

CHAPTER 235.

[H. B. 21.]

REGULATION OF SAVINGS AND LOAN ASSOCIATIONS.

AN ACT relating to the organization, management, and supervision of savings and loan associations; defining their powers; regulating savings and dividends; requiring certain liquidity; limiting their investments; providing for license fees and taxes; fixing liability for malfeasance in office; defining certain crimes; defining the powers and duties of the supervisor; providing for emergencies, segregation, dissolution, and liquidation; defining certain terms; providing for the conversion of domestic associations into Federal savings and loan associations; permitting the conversion of Federal savings and loan associations into domestic associations; and repealing chapter 183, Laws of 1933, as amended, and chapter 15, Laws of 1933, Extraordinary Session, (sections 3717-1 to 3717-112, inclusive, Remington's Revised Statutes, also Pierce's Perpetual Code 453-1 to -223).

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

SECTION 1. This act shall be known as the "Savings and Loan Association Act of 1945." Title.

SEC. 2. No person or persons shall organize as, carry on or conduct the business of a savings and loan association except in conformity with the terms and provisions of this act. No person shall do or transact the business of or as a savings and loan association, or use in name or advertising any collocation of the words "savings," "loan," "association," "society," or "federal" unless incorporated hereunder or as a savings and loan association under the laws of the United States. Use of name restricted.

SEC. 3. Seven or more persons, citizens of the United States and resident in this state, at least two-thirds of whom shall be residents of the county in which the association is to have its principal place of business, may form a savings and loan association under this act. Membership of association.

Contents of articles of incorporation.

SEC. 4. Such persons shall subscribe and acknowledge articles of incorporation in quadruplicate, which articles shall specifically state:

- (a) The name of the association, which shall include the words "Savings and Loan Association";
- (b) The city or town and county in which it is to have its principal place of business;
- (c) The name, occupation, and place of residence of each incorporator;
- (d) Its purposes;
- (e) Its duration, which may be for a stated number of years or perpetual;
- (f) The amount of paid-in savings with which the association will commence business;
- (g) The first directors (not less than seven), with their respective occupations and post office addresses.

The articles of incorporation may contain any other provisions consistent with the laws of this state and the provisions of this act pertaining to the association's business or the conduct of its affairs.

Contents of bylaws.

SEC. 5. The incorporators shall prepare, in duplicate, bylaws for the government of the association, which shall contain provisions:

- (a) Naming the offices of the association and the respective duties thereto assigned;
- (b) Making any desired regulations for the conduct of the business of the association;
- (c) Pertaining to any other matters deemed necessary or expedient.

Such bylaws must conform in all respects to the provisions of this act and the laws of this state.

Copies to supervisor.

SEC. 6. The incorporators shall deliver to the Supervisor of Savings and Loan Associations the quadruplicate originals of the articles of incorporation and the duplicate copies of its proposed bylaws.

SEC. 7. Upon receipt of such articles of incorporation and bylaws, the Supervisor shall proceed

to determine, from all sources of information and by such investigation as he may deem necessary, whether the proposed articles and bylaws comply with all requirements of law, and whether the incorporators and directors possess the qualifications required by this act, and whether the incorporators have available for the operation of such business at the specified location sufficient cash assets, exclusive of the contingent fund, and whether the general fitness of the persons named in the articles of incorporation are such as to command confidence and warrant belief that the business of the proposed association will be honestly and efficiently conducted in accordance with the intent and purposes of this act, and whether the public convenience and advantage will be promoted by allowing such association to be incorporated and engage in business in the community indicated, and whether the population and industry of the neighborhood and the surrounding country afford reasonable promise of adequate support for the proposed association. For the purpose of this investigation and determination, the incorporators, when delivering the articles and bylaws to the Supervisor, shall deliver to the Supervisor the sum of one hundred dollars (\$100), by certified check payable to the State Treasurer, to cover the expense of such investigation and determination.

Powers and duties of supervisor over incorporations.

SEC. 8. The Supervisor, not later than sixty (60) days after receipt by him of said proposed articles of incorporation and bylaws shall endorse upon each copy of the articles of incorporation and bylaws the word "Approved" or the word "Refused" and the date of such endorsement. In case of refusal, he shall forthwith return one copy of the proposed articles and bylaws to the proposed incorporators, and such refusal shall be conclusive and final unless the incorporators, or a majority of them, within thirty (30) days after such refusal, shall

Approval or rejection.

appeal to the Superior Court of Thurston County. Such appeal may be accomplished by the incorporators preparing a notice of appeal, serving a copy of the same upon the Supervisor, and filing the notice of appeal with the Clerk of said Court, whereupon the Clerk of the Court, under the direction of the Judge, shall give notice to the appellants and to the Supervisor of a date for the hearing of said appeal. Hearing upon such appeal shall be tried *de novo* by the Court. At such hearing a record shall be kept of the evidence adduced, and the decision of the Court shall be final unless an appeal therefrom shall be taken to the Supreme Court as in other cases.

Procedure
upon
approval.

SEC. 9. If the Supervisor shall approve the incorporation of said proposed corporation, he shall forthwith return three of said articles of incorporation and one of said bylaws to the incorporators, retaining the others as a part of the files of his office. The incorporators, thereupon, shall file one set of said articles with the Secretary of State and one set with the Auditor of the county in which it is to have its principal place of business and retain the other set of the articles of incorporation and the bylaws as a part of its minute records, paying to the Secretary of State and the County Auditor such fees and charges as are required by law. Upon receiving an original set of such approved articles of incorporation, duly endorsed by the Supervisor as herein provided, together with the required fees, the Secretary of State shall issue his certificate of incorporation and deliver the same to the incorporators, whereupon the corporate existence of the association shall begin. Unless an association whose articles of incorporation and bylaws have been approved by the Supervisor shall engage in business within one (1) year from the date of such approval, its right to engage in business shall be deemed revoked and of no effect.

