

CHAPTER 86.

[H. B. 36.]

MUTUAL SAVINGS BANKS.

AN ACT relating to mutual savings banks, amending Sections 3322, 3324, 3327, 3328, 3337, 3340, 3343, 3344, 3349 and 3363 and repealing Section 3330 of Remington's Compiled Statutes of Washington, and amending Chapter III of Title XVIII of Remington's Compiled Statutes of Washington by adding thereto three sections to be numbered 3342-a, 3368-a and 3377-a.

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

SECTION 1. Section 3322 of Remington's Compiled Statutes of Washington is amended to read as follows:

Pierce's Code, § 364.

Section 3322. Every mutual savings bank incorporated under this act shall have, subject to the restrictions and limitations contained in this act, the following powers:

Powers of bank.

(1) To receive deposits of money, to invest the same in the property and securities prescribed in this act, to declare dividends in the manner prescribed in this act, 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 such savings bank, except as otherwise provided in this act.

(3) To purchase, hold and convey real property as prescribed in section 3338.

(4) To pay depositors as hereinafter provided, and when requested by them, by drafts upon depos-

its 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 an emergency for the purpose of repaying depositors, and to pledge or hypothecate securities as collateral for loans so obtained, under the conditions prescribed in this act.

(6) 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 creditor 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.

(7) 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.

(8) 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.

(9) 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 act, and to define their powers and duties, and to remove them at will.

(10) To make and amend by-laws consistent with law for the management of its property and the conduct of its business.

(11) To wind up and liquidate its business in accordance with this act.

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

(13) To do all other acts authorized by this act.

SEC. 2. Section 3324 of Remington's Compiled Statutes of Washington is amended to read as follows:

Pierce's  
Code,  
§ 365-1.

Section 3324. The bonds or interest-bearing notes or obligations of the United States or the Dominion of Canada or those for which the faith of the United States or the Dominion of Canada is pledged to provide for the payment of the interest and principal, including bonds of the District of Columbia; *Provided*, That in the case of bonds of the Dominion or those for which its faith is pledged the interest and principal be payable in the United States or with exchange to a city in the United States and in gold coin of the United States or its equivalent.

Federal and  
Canadian  
bonds.

Canadian  
bonds pay-  
able in  
gold.

SEC. 3. Section 3327 of Remington's Compiled Statutes of Washington is amended to read as follows:

Pierce's  
Code,  
§ 365-4.

Section 3327. The valid interest-bearing warrants or bonds of any city, town, county, school district, port district, water district or other municipal corporation in the State of Washington issued pursuant to law and for the payment of which the faith and credit of such municipality, county or district is pledged and taxes are leviable upon all taxable property within its limits. The bonds of any first or second class city of this state for the payment of which the entire revenue of the city's water system less maintenance and operating costs is irrevocably pledged, even though the bonds are not general obligations of the city.

Municipal  
bonds of this  
state.

SEC. 4. Section 3328 of Remington's Compiled Statutes of Washington is amended to read as follows:

Pierce's  
Code,  
§ 365-5.

Section 3328. The valid bonds of any incorporated city, county, school district, village or town situated in one of the states of the United States which adjoins the State of Washington. If at any time the indebtedness of any such city, school dis-

Municipal  
bonds of  
other  
states.

Limitations  
on invest-  
ment.

trict, town or village, together with the indebtedness of any other district or other municipal corporation or subdivision (except a county) which is wholly or in part included within the boundaries or limits of said city, school district, town or village, less its water debt and sinking fund, shall exceed twelve per centum, or the indebtedness of any such county less its sinking fund shall exceed seven per centum, of the valuation of said city, county, school district, town or village for the purposes of taxation, its bonds shall thereafter, until such indebtedness shall be reduced to the prescribed limitation, cease to be an authorized investment for the moneys of savings banks.

Repeals  
§ 365-7,  
Pierce's  
Code.

SEC. 5. Section 3330 of Remington's Compiled Statutes of Washington is repealed.

Pierce's  
Code.  
§ 365-14.

SEC. 6. Section 3337 of Remington's Compiled Statutes of Washington is amended to read as follows :

Realty  
mortgage  
loans.

