

construction and/or paving and maintenance of the state primary highways, and the construction of secondary state highways, as provided by appropriation.

Emergency.

SEC. 2. This act is necessary for the immediate support of the existing public institutions of the state, and shall take effect immediately.

Passed the Senate January 7, 1926.

Passed the House January 7, 1926.

Approved by the Governor January 18, 1926.

CHAPTER 186.

[H. B. 217.]

INDUSTRIAL LOAN COMPANIES.

AN ACT relating to Industrial Loan Companies, defining such companies, limiting their powers, and amending Sections 1, 6, 7, 8, 9, 11, 12, 18 of Chapter 172 of the Session Laws of 1923.

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

SECTION 1. That Section 1 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Section 1. (a) The term "industrial loan company" as used in this act means only such corporations which make a business of loaning money repayable in installments and simultaneously with the loan transaction issue to the borrower their own written evidences of debt.

(b) The name of every such corporation shall terminate with the words "Industrial Loan Company."

(c) After the passage and approval of this act, no person, firm or corporation conducting a business not in the form and of a character similar to that

Amends
§ 3862-1,
Rem. 1923
Sup.

Terms
defined:

Industrial
loan
company.

Termination
of name of
corporation.

Prohibited
use of
words.

authorized by this act shall have or continue to use for a part of its title or corporate name any combination of the words "Industrial" and "Loan."

"Industrial."
"Loan."

SEC. 2. That Section 6 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Amends
§ 3862-6,
Rem. 1923
Sup.

Section 6. Before the articles of incorporation of any corporation, incorporated under the provisions of this act, are filed, there must be paid in cash for the benefit of the corporation to a treasurer selected by the subscribers, not less than twenty-five per cent of the amount of the capital stock. Not less than one-twelfth of the balance of the capital stock shall be paid in cash to the corporation within thirty days from the date of incorporation and each thirty days thereafter until fully paid. No corporation organized hereunder shall expend for a plan of operation, organization expense and the sale of its capital stock an amount in excess of ten per cent of the paid in capital stock.

Capital
paid in
cash.

SEC. 3. That Section 7 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Amends
§ 3862-7,
Rem. 1923
Sup.

Section 7. (a) The capital stock of any corporation incorporated under the provisions of this act shall not be less than fifty thousand dollars in any city having a population of one hundred thousand inhabitants, or less; and shall not be less than one hundred thousand dollars in any city having one hundred thousand or more inhabitants and less than two hundred thousand; and shall not be less than two hundred thousand dollars in any city having two hundred thousand or more inhabitants, according to the last official census. The capital stock of any such corporation shall be divided into shares of the par value of one hundred dollars each. No corporation organized hereunder shall create more than one class of stock.

Required
capital
stock.

Only one
class of
stock.

(b) Any Industrial Loan Company may in-

Increase or
decrease of
capital
stock.

Amend
articles.

Notice.

crease or decrease its capital stock or otherwise amend its articles of incorporation, in any manner not inconsistent with the provisions of this act, by a vote of the stockholders representing two-thirds of its capital at any regular meeting, or special meeting called for that purpose in the manner prescribed by its by-laws: *Provided*, That notice of a meeting to increase or decrease capital stock shall first be published once a week for four weekly issues in a newspaper published in the place in which such corporation is located, or if there be no newspaper published in such place, then in some newspaper published in the same county. The notice shall state the purpose of the meeting, the amount of the present capital of the Industrial Loan Company and the proposed new capital. A certificate of the fact and the terms of the amendment shall be executed by a majority of the directors and filed as required herein for articles of incorporation. No increase of capital stock shall be valid, until twenty-five per cent of the amount thereof shall have been subscribed and actually paid in and a certificate of increase received from the supervisor of banking. Not less than one-twelfth of the balance of the authorized increase shall be paid in cash to the corporation within thirty days from the date the increase is authorized, and each thirty days thereafter until fully paid. No reduction of the capital stock shall be made to an amount less than is required for capital, nor be valid, nor warrant the cancellation of stock certificates until such reduction has been approved by said supervisor of banking.

Amends
§ 3862-8.
Rem. 1923
Sup.

Powers:

To lend
money.

SEC. 4. That Section 8 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Section 8. Every corporation under the provisions of this act shall have power:

(a) To loan money on personal security, or otherwise, and to deduct interest therefor in advance

at the rate of eight per cent per annum, or less. To require the borrower to purchase simultaneously with the loan transaction or otherwise and pledge as security therefor an investment certificate not to exceed one-fifth more than the loan made; and to receive weekly, semi-monthly or monthly installment payments thereon with an allowance of not less than three per cent interest on such installments if paid on or before the date due. To charge a delinquency charge of five cents or less on each dollar delinquent one full week or more—no interest shall be collected on delinquent installments. At the time the certificate is paid for in full the company shall liquidate the loan by cancelling an equal amount of the certificate pledged as security therefor. No certificate or securities of any nature shall be sold to the borrower simultaneously with the loan transaction at a price in excess of the actual book value of the certificate or securities so sold.

Interest.

To make certain charges for service.

(b) To charge for a loan made pursuant to this section a fee of two dollars or less on loans under one hundred dollars, and a maximum fee of two per cent on loans of one hundred dollars or more for expenses in examining and investigating the character and circumstances of the borrower, no additional charge shall be made except to reimburse the corporation for money actually expended for additional services actually rendered the borrower. No charge shall be collected unless a loan shall have been made.

Charges for loan.

(c) To sell or negotiate written evidences of debt for the payment of money at any time, and to receive payments therefor in installments or otherwise with an allowance of not to exceed six per cent interest per annum on such written evidences of debt. Nothing herein contained shall be construed to authorize corporations hereunder to receive deposits or to issue certificates of deposit or to create

Negotiate written evidences of debt.