Certificate
of incorpora-
tion.

SEC. 10. The members, at any meeting called for the purpose, may amend the articles of incorporation of the association. Such amended articles shall be filed with the Supervisor and be subject to the same procedure of approval, refusal, appeal, and filing with the Secretary of State and County Auditor as provided for the original articles of incorporation. Proposed amendments of the articles of incorporation shall be submitted to the Supervisor at least thirty (30) days prior to the meeting of the members.

Amendments
to articles.

SEC. 11. The bylaws adopted by the incorporators and approved by the Supervisor shall be the bylaws of the association. The members, at any meeting called for the purpose, may amend the bylaws of the association. Proposed amendments of the bylaws shall be submitted to the Supervisor at least thirty (30) days prior to the meeting of the members. Amendments of the bylaws shall not become effective until filed with and approved by the Supervisor.

Amendments
to bylaws.

SEC. 12. Each member having savings in an association shall have a proportionate proprietary interest in its assets or net earnings subordinate to the claims of its other creditors. Each borrower and each contract purchaser indebted to an association shall also be a member thereof but, as such, shall have no interest in its assets. At any meeting of the members of an association, each member shall be entitled to at least one vote. An association, by its bylaws, may provide that each savings member shall be entitled to one vote for each one hundred dollars (\$100) of his savings account. At any meeting of the members, voting may be in person or by proxy. Proxies shall be in writing and signed by the member and, when filed with the secretary, shall continue in force until revoked or superseded by subsequent proxies. At least thirty (30) days'

Members'
proportion-
ate prop-
rietary
interest.

Voting.

Proxies.

Annual
meeting.

written notice of the time and place of the holding of any meeting of the members, other than the stated annual meeting, shall be mailed to the last known address of each member. The stated annual meeting of the association shall be announced by publication of a notice thereof in a newspaper published in the city or town in which the association is located at least ten (10) days prior to the date of such meeting, or by ten (10) days' written notice to the members mailed to the last known address of each member. Meetings shall be held, however, to consider voluntary liquidation, merger with another association, conversion, segregation, charge-off of losses exceeding reserves, amendment of the articles of incorporation or of the bylaws, or for such other purposes as the board of directors may determine.

Expense
fund.

SEC. 13. Before any savings and loan association shall be authorized to receive savings or transact any business, its incorporators shall create an expense fund, in such amount as the Supervisor may determine, from which the expense of organizing such association and its operating expenses may be paid until such time as its earnings are sufficient to pay its operating expenses and the incorporators shall enter into an undertaking with the Supervisor to make such further contributions to the expense fund as may be necessary to pay its operating expenses until such time as it can pay them from its earnings.

Contingent
fund.

Before any savings and loan association shall be authorized to receive savings or transact any business, its incorporators shall create a contingent fund for the protection of its savings members against investment losses, in an amount to be determined by the Supervisor.

Such contingent fund shall consist of payments in cash made by the incorporators as herein provided and of all sums credited thereto from the earnings of the association as hereinafter required.

Prior to the liquidation of any association, such contingent fund shall not be encroached upon in any manner except for losses and for the repayment of contributions made by the incorporators.

No repayment of such contribution of incorporators shall be made until the net balance credited to the contingent fund from earnings of the association, after such repayment, shall equal five per cent (5%) of the amount due savings members.

Repayment
of contribu-
tions.

The incorporators may receive dividends upon the amount of their contributions to the contingent fund at the same rate as is paid, from time to time, to savings members.

Dividends.

The amounts contributed to the contingent fund by the incorporators shall not constitute a liability of the association except as hereinafter provided, and any loss sustained by the association in excess of that portion of the contingent fund created from earnings may be charged against such contributions pro rata.

SEC. 14. The business and affairs of every association shall be managed and controlled by a board of not less than seven (7) nor more than fifteen (15) directors, a majority of which shall not be officers or employees of the association. The persons designated in the articles of incorporation shall be the first directors.

Board of
directors.

Vacancies in the board of directors shall be filled by vote of the members at the annual meetings or at a special meeting called for the purpose.

Vacancies.

SEC. 15. The directors shall be members of the association, and a director shall cease to be such when he ceases to be a member.

The board of directors shall be chosen at the annual meeting, unless the bylaws of the association shall otherwise provide.

Qualifica-
tions.

A person shall not be a director of an association if he:

(a) Is not a resident of this state;
 (b) Has been adjudicated bankrupt or has taken the benefit of any assignment for the benefit of creditors or has suffered a judgment recovered against him for a sum of money to remain unsatisfied of record or un-superseded on appeal for a period of more than three (3) months; or

Qualifica-
 tions of
 directors.

(c) Is a director, officer, or employee of any other savings and loan association or a mutual savings bank. Existing associations shall comply with the restriction of this subsection within two years after approval of this act.

To be eligible to hold the position of director of an association, a person must be a member of the association, of full age, and must have savings in the sum of at least five hundred dollars (\$500) in an association the total savings accounts of which are less than one million dollars (\$1,000,000); in the sum of at least seven hundred fifty dollars (\$750) in an association the total savings accounts of which are more than one million dollars (\$1,000,000) and less than three million dollars (\$3,000,000); and in the sum of at least one thousand dollars (\$1,000) in an association the total savings accounts of which are more than three million dollars (\$3,000,000). Such minimum amount shall not be reduced either by withdrawal or by pledge for a loan or in any other manner, so long as he remains a director of the association.

