

CHAPTER 144.

[H. B. 123.]

SAVINGS AND LOAN ASSOCIATIONS.

AN ACT relating to savings and loan associations, prescribing the qualifications of directors, limiting membership fees, regulating loans and defining the powers and duties of the director of efficiency and amending Sections 3716, 3718, 3719, 3722, 3723, 3726, 3728 and 3735½ of Remington's Compiled Statutes, and providing a penalty for violation thereof.

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

SECTION 1. That section 3716 of Remington's Compiled Statutes be amended to read as follows:

§ 4565, Pierce's Code.

Section 3716. Ten or more persons, citizens of the state of Washington, may form a savings and loan association or savings and loan society for the purpose of accumulating the savings and funds of its members and lending its shareholders or others the funds so accumulated by making and acknowledging in quadruplicate and by filing as hereinafter required articles of incorporation specifying:

Ten or more citizens may organize.

(a) The name of the proposed association, which shall terminate "Savings and Loan Association," or "Savings and Loan Society."

Articles of incorporation.

Name.

(b) The city, town or village and the county wherein the principal place of business of the association is to be located and which must be within the state of Washington.

Place of business.

(c) The number of its directors, which shall not be less than seven nor more than fifteen. The first board of directors shall hold office for a term to be specified in said articles of not less than two, and not more than six months from the time said association is authorized to do business.

Directors.

(d) The names, occupation and post office addresses of its first directors.

Names.

(e) The names, occupation and post office

Stock-
holders.

addresses of the subscribers to the articles of incorporation, and a statement of the number of shares which each has agreed to take. The matured value of the total number of shares so subscribed shall be at least \$25,000.00.

Value of
shares.

Capital.

(f) The amount of capital actually paid in, which in no case shall be less than \$3,000.00.

Life of
company.

(g) The time of duration of said association, which shall not exceed fifty years.

Articles
filed with
director of
efficiency.

Said articles shall be filed in the first instance in the office of the director of efficiency pending his approval thereof and of the by-laws of said association as hereinafter provided for.

Amend-
ments.

The articles of incorporation may be amended by a vote of at least two-thirds in number of the shareholders voting at any general meeting, or by a special meeting called for that purpose, and a copy of the resolution making said amendment shall be certified in quadruplicate by the president and secretary under the seal of said corporation, and when so certified shall be so filed and kept the same as in the case of original articles, and from the time of said filing, said amendment shall have the same effect as if embraced in the original articles of incorporation.

Authorized
capital not
limited.

The amount of authorized capital shall be unlimited and the capital shall be divided into shares of the ultimate value of \$100.00 each.

Actual
accumulated
capital.
Authorized
capital.
Filing fees.

The actual accumulated capital at any time shall be deemed to be the authorized capital at such time and the filing fees as provided by law to be paid to the secretary of state shall be fixed by the amount of such actual accumulated capital, *Provided however* That whenever the amount of such actual accumulated capital is increased to an amount which under the statute fixing the filing fees of corporation would require the payment of a larger filing fee, within thirty days thereafter a certificate shall

Increase of
capital.

Larger filing
fee.

be executed by such association or society showing the amount of such actual accumulated capital, one copy of which shall be filed with the secretary of state and one copy with the county auditor of the county in which the chief place of business of said association or society is located, and the filing fee for such increased amount paid to the secretary of state.

To file certificate showing capital with secretary of state and county auditor.

SEC. 2. That section 3718 of Remington's Compiled Statutes be amended to read as follows:

§ 4567, Pierce's Code.

Section 3718. Whenever said articles of incorporation are in due form and regularly executed and the by-laws have been duly approved as above required, and it shall be made to appear to the satisfaction of the director of efficiency that at least three thousand dollars have been actually paid in in cash upon the subscription for shares, the director of efficiency thereupon shall ascertain from the best source of information at his command, and by such investigation as he may deem necessary, whether the character, responsibility and general fitness of the persons named in the articles of incorporation are such as to command confidence and warrant belief that the business of the proposed savings and loan association will be honestly and efficiently conducted in accordance with the intent and purpose of this act; whether the public convenience and advantage will be promoted by allowing such proposed savings and loan association to be incorporated and engage in business, whether greater convenience and access to a savings institution would be afforded to any considerable number of persons by opening a savings and loan association in the place designated, and whether the population in the neighborhood of such place and in the surrounding country affords a reasonable promise of adequate support for the proposed savings and loan association. If he shall be satisfied concerning the several matters specified

Certification of articles of incorporation by director of efficiency.

