

**NEW SECTION.** Sec. 6. This 1977 amendatory act is necessary for the immediate preservation of the public peace, health, and safety, the support of the state government and its existing public institutions, and shall take effect immediately.

Passed the House April 14, 1977.

Passed the Senate May 19, 1977.

Approved by the Governor May 28, 1977.

Filed in Office of Secretary of State May 28, 1977.

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## CHAPTER 104

[Substitute House Bill No. 161]

### MUTUAL SAVINGS BANKS

AN ACT Relating to mutual savings banks; amending section 32.08.140, chapter 13, Laws of 1955 as last amended by section 2, chapter 176, Laws of 1963 and RCW 32.08.140; amending section 32.12.090, chapter 13, Laws of 1955 as last amended by section 3, chapter 55, Laws of 1969 and RCW 32.12.090; amending section 32.20.250, chapter 13, Laws of 1955 as last amended by section 6, chapter 55, Laws of 1969 and RCW 32.20.250; amending section 16, chapter 55, Laws of 1969 as amended by section 8, chapter 222, Laws of 1971 ex. sess. and RCW 32.20.255; amending section 6, chapter 41, Laws of 1959 as amended by section 9, chapter 145, Laws of 1967 and RCW 32.20.370; amending section 18, chapter 176, Laws of 1963 as last amended by section 9, chapter 55, Laws of 1969 and RCW 32.20.400; amending section 19, chapter 176, Laws of 1963 as amended by section 10, chapter 55, Laws of 1969 and RCW 32.20.410; amending section 11, chapter 145, Laws of 1967 as amended by section 11, chapter 55, Laws of 1969 and RCW 32.20.420; amending section 2, chapter 31, Laws of 1973 1st ex. sess. and RCW 32.20.460; and creating a new section.

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

Section 1. Section 32.08.140, chapter 13, Laws of 1955 as last amended by section 2, chapter 176, Laws of 1963 and RCW 32.08.140 are each amended to read as follows:

Every mutual savings bank incorporated under this title shall have, subject to the restrictions and limitations contained in this title, the following powers:

(1) To receive deposits of money, to invest the same in the property and securities prescribed in this title, to declare dividends in the manner prescribed in this title, and to exercise by its board of trustees or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of a savings bank.

(2) To issue transferable certificates showing the amounts contributed by any incorporator or trustee to the guaranty fund of such bank, or for the purpose of paying its expenses. Every such certificate shall show that it does not constitute a liability of the savings bank, except as otherwise provided in this title.

(3) To purchase, hold and convey real property as prescribed in RCW 32.20.280.

(4) To pay depositors as hereinafter provided, and when requested, pay them by drafts upon deposits to the credit of the savings bank in any city in the United States, and to charge current rates of exchange for such drafts.

(5) To borrow money in pursuance of a resolution adopted by a vote of a majority of its board of trustees duly entered upon its minutes whereon shall be recorded by ayes and noes the vote of each trustee, for the purpose of repaying

depositors, and to pledge or hypothecate securities as collateral for loans so obtained. Immediate written notice shall be given to the supervisor of all amounts so borrowed, and of all assets so pledged or hypothecated.

(6) Subject to such regulations and restrictions as the supervisor finds to be necessary and proper, to borrow money in pursuance of a resolution adopted by a vote of a majority of its board of trustees duly entered upon its minutes whereon shall be recorded by ayes and noes the vote of each trustee, for purposes other than that of repaying depositors and to pledge or hypothecate its assets as collateral for any such loans, provided that no amount shall at any time be borrowed by a savings bank pursuant to this subsection (6), if such amount, together with the amount then remaining unpaid upon prior borrowings by such savings bank pursuant to this subsection (6), exceeds ten percent of the assets of the savings bank. (~~When it shall appear to the supervisor that any bank is habitually borrowing for the purpose of reloaning, he may require the bank to pay off such borrowed money.~~)

The sale of securities or loans by a bank subject to an agreement to repurchase the securities or loans shall not be considered a borrowing. Borrowings from federal, state, or municipal governments or agencies or instrumentalities thereof shall not be subject to the limits of this subsection.

(7) To collect or protest promissory notes or bills of exchange owned by such bank or held by it as collateral, and remit the proceeds of the collections by drafts upon deposits to the credit of the savings bank in any city in the United States, and to charge the usual rates or fees for such collection and remittance for such protest.