Restrictions
 on directors.

SEC. 16. A director of a savings and loan association shall not:

(a) Have any interest, direct or indirect, in the gains or profits of the association, except to receive dividends upon his contribution to the contingent fund and upon his savings account;

(b) Receive and retain, directly or indirectly, for his own use any commission on any loan, or purchase of real property or securities, made by the association;

(c) Become an endorser, surety, or guarantor, or in any manner an obligor, for any loan made by the association;

(d) For himself or as agent, partner, stockholder, or officer of another, directly or indirectly, borrow from the association, except as hereinafter provided, or become the owner of real property upon which the association holds a mortgage.

SEC. 17. If the Supervisor shall notify the board of directors of any association in writing, that he has information that any director, officer, or employee of such association is dishonest, reckless, or incompetent or is failing to perform any duty of his office, the board shall meet and consider such matter forthwith and the Supervisor shall have notice of the time and place of such meeting. If the board shall find the Supervisor's objection to be well founded, such director, officer, or employee shall be removed immediately.

Notification
of directors
incom-
petency.

SEC. 18. Every official communication by the Supervisor to any association shall be read at the next meeting of the board of directors and made a part of the minutes of such meeting.

Supervisors'
communica-
tions.

SEC. 19. Any director may be removed from office if he has become ineligible or if his conduct or habits are such as to reflect discredit upon the association or if other good cause exists, by an affirmative vote of two-thirds of the members of the board of directors at any regular meeting of the board or at any special meeting called for that purpose. No such vote upon removal of a director shall be taken until he has been advised of the reasons therefor and has had opportunity to submit to the board of directors his statement relative thereto, either oral or written. If the director affected is present at the meeting, he shall retire after his statement shall have been submitted and prior to the vote upon the matter of his removal.

Removal of
directors.

Directors'
fiduciary
relationship.

SEC. 20. Directors and officers of an association shall be deemed to stand in a fiduciary relation to the association and shall discharge the duties of their respective positions in good faith and with that diligence, care, and skill which ordinary, prudent men would exercise under similar circumstances in like position.

Directors'
oath.

Each director named in the articles of incorporation shall take and subscribe to an oath in writing, before commencing to serve, that each will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the association and will not knowingly violate the laws of the State of Washington or the bylaws of the association in so doing; and each new director, before commencing to serve, shall take such oath. The oaths of the several directors shall be filed with and retained by the Supervisor.

Payment for
directors'
services
prohibited.

SEC. 21. The directors of an association shall not charge or receive, directly or indirectly, any pay or emolument for their services as directors. This provision shall not prevent reasonable compensation to officers of the association who are also directors, nor the payment of the reasonable compensation to directors for attendance upon meetings of the board, or for special services performed by directors for the board when the resolution directing such services shall stipulate and provide for such compensation.

Officers.

SEC. 22. The board of directors of the association shall elect the officers named in the bylaws of the association, which officers shall serve at the pleasure of the board, and shall approve, at the next monthly meeting, the naming of any employee and his compensation.

Monthly
meetings.

SEC. 23. The board of directors of each association shall hold a regular meeting at least once each month, at a time to be designated by it. Special meetings of the board of directors may be held upon

notice to each director sufficient to permit his attendance.

At any meeting of the board of directors, a majority of the members shall constitute a quorum for the transaction of business. Quorum.

The president or any three (3) members of the board may call a meeting of the board by giving notice to all of the directors. Notice of meetings.

SEC. 24. The board of directors, by resolution duly recorded in the minutes, shall designate an officer whose duty it shall be to prepare and submit, at each regular meeting of the board, a written statement of all the purchases and sale of real estate and securities, and of every loan or contract made or purchased since the last regular meeting of the board, describing the collateral securing such loan, which statement, certified by the designated officer to be correct as of the date of the meeting at which submitted, shall be considered by the board at such meeting and be filed as a part of the minute records. Statement of transactions.

SEC. 25. The board of directors, not later than at the regular meeting in January of each year, shall adopt a budget of expenses for the ensuing calendar year, which budget may be revised at any regular monthly meeting by a two-thirds vote of the entire board of directors. Budget of expenses.

The officers shall maintain the expenses of the association within the budget so adopted.

The secretary shall transmit forthwith to the Supervisor a copy of the budget, and of each amendment thereof, upon adoption. Copy to supervisor.

No association, in the course of any fiscal year, shall pay or become liable to pay, either directly or indirectly, for expenses of management and operation, more than two and one half per cent (2½%) of the first one million dollars (\$1,000,000) of its average assets and two per cent (2%) in excess thereof. Limit on expenses.

Depository.

SEC. 26. The board of directors, at least annually, shall designate the depository or depositories for funds of the association.

Statement of assets and liabilities.

SEC. 27. The board of directors shall cause to be prepared, from the books of the association, a statement of assets and of liabilities, as of June 30th and December 31st in each year, which statement shall be published on or before the 15th day of January and July of each year, in a newspaper of general circulation in the county where the principal office of the association is located.

The board shall also cause to be prepared, certified, and filed with the Supervisor, upon blanks to be furnished by him, such reports and statements as he, from time to time, may require.

Bonds for officers and employees.