Section 3337. Loans secured by first mortgage on real estate subject to the following restrictions: In all cases of loans upon real property, a note or bond secured by a mortgage on the real estate upon which the loan is made, together with a complete abstract of title for such real estate signed by the person or corporation furnishing such abstract of title (which abstract shall be examined by a competent attorney at law selected by the bank 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 to the savings bank by the borrower. The real estate subject to such first mortgage 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

Regulations  
governing  
loans.

such loan in addition to taxes and insurance and all accruing charges and expenses. No loan on real estate shall be for an amount greater than fifty per cent of the value of such real estate, including improvements. The mortgage shall contain provisions requiring the mortgagor to maintain insurance on the buildings on the mortgaged premises to such reasonable amount as shall be stipulated in the mortgage, the policy to be payable in case of loss to the savings bank, and to be deposited with it. 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 be improved to the extent required by this section. Not more than seventy-five per cent of the assets of any savings bank shall be invested in mortgage loans. No mortgage loan or renewal or extension thereof shall be made except upon written application showing the date, name of applicant, 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 recommending the loan, and the application and written report thereon shall be filed and preserved with the savings bank records. Every mortgage and every 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. A mortgage on real estate shall be deemed a first mortgage and lien within the meaning of this section, even though one or both of the following situations exist: (1) There be outstanding a lease of the real estate for a term of not more than ten years to which the mortgage is sub-

First  
mortgage  
defined.

ject, 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 the rents thereafter to accrue; (2) There be outstanding non-delinquent taxes or special assessments or both, and the sum of them and the amount of the loan does not exceed fifty per cent of the value of the property.

Pierce's  
Code,  
§ 367-1.

SEC. 7. Chapter III of Title XVIII of Remington's Compiled Statutes of Washington is amended by adding thereto a section to be numbered section 3342-a and to read as follows:

May not  
write fire  
insurance if  
interest in  
property.

Section 3342-a. When a savings bank is itself acting as an insurance agent, a trustee, officer or employee of the bank shall not act as an insurance agent to write fire insurance on property in which the bank has an insurable interest, and no part of a room used by a savings bank in the transaction of its business shall be occupied or used by any person other than the bank in the writing of fire insurance.

Pierce's  
Code,  
§ 365-17.

SEC. 8. Section 3340 of Remington's Compiled Statutes of Washington is amended to read as follows:

Railroad  
equipment  
obligations.

Section 3340. In railroad equipment obligations or equipment trust certificates which comply with the following requirements:

Require-  
ments.

(a) They must be the whole or part of an issue made payable within not more than fifteen years in annual or semi-annual installments substantially equal in amount.

(b) They must be secured by or be evidence of a prior or preferred lien upon or interest in, or of reservation of title to, the equipment in respect of which they have been issued or sold, or by an assignment of or prior interest in the rent or purchase notes given for the hiring or purchase of such equipment.

(c) The total amount of principal of such issue of equipment obligations or trust certificates shall not exceed eighty-five per centum of the cost or purchase price of the equipment in respect of which they were issued.

(d) The remaining fifteen per centum of said cost or purchase price shall have been paid by or for the account of the railroad so constructing, acquiring, purchasing or leasing said equipment, or by funds loaned or advanced for the purpose by the Government of the United States or one of its agencies or instrumentalities but subordinated as to security, in the event of default, to the prior or preferred equipment obligations or equipment trust certificates.

Not more than fifteen per centum of the assets of any savings bank, less the amount invested by said bank in railroad bonds, shall be invested in said equipment obligations or certificates. In determining the amount of the assets of any savings bank under the provisions of this section the value of its securities shall be estimated in the manner prescribed for determining the per centum of par value surplus by section twenty-six of this act.

Limit of investment.

SEC. 9. Section 3343 of Remington's Compiled Statutes of Washington is amended to read as follows:

Pierce's Code, § 368.

Section 3343. No such bank shall deposit any of its funds with any bank, trust company or other monied corporation or concern which has not been approved by the supervisor of banking as a depository for the savings bank's funds and designated a depository by vote of a majority of the trustees of the savings bank, exclusive of any trustee who is an officer, director or trustee of or who is interested in the depository so designated.

Approved depositories.

SEC. 10. Section 3344 of Remington's Compiled Statutes of Washington is amended to read as follows:

Pierce's Code, § 369.

Shall not  
office with  
other  
banks.

Section 3344. (1) A savings bank shall not do business or be located in the same room with or in a room connecting with any other bank, or a trust company that receives deposits of money or commercial paper, or a national banking association.

Place of  
business.

(2) No savings bank or any officer or director thereof shall receive deposits or transact any of its usual business at any place other than its principal place of business.

Pierce's  
Code,  
§ 374.

SEC. 11. Section 3349 of Remington's Compiled Statutes of Washington is amended to read as follows:

Investment  
of deposits.

