

## CHAPTER 15.

[H. B. 83.]

## REGULATION OF MUTUAL SAVINGS BANKS.

AN ACT relating to and regulating mutual savings banks, and amending certain acts and repealing certain acts relating thereto.

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

Amend-  
ments.

SECTION 1. That section 16 of chapter 175 of the Laws of 1915 (section 3345 of Remington's Revised Statutes) be amended to read as follows:

System of  
accounting  
to comply  
with actual  
facts.

Section 16. (1) No bank shall by any system of accounting, or any device of bookkeeping, directly or indirectly, enter any of its assets upon its books in the name of any other individual, partnership, unincorporated association, or corporation, or under any title or designation that is not in accordance with the actual facts.

Assets  
to be entered  
at actual cost.

(2) The bonds, notes, mortgages or other interest bearing obligations purchased or acquired by a savings bank, shall not be entered on its books at more than the actual cost thereof, and shall not thereafter be carried upon its books for a longer period than until the next declaration of dividends, or in any event for more than one year, at a valuation exceeding their present cost as determined by amortization, that is, by deducting from the cost of any such security purchased for a sum in excess of the amount payable thereon at maturity and charging to "profit and loss" a sufficient sum to bring it to par at maturity, or adding to the cost of any such security purchased at less than the amount payable thereon at maturity and crediting to "profit and loss" a sufficient sum to bring it to par at maturity.

(3) No such bank shall enter, or at any time carry on its books the real estate and the building or buildings thereon used by it as its place of business at a valuation exceeding their actual cost to such bank.

Property to be carried at actual cost.

(4) Every such bank shall conform its methods of keeping its books and records to such orders in respect thereof as shall have been made and promulgated by the Supervisor of Banking. Any officer, agent, or employee of any savings bank who refuses or neglects to obey any such order shall be punished as hereinafter provided.

Bank to conform to orders of Bank Supervisor.

(5) Real estate acquired by a savings bank, other than that acquired for use as a place of business, may be entered on the books of the savings bank at the actual cost thereof but shall not be carried beyond the current dividend period at an amount in excess of the amount of the debt in protection of which such real estate was acquired, plus the cost of any improvements to such real estate.

Property carried at cost plus improvement.

An appraisal made by two or more persons appointed by the board of trustees, shall be made of every such parcel of real estate within six months from the date of conveyance and also within six months from date when any expenditure to improve such real estate is added to the book value. If the value at which such real estate is carried on the books is in excess of the value found on appraisal the book value shall, at the end of the dividend period during which such appraisal was made, be reduced to an amount not in excess of such appraised value.

Appraisal to be made within six months.

(6) No such bank shall enter or carry on its books any asset which shall have been disallowed by the Supervisor of Banking or the trustees of such bank or any debt owing to it which shall have remained due without prosecution and upon which no interest shall have been paid for more than one

No asset disallowed by supervisor to be carried.

Supervisor  
may fix  
value.

year, or on which a judgment has been recovered which shall have remained unsatisfied for more than two years, unless the Supervisor of Banking upon application by such savings bank shall have fixed a valuation at which such debt may be carried as an asset, or unless such debt is secured by first mortgage upon real estate, in which latter case it may be carried at the actual cash value of such real estate as determined by written appraisal signed by two or more persons appointed by the board of trustees and filed with it.

Amend-  
ments.

SEC. 2. That section 17 of chapter 175 of the Laws of 1915, as amended by section 1 of chapter 123 of the Laws of 1929 (section 3346, Remington's Revised Statutes), be amended to read as follows:

Limitation  
of deposit.

Section 17. When the aggregate amount of deposits and dividends to the credit of any depositor, including in such aggregate all deposits and dividends credited to the depositor as trustee or beneficiary of any voluntary and revocable trust and all deposits and dividends credited to the depositor and another, or others, in either joint or several form, is seven thousand five hundred dollars (\$7500.00) or more, such aggregate shall not be increased by the receipt from the depositor of any further deposit but may be increased by the crediting of dividends or by the consolidation of savings banks having common depositors. Additional accounts may, however, be maintained in the name of a parent as trustee for a dependent or minor child, or 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 months period; and additional accounts may be maintained by a person, society, or corporation as administrator, executor, guardian, or trustee under a will, if the deposits

Parent may  
deposit as  
trustee for  
child.

Limitation.

therein are directed to be made by a court of competent jurisdiction.