SEC. 28. The board of directors of every association shall procure a bond or bonds, covering all of its officers, agents, or employees who have control of or access to cash or securities of the association, with duly qualified corporate surety authorized to do business in the State of Washington, conditioned that the surety will indemnify and save harmless the association against any and all loss or losses arising through the larceny, theft, embezzlement, or other fraudulent or dishonest act or acts of any such officer, agent, or employee. Such bond or bonds shall be in such amount, as to each of said officers or employees, as the directors shall deem advisable, and said bond or bonds shall be subject to the approval of the Supervisor and shall be filed with him. The board shall review such bond or bonds, at its regular meeting in January of each year, and by resolution determine such bond coverage for the ensuing year.

SEC. 29. An association shall have the capacity to act possessed by natural persons, but shall have authority to perform only such acts as are necessary

or proper to accomplish its purposes and which are not repugnant to law.

Subject to the restrictions and limitations of this act, every such association shall have authority:

Authority of
association.

(a) To have a corporate seal and to alter the same at pleasure;

(b) To continue as an association for the time limited in its articles of incorporation or, if no such time limit is specified, then perpetually;

(c) To sue or be sued in its corporate name;

(d) To acquire, hold, sell, dispose of, pledge, mortgage, or encumber property, as its interests and purposes may require;

(e) To conduct business in this state and elsewhere as may be permitted by law and, to this end, to comply with any law, regulation, or other requirements incident thereto;

(f) To receive savings and to repay or invest the same;

(g) To declare and pay dividends;

(h) To borrow money and to pledge, mortgage, or hypothecate its properties and securities in connection therewith;

(i) To collect or protest promissory notes or bills of exchange owned or held as collateral by the association;

(j) To let vaults, safes, boxes, or other receptacles for the safe keeping or storage of personal property, subject to the laws and regulations applicable to and with the powers possessed by safe deposit companies; and to act as escrow holder;

(k) To act as fiscal agent for the United States of America; to purchase, own, vote, or sell stock in, or act as fiscal agent for any Federal Home Loan Bank, The Federal Housing Administration, Home Owners' Loan Corporation, or other state or Federal agency, organized under the authority of the United States or of the State of Washington and authorized to loan to or act as fiscal agent for savings and loan

Authority of association.

associations or to insure savings accounts or mortgages; and, in the exercise of these powers, to comply with any requirements of law or rules or regulations or orders promulgated by such Federal or state agency and to execute any contracts and pay any charges in connection therewith;

(l) To procure insurance of its mortgages and of its savings accounts from any state or Federal corporation or agency authorized to write such insurance and, in the exercise of these powers, to comply with any requirements of law or rules or regulations or orders promulgated and to execute any contracts and pay any premiums required in connection therewith;

(m) To loan money and to sell any of its notes or other evidences of indebtedness, together with the collateral securing the same;

(n) To make, adopt, and amend bylaws for the management of its property and the conduct of its business;

(o) To deposit moneys and securities in any bank or other like depository;

(p) To dissolve and wind up its business;

(q) To collect or compromise debts due to it and, in so doing, to apply to the indebtedness the savings accounts of the member debtors, and to receive, as collateral or otherwise, other securities, property or property rights of any kind or nature;

Vetoed. { (r) To act as insurance agent for the purpose of writing fire and other insurance principally on property in which the association has an insurable interest;

(s) To exercise, by and through its board of directors and duly authorized officers and agents, all such incidental powers as may be necessary to carry on the business of the association.

Commercial accounts.

SEC. 30. An association shall not carry any commercial or checking accounts.

SEC. 31. An association shall not permit any of its assets to be held or carried in the name or possession of any other person, except that its funds may be deposited in depositaries designated by the board of directors.

The assets of an association shall be entered on its books at no more than the actual cost thereof. When purchased at a premium, they shall be amortized to par, in equal annual installments, to maturity. When real estate under contract of sale or securities are purchased by an association at a discount, such discount may be amortized to par in equal annual installments to maturity.

Assets entered on books at cost.

Whenever an association shall acquire real property on which there exists prior incumbrances, such incumbrances shall be carried on the books of the association as a liability.

SEC. 32. An association shall not charge a savings member any membership fee, fine, or penalty.

Membership fee prohibited.

SEC. 33. An association shall not make an operating or management agreement with any person fixing its cost of doing business.

SEC. 34. An association shall not borrow money or pledge, mortgage, or hypothecate any of its securities as collateral or security for the repayment of money borrowed except pursuant to a resolution adopted by a vote of two-thirds of the members of its board of directors, which resolution and the vote thereon shall be entered upon the minutes of the association.

Borrowings or pledges of property restricted.

The secretary shall furnish the Supervisor forthwith a copy of such resolution and of the note or other evidence of such borrowing and of any pledge or mortgage document securing any loan made to the association.

Notice to supervisor.

SEC. 35. An association shall not make any loan to or sell to or purchase any real property or securities from any director, officer, or employee of an

Loans to directors or officers.

association or to or from any public officer or public employee whose duties have to do with the supervision, regulation, or insurance of the association or its savings accounts or mortgages.

The foregoing provisions shall not apply to loans secured by the pledge or assignment of the savings account of the borrowing member.

Loans to directors, officers defined.

A loan to or a purchase or sale to or from a partnership or corporation of which such director, officer, or employee is an owner or stockholder to the amount of fifteen per cent (15%) of the total ownership or stock, or in which he and other directors of the association hold an ownership or stock to the amount of twenty-five per cent (25%) of the total ownership or stock, shall be deemed a loan to or a purchase or sale to or from such director within the meaning of this section except when the transaction shall have occurred without the knowledge or against the protest of such director, officer, or employee of the association.

