

## CHAPTER 156.

[H. B. 187.]

## MUTUAL SAVINGS BANKS.

AN ACT relating to mutual savings banks and amending chapter 175 of the Session Laws of 1915 (as amended by chapter 200 of the Session Laws of 1919) by repealing section 11 and enacting in lieu thereof eighteen sections, to be designated sections 11, 11a, 11b, 11c, 11d, 11e, 11f, 11g, 11h, 11i, 11j, 11k, 11l, 11m, 11n, 11o, 11p and 11q, and by amending sections 17, 18 and 25, and by adding a new section to be designated section 48a.

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

SECTION 1. That section 11 of chapter 175 of the Session Laws of 1915 as amended by section 1 of chapter 200 of the Session Laws of 1919, be and the same is hereby repealed, and that in lieu thereof the following eighteen sections numbered 11, 11a, 11b, 11c, 11d, 11e, 11f, 11g, 11h, 11i, 11j, 11k, 11l, 11m, 11n, 11o, 11p and 11q be and they are hereby enacted.

Section 11. A mutual savings bank may invest the moneys deposited therein, the sums credited to the guaranty fund thereof and the income derived therefrom in the property and securities, and no others, and subject to the restrictions, specified in the following sections numbered 11a, 11b, 11c, 11d, 11e, 11f, 11g, 11h, 11i, 11j, 11k, 11l, 11m, 11o, 11p and 11q.

Investment  
of moneys.

Section 11a. The bonds or interest bearing notes or obligations of the United States or those for which the faith of the United States is pledged to provide for the payment of the interest and principal, including bonds of the District of Columbia.

Section 11b. The bonds or interest bearing obligations of this state issued pursuant to the authority of any law of this state.

Section 11c. The bonds or interest bearing obligations of any other state of the United States upon which there is no default, and upon which there has been no default for more than ninety days: *Provided*, That within ten years immediately preceding the investment such state has not been in default for more than ninety days in the payment of any part of the principal or interest of any debt duly authorized by the Legislature of such state to be contracted by such state since January 1st, 1878.

Section 11d. The valid bonds of any city, town, county, school district or port district 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, or valid warrants of such municipality, county or district drawing interest, and for which payment such municipality, county or district is liable.

Section 11e. The bonds of any incorporated city, county, 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, town or village, together with the indebtedness of any 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, town or village less its water debt and sinking fund, or the indebtedness of any such county, less its sinking fund shall exceed seven per centum of the valuation of said city, county, town or village for the purposes of taxation, its bonds shall thereafter, until such indebtedness shall be reduced to seven per centum of the valuation for the purposes of taxation, cease to be an authorized investment for the monies of savings banks.

Section 11f. Bonds of any incorporated city situated in any other state of the United States: *Provided*, Such city has a population as shown by the Federal census next preceding the investment, of not less than 45,000 inhabitants, and was incorporated as a city at least twenty-five years prior to the making of the investment, and has not since January 1st, 1907, defaulted for more than ninety days in the payment of any part of principal or interest of any bond, note or other indebtedness, or effected any compromise of any kind with the holders thereof. If at any time the indebtedness of any such city, together with the indebtedness of any district (other than local improvement district) or other municipal corporation or sub-division, except a county, which is wholly or in part included within the bounds or limits of said city, less its water debt and sinking fund, shall exceed seven per centum of the valuation of such city for purposes of taxation, its bonds shall thereafter, and until such indebtedness shall be reduced to seven per centum of such valuation, cease to be an authorized investment of the monies of mutual savings banks.

Section 11g. Bonds of any commercial waterway district in this state: *Provided*, The total obligations of such district by bonds, warrants or otherwise do not exceed ten per cent. of the assessed valuation of the lands and improvements within such districts: *And provided further*, That this authorization does not extend to the thirty per cent. in amount of such bond issue last callable for payment.

Section 11h. Bonds of any local improvement district of any city or town of this state (except bonds for an improvement consisting of grading only) and bonds of any irrigation, diking, drainage, diking improvement or drainage improvement dis-

trict of this state, unless the total indebtedness of the district after the completion of the improvement for which the bonds are issued, plus the amount of all other assessments of a local or special nature against the land assessed or liable to be assessed to pay the bonds, exceed fifty per cent. of the value of the benefited property, exclusive of improvements, at the time the bonds are purchased or taken by the bank, according to the actual valuation last placed upon the property for general taxation. Before any such bonds are purchased or taken as security the condition of the district's affairs shall be ascertained and the property of the district examined and appraised by at least two trustees who shall report in writing their findings and recommendations; and no bonds shall be taken unless such report be favorable, nor unless the executive committee of the board of trustees after careful investigation is satisfied of the validity of the bonds and of the validity and sufficiency of the assessment or other means provided for payment thereof: *Provided*, That no city or town local improvement bonds falling within the twenty-five per cent. in amount of any issue last callable for payment, shall be acquired or taken as security.

