

## CHAPTER 208.

[S. B. 83.]

## SMALL LOAN ACT.

AN ACT to define, license, and regulate the business of making loans in the amount of five hundred dollars (\$500) or less; to permit the licensing of persons engaged in such business; to authorize such licensees to make charges at a greater rate than unlicensed lenders; to prescribe maximum rates of charge which licensees are permitted to make; to regulate assignments of wages or salaries, earned or to be earned, when given as consideration for a payment of five hundred dollars (\$500) or less; to exempt certain persons otherwise regulated; to provide for the administration of this act and for the issuance of rules and regulations therefor: to authorize the making of examinations and investigations and the publication of reports thereof; to provide for a review of decisions and findings of the Supervisor under this act; to prescribe penalties; and to repeal all acts and parts of acts in conflict herewith.

*Be it enacted by the Legislature of the State of Washington:*

SECTION 1. Definitions. The following words and terms when used in this Act shall have the following meanings unless the context clearly requires a different meaning. The meaning ascribed to the singular form shall apply also to the plural. Definitions.

(a) Person: Shall include individuals, co-partnerships, associations, trusts, corporations, and all other legal entities.

(b) License: Shall mean a single license issued under the authority of this Act with respect to a single place of business.

(c) Licensee: Shall mean a person to whom one or more licenses have been issued.

(d) Supervisor: The duly appointed Supervisor of Banking of the Division of Banking, Department of Finance, Budget and Business of the State of Washington.

SEC. 2. No person shall engage in the business of making secured or unsecured loans of money,

Must obtain license.

credit, goods, or things in action in the amount or of the value of five hundred dollars (\$500) or less and charge, contract for, or receive a greater rate of interest, discount or consideration therefor than the lender would be permitted by law to charge if he were not a licensee hereunder except as authorized by this Act and without first obtaining a license from the Supervisor.

License application.

SEC. 3. Application for such license shall be in writing, under oath, and in the form, if any, prescribed by the Supervisor, and shall contain the name and the address (both of the residence and place of business) of the applicant, and if the applicant is a copartnership or association, of every member thereof, and if a corporation, of each officer and director thereof; also the county and municipality with street and number, if any, where the business is to be conducted and such further relevant information as the Supervisor may require. Such applicant at the time of making such application shall pay to the Supervisor the sum of fifty dollars (\$50) as a fee for investigating the application and the additional sum of fifty dollars (\$50) as an annual license fee for a period terminating on the last day of the current calendar year: *Provided*, That if the application is filed after June thirtieth in any year such additional sum shall be only twenty-five dollars (\$25).

Contents.

Annual license fee.

Proviso.

Assets required.

Every applicant shall also prove, in form satisfactory to the Supervisor, that he or it has available for the operation of such business at the location specified in the application, liquid assets of at least ten thousand dollars (\$10,000).

Bond.

At the time of filing of the application, the applicant shall also file with the Supervisor a bond to be approved by the Supervisor in the penal sum of one thousand dollars (\$1,000), executed by the applicant as obligor and by a surety company au-

thorized to do a surety business in this state as surety, whose liability as such surety shall not exceed the said sum in the aggregate. Such bond shall run to the State of Washington as obligee for the use and benefit of the state and of any person or persons who may have cause of action against the obligor of said bond under the provisions of this Act. Such bond shall be conditioned that said obligor as licensee hereunder will faithfully conform to and abide by the provisions of this Act and of all general rules and regulations lawfully made by the Supervisor hereunder and will pay to the state and any such person or persons any and all moneys that may become due and owing to the state from such obligor under and by virtue of the provisions of this Act.

Bond conditions.

SEC. 4. Upon the filing of such application and the payment of such fees and the approval of such bond the Supervisor shall investigate the facts and if he shall find that the financial responsibility, experience, character, and general fitness of the applicant, and of the members thereof if the applicant be a copartnership or association, and of the officers and directors thereof if the applicant be a corporation, are such as to command the confidence of the community and to warrant belief that the business will be operated honestly, fairly and efficiently within the purposes of this Act, and that allowing such applicant to engage in business, will promote the convenience and advantage of the community in which the business of the applicant is to be conducted, and that the applicant has available for the operation of such business at the specified location liquid assets of at least ten thousand dollars (\$10,000), (the foregoing facts being conditions precedent to the issuance of a license under this Act), he shall thereupon issue and deliver a license to the applicant to make loans in accordance with

Supervisor to investigate.