Section 3349. (1) The trustees of every such bank shall as soon as practicable invest the moneys deposited with them in the securities prescribed in sections 3323 to 3340, except as hereinafter provided. For the purpose of paying withdrawals in excess of receipts, and meeting accruing expenses, or for the purpose of awaiting a more favorable opportunity for judicious investment, any such bank may keep on hand or on deposit in one or more banks or trust companies in this state or in the city of New York, state of New York, the city of Chicago, state of Illinois, the city of Portland, state of Oregon, or the cities of San Francisco or Los Angeles, state of California, an available fund not exceeding twenty per centum of the aggregate amount credited to its depositors, but the sum deposited by any such savings bank in any one bank or trust company shall not exceed twenty-five per centum of the paid up capital and surplus of the bank or trust company in which the deposit is made, and no more than five per centum of the aggregate amount credited to the depositors of any such savings bank shall be deposited in a bank or trust company of which a trustee of such savings bank is a director.

Reserve.

Deposits in  
other  
banks  
limited.



SEC. 12. Section 3363 of Remington's Compiled Statutes of Washington is amended to read as follows:

Pierce's Code, § 338.

Section 3363. (1) A trustee of a savings bank shall not

(a) Have any interest, direct or indirect, in the gains or profits of the savings bank, except to receive dividends (i) upon the amounts contributed by him to the guaranty fund and the expense funds of the savings bank as provided in sections 3319 and 3320, and (ii) upon any deposit he may have in the bank, the same as any other depositor and under the same regulations and conditions.

Trustees restricted.

(b) Become a member of the board of directors of a bank, trust company or national banking association of which board enough other trustees of the savings bank are members to constitute with him a majority of the board of trustees.

Member of other bank boards.

(2) Neither a trustee nor an officer of a savings bank shall

Restrictions on officers.

(a) For himself or as agent or partner of another, directly or indirectly use any of the funds or deposits held by the savings bank, except to make such current and necessary payments as are authorized by the board of trustees.

Use funds.

(b) Receive directly or indirectly and retain for his own use any commission on or benefit from any loan made by the savings bank, or any pay or emolument for services rendered to any borrower from the savings bank in connection with such loan, except as authorized by section 3361.

Commissions.

(c) Become an indorser, surety or guarantor, or in any manner an obligor, for any loan made by the savings bank.

Guarantor of loans.

(d) For himself or as agent or partner of another, directly or indirectly borrow any of the funds or deposits held by the savings bank, or become the

Borrow funds.

owner of real property upon which the savings bank holds a mortgage. A loan to or a purchase by a corporation in which he is a stockholder to the amount of fifteen per centum of the total outstanding stock, or in which he and other trustees of the savings bank hold stock to the amount of twenty-five per centum of the total outstanding stock, shall be deemed a loan to or a purchase by such trustee within the meaning of this section; except when the loan to or purchase by such corporation shall have occurred without his knowledge or against his protest. A deposit in a bank shall not be deemed a loan within the meaning of this section.

Pierce's  
Code,  
§ 393-1.

SEC. 13. Chapter III of Title XVIII of Remington's Compiled Statutes of Washington is amended by adding thereto a section to be numbered 3368-a and to read as follows:

Reports to  
supervisor.

Section 3368-a. A savings bank shall render to the supervisor of banking, in such form as he shall prescribe, at least three regular reports each year exhibiting its resources and liabilities as of such dates as the supervisor shall designate, which shall be the dates designated by the comptroller of the currency of the United States for reports of national banking associations. Every such report, in a condensed form to be prescribed by the supervisor, shall be published once in a newspaper of general circulation, published in the place where the bank is located. A savings bank shall also make such special reports as the supervisor shall call for. A regular report shall be filed with the supervisor within twelve (12) days and proof of the publication thereof within twenty (20) days from the date of the issuance of the call for the report. A special report shall be filed within such time as the supervisor shall indicate in the call therefor. A savings bank that fails to file within the prescribed time any report required by or under this section or proof of the publication of

Publication.

Failure to  
report.

any report required to be published shall be subject to a penalty to the state of ten dollars (\$10) for each day's delay, recoverable by a civil action brought by the attorney general in the name of the state. Penalty.

SEC. 14. Chapter III of Title XVIII of Remington's Compiled Statutes of Washington is amended by adding thereto a section to be numbered 3377-a and to read as follows: Pierce's Code, § 402-1.

Section 3377-a. A savings bank, in the discretion of its board of trustees, may retire and pension any officer, clerk or other employee who shall have served the bank for a period of thirty years or more, or who shall have served the bank for a period of twenty years or more and shall have become physically or mentally incapacitated for his position, or who shall have served the bank for a period of twenty years or more and shall have attained the age of sixty years. Any person retired from service pursuant to this section may be paid each month a percentage of his average monthly compensation for the three years immediately preceding his retirement equal to twice the number of years of his services for the bank, but the maximum amount so paid shall in no case exceed sixty per centum of such average monthly compensation. Pensioning officers and employees.

Vetoed

Passed the House November 24, 1925.

Passed the Senate December 8, 1925.

Approved by the Governor December 21, 1925, with the exception of Section 14, which is vetoed.