Section 11i. The mortgage bonds of any railroad corporation incorporated under the laws of the United States or any of the states thereof which actually owns in fee not less than five hundred miles of standard gauge railway, exclusive of sidings, within the United States: *Provided*, That at no time within five years next preceding the date of any such investment such railroad corporation shall have failed regularly and punctually to pay the matured principal and interest of all its mortgaged indebtedness, and in addition thereto regularly and punctually to have paid in dividends to its stockholders during each of said five years, an amount

at least equal to four per centum upon all its outstanding capital stock: *And provided further*, That during said five years the gross earnings in each year from the operation of said company, including therein the gross earnings of all railroads leased and operated or controlled and operated by said company, and also including in said earnings the amount received directly or indirectly by said company from the sale of coal from mines owned or controlled by it, shall not have been less in amount than five times the amount necessary to pay the interest payable during that year upon its entire outstanding indebtedness, and the rentals for said year of all leased lines: *And provided further*, That all bonds authorized for investment by this paragraph shall be secured by a mortgage which is at the time of making such investment, or was at the date of the execution of said mortgage (one) a first mortgage upon not less than seventy-five per centum of the railway owned in fee by the company issuing such bonds, exclusive of sidings at the date of such mortgage, or (two) a refunding mortgage issued to retire all prior lien mortgage debts of such company outstanding at the time of such investment and covering at least seventy-five per centum of the railway owned in fee by such company at the date of such mortgage. But no one of the bonds so secured shall be a legal investment in case the mortgage securing the same shall authorize a total issue of bonds which, together with all outstanding prior debts of such company, after deducting therefrom in case of a refunding mortgage the bonds reserved under the provisions of such mortgage to retire prior debts at maturity, shall exceed three times the outstanding capital stock of such company at the time of making such investment. And no mortgage is to be regarded as a refunding mortgage under the provisions of this section unless the bonds

which it secures mature at a later date than any bond which it is given to refund, nor unless it covers a mileage at least twenty-five per centum greater than is covered by any one of the prior mortgages so to be refunded.

Section 11j. Any railway mortgage bonds which would be a legal investment under the provisions of section 11i, except for the fact that the railroad corporation issuing such bonds actually owns in fee less than five hundred miles of road: *Provided*, That during five years next preceding the date of any such investment the gross earnings in each year from the operations of said corporation, including the gross earnings of all lines leased and operated or controlled and operated by it, shall not have been less than ten hundred thousand dollars (\$1,000,000.00).

Section 11k. The mortgage bonds of a railroad corporation described in the foregoing sections 11i and 11j or the mortgage bonds of a railroad owned by such corporation assumed or guaranteed by it by endorsement on such bonds, provided such bonds are prior to and are to be refunded by a general mortgage of such corporation, the bonds secured by which are made a legal investment under the provisions of said sections 11i and 11j: *And provided further*, That said general mortgage covers all the real property upon which the mortgage securing such underlying bonds is a lien. Bonds which have been or shall become legal investments for mutual savings banks under any of the provisions of this and the two preceding sections shall not be rendered illegal as investments though the property upon which they are secured has been or shall be conveyed to another corporation, if the consolidated or purchasing corporation shall assume the payment of such bonds, and shall continue to pay regularly interest or dividends or both upon the securi-

ties issued against, or in exchange for or to acquire the stock of the company consolidated to an amount at least equal to four per centum per annum upon the capital stock (outstanding at the time of such consolidation or purchase) of the corporation which has issued or assumed such bonds. Not more than twenty-five per centum of the assets of any savings banks shall be loaned or invested in railroad bonds, and not more than five per cent. of the assets of any savings bank shall be invested in the bonds of any one railroad corporation. In determining the amount of the assets of any savings bank under the provisions of this section its securities shall be estimated in the manner prescribed by section 26 of this act. Street railroad corporations shall not be considered railroad corporations within the meaning of this act.

Section 11l. Promissory notes payable to the order of the savings bank upon demand, secured by the pledge or assignment of any bonds, warrants, or interest bearing obligations lawfully purchasable by a savings bank, or secured by pledge or assignment of one or more real estate mortgages of the class described in section 11n, but no such loan shall exceed ninety per centum of the cash market value of such securities so pledged. Should any of the securities so held in pledge depreciate in value after the making of such loan, the savings bank shall require an immediate payment of such loan, or of a part thereof, or additional security therefor, so that the amount loaned thereon shall at no time exceed ninety per cent. of the market value of the securities so pledged for such loan.