(8) To sell gold or silver received in payment of interest or principal of obligations owned by the savings bank or from depositors in the ordinary course of business.

(9) To act as insurance agent for the purpose of writing fire insurance on property in which the bank has an insurable interest, the property to be located in the city in which the bank is situated and in the immediate contiguous suburbs, notwithstanding anything in any other statute to the contrary.

(10) To let vaults, safes, boxes or other receptacles for the safekeeping or storage of personal property, subject to laws and regulations applicable to, and with the powers possessed by, safe deposit companies.

(11) To elect or appoint in such manner as it may determine all necessary or proper officers, agents, boards, and committees, to fix their compensation, subject to the provisions of this title, and to define their powers and duties, and to remove them at will.

(12) To make and amend bylaws consistent with law for the management of its property and the conduct of its business.

(13) To wind up and liquidate its business in accordance with this title.

(14) To adopt and use a common seal and to alter the same at pleasure.

(15) To do all other acts authorized by this title.

Sec. 2. Section 32.12.090, chapter 13, Laws of 1955 as last amended by section 3, chapter 55, Laws of 1969 and RCW 32.12.090 are each amended to read as follows:

(1) Every savings bank shall regulate the rate of interest upon the amounts to the credit of depositors therewith, in such manner that depositors shall receive as

nearly as may be all the earnings of the bank after transferring the amount required by RCW 32.08.120 and such further amounts as its trustees may deem it expedient and for the security of the depositors to transfer to the guaranty fund, which to the amount of ten percent of the amount due its depositors the trustees shall gradually accumulate and hold. Such trustees may also deduct from its net earnings, and carry as reserves for losses, or other contingencies, or as undivided profits, such additional sums as they may deem wise.

(2) Every savings bank may classify its depositors according to the character, amount, regularity, or duration of their dealings with the savings bank, and may regulate the interest in such manner that each depositor shall receive the same ratable portion of interest as all others of his class.

(3) Unimpaired contributions to the initial guaranty fund and to the expense fund, made by the incorporators or trustees of a savings bank, shall be entitled to have dividends apportioned thereon, which may be credited and paid to such incorporators or trustees.

Whenever the guaranty fund of any savings bank is sufficiently large to permit the return of such contributions, the contributors may receive interest thereon not theretofore credited or paid at the same rate paid to depositors.

(4) A savings bank shall not:

(a) Declare, credit or pay any interest except as authorized by a vote of a majority of the board of trustees duly entered upon its minutes, whereon shall be recorded ((the)) by ayes and noes ((upon each)) the vote of each trustee;

(b) Pay any interest other than the regular quarterly or semiannual interest, or the interest on savings certificates of deposit, or the extra dividends prescribed elsewhere in this title: PROVIDED, That such bank may pay interest not less often than annually on the anniversary dates of accounts separately classified for this purpose: PROVIDED, FURTHER, That such bank may pay interest monthly at the rate or rates last authorized by a majority vote of the board of trustees duly entered in its minutes whereon shall be recorded by ayes and noes the vote of each trustee;

(c) Declare, credit or pay interest on any amount to the credit of a depositor for a longer period than the same has been credited: PROVIDED, That deposits made not later than the tenth day of any month (unless the tenth day is not a business day, in which case it may be the next succeeding business day), or withdrawn upon one of the last three business days of the month ending any quarterly or semiannual interest period, may have interest paid upon them for the whole of the period or month when they were so deposited or withdrawn: PROVIDED FURTHER, That if the bylaws so provide, accounts closed between interest periods may be credited with interest at the rate ((of the last interest)) determined by its board of trustees, computing from the ((first)) last interest period to the date when closed.

(5) The trustees of any savings banks whose undivided profits and guaranty fund, determined in the manner prescribed in RCW 32.12.070, amount to more than twenty-five percent of the amount due its depositors, shall at least once in three years divide equitably the accumulation beyond such twenty-five percent as an extra dividend to depositors in excess of the regular dividend authorized.

A notice posted conspicuously in a savings bank of a change in the rate of interest shall be equivalent to a personal notice.