Investigation by director.

above he shall within a reasonable time issue under his hand and official seal a certificate reciting in substance the filing in his office of the articles of incorporation and by-laws; that said articles and by-laws conform to all the requirements of law; that he has approved the same, and that he verily believes the incorporators are fit and proper to conduct the business of a savings and loan association as defined in this act and said by-laws. Said certificate shall be made in quadruplicate and attached to each copy of the articles of incorporation, one of which shall be retained by the director of efficiency and the other three shall be returned to the incorporators, who shall forthwith file one copy thereof in the office of the secretary of state, one in the office of the auditor of the county in which the chief place of business of said association is located, and the other shall be retained by the association, whereupon the incorporation of said association shall be deemed complete.

Filing of
certificates.

Refusal of
certificate
by director
of efficiency.

If the director of efficiency shall not be satisfied by such examination that it is expedient and desirable to permit such proposed savings and loan association to engage in business he shall endorse upon each copy of the articles of incorporation the word "refused," with the date of such endorsement, and shall forthwith return one of such quadruplicates to the proposed incorporators from whom the same was received, and such refusal shall be conclusive unless the incorporators, within ten days of the issuance of such notice of refusal, shall appeal to the superior court of Thurston County, which appeal shall be triable *de novo* in said court.

Court
review.

§ 4568,
Pierce's
Code.

Directors:
require-
ments.

SEC. 3. That section 3719 of Remington's Compiled Statutes be amended to read as follows:

Section 3719. No person shall be a director of an association unless he shall have subscribed and paid in in cash at least \$200.00 on his stock subscription, and no person shall be a director of an

association whose accumulated capital is \$1,000,000.00 unless he shall have subscribed and paid in in cash at least \$500.00 on his stock subscription, or of an association having an accumulated capital of \$5,000,000.00 unless he shall have subscribed and paid in in cash at least \$1,000.00 on his stock subscription, and such amount shall not be reduced either by withdrawal or by pledge for a loan with the association, or in any other manner, so long as he remains a director of the association. Any officer or director may be removed by the director of efficiency for cause. Any officer or director so removed by the director of efficiency and feeling himself aggrieved by such removal shall have a right of appeal from the order of removal to the superior court of Thurston County by filing a written notice of appeal with the director of efficiency who shall, upon the filing of such notice, certify to the court the causes upon which the order of removal was based, and all records and files in his office pertaining to the matter of the removal. The court shall hear the matter *de novo* and enter an order affirming or cancelling the order of removal. Each officer and director, when appointed or elected, shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of such association, and will not knowingly violate the by-laws or any of the provisions of law applicable to such association.

Removal of director.

Court review.

Oath of officers and directors.

Each officer or agent having the custody of money or securities of any association shall be required to give bond to such association in an amount to be determined by the board of directors of such association commensurate with his liability, and said bonds shall be deposited with the director of efficiency.

Bond required.

SEC. 4. That section 3722 of Remington's Compiled Statutes be amended to read as follows:

§ 4571,
Pierce's
Code.

Dividends.

Not computed on less than monthly balances.

Undivided earnings.

Extra dividend.

§ 4572, Pierce's Code.

How loans made.