Section 11m. Promissory notes made payable to the order of the savings bank within ninety days from the date thereof, secured by the pledge and assignment of the passbook of any mutual savings bank in the State of Washington as collateral se-

curity for the payment thereof. No such loan shall exceed ninety per centum of the balance due the holder of such passbook as shown therein.

Section 11n. 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 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 pro-



ceeds 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 mortgage property is located.

Section 11o. Real estate as follows:

(1) A tract of land whereon there is or may be erected a building or buildings suitable for the convenient transaction of the business of the savings bank, from portions of which not required for its own use a revenue may be derived. The investment in such tract of land to be subject to the conditions prescribed in section 12 of this act.

(2) Such as shall be conveyed to such savings bank in satisfaction of debts previously contracted in the course of its business.

(3) Such as it shall purchase at sales under judgments, decrees or mortgages held by it.

Section 11p. Acceptances of the kind and character following:

(1) Bankers' acceptances and bills of exchange of the kind and maturities made eligible by law for rediscount with Federal reserve banks, provided

the same are accepted by a bank or trust company incorporated under the laws of this state, or under the laws of the United States.

(2) Bills of exchange drawn by the seller on the purchaser of goods and accepted by such purchaser, of the kind and maturities made eligible by law for rediscount with Federal reserve banks, provided the same are indorsed by a national bank or by a bank or trust company incorporated under the laws of this state. Not more than 20 per cent. of the assets of any mutual savings bank shall be invested in such acceptances. The aggregate amount of the liability of any bank or trust company or of any national bank to any mutual savings bank, whether as principal or indorser, for acceptances held by such savings banks and deposits made with it, shall not exceed 25 per cent. of the paid up capital and surplus of such bank or trust company or national bank, and not more than 5 per centum of the aggregate amount credited to the depositors of any mutual savings bank shall be invested in the acceptance of or deposited with a bank or trust company or a national bank of which a trustee of such mutual savings bank is a director.

Section 11q. In equipment obligations or equipment trust certificates which comply with the following requirements.

(a) They must mature not later than fifteen years from their date.

(b) They must be issued or guaranteed by a corporation to which a loan or loans for the construction, acquisition, purchase or least of equipment have been made or approved by the Interstate Commerce Commission, under authority conferred by act of Congress of the United States of America.

(c) They must be the whole or part of any issue maturing serially, annually, or semi-annually.

(d) 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, and or by an assignment of or prior interest in the rent or purchase notes given for the hiring or purchase of such equipment.

(e) The total amount of principal of such issue of equipment obligations or trust certificates shall not exceed sixty per centum of the cost or purchase price of the equipment in respect of which they were issued:

(f) The remaining forty per centum of said cost or purchase price shall be 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 and subordinated in the event of default, in respect of the lien or interest thereof, upon or in such equipment and or in such equipment or rent or purchase notes, to the lien or interest of said prior or preferred equipment obligations or equipment trust certificate.

Not more than twenty-five 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.

SEC. 2. That section 17 of chapter 175 of the Session Laws of 1915, as amended by chapter 200 of the Session Laws of 1919, be amended to read as follows:

Limit on  
individual  
deposits.

Section 17. (1) When the aggregate amount of deposits and dividends to the credit of any individual, including in such aggregate all deposits and dividends credited to him as trustee or beneficiary of any trust and all deposits and dividends credited to him and another or others in either joint or several form, is five thousand dollars (\$5,000.00) or more, such aggregate shall not be increased by the receipt from him of any deposit but may be increased to not more than ten thousand dollars (\$10,000.00) by the crediting of dividends. Additional accounts may, however, be maintained in the name of a parent as trustee for a dependent or minor child, and in the name of a child as trustee for a dependent parent, but not more than five hundred dollars (\$500.00) shall be deposited to any such additional account during any six month period.

(2) When the aggregate amount of deposits and dividends to the credit of any society or corporation is five thousand dollars (\$5,000.00) or more, such aggregate shall not be increased by the receipt of any deposit not made pursuant to order of a court of competent jurisdiction, but may be increased to not more than ten thousand dollars (\$10,000.00) by the crediting of dividends.

(3) Every such bank may further limit the aggregate amount which an individual or any corporation or society may have to his or its credit to such sum as such bank may deem expedient to receive; and may in its discretion refuse to receive a deposit, or may at any time return all or any part of any deposits or require the withdrawal of any dividend.

SEC. 3. That section 18 of chapter 175 of the Session Laws of 1915 be amended to read as follows:

Payment of  
deposits and  
dividends.