Sec. 3. Section 32.20.250, chapter 13, Laws of 1955 as last amended by section 6, chapter 55, Laws of 1969 and RCW 32.20.250 are each amended to read as follows:

A mutual savings bank may invest its funds in loans secured by first mortgages on real estate subject to the following restrictions:

(1) In all cases of loans upon real property, a note secured by a mortgage on the real estate upon which the loan is made shall be taken by the savings bank from the borrower;

(2) The savings bank shall also be furnished by the borrower, either

((1)) (a) A complete abstract of title of the mortgaged property, which abstract shall be signed by the person or corporation furnishing the abstract of title, and which abstract shall be examined by a competent attorney and shall be accompanied by ((his)) the attorney's opinion approving the title and showing that the mortgage is a first lien; or

((2)) (b) A policy of title insurance; or

((3)) (c) A duplicate certificate of ownership issued by a registrar of titles.

(3) Where the real estate is other than ((a single)) one to four family residential property, ((it)) the real estate must be improved to such extent that the net annual income thereof or reasonable annual rental value thereof in the condition existing at the time of making the loan is sufficient to pay the annual interest accruing on such loan in addition to taxes and insurance and a reasonable amount for maintenance and upkeep commensurate with the type of property involved.

(4) No loan on real estate shall be:

((1)) (a) For an amount greater than ninety percent of the value of such real estate including improvements if it is ((property)) improved with ((owner-occupied single)) one to four family residential dwellings (including but not being limited to condominiums); or

((2)) (b) For an amount greater than eighty percent of the value of other real estate, including improvements((, except that in the event such savings bank obtains, as additional collateral, an assignment of a policy or policies of life insurance issued by a company authorized to do business in this state, such loan may exceed the limits specified in (1) or (2), but such excess shall not be more than eighty percent of the cash surrender value of such assigned life insurance)), unless the savings bank obtains additional collateral, in which case such loan may exceed the limits specified in paragraph (a) or (b) of this subsection: PROVIDED, That in no event shall the loan excess exceed the value of the additional collateral.

(5) No mortgage loan shall be made in excess of fifty percent of the value of the security unless its terms require the payment of principal and interest in annual, semiannual, quarterly, or monthly payments, at a rate or rates which if continued would repay the loan in full in not more than thirty years after substantially all loan proceeds have been disbursed, beginning within one year after substantially all loan proceeds have been disbursed and continuing until the loan is reduced to fifty percent or less of the value of the security: PROVIDED, That:

(a) Loans secured by property improved with owner-occupied single family residential dwellings (including but not limited to condominiums) may require repayment on such a prudent basis as the bank may determine as long as all principal and interest are paid in full within forty years; and

(b) With respect to all loans made under this section, the terms may require repayment of accrued interest only on amounts disbursed for a period not to exceed five years as long as all the loans are thereafter amortized in annual, semiannual, quarterly, or monthly payments at a rate or rates which if continued would repay the loan in full in not more than thirty years after substantially all the loan proceeds have been disbursed and continuing until the loan is reduced to fifty percent or less of the value of the security.

(6) A loan may be made on real estate which is to be improved by a building or buildings to be constructed with the proceeds of such loan((;)) if it is arranged that such proceeds will be used for that purpose and that when so used the property will qualify under this section.

(7) No mortgage loan, or renewal or extension thereof for a period of more than one year, shall be made except upon written application showing the date, name of the applicant, the amount of loan requested, and the security offered, nor except upon the written report of at least two members of the board of investment of the bank certifying on such application according to their best judgment the value of the property to be mortgaged; and the application and written report thereon shall be filed and preserved with the savings bank records for three years following repayment of the loan or sale of the security if the mortgage is foreclosed.

(8) Every mortgage and assignment of a mortgage taken or held by a savings bank shall be taken and held in its own name((;)) and shall immediately be recorded in the office of the county auditor of the county in which the mortgaged property is located.

(9) A mortgage on real estate shall be deemed a first mortgage and lien within the meaning of this section even though:

((1)) (a) There is outstanding upon the real estate a lease to which the mortgage is subject, and two members of the board of investment of the bank deem the lease advantageous to the owner of the mortgaged property, and the mortgagee in case of foreclosure of the mortgage can compel the application upon the mortgage debt of substantially all of the rents thereafter to accrue; and/or

((2)) (b) There are outstanding nondelinquent taxes or special assessments or both, and the sum of the assessments and the amount of the loan does not exceed the limits herein specified.