Section 3722. Profits and losses shall be ascertained semi-annually. Dividends shall be computed in the manner determined by the board of directors and shall be distributed semi-annually and paid on June 30th and December 31st of each year. Such dividends shall be distributed ratably to all classes of shares and may be distributed for the proportionate part of the dividend period that funds have been in the association. *Provided*: That dividends shall not be computed on less than monthly balances. *And provided further*, That funds paid into the association on or before the date in any month fixed by the association may be deemed to have been paid in on the first day of such month for the purpose of computation of dividends. Dividends shall be taken from the net earnings of the association and, subject to the provisions of Section 3721 relating to reserve fund stock. No dividends shall be credited or paid except by a vote of the board of directors duly entered upon the minutes, whereupon shall be recorded the vote by ayes and nays. It shall be lawful for the association, in addition to the contingent fund required by section thirteen of this act, to hold in its fund of undivided earnings, such sum as the board of directors may from time to time deem necessary or wise: *Provided, however*, That when the undivided earnings, including the contingent fund, exceed fifteen per cent of the dues and dividends credited to members, the board of directors shall declare such extra dividend in excess of the dividend regularly apportioned as may be necessary to distribute among the shareholders the accumulation in excess of such authorized surplus.

SEC. 5. That section 3723 of Remington's Compiled Statutes be amended to read as follows:

Section 3723. For every loan made, except a loan from one association to another, a note or bond specifying the amount loaned and the rate of

interest to be paid thereon, secured by first mortgage on improved real estate shall be taken, which security shall be conservatively worth at least twice the value of the loan. A complete abstract of title for such real estate signed by the person or corporation furnishing such abstract (which abstract shall be examined by a competent attorney at law and his opinion furnished approving the title and showing that the mortgage is a first lien), or a policy of title insurance of a reliable title insurance company authorized to insure titles within this state, or a duplicate certificate of ownership issued by a registrar of titles, shall be furnished. No mortgage loan shall be made except upon the report in writing of an appraiser or a committee of appraisers appointed by the board of directors, which report shall state the conservative value of the mortgage security. The directors in their discretion may also loan upon the security of the shares in the association to the amount of ninety per cent of their withdrawal value, and may loan upon or invest in bonds of the United States and the state of Washington, and in such classes of bonds and warrants of the counties, school districts and other municipalities, as well as local improvement districts, in this state, as the director of efficiency may from time to time approve, but no association shall loan any of its funds to an officer or director of such association.

Any association having a surplus for which there is no demand for loaning purposes or for the payment of withdrawals or matured shares, may loan the same to another domestic association, and such association may borrow from other associations or otherwise for loaning purposes or for the payment of withdrawals or matured shares: *Provided*, that no association shall borrow any amount or amounts which in the aggregate shall exceed

Investments.

Bonds of U. S., this state and other approved securities.

May not lend to its officers.

May lend to other associations.

Authority to borrow.

Limitation.

twenty-five per cent of the actual value of the mortgages on deposit with the director of efficiency as shown by the last preceding semi-annual statement of the borrowing associations as provided in Section 3724.

Borrowing.

In borrowing said amount or amounts for the purposes specified, any such association may, at its election, borrow the same or any part thereof upon its debenture bonds, maturing on or before five years after date and bearing interest not exceeding six per cent per annum, interest payable semi-annually. In no case shall any such bonds be issued when there are sufficient funds on hand or receivable in time to meet approved applications for loans or for the payment of maturing stock or withdrawals of stock. Such debenture bonds may be retired by action of the board of directors at any time after one year from date of issue, by the secretary of the association giving notice in writing sixty days or more prior to the next interest date to the recorded holders thereof, and on return of said retired bonds, together with the coupons attached, said holders shall receive their par value. At the expiration of said interest period, the bonds so called shall cease to draw interest. Whenever the director of efficiency shall deem any indebtedness incurred under the provisions of this section to be detrimental to the interests of the shareholders of any such association, he shall notify such association to reduce its indebtedness to such amount as he shall consider reasonable, giving such association such reasonable time as may be necessary to effect such reduction of indebtedness.

Director of efficiency may order reduction of indebtedness.

§ 4575, Pierce's Code.