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.

Bank may limit deposit or require withdrawal.

SEC. 3. That section 23 of chapter 175 of the Laws of 1915 (section 3352 of Remington's Revised Statutes) be amended to read as follows:

Amendments.

Section 23. (1) Gross Earnings. Every savings bank shall close its books, for the purpose of computing its net earnings, at the end of any period for which a dividend is to be paid, and in no event less frequently than semi-annually. To determine the amount of gross earnings of a savings bank during any dividend period the following items may be included:

Bank to close books to determine gross earnings.

(a) All earnings actually received during such period, less interest accrued and uncollected included in the last previous calculation of earnings.

Items included in earnings.

(b) Interest accrued and uncollected upon debts owing to it secured by collateral as authorized by this article, upon which there has been no default for more than one year, and upon corporate bonds, or other interest bearing obligations owned by it upon which there is no default.

(c) The sums added to the cost of securities purchased for less than par as a result of amortization.

(d) Any profits actually received during such period from the sale of securities, real estate or other property owned by it.

(e) Amounts recovered on assets previously charged off, and any amounts allowed by the Supervisor of Banking on account of assets previously

disallowed by him; and other amounts allowed by its board of trustees on assets previously disallowed by it.

(f) Such other items as the Supervisor of Banking, in his discretion and upon his written consent, may permit to be included.

Net earnings.

(2) Net Earnings. To determine the amount of its net earnings for each dividend period the following items shall be deducted from gross earnings.

Items deducted.

(a) All expenses paid or incurred, both ordinary and extraordinary, in the transaction of its business, the collection of its debts and the management of its affairs, less expenses incurred and interest accrued upon its debts deducted at the last previous calculation of net earnings for dividend purposes.

(b) Interest paid or accrued and unpaid upon debts owing by it.

(c) The amounts deducted through amortization from the cost of bonds or other interest bearing obligations purchased above par in order to bring them to par at maturity.

(d) Any losses that may have been sustained by it in the computation of such losses there shall be included all deductions from the book value of assets made pursuant to the directions of the board of trustees or by reason of the disallowance of assets by the Supervisor of Banking.

The balance thus obtained shall constitute the net earnings of such savings bank for such period.

Amendments.

SEC. 4. That section 24 of chapter 175 of the Laws of 1915, as amended by section 3 of chapter 123 of the Laws of 1929 (section 3353 of Remington's Revised Statutes), be amended to read as follows:

Guaranty fund.

Section 24. (1) If at the close of any dividend period the guaranty fund of any savings bank be less than ten per centum of the amount due to de-

positors, there shall be deducted from its net earnings and credited to its guaranty fund not less than five per centum of its net earnings for such period.

(2) The balance of its net earnings for such dividend period, plus any earnings from prior accounting periods not previously disbursed and not reserved for losses or other contingencies or required to be maintained in the guaranty fund, shall be available for dividends.

Dividends available.

(3) While the trustees of such savings bank are paying its expenses or any portion thereof the amounts to be credited to its guaranty fund shall be computed at the same percentage upon the total dividends credited to its depositors instead of upon its net earnings. If the guaranty fund accumulated from earnings shall equal or exceed ten per centum of the amount due to depositors, the minimum dividend shall be four per centum if the net earnings for such period are sufficient therefor.

Guaranty fund computed on total.

SEC. 5. That section 38 of chapter 175 of the Laws of 1915 (section 3367 of Remington's Revised Statutes) be amended to read as follows:

Amendments.

Section 38. The trustees of every savings bank, by a committee of not less than three of their number, on or before the first days of January and July in each year, shall fully examine the records and affairs of such savings bank for the purpose of determining its financial condition. The trustees may employ such assistants as they deem necessary in making the examination prescribed by this section. A report of each such examination shall be presented to the board of trustees at a regular meeting within thirty days after the completion of the same, and shall be filed in the records of such savings bank.

Trustees to determine financial condition semi-annually.

Report.

SEC. 6. That section 3a of chapter 74 of the Laws of 1929, added thereto by section 1 of chapter 10 of the Laws of 1935 and as amended by section 1 of chapter 33 of the Laws of 1939 (section 3381-3a

Amendments.

of Remington's Revised Statutes), be amended to read as follows:

Investment  
of funds.

Section 3a. A mutual savings bank may invest its funds:

Loans  
insurable  
by F.H.A.