Sec. 4. Section 16, chapter 55, Laws of 1969 as amended by section 8, chapter 222, Laws of 1971 ex. sess. and RCW 32.20.255 are each amended to read as follows:

A mutual savings bank may invest its funds in real estate contracts and in loans secured by real estate mortgages or deeds of trust or real estate contracts not otherwise eligible for investment by the savings bank, which are prudent real estate investments for the bank in the opinion of its board of trustees or of officers or committees designated by the board, whose action is ratified by the board at its regular meeting next following the investment. The total amount a mutual savings bank may invest pursuant to this section shall not exceed ((fifty)) ten percent of ((the total of its guaranty fund, undivided profits, and unallocated reserves)) its funds.

Sec. 5. Section 6, chapter 41, Laws of 1959 as amended by section 9, chapter 145, Laws of 1967 and RCW 32.20.370 are each amended to read as follows:

A mutual savings bank may invest its funds in bonds or other interest bearing or discounted obligations of corporations not otherwise eligible for investment by the savings bank which are prudent investments for such bank in the opinion of its board of trustees or of a committee thereof whose action is ratified by such board at its regular meeting next following such investment. The total amount a mutual savings bank may invest pursuant to this section shall not exceed ((fifty percent of the total of its guaranty fund, undivided profits, and unallocated reserves, or five)) ten percent of its ((deposits, whichever is less)) funds.

Sec. 6. Section 18, chapter 176, Laws of 1963 as last amended by section 9, chapter 55, Laws of 1969 and RCW 32.20.400 are each amended to read as follows:

A mutual savings bank may invest not to exceed ((five)) ten percent of its funds in loans for home or property repairs, alterations, appliances, improvements, or additions, home furnishings, for installation of underground utilities, for educational purposes, ((for mobile homes used or to be used for permanent or semi-permanent housing)) or for nonbusiness family purposes: PROVIDED, That

(1) The principal amount of any loan shall not exceed ((five)) ten thousand dollars; ((except in the case of loans for mobile homes which shall not exceed fifteen thousand dollars;))

(2) The application therefor shall state that the proceeds are to be used for one of the above purposes;

(3) The term of the loan shall not exceed ((sixty-two)) eighty-five months, except in the case of loans for underground utilities((, mobile homes)) or educational loans which may require repayment at such time and upon such terms as the bank may determine; and

(4) Nothing in this section shall permit a mutual savings bank to make secured or unsecured loans on or for inventory as that term is defined in section 9-109(4), chapter 157, Laws of 1965, RCW 62A.9-109(4).

Sec. 7. Section 19, chapter 176, Laws of 1963 as amended by section 10, chapter 55, Laws of 1969 and RCW 32.20.410 are each amended to read as follows:

The aggregate total amount a mutual savings bank may invest in the following shall not exceed ((eighty)) eighty-five percent of its funds:

- (1) Mortgages upon real estate and participations therein;
- (2) Contracts for the sale of realty;
- (3) Mortgages upon leasehold estates; and
- (4) Notes secured by pledges or assignments of first mortgages or real estate contracts.

Sec. 8. Section 11, chapter 145, Laws of 1967 as amended by section 11, chapter 55, Laws of 1969 and RCW 32.20.420 are each amended to read as follows:

A mutual savings bank may invest not to exceed ((five)) ten percent of its funds in loans on the security, and for the purpose of financing the acquisition and development, of land for primarily commercial, industrial, or residential usage. Within the ((five)) ten percent limit, and subject to the further limit hereinafter set forth, the bank may loan up to ((seventy-five)) eighty percent of the appraised value of

the land as of the completion of the development thereof into building lots or sites ready for construction thereon. Each such loan shall be repayable within a period of not more than ten years and the interest thereon shall be payable at least semi-annually. When any portion of the security is released from the lien of the mortgage, the principal amount of such loan shall be reduced in an amount at least equal to that portion of the total loan secured by the property released.

((No loan made hereunder may exceed a sum equal to seventy-five percent of the amount of the borrower's investment in the property given (or remaining after a release or releases) as security for such loan. The "amount of the borrower's investment" may include all sums paid for the property and improvements thereto, taxes, assessments and the like thereon plus a sum equal to six percent per annum on such amounts:))

A loan may be made on real estate which is to be developed with the developments to be paid for with the proceeds of such loan((;)) if it is arranged that the proceeds will be used for that purpose and that when so used the property will qualify under this section.