Amount of deposit required.

SEC. 36. An association shall not carry on deposit in any bank or trust company a sum in excess of twenty-five per cent (25%) of the capital and surplus of such bank or trust company unless authorized by the supervisor.

Depositories defined.

SEC. 37. An association shall not carry on deposit in any bank or trust company in which a director of the association is a trustee, director, officer, or employee, a sum in excess of five per cent (5%) of the amount of its savings accounts. This restriction shall not apply to depositors in and with a Federal Home Loan Bank.

Pensions and retirement plans.

SEC. 38. An association may provide for pensions, retirement plans and other benefits for its officers and employees, and may contribute to the cost thereof in accordance with the plan adopted by its board of directors.

SEC. 39. In addition to its usual savings accounts for which credit is given in a pass book, an association may receive fully paid, installment, and juvenile savings and issue its pass books or certificates therefor showing to which class such savings accounts belong.

Juvenile
savings.

Fully paid savings are those for which the association issues its fully paid certificate at the time they are received. The bylaws of the association may provide the terms and conditions under which fully paid savings are received.

Paid
savings.

Installment savings are those upon which regular stipulated payments are agreed to be made at stated periods until the sum of such payments and the dividends credited thereon completes payment of the agreed amount. The bylaws of the association may provide the terms and the conditions under which installment savings are received.

Installment
savings.

Juvenile savings are those received from minors. The bylaws of the association may provide the terms and conditions under which juvenile savings are received.

The bylaws of the association may provide for payment of a higher dividend rate on fully paid and installment savings than is concurrently paid on other savings in the association, upon such terms and conditions as the board of directors shall prescribe.

Dividends
on savings.

SEC. 40. Savings may be received by an association in the name of two or more members as joint tenants with right of survivorship. In such case, payment to either member shall discharge the association from liability upon such savings account and, upon the death of either of such joint tenants, the association shall be liable only to the survivor or survivors.

Joint savings.

SEC. 41. Minors may become members of an association and all contracts entered into between a minor and an association, with respect to his mem-

Minors.

bership or his savings therein, shall be valid and enforceable, and all savings accounts of minors shall be held for the exclusive right and benefit of such minor and free from the control or lien of all other persons, except creditors, and shall be paid, together with the dividends thereon, to the minor member, and his receipt or acquittance shall be a valid discharge of the obligation.

A minor may not disaffirm, because of his minority, any such membership or agreement in connection therewith.

School savings.

SEC. 42. An association may provide for school savings, upon such terms and conditions as its board of directors by resolution shall provide, and issue its certificates, passbooks, or debentures therefor.

Married women.

SEC. 43. Married women may become members of an association and all contracts entered into between a married woman and an association, with respect to her membership or her savings therein, shall be valid and enforceable and, unless notice shall be given to the association that the same are community funds, all savings accounts of a married woman shall be held for the exclusive right and benefit of such married woman and free from the control or lien of all other persons, except creditors, and shall be paid, together with dividends thereon, to such member, and her receipt or acquittance shall be a valid discharge of the obligation.

State and municipal corporations.

SEC. 44. The State of Washington and the municipal corporations thereof, and trustees, administrators, executors, guardians, and other fiduciaries, either individual or corporate, in their fiduciary capacity, may become members in savings and loan associations.

Savings in trust.

SEC. 45. When any savings account shall be made in the name of any person in trust for another, in the event of the death of such trustee, the savings accounts, together with the dividends thereon, or

any portion thereof shall be payable in conformity with the provisions of the trust agreement, if any.

If such savings account in trust shall be made without any express trust agreement or the association shall have no other or further notice of the existence and terms of any regular and valid trust, in the event of the death of the trustee such account, together with the dividends thereon, or any portion thereof, shall be payable to the person for whom the account was made or, if such beneficiary be a minor or an incompetent, to his guardian, and his receipt or acquittance shall be a valid discharge of the obligation.

SEC. 46. If any person shall die having any savings account in an association amounting to not more than five hundred dollars (\$500) and no executor or administrator shall be appointed within six (6) months thereafter, such association may pay such account to the husband, widow, next of kin, funeral director or other creditor who may appear entitled thereto. For any such payment, the association may require such proofs, waivers, indemnity and receipt and acquittance as it may deem proper. For any payment made hereunder, the association shall not be liable to the decedent's executor or administrator thereafter appointed.

Savings of deceased members.

SEC. 47. An association shall not receive savings upon which a stipulated rate of dividend shall be payable. Except as otherwise expressly provided or authorized in this act, all savings shall share proportionately in all net earnings and all losses of the association.

Earnings proportionately shared.

SEC. 48. An association shall issue its certificate or pass book for all savings received from its members.

Pass book.

SEC. 49. An association shall not:

(a) Declare, credit, or pay any dividend except

as authorized by a vote of the majority of the board of directors duly entered upon its minutes.

Acts
prohibited.

(b) Declare, credit, or pay dividends on any amount to the credit of a savings member for a longer period than the same has been credited: *Provided, however,* That savings paid in not later than the tenth day of any month may have dividends declared upon them for the whole of the month in which they were so paid in.

Rate of
dividends.

SEC. 50. Every association shall regulate the rate of dividends upon the amounts to the credit of the savings members therein, in such manner that such members shall receive, as nearly as may be, all the earnings of the association after the payment of expenses and after transferring such adequate amounts to the contingent fund and other reserve funds, as the directors may deem expedient for the security of the members.

An association may not be required to pay dividends on balances of less than five dollars (\$5).