Condition precedent.

the provisions of this Act at the location specified in the said application, which license shall remain in full force and effect until it is surrendered by the licensee or revoked or suspended as herein-after provided; if the Supervisor shall not so find he shall not issue such license and he shall notify the applicant of the denial and return to the applicant the bond and sum paid by the applicant as a license fee, retaining the fifty dollars (\$50) investigation fee to cover the costs of investigating the application. The Supervisor shall approve or deny every application for license hereunder within sixty (60) days from the filing thereof with the said fees and the said approved bond.

Bond returned upon denial.

Fee retained.

Decision within 60 days.

Order of Supervisor filed.

Copy to applicant.

If the application is denied, the Supervisor shall within twenty (20) days thereafter file with the Division of Banking of the Department of Finance, Budget and Business his order of denial together with his findings with respect thereto and the reasons supporting the order, and forthwith serve upon the applicant a copy thereof, from which order the applicant may appeal as provided in section 23 of this Act.

Content of license.

Be posted.

SEC. 5. Such license shall state the address at which the business is to be conducted and shall state fully the name of the licensee, and if the licensee is a copartnership or association, the names of the members thereof, and if a corporation, the date and place of its incorporation. Such license shall be kept conspicuously posted in the place of business of the licensee and shall not be transferable or assignable.

May require additional bond.

SEC. 6. If the Supervisor shall find at any time that the bond is insecure, depleted, exhausted, or otherwise doubtful, an additional bond of the character specified in section 3 of this Act, to be approved by him, in the sum of not more than one thousand dollars (\$1,000), shall be filed by the licensee within

ten (10) days after written demand upon the licensee by the Supervisor.

Every licensee shall maintain at all times assets of at least ten thousand dollars (\$10,000) for each licensed place of business either in liquid form available for the operation of or actually used in the conduct of such business at the location specified in the license.

Assets for each place of business.

SEC. 7. Not more than one place of business shall be maintained under the same license, but the Supervisor may issue more than one license to the same licensee upon compliance with all the provisions of this Act governing an original issuance of a license, for each such new license.

Each place of business licensed.

Whenever a licensee shall wish to change his place of business to a street address other than that designated in his license he shall give written notice thereof to the Supervisor who shall investigate the facts, and, if he shall find that allowing such licensee to engage in business in such new location will promote the convenience and advantage of the community in which the licensee desires to conduct his business, he shall attach to the license in writing his approval of the change and the date thereof, which shall be authority for the operation of such business under such license at such new location. If the Supervisor shall not so find he shall deny the licensee permission so to change the location of his place of business, in the manner specified and subject to the provisions contained in the last paragraph of section 4 of this Act.

Notice of change of business address.

Approval of Supervisor.

May deny change.

SEC. 8. Every licensee shall, for each license held by him, on or before the twentieth day of each December, pay to the Supervisor the sum of fifty dollars (\$50) as an annual license fee and shall at the same time file with the Supervisor a bond to be approved by the Supervisor in the same amount

Annual license fee.

and of the same character as required by section 3 of this Act.

Supervisor  
may revoke  
license.

Notice.

Conditions  
for  
revocation.

Failure to  
pay fee.

Violation  
of act.

Other  
conditions.

May suspend.

May act on  
one or all  
licenses of  
one licensee.

May  
surrender.

SEC. 9 The Supervisor shall, upon ten (10) days' written notice to the licensee stating the contemplated action and in general the grounds therefor, and upon reasonable opportunity to be heard, revoke any license issued hereunder if he shall find that:

(a) The licensee has failed to pay the annual license fee or to maintain in effect the bond or bonds required under the provisions of this Act or to comply with any specific order or demand of the Supervisor lawfully made and directed to the licensee pursuant to and within the authority of this Act; or that

(b) The licensee, either knowingly or without the exercise of due care to prevent the same, has violated any provisions of this Act or any general rule or regulation lawfully made by the Supervisor under and within the authority of this Act; or that

(c) Any fact or condition exists which, if it had existed at the time of the original application for such license, clearly would have warranted the Supervisor in refusing originally to issue such license.