Section 18. The sums deposited with any such bank, together with any dividends credited thereto, shall be repaid to the depositors thereof respectively,

or to their legal representatives, after demand in such manner, and at such times, and under such regulations, as the board of trustees shall prescribe, subject to the provisions of this and the next following section. Such regulations shall be posted in a conspicuous place in the room where the business of such savings bank shall be transacted, and shall be printed in the pass books or other evidence of deposit furnished by it, and shall be evidence between such bank and the depositors holding the same of the terms upon which the deposits therein acknowledged are made.

(1) Such bank may at any time by a resolution of its board of trustees require a notice of not more than six months before repaying deposits, in which event no deposit shall be due or payable until the required notice of intention to withdraw the same shall have been personally given by the depositor: *Provided*, That such bank at its option may pay any deposit or deposits before the expiration of such notice. But no bank shall agree with its depositors or any of them in advance to waive the requirement of notice as herein provided.

(2) Except as provided in sub-division (3) of this section the savings bank shall not pay any dividend, or deposit, or portion thereof, or any cheque drawn upon it by a depositor unless the pass book of the depositor be produced, and the proper entry be made therein at the time of the payment.

(3) The board of trustees of any such bank may by its by-laws provide for making payments in cases of loss of pass book, or other exceptional cases where the passbooks cannot be produced without loss or serious inconvenience to depositors, the right to make such payments to cease when so directed by the State Examiner upon his being satisfied that such right is being improperly exercised

by any such bank; but payments may be made at any time upon the judgment or order of a court.

(4) If any person shall die leaving in any such bank an account on which the balance due him shall not exceed \$500.00 and no executor or administrator of his estate shall be appointed, such bank may in its discretion pay the balance of his account to his widow (or if the decedent was a married woman, then to her husband), next of kin, funeral director or other creditor who may appear to be entitled thereto. As a condition of such payment such bank may require proof by affidavit as to the parties in interest, the filing of proper waivers, the execution of a bond of indemnity with surety or sureties by the person to whom the payment is to be made, and a proper receipt and acquittance for such payment. For any such payment pursuant to this section such bank shall not be liable to the decedent's executor or administrator thereafter appointed, unless the payment shall have been made within six months after the decedent's death, and an action to recover the amount shall have been commenced within six months after the date of payment.

SEC. 4. That section 25 of chapter 175 of the Session Laws of 1915 as amended by Chapter 200 of the Session Laws of 1919, be amended to read as follows:

Rate of  
dividends.

Section 25. (1) Every savings bank shall regulate the rate of dividends not to exceed six per cent. per annum 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 savings bank after transferring the amount required by section 24 hereof 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 per cent. 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 undivided profits for the purpose of maintaining its rate of dividends, such additional sums as they may deem wise.

(2) Every savings bank may classify its depositors according to the character, amount or duration of their dealings with the savings bank, and may regulate the dividends in such manner that each depositor shall receive the same ratable portion of dividends 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 such 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 such savings bank is sufficiently large to permit the return of such contributions, the contributors may receive dividends 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 dividend except as authorized by a vote of a majority of the board of trustees duly entered upon their minutes, whereon shall be recorded the ayes and naves upon each vote.

(b) Pay any dividend other than the regular quarterly or semi-annual dividend, or the extra dividend prescribed in subdivision six of this section.

(c) Declare, credit or pay dividends on any amount to the credit of a depositor for a longer period than the same has been credited: *Provided, however,* That deposits made not later than the tenth business day of the month commencing any semi-annual or quarterly dividend period, or the fifth business day of any month, or withdrawn upon

one of the last three business days of the month ending any quarterly or semi-annual dividend period, may have dividends declared upon them for the whole of the period or month when they were so deposited or withdrawn: *And provided further,* That, if the by-laws so provide, accounts closed between dividend periods may be credited with dividends at the rate of the last dividend, computing from the first dividend period to the date when closed.

(5) Whenever any dividend shall, except as provided in sub-division six of this section, be declared and credited in excess of profits earned and appearing to the credit of the savings bank since the last declaration of dividends, after making the deduction for expenses, for amortization and for the guaranty fund as provided in sections 16, 24 and 25 hereof, the trustees voting for such dividend shall be jointly and severally liable to such savings bank for the amount of such excess so declared and credited.

(6) The trustees of any savings bank whose undivided profits and guaranty fund, determined in the manner prescribed in section 23 hereof, amount to more than twenty-five per cent. of the amount due its depositors, shall at least once in three years divide equitably the accumulation beyond such twenty-five per cent. 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 dividends shall be equivalent to a personal notice.

Passed the House February 23, 1921.

Passed the Senate March 8, 1921.

Approved by the Governor March 19, 1921.