Dividends shall be declarable only as of June 30th and December 31st in each year.

Contingent
fund a
reserve.

SEC. 51. The contingent fund shall constitute a reserve for the absorption of losses of an association.

Members shall not have, individually or collectively, any right or claim to the contingent fund except upon dissolution of the association.

Every association, as of June 30th and December 31st in each year, shall determine its net semi-annual earnings, and shall credit to the contingent fund an amount equal to two per cent (2%) of the amount by which the aggregate of loans and real estate contracts outstanding at the end of said six-months' period exceeds the amount of such loans and real estate contracts outstanding at the beginning of the period or one-twentieth of one per cent (1%) of the total savings accounts in the association at the end of the period, whichever is the greater, such sum so

credited from earnings into the contingent fund to be in no event less than five per cent (5%) of the net earnings of the association for such period.

SEC. 52. Any Federal insurance reserve fund of an association may be incorporated into the contingent fund. Whenever the aggregate of the contingent fund, undivided profits account and other reserves except those allocated for losses, shall exceed ten per cent (10%) of the liability to savings members of the association, such excess may be distributed to the members as dividends. Excess distributed.

SEC. 53. When any savings member shall have neither paid in nor withdrawn any funds from his savings account in the association for seven (7) consecutive years, and his whereabouts is unknown to the association and he shall not respond to a letter from the association inquiring as to his whereabouts, sent by registered mail to his last known address, the association may transfer his account to a "Dormant Accounts" fund. Any savings account in the "Dormant Accounts" fund shall not participate in the earnings of the association except by permissive action of the directors of the association. The member, or his or its executor, administrator, successors or assigns, may claim the amount so transferred from his account to the dormant accounts fund at any time after such transfer. Should the association be placed in liquidation while any savings account shall remain credited in the dormant accounts fund and before any valid claim shall have been made thereto, as hereinabove provided, such savings account so credited, upon order of the Supervisor and without any other escheat proceedings, shall escheat to the State of Washington. Dormant accounts.

SEC. 54. The savings paid into any association, together with any dividends credited thereon, shall be repaid to the savings members thereof respectively, or to their legal representatives, upon request.

Withdrawals. Withdrawals shall be paid in such manner and at such times and under such regulations as the bylaws or as the directors of the association shall provide, which provisions for withdrawals shall be set forth in the pass books of the association.

Segregation of assets. SEC. 55. An association, to stabilize its condition, with the approval of the Supervisor may segregate its assets into classes and cancel members' outstanding requests for withdrawal. An association so segregating its assets into classes, with the approval of the Supervisor, may convey the assets in one or more of such classes to a corporation, formed for the purpose under the Uniform Business Corporation Act, the directorate of which shall be identical to that of the association and the capital stock of which shall be owned by the association: *Provided, however,* That qualifying shares in the corporation may be issued, in trust, to its directors.

Reduction of accounts. SEC. 56. Upon segregation, the savings accounts of the members of the association shall be reduced rateably and proportionately and, in lieu of such reduction, the corporation shall issue its certificates or debentures, proportionately to the savings members of the association, upon such terms and conditions as its directors shall determine and the Supervisor shall approve.

Liquidation of assets. The assets of such segregation corporation shall be liquidated and its affairs wound up and the net proceeds distributed to its certificate or debenture holders rateably and proportionately: *Provided,* That whenever funds are available, the segregation corporation may pay to its certificate or debenture holders, whose certificates or debentures are not in excess of five dollars (\$5), the full amount thereof.

Such segregation corporation shall be subject to examination and supervision and shall pay an annual license fee on the same basis, for the same purposes,

and to the same extent as savings and loan associations.

SEC. 57. Every association shall have on hand at all times in available funds, to enable it to pay withdrawals in excess of receipts and to meet accruing expenses, a sum not less than three per cent (3%) of the aggregate of the savings accounts of its members. Such funds shall consist of cash on hand and balances due from or checks in transit for collection from solvent banks.

Cash reserve
required.

In addition, every association shall have on hand at all times, either in cash or in bonds or obligations authorized by sections 59 to 61 of this act, which cash, bonds or other obligations shall not be pledged or otherwise held as security for the payment of any obligations of the association, as follows:

Assets
required to
be on hand.

Three per cent (3%) of the aggregate of the savings accounts of its members, if the principal place of business of the association shall be in a city or town having a population of not more than twenty-five thousand (25,000) persons;

Five per cent (5%) of such savings accounts, if such principal place of business shall be in a city having a population in excess of twenty-five thousand (25,000) persons and of not more than two hundred thousand (200,000) persons; and

Seven per cent (7%) of such savings accounts, if such principal place of business shall be in a city having a population of more than two hundred thousand (200,000) persons.

Whenever an association shall have on hand less available funds or bonds or obligations than are hereinabove required or when it shall owe borrowed money in an amount equal to one-half of its legal borrowing capacity with the Federal Home Loan Bank of Portland, it shall discontinue the making of any loans or other investments, except those for which its commitments have previously been issued,

Loans dis-
continued.

until a status complying with the provisions of this section shall be re-established.

Investment
of funds.

SEC. 58. An association may invest its funds in the manners in this act provided and not otherwise.

An association shall not invest more than two and a half per cent ($2\frac{1}{2}\%$) of its assets or five thousand dollars (\$5,000), whichever is the greater, in a loan or loans, or in the purchase of contracts as hereinafter provided, on the security of any one property.