(a) In such loans and advances of credit and purchases of obligations representing loans and advances of credit as are eligible for insurance by the Federal Housing Administrator, and may obtain such insurance.

Mortgages  
insurable  
by F.H.A.

(b) In such loans secured by mortgage on real property as the Federal Housing Administrator insures or makes a commitment to insure, and may obtain such insurance.

Other loans  
insured or  
guaranteed  
by U. S. or  
agency.

(c) In such other loans as are insured or guaranteed in whole or in part by the United States or through any corporation, administrator, agency or instrumentality which is or hereafter may be created by the United States, and may obtain such insurance or guarantee.

Obligations  
of N. M. A.

(d) In capital stock, notes, bonds, debentures or other such obligations of any National Mortgage Association.

Loans  
secured  
by U. S.  
contracts.

(e) In such loans as are secured by contracts of the United States or any agency or department thereof assigned under the "Assignment of Claims Act of 1940," approved October 9, 1940, and acts amendatory thereof or supplementary thereto, and may participate with others in such loans.

Limitation  
by other law  
not to apply.

No law of this state prescribing the nature, amount or form of security or requiring security upon which loans or advances of credit may be made or prescribing or limiting interest rates upon loans or advances of credit, or prescribing or limiting the period for which loans or advances of credit may be made shall be deemed to apply to loans, advances of credit or purchases made pursuant to the foregoing paragraphs (a), (b), (c), (d), and (e).

SEC. 7. That section 6 of chapter 74 of the Laws of 1929, as amended by section 3 of chapter 95 of the Laws of 1937 (section 3381-6 of Remington's Revised Statutes), be amended to read as follows:

Amend-  
ments.

Section 6. A mutual savings bank may invest its funds in the valid 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.

May invest  
funds in  
valid mun-  
icipal  
obligations.

A mutual savings bank may invest its funds in the water revenue, sewer revenue or electric revenue bonds of any city or public utility district of this state for the payment of which the entire revenue of the city's or district's water system, sewer system, or electric system, less maintenance and operating costs, is irrevocably pledged.

May invest  
in public  
utility bonds.

Limitations.

SEC. 8. That section 8a of chapter 74 of the Laws of 1929, added thereto by section 6 of chapter 95 of the Laws of 1937 (section 3381-8a of Remington's Revised Statutes), be amended to read as follows:

Amend-  
ments.

Section 8a. A mutual savings bank may invest its funds in the water revenue or electric revenue bonds of any incorporated city situated in the United States: *Provided*, The city has a population as shown by the last decennial Federal census of at least forty-five thousand inhabitants, and the entire revenue of the city's water or electric system less maintenance and operating costs is irrevocably pledged to the payment of the interest and principal of the bonds.

May invest  
in revenue  
bonds of  
cities of over  
45,000 popu-  
lation.

Limitations.

SEC. 9. That sections 22 and 43 of chapter 175 of the Laws of 1915 (section 3351 and 3372 of Rem-

Statutes  
repealed.



ington's Revised Statutes) be and the same are hereby repealed.

Passed the House January 31, 1941.

Passed the Senate February 19, 1941.

Approved by the Governor February 25, 1941.

## CHAPTER 16.

[H. B. 84.]

### LIABILITY OF BANK AND TRUST COMPANY SHAREHOLDERS.

AN ACT relating to the liability of shareholders of banks and trust companies for the debts and obligations of such banks and trust companies and providing for the placing of the liability of shareholders of banks and trust companies organized under the laws of this state for the debts and obligations of such corporations upon a basis of equality with the liability of shareholders of national banking associations for the debts and obligations of such associations under the laws of the United States; providing for the amendment of section 35, chapter 80, Laws of 1917 (section 3242 of Remington's Revised Statutes); providing for the amendment of section 1, chapter 80, Laws of 1911 (section 3824 of Remington's Revised Statutes); and repealing all laws in conflict herewith.

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

Amend-  
ments.

SECTION 1. That section 35 of chapter 80 of the Laws of 1917 (section 3242 of Remington's Revised Statutes) is amended to read as follows:

Liability of  
stockholders.

Section 35. (a) The stockholders of every bank and trust company shall be individually and personally liable, equally and ratably, and not one for another, for all contracts, debts and engagements of such corporation accruing while they remain as stockholders, to the extent of the amount of their stock therein at the par value thereof, in addition to the amount invested in such shares. Persons holding