The Supervisor may, upon five (5) days' written notice and after a hearing, suspend any license for a period not exceeding thirty (30) days, pending investigation.

The Supervisor may revoke or suspend only the particular license with respect to which grounds for revocation or suspension may occur or exist, or, if he shall find that such grounds for revocation or suspension are of general application to all offices, or to more than one office, operated by such licensee, he shall revoke or suspend all of the licenses issued to said licensee or such licenses as such grounds apply to, as the case may be.

Any licensee may surrender any license by delivering to the Supervisor written notice that he

thereby surrenders such license, but such surrender shall not affect such licensee's civil or criminal liability for acts committed prior to such surrender.

No revocation or suspension or surrender of any license shall impair or affect the obligation of any pre-existing lawful contract between the licensee and any borrower.

Not to effect existing contract.

Every license issued hereunder shall remain in force and effect until the same shall have been surrendered, revoked, or suspended in accordance with the provisions of this Act, but the Supervisor shall have authority on his own initiative to reinstate suspended licenses or to issue new licenses to a licensee whose license or licenses shall have been revoked if no fact or condition then exists which clearly would have warranted the Supervisor in refusing originally to issue such license under this Act.

Authority of Supervisor.

Whenever the Supervisor shall revoke or suspend a license issued pursuant to this Act, he shall forthwith file with the Division of Banking of the Department of Finance, Budget and Business his order of revocation or suspension together with his finding with respect thereto and the reasons supporting the order, and forthwith serve upon the licensee a copy thereof, from which order the applicant may appeal as provided in section 23 of this Act.

Order to be filed.

Copy to licensee.

SEC. 10. For the purpose of discovering violations of this Act or securing information lawfully required by him hereunder, the Supervisor may at any time, either personally or by a person or persons duly designated by him, investigate the loans and business and examine the books, accounts, records, and files used therein, of every licensee and of every person who shall be engaged in the business described in section 2 of this Act, whether such person shall act or claim to act as principal

Supervisor may investigate records.

or agent, or under or without the authority of this Act. For that purpose the Supervisor and his duly designated representatives shall have free access to the offices and places of business, books, accounts, papers, records, files, safes, and vaults of all such persons. The Supervisor and all persons duly designated by him shall have authority to require the attendance of and to examine under oath all persons whomsoever whose testimony he may require relative to such loans or such business or to the subject matter of any examination, investigation or hearing. The Supervisor shall make such an examination of the affairs, business, office and records of each licensee at least once each year. The actual cost of every examination shall be paid to the Supervisor by every licensee so examined: *Provided, however,* That the actual cost of examining each licensed place of business shall not exceed the sum of one hundred and fifty dollars (\$150) annually.

Access to accounts.

Annual examination.

Fee paid by licensee.

Maximum fee.

Licensee to keep records.

Preserve two years.

Annual report.

SEC. 11. The licensee shall keep and use in his business such books, accounts, and records as will enable the Supervisor to determine whether such licensee is complying with the provisions of this Act and with the rules and regulations lawfully made by the Supervisor hereunder, to which books, accounts, and records the Supervisor shall have free access. Every licensee shall preserve such books, accounts and records, including cards used in the card system, if any, for at least two (2) years after making the final entry on any loan recorded therein.

Each licensee shall annually on or before the first day of March file a report with the Supervisor giving such relevant information as he reasonably may require concerning the business and operations during the preceding calendar year of each licensed place of business conducted by such licensee within the state. Such report shall be made under oath



and shall be in the form prescribed by the Supervisor, who shall make and publish annually an analysis and recapitulation of such reports.