An association shall not loan to or purchase contracts payable by any one person in an amount in excess of two per cent (2%) of its assets, except with the prior written approval of the Supervisor. As to any such loan or contract purchase in excess of two per cent (2%) of its assets, the association shall set up a special reserve from current earnings equal to five per cent (5%) of such loan or contract purchase price. Such special reserve may be withdrawn whenever such loan or contract balance shall be reduced to an amount not exceeding two per cent (2%) of the assets of the association.

United States
securities.

SEC. 59. An association may invest its funds in the bonds or obligations of or bonds or obligations guaranteed by the United States of America, including bonds of the District of Columbia, of 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 interest and principal: *Provided*, That, in the case of bonds of the Dominion of Canada or those for which its faith is pledged, the interest and principal shall be payable in the United States or with exchange to a city in the United States and in lawful money of the United States or its equivalent.

Obligations
of the state.

SEC. 60. An association may invest its funds in the bonds or interest bearing obligations of this state, issued pursuant to the authority of any law

of this state, for which the faith of the state is pledged to provide for payment of interest and principal.

SEC. 61. An association may invest its funds in the bonds or interest bearing obligations of any other state of the United States upon which there is no existing default and upon which there has been no default for more than ninety (90) days within ten (10) years immediately preceding the investment: *Provided*, That such state has not been in default for more than ninety (90) days, within said ten (10) years, in the payment of any part of the principal or interest of any debt contracted by it or for which the faith of such state was pledged. Other states.

SEC. 62. An association may invest its funds in the valid warrants or bonds of any city, town, county, school district, port district, or other municipal corporation in the State of Washington which are issued pursuant to law and for the payment of which the faith and credit of such municipal corporations is pledged and taxes are leviable upon all taxable property within its limits. The aggregate of the investments of an association in any issue of such warrants or bonds shall at no time exceed five per cent (5%) of the amount of its savings accounts. Obligations of other municipalities.

SEC. 63. An association may invest its funds in the valid warrants or bonds of any city, county, school district, port district, or other municipal corporation in the United States having a population of not less than fifty thousand (50,000) inhabitants as determined by the last Federal census, which municipal corporation has not defaulted in the payment of interest or principal upon any general obligation, including those for which its credit was pledged, within ten (10) years last past, and for the payment of which the faith and credit of such municipal corporation is pledged and taxes are leviable upon all taxable property within its limits. No such invest- Warrants.

ment shall be made unless the warrants or bonds for purchase are rated not less than BAA by Moody's Investors' Service, or have equivalent rating of another standard rating bureau, and the aggregate of the investments of an association in any issue of such warrants or bonds shall at no time exceed five per cent (5%) of the amount of its savings accounts.

Revenue bonds.

SEC. 64. An association may invest its funds in the light, water, or sewer revenue bonds of any city of this state for the payment of which the entire revenue of the city's light, water, or sewer system, less maintenance and operating costs, is irrevocably pledged.

An association may invest its funds in the light, water, or sewer revenue bonds of any city or other municipal corporation in the United States having a population of not less than fifty thousand (50,000) inhabitants as determined by the last Federal census, which city or municipal corporation has not defaulted in the payment of interest or principal upon this or any like obligation, including those for which its credit was pledged, within ten (10) years last past, for the payment of which the entire revenue of the city's, or other municipal corporation's light, water, or sewer system, less maintenance and operating costs, is irrevocably pledged.

Limit on revenue bonds.

The aggregate of the investments of an association in any issue of such revenue bonds shall at no time exceed five per cent (5%) of the amount of its savings accounts.

Local improvement bonds.

SEC. 65. An association may invest its funds in the bonds of any local improvement district of any city of this state (except bonds issued for an improvement consisting of grading only), the ultimate payment of which is guaranteed by the municipality under the provisions of guaranty laws of this state: *Provided*, That one-half of the lots in the local improvement district be improved with revenue pro-

ducing houses or other improvements and that local improvement district bonds falling within the fifty per cent (50%), in amount of any issue, last callable for payment shall neither be acquired nor taken as security. The aggregate of the investments of an association in any issue of such bonds shall at no time exceed three per cent (3%) of the amount of its savings accounts, and an association may not have invested, at any one time, more than one hundred thousand dollars (\$100,000) in the bonds of any one district described in this section.

SEC. 66. An association may invest its funds in stock or notes, bonds, debentures, or other such obligations of any Federal home loan bank, the Home Owners' Loan Corporation, any Federal land bank, the Federal Savings and Loan Insurance Corporation, the Federal Housing Administration, or any state or Federal agency organized under authority of the laws of the United States or of the State of Washington, authorized to loan to or act as a fiscal agency for, or insurer of, a savings and loan association.

Federal
home loans.

SEC. 67. An association may invest its funds in loans secured by first mortgages on improved real estate, subject to the following conditions and restrictions:

Real estate
mortgage.

(1) No mortgage loan shall be made in excess of fifty per cent (50%) of the value of the security unless its terms require the payment of the principal and interest in annual, semi-annual, quarterly or monthly payments, at a rate which if continued would repay the loan in full in not more than twenty-five (25) years, beginning within one (1) year and continuing until the loan is reduced to fifty per cent (50%) or less of the value of the security as then determined upon a re-appraisal. No loan upon which payments in reduction of principal are not being made at least annually shall continue for more than five (5) years, unless, at the expiration

50% value of
security.

of each five (5) year period, it shall be re-appraised and the loan reduced to an amount not in excess of fifty per cent (50%) of the new appraised value.

Federal
guaranteed
loans.