Sec. 9. Section 2, chapter 31, Laws of 1973 1st ex. sess. and RCW 32.20.460 are each amended to read as follows:

In addition to the portions of its funds permitted to be invested in real estate loans under ((RCW 32.20.250 as limited by)) RCW 32.20.410 ((and in loans for home or property repairs, alterations, appliances, improvements, or additions, home furnishings, for installation of underground utilities, for educational purposes, for mobile homes used or to be used for permanent or semipermanent housing, or for nonbusiness family purposes under RCW 32.20.400)), a mutual savings bank may invest not to exceed ((five)) fifteen percent of its funds in loans and investments ((made after July 16, 1973)) as follows:

(1) Loans for the rehabilitation, remodeling, or expansion of existing housing, if it is arranged that the loan proceeds will be used for such purpose. Such loans may be secured by second mortgages, shall require the payment of principal and interest in annual, semiannual, quarterly, or monthly payments at a rate or rates which if continued would repay the loan in full in not more than fifteen years, and shall be in a principal amount not to exceed ((nine)) twenty thousand ((five hundred)) dollars per living unit for single family housing or ((seven)) twelve thousand five hundred dollars per living unit for multi-family housing.

(2) Loans in connection with, or participation in:

(a) Housing programs of any agency of federal, state, or local government; and  
(b) Housing programs of any nonprofit, union, community, public, or quasi-public corporation or entity.

Such housing must be made available to all without regard to race, creed, sex, color, or national origin.

(3) Loans for purchasing or constructing factory built housing, including but not limited to mobile homes used or to be used for permanent or semipermanent housing((, where the principal balance of any such loan does not exceed in the case of a new mobile home one hundred percent of the manufacturer's invoice price of such mobile home (including any equipment installed by the manufacturer, or installed or to be installed by the dealer), or in the case of a used mobile home, one hundred percent of the wholesale value of such used mobile home (including any

~~installed equipment) as established in the dealer's market)). The bank shall determine the amount, security, and repayment basis which it considers prudent for the loans.~~ The loan shall be secured by a first mortgage on the real estate, except that no real estate mortgage need be obtained if provision satisfactory to the bank is made for removal of the mobile home or other housing in the event of default and realization on the security.

(4) In mobile home chattel paper which finances the acquisition of inventory by a mobile home dealer if the inventory is to be held for sale in the ordinary course of business by the mobile home dealer, the monetary obligation evidenced by such chattel paper is the obligation of the mobile home dealer and the amount thereof does not exceed the amount allowed to be loaned on such mobile homes under subsection (3) of this section.

Passed the House March 17, 1977.

Passed the Senate May 17, 1977.

Approved by the Governor May 28, 1977.

Filed in Office of Secretary of State May 28, 1977.

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## CHAPTER 105

[Second Substitute House Bill No. 24]

### BUSINESS AND OCCUPATION TAX—DEDUCTIONS—MANUFACTURE OUTSIDE U.S.

AN ACT Relating to revenue and taxation; and amending section 82.04.430, chapter 15, Laws of 1961 as last amended by section 1, chapter 13, Laws of 1971 and RCW 82.04.430.

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

Section 1. Section 82.04.430, chapter 15, Laws of 1961 as last amended by section 1, chapter 13, Laws of 1971 and RCW 82.04.430 are each amended to read as follows:

In computing tax there may be deducted from the measure of tax the following items:

(1) Amounts derived by persons, other than those engaging in banking, loan, security, or other financial businesses, from investments or the use of money as such, and also amounts derived as dividends by a parent from its subsidiary corporations;

(2) Amounts derived from bona fide initiation fees, dues, contributions, donations, tuition fees, charges made for operation of privately operated kindergartens, and endowment funds. This paragraph shall not be construed to exempt any person, association, or society from tax liability upon selling tangible personal property or upon providing facilities or services for which a special charge is made to members or others. Dues which are for, or graduated upon, the amount of service rendered by the recipient thereof are not permitted as a deduction hereunder;

(3) The amount of cash discount actually taken by the purchaser. This deduction is not allowed in arriving at the taxable amount under the extractive or manufacturing classifications with respect to articles produced or manufactured, the reported values of which, for the purposes of this tax, have been computed according to the provisions of RCW 82.04.450;