SEC. 12. No licensee or other person shall advertise, print, display, publish, distribute, or broadcast or cause or permit to be advertised, printed, displayed, published, distributed or broadcast, in any manner whatsoever any false, misleading or deceptive statement or representation with regard to the rates, terms, or conditions for the lending of money, credit, goods, or things in action in the amount or of the value of five hundred dollars (\$500) or less. The Supervisor may order any licensee to desist from any conduct which he shall find to be a violation of the foregoing provisions.

No misleading advertising.

Supervision.

The Supervisor may require that rates of charge, if stated by a licensee, be stated fully and clearly in such manner as he may deem necessary to prevent misunderstanding thereof by prospective borrowers.

No licensee shall conduct the business of making loans under this Act within any office, room, or place of business in which any other business is solicited or engaged in, or in association or conjunction therewith, if the Supervisor shall find, after five (5) days' written notice and after a hearing that the other business is of such nature that such conduct would facilitate evasion of this Act or of the general rules and regulations lawfully made hereunder, and shall order such licensee in writing to desist from such conduct.

Restrictions.

No other business in connection.

No licensee shall transact such business or make any loan provided for by this Act under any other name or at any other place of business than that named in a license issued under this Act.

Business conducted only in name of licensee.

No licensee shall take any confession of judgment or any power of attorney to confess judgment. No licensee shall take any note, promise to pay, or

No confession of judgment.

Note to  
contain full  
contract.

other obligation signed by the borrower that does not accurately disclose the actual amount of the loan, the time for which it is made, and the agreed rate of charge, nor any instrument in which blanks are left to be filled in after execution.

Maximum  
interest  
charges.

SEC. 13. (a) Every licensee hereunder may lend any sum of money not to exceed five hundred dollars (\$500) in amount and may charge, contract for and receive thereon charges at a rate not exceeding three per centum (3%) per month on that part of the unpaid principal balance of any loan not in excess of three hundred dollars (\$300) and one per centum (1%) per month on any remainder of such unpaid principal balance: *Provided, however,* That in lieu of said charges a licensee may charge one dollar (\$1) per month, or fraction thereof, when said charges computed at the said rate amount to less than one dollar (\$1): *And provided further,* That such charge of one dollar (\$1) shall not be collected on more than one loan nor more than once from any one borrower during any period of one month.

No other  
charges.

(b) No charges on loans made under this Act shall be paid, deducted or received in advance, or compounded. All charges on loans made under this Act, excepting the minimum charge of one dollar (\$1) provided in this section, (a) shall be computed and paid only as a percentage per month of the unpaid principal balance or portions thereof, and (b) shall be so expressed in every obligation signed by the borrower, and (c) shall be computed on the basis of the number of days actually elapsed. For the purpose of this section a month shall be any period of thirty (30) consecutive days.

Computation  
of interest.

Not to split  
loan.

(c) No licensee shall induce or permit any borrower to split up or divide any loan, nor induce or permit any person, nor any husband or wife jointly or severally, to become obligated, directly

or contingently or both, under more than one contract of loan at the same time, for the purpose or with the result of obtaining a higher rate of charge than would otherwise be permitted by this section.

SEC. 14. It shall be the duty of every licensee to:

Duties of licensee.

(a) Deliver to the borrower or anyone thereof, if several, at the time any loan is made under this Act, a statement, upon which there shall be printed in the English language a copy of section 13 of this Act, showing in clear and distinct terms the amount and date of the loan, the date of its maturity, the nature of the security, if any, for the loan, the name and address of the licensee and the agreed rate of charges;

Statement to borrower.

Contents.

(b) Give to the party making any payment a plain and complete receipt for each payment made on account of any such loan at the time such payment is made, specifying the amount applied to charges and the amount, if any, applied to principal, and stating the unpaid principal balance, if any, of such loan;

Receipts for payments.

(c) Permit payment to be made in advance in any amount on any such loan at any time, but the licensee may apply such payment first to all charges at the agreed rate up to the date of such payment;

Application of payments.

(d) Upon payment of the loan in full, mark indelibly every obligation signed by the borrower with the word "paid" or "cancelled" and release any mortgage and restore all notes and collateral to which the borrower may be lawfully entitled: *Provided, however,* That in case any such document or obligation is in custodia legis these requirements shall not be applicable.