Form. any liability due on demand. The issuance of written evidences of debt herein authorized shall be approved as to form by the supervisor of banking and shall bear the endorsement on the face of the instrument, "This is not a certificate of deposit."

Establish branches. (d) To establish branches subject to the approval and authority of the supervisor of banking provided such corporation shall have a minimum paid up capital of five hundred thousand dollars.

See § 4515, Pierce's Code. (e) Conferred upon corporations by Section 3809 of Remington's Compiled Statutes.

Amends § 3862-9, Rem. 1923 Sup. SEC. 5. That Section 9 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Acts prohibited. Section 9. No corporation under the provisions of this act shall:

Period of loan. (a) Make any loan, on the security of makers, co-makers, endorsers, sureties or guarantors, for a longer period than one year from the date thereof, or to any person, firm or corporation who is not a resident of the county in which the corporation maintains an office.

Limit: (b) Hold at any one time the primary obligation or obligations of any person, firm or corporation, for more than two per cent of the amount of the paid up capital and surplus of such industrial loan company.

(c) Hold at any one time the obligation or obligations of persons, firms, or corporations purchased from any person, firm or corporation in excess of twenty per cent of the aggregate paid up capital and surplus of such industrial loan company.

(d) Hold at any one time the obligation or obligations of persons, firms or corporations secured by one class of security, aggregating more than one-third of the total resources of such industrial loan company.

Acquire own stock as security for loan. (e) Make any loan or discount on the security of its own capital stock, or be the purchaser or

holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith. Stock so purchased or acquired shall be sold at public or private sale or otherwise disposed of within ninety days from the time of its purchase or acquisition.

(f) Invest any of its funds, otherwise than as herein authorized, except in such investments as are by law legal investments for commercial banks. Investment of funds.

(g) Make any loan or discount, nor shall any officer or employe thereof on behalf of such corporation, make any loan or discount directly or indirectly to any director, officer or employe of such corporation. Lend to officers or employes.

(h) Have outstanding at any time its investment certificates or other evidences of debt in an aggregate sum in excess of five times the aggregate amount of its paid up capital and surplus, exclusive of investment certificates hypothecated with the corporation issuing them. Limit of indebtedness.

(i) Exact a surrender charge on investment certificates issued by the corporation. Surrender charge.

(j) Deposit any of its funds with any other moneyed corporation, unless such corporation has been designated as such depository by a vote of the majority of the directors or the executive committee, exclusive of any director who is an officer, director or trustee of the depository so designated. Deposit funds with other corporations.

(k) Make any loan or discount secured by real estate for an amount in excess of seventy-five per cent of the value of such real estate and improvements, including all prior liens against the same. Realty loans.

(l) Have outstanding at any time investment certificates issued in the name of any person, firm or corporation for an amount in excess of one per cent of its paid up capital and surplus. Limit of outstanding investment certificates.

(m) Pledge or hypothecate any of its securities to any creditor except that it may borrow and redis- Hypothecate its securities.

count an amount not to exceed in the aggregate, the amount of the paid up capital and surplus thereof, and may pledge as security for amounts borrowed assets of the corporation not exceeding one and one-half times the amount borrowed and may pledge as security for amounts rediscounted assets of the corporation not exceeding one-half the amount rediscounted.

Amends
§ 3862-11,
Rem. 1923
Sup.

Restrictions
upon hold-
ing realty.

SEC. 6. That Section 11 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Section 11. Corporations, under the provisions of this act, may purchase, hold and convey real estate for the following purposes, but for no other:

(a) Such as shall be necessary for the convenient transaction of its business, including with its business offices other apartments in the same building to rent as a source of income: *Provided, however,* The corporation shall not invest an amount in excess of twenty-five per cent of its paid up capital, surplus and undivided profits in such real estate.

(b) Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its business.

(c) Such as it shall purchase at sale under judgments, decrees or mortgage foreclosures under securities held by it, but no such corporation shall bid at any such sale a larger amount than shall be necessary to satisfy its debts and costs.

(d) Real estate shall be conveyed under the corporate seal of such corporation and the hand of its president or vice-president and secretary or treasurer. No real estate acquired in the cases contemplated above shall be held for a longer period than five years unless used as business quarters by the corporation.

Amends
§ 3862-12,
Rem. 1923
Sup.

SEC. 7. That Section 12 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Section 12. The directors of every corporation under the provisions of this act, may at certain times and in such manner as its by-laws prescribe, after providing for all expenses, interest and taxes accrued, or due, declare and pay dividends to the stockholders of such corporation as may be appropriated for that purpose under its by-laws, but before any dividend is declared the corporation shall reserve for losses an amount equal to one per cent of the total outstanding loans and discounts; and shall set aside to surplus not less than ten per cent of the dividend to be declared until such surplus shall amount to twenty-five per cent of its capital stock. Unearned interest, accrued and uncollected interest shall not be distributed as a part of the profits, nor carried on the books as such.

Dividends.

Reserve fund for losses.

SEC. 8. That Section 18 of Chapter 172 of the Session Laws of 1923 be amended to read as follows:

Amends § 3862-18, Rem. 1923 Sup.

Section 18. Any debt due a corporation under the provisions of this act, upon which any payment is six months or more past due unless such debt be well secured and in course of collection by legal process or probate proceedings shall be considered a bad debt, and shall be charged off of the books of such corporation. A judgment held by such corporation shall not be considered an asset of the corporation after two years from the date of its rendition, unless with the written permission of the supervisor of banking specifying an additional period: *Provided*, That the time consumed by any appeal from such judgment shall be excluded.

Debts due.

When charged off.

Judgment two years old not an asset.

Passed the House December 10, 1925.

Passed the Senate December 29, 1925.

Approved by the Governor January 16, 1926.