	6%
Interest charged of borrowing members	1% per month on unpaid balance
Amount of largest loan	640.83
Number of unsecured loans over \$50	None
Loans to non-members	None

PROPOSED TEACHER CREDIT UNION ORGANIZATION IN OREGON*



NYSTROM SERIES OF DESK MAPS

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*White indicates organization has taken place.

Typed by

Doris Ann Anderson