Return notes and collateral to borrower upon full satisfaction.

Exception.

All receipts and statements provided for in this section shall be acknowledged in writing by the

Licensee to  
keep copy.

licensee and the borrower, and a copy thereof shall be retained by the licensee.

No  
consideration  
greater than  
permitted  
by act.

SEC. 15. No licensee shall directly or indirectly charge, contract for, or receive any interest, discount, or consideration greater than the lender would be permitted by law to charge if he were not a licensee hereunder upon the loan, use or forbearance of money, goods or things in action, or upon the loan, use, or sale of credit, of the amount or value of more than five hundred dollars (\$500).

Secured  
loans:  
Defined.

SEC. 16. The payment of five hundred dollars (\$500) or less in money, credit, goods, or things in action, as consideration for any sale or assignment of, or order for, the payment of wages, salary, commissions, or other compensation for services, whether earned or to be earned, shall for the purpose of regulation under this Act be deemed a loan secured by such assignment, and the amount by which such assigned compensation retained by the assignee at the completion of the transaction exceeds the total amount of such consideration actually paid by the assignee to the assignor shall for the purpose of regulation under this Act be deemed interest or charges upon such loan. Such transaction shall be governed by and subject to the provisions of this Act.

Consideration.

No greater  
charge than  
permitted  
by act.

SEC. 17. No person except as authorized by this Act shall directly or indirectly charge, contract for, or receive any interest, discount, or consideration greater than the lender would be permitted by law to charge if he were not a licensee hereunder upon the loan, use, or forbearance of money, goods, or things in action, or upon the loan, use, or sale of credit of the amount or value of five hundred dollars (\$500) or less.

Application.

The foregoing prohibition shall apply to any person who by any device [device], subterfuge, or

pretense whatsoever shall charge, contract for, or receive greater interest, consideration, or charges than is authorized by this Act for any such loan, use, or forbearance of money, goods, or things in action or for any such loan, use, or sale of credit.

No loan of the amount or value of five hundred dollars (\$500) or less for which a greater rate of interest, consideration, or charges than is permitted by section 13 of this Act has been charged, contracted for, or received, wherever made, shall be enforced in this state, and every person in anywise participating therein in this state shall be subject to the provisions of this Act, provided that the foregoing shall not apply to loans legally made in any state or county by a licensee under a regulatory small loan law similar in principle to this Act.

No action permitted for greater amount.

SEC. 18. Any person and the several members, officers, directors, agents, and employees thereof, who shall violate or participate in the violation of any of the provisions of sections 2, 12, 13, 14, or 17 of this Act, shall be guilty of a gross misdemeanor.

Penalty for violation.

Any contract or loan not invalid for any other reason, in the making or collection of which any act shall have been done which constitutes a gross misdemeanor under this section shall be void and the lender shall have no right to collect or receive any principal, interest, or charges whatsoever.

Violation voids loan.

SEC. 19. This Act shall not apply to any person doing business under and as permitted by any law of this state or of the United States relating to banks, savings banks, trust companies, savings and loan or building and loan associations, industrial loan companies or credit unions, nor to any pawnbroking business lawfully transacted under and as permitted by any law of this state regulating pawnbrokers.

Act not to apply to banks, etc.

SEC. 20. The Supervisor is hereby authorized and empowered to make general rules and regulations

Supervisor to make rules.

and specific orders, demands, and findings for the enforcement of this Act, in addition hereto and not inconsistent herewith.

Copies of  
rules to  
licensee.

Copies of all general rules and regulations shall be mailed to every licensee by the Supervisor on or before their respective effective dates and copies of all general rules and regulations and of all specific orders and demands shall be kept in a permanent, indexed book in the Department of Banking, and shall be public records.

Service of  
notice.

SEC. 21. All notices required or authorized by this Act to be given or served by the Supervisor may be given or served by registered mail and service thereof shall be deemed complete when a true copy thereof is deposited in the post office properly addressed and stamped.

Act may be  
amended to  
cancel  
license.