SEC. 6. That section 3726 of Remington's Compiled Statutes be amended to read as follows:

Section 3726. Any savings and loan association may purchase at any sale, public or private, any real estate upon which it may have a mortgage,

May hold real estate.

judgment, lien, or other incumbrance, or in which it may have any interest, and may sell, convey, lease or mortgage the same at pleasure to any person or persons, but shall not otherwise acquire or deal in real estate: *Provided*, That any such association may acquire such real estate or a leasehold interest therein as may be necessary or convenient for a location for the transaction of its business: *Provided further*, that no such association shall use more than ten per cent of its assets at any time in acquiring real estate for its business location: *Provided further*, that all real estate except that used for its business location shall be sold by said association within five years from and after the time that title thereto is acquired: *Provided further*, that all real estate purchased, acquired or taken in settlement of any mortgage, judgment, lien, other incumbrance, or in which any savings and loan association may have any interest, shall be conveyed to it directly by name and the conveyance immediately recorded in the office of the proper recording officer of the county in which such real estate is located: *Provided further*, that no exchange of real estate shall ever be made by any such association unless authorized by a vote of two-thirds of its directors and the written approval of the director of efficiency.

Except business location, realty must be sold within five years.

Recordation in name of association.

When exchange of realty permitted.

SEC. 7. That section 3728 of Remington's Compiled Statutes be amended to read as follows:

§ 4577, Pierce's Code.

Section 3728. At each periodical distribution of profits, unless such association already has issued paid up reserve fund stock equal to five per cent of the amount credited to members to which losses may be chargeable as provided in section 3721, Remington's Compiled Statutes, the board of directors shall reserve and carry to a contingent fund, a sum equal to at least five per cent of the net earnings during the period since the last previous

Contingent fund.

Limit on
dividends.

dividend was declared, until such contingent fund shall be equal to at least five per cent of the amount credited to members; but no association shall pay a dividend in excess of five per cent per annum until the board of directors shall have reserved and carried to the contingent fund a sum equal to at least seven and one-half per cent of the net earnings during the period since the last previous dividend was declared, until such contingent fund be equal to at least five per cent of the amount credited to members. The directors may at any time carry to such contingent fund any further portion of the undivided earnings that in their discretion may seem wise, except as herein provided. Losses of the association may be paid therefrom and when such payment reduces the contingent fund below 5 per cent of the amount credited to members said fund shall be restored as above provided.

Losses.

§ 4-54a,
Pierce's
Code.

Duties
imposed
upon and
powers
vested in
director of
efficiency.

SEC. 8. That section 3735½ of Remington's Compiled Statutes be amended to read as follows:

Section 3735½. The director of efficiency shall have the power and it shall be his duty through and by means of the division of savings and loan which is hereby created: To exercise all the powers and perform all the duties in relation to the organization, inspection, supervision and dissolution of savings and loan associations formerly vested in and required to be performed by the state auditor or the director of taxation and examination. The director of efficiency shall appoint an assistant to be known as the supervisor of savings and loan associations who shall hold office during his pleasure, and shall have power to appoint and employ such inspectors, auditors, accountants and such other clerical assistants as may be necessary for the general administration of the division of savings and loan. No person shall be eligible to

Appointment
of super-
visor of
savings and
loan
associations
authorized.

Qualifica-
tions re-
quired.

appointment, as, or hold the office of, supervisor of savings and loan associations unless he is, and for at least two years prior to his appointment has been, a citizen of this state and has had at least two years' practical experience in savings and loan employment, examination or supervision.

The supervisor of savings and loan associations, when appointed, shall execute a surety bond to the state of Washington in an amount not less than \$10,000.00 conditioned upon the faithful discharge of the duties of such office, and each inspector of savings and loan associations shall execute a surety bond to the state of Washington in an amount not less than \$5,000.00. Neither the supervisor of savings and loan associations nor any inspector of savings and loan associations shall be personally liable for any act done by him in good faith in the performance of his duties.

Bond.

Bond of inspectors.

Supervisor's and inspectors' liability.

Passed the House December 19, 1925.

Passed the Senate January 6, 1926.

Approved by the Governor January 15, 1926.

CHAPTER 145.

[H. B. 194.]

TAX LEVIES IN CERTAIN CITIES.

AN ACT relating to tax levies in certain municipalities, and amending Section 5637 of Remington's Compiled Statutes.

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

SECTION 1. That Section 5637 of Remington's Compiled Statutes be amended to read as follows:

Section 5637. Such municipal corporations shall levy and collect annually a property tax for the payment of current expenses, not exceeding fifteen mills on the dollar; a tax for the payment

§ 958,
Pierce's
Code.

Second and
third class
cities.

Tax levy
for current
expenses.
Limit.