SEC. 22. This Act or any part thereof may be modified, amended, or repealed so as to effect a cancellation or alteration of any license or right of a licensee hereunder: *Provided*, That such cancellation or alteration shall not impair or affect the obligation of any pre-existing lawful contract between any licensee and any borrower.

Appeal from  
order of  
Supervisor.

SEC. 23. Whenever the Supervisor shall deny an application for a license or shall revoke or suspend a license issued pursuant to this Act, or shall issue any specific order or demand, then such applicant or licensee thereby affected may, within thirty (30) days from the date of service of notice as provided for in this Act, appeal to the Superior Court of the State of Washington for Thurston County. The appeal shall be perfected by serving a copy of the notice of appeal upon the Supervisor and by filing it, together with proof of service, with the Clerk of the Superior Court of Thurston County. Whereupon the Supervisor shall, within fifteen (15) days after filing of such notice of appeal, make and certify a transcript

Venue.

Procedure.

of the evidence and of all the records and papers on file in his office relating to the order appealed from, and the Supervisor shall forthwith file the same in the office of the Clerk of said Superior Court. The reasonable costs of preparing such transcript shall be assessed by the Court as part of the costs. A trial shall be had in said Superior Court de novo. The applicant or licensee, as the case may be, shall be deemed the plaintiff and the State of Washington the defendant. Each party shall be entitled to subpoena witnesses and produce evidence to sustain or reverse the findings and order or demand of the Supervisor. During the pendency of any appeal from the order of revocation or suspension of a license, the order of revocation theretofore entered by the Supervisor shall be stayed and any other order or demand appealed from may be stayed in the discretion of the Court. Either party may appeal from the judgment of said Superior Court to the Supreme Court of the State of Washington as in other civil actions.

Costs of suit.

Trial de novo.

Parties.

Appeal to  
Supreme  
Court.

SEC. 24. It shall be the duty of the Supervisor to investigate and examine the practice of the small loan business in this state, and to obtain statistics and data from other states with special reference to practices performed under this Act and to interest rates charged for the purpose of determining abuses thereof which should be corrected. In order to carry out such investigation the Supervisor shall have the power to subpoena witnesses and records, to administer oaths and examine persons under oath. He shall thereupon submit his findings to the next session of the Legislature, and make such recommendations, and submit bills or amendments which in his opinion will correct any such abuses. It shall also be his duty to make findings regarding interest rates to be charged the public and to determine from these findings the lowest possible interest rate which should be legally charged which would be consistent with fairness to the small loan business and the public.

Other  
duties of  
Supervisor.Report to  
legislature.

Conflicting  
acts  
repealed.

SEC. 25. All Acts and parts of Acts, whether general, special, or local, which relate to the same subject matter as this Act, so far as they are inconsistent with the provisions of this Act, are hereby repealed.

Partial  
invalidity.

SEC. 26. If any clause, sentence, section, provision, or part of this Act shall be adjudged to be unconstitutional or invalid for any reason by any court of competent jurisdiction, such judgment shall not impair, affect, or invalidate the remainder of this Act, which shall remain in full force and effect thereafter.

Title.

SEC. 27. This Act shall be known as the Small Loan Act.

Passed the Senate February 18, 1941.

Passed the House March 11, 1941.

Approved by the Governor March 24, 1941.

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## CHAPTER 209.

[S. B. 172.]

### WORKMEN'S COMPENSATION SCHEDULE.

AN ACT relating to extra-hazardous employments and to the compensation and remedies of workmen injured therein, and of their dependents, invalid children and beneficiaries in case of death; and amending sections 5 and 7 of chapter 74, Laws of 1911, as last amended by section 2 and 3 of chapter 132, Laws of 1929 (sections 7679 and 7681, Remington's Revised Statutes; sections 3472 and 3475, Pierce's Code).

*Be it enacted by the Legislature of the State of Washington:*

SECTION 1. Section 5 of chapter 74, Laws of 1911, as last amended by section 2 of chapter 132, Laws of 1929 (section 7679, Remington's Revised Statutes; section 3472, Pierce's Code), is hereby amended to read as follows:

Section 7679. Each workman who shall be injured in the course of his employment, or his family

Amend-  
ments.