(2) Notwithstanding any other provision of this act, an association may make any real estate loan which is insured or guaranteed in whole or in part by the Federal housing administrator, the veterans' administration, or any other state or Federal agency, or for which said administrator, administration, or agency has issued commitment to insure or guarantee such loan.

(3) Loans not so insured or guaranteed shall not be in excess of:

(a) Eighty per cent (80%) of the appraised value, if secured by a first mortgage lien on property on which is situated a dwelling not over thirty (30) months old.

(b) Sixty-six and two-thirds per cent ($66\frac{2}{3}\%$) of the appraised value, if secured by a first mortgage lien on property on which is situated a dwelling not over fifteen (15) years old or which is fully repaired and modernized at the time the loan is made.

(c) Sixty per cent (60%) of the appraised value, if secured by a first mortgage lien on property improved with a dwelling or apartment building other than as above described.

(d) Fifty per cent (50%) of the appraised value, if secured by a first mortgage lien on property improved with a building or buildings other than as above described.

(4) Notwithstanding the provisions of this section, an association may make any loan which is permitted to a Federal Savings and Loan Association doing business in this state.

Building
loans.

SEC. 68. An association may invest its funds in a loan secured by a first mortgage lien on real estate which is to be improved by a building or buildings to be constructed with the proceeds of such loan. Such loans shall be so arranged that the proceeds

of the loan will be used for the payment of the costs of the improvements and that, when so used, the property will be improved to the extent that the appraised value, upon completion, will be as provided in this act.

SEC. 69. For every mortgage loan, the borrower shall execute a note and a mortgage which shall constitute a first lien upon a fee estate in improved real property. For such loan, the appraised value shall be the value of the land and the permanent improvements thereon. Appraisals for loan purposes shall be made by two appraisers appointed by the board of directors, either or both of whom, if qualified, may be directors of the association.

Note and mortgage of borrower.

Every appraisal shall be made in writing, shall state that each appraiser has personally examined said property, has no personal interest therein, the conservative value of the property as so determined, and shall be signed by the appraisers. Such appraisal shall be filed with the association, before any mortgage loan shall be made.

Appraisal.

Every mortgage loan, before making, shall be approved by the directors of the association or by a loan committee of the directors appointed for the purpose.

Approval of directors.

SEC. 70. For every mortgage loan made, the association shall require that the mortgagor procure and maintain fire insurance upon the buildings and improvements situated on the mortgaged premises, in a company authorized to write fire insurance in this state, in such amount as shall be stipulated in the mortgage, with loss payable to the association, and that the policy or policies of insurance be deposited with and held by the association until the loan shall be paid.

Insurance on security.

The association may require such other insurance at any time as its board of directors may deem

advisable for its protection up to the balance of its loan account.

Before making any mortgage loan, the association shall require:

Title insurance.

(a) Title insurance issued by a duly qualified title insurance company; or

(b) In the case of lands registered under the Torren's System, a duplicate certificate of ownership issued by a registrar of titles; or

Abstract.

(c) An abstract of title, certified to the date of the loan by a duly qualified abstract company of the county in which the land is situated, accompanied by a written opinion of a competent attorney to the effect that the proposed mortgage will constitute a first lien upon such property.

Investment of association funds.

SEC. 71. An association may invest its funds in the purchase of real estate contracts under the following conditions only:

(a) That it must acquire the title in fee to the property covered by such contracts;

(b) That the type of property be such as would be eligible for a mortgage loan under this act;

(c) That not less than twenty per cent (20%) of the principal of the purchase price under said contract shall have been paid or that the amount due under said contract shall not exceed seventy-five per cent (75%) of the appraised value of the property, whichever is the lower, and that the purchaser shall not be in default in performance of any of the terms of said contract. An association, subject however to the provisions of section 58, may purchase any real estate contract which a Federal association doing business in this state is permitted to purchase.

Before making any such purchase, the property shall be appraised and the purchase approved as in the case of mortgage loans.

SEC. 72. An association may invest its funds in promissory notes secured by the pledge or assign-

ment of the savings account of the borrowing member. Any such loan shall not exceed ninety per cent (90%) of the balance due to the member upon such savings account. Notes of members.

An association may invest its funds in loans upon the security of a savings account in any other savings and loan association doing business in this state, if such account be insured by the Federal Savings and Loan Insurance Corporation or any other Federal or state agency. Any such loan shall not exceed ninety per cent (90%) of the amount of such account or ninety per cent (90%) of the amount of the insurance thereon, whichever is the smaller. Loans on savings accounts.

SEC. 73. An association may invest its funds in the purchase of furniture, fixtures and office equipment convenient and necessary for the carrying on of its business. Fixtures.

SEC. 74. An association may invest a reasonable amount of its funds in real property or leasehold interests therein for use in the transaction of its business when: Real property for office for business.

(1) the aggregate of its contingent fund, surplus, and undivided profits accounts equals five per cent (5%) of the aggregate of its savings accounts;

(2) its directors, by unanimous vote, approve the making of such investment; and

(3) the total investment in such property does not exceed seven and one-half per cent (7½%) of the aggregate of its savings accounts.

The foregoing restrictions of this section shall not affect existing investments of associations. No association may invest its funds in real property or leasehold interests therein for use in the transaction of its business without the prior written approval of the Supervisor.

Any real estate, except that used for the transaction of its business, which is not sold by an association within five years from and after the time title

is acquired, shall be depreciated at not less than ten per cent (10%) of the book value at the close of each annual period, unless an extension of time be granted by the Supervisor.

Assets of segregation corporation.

SEC. 75. Notwithstanding any other provisions of this act, an association may invest its funds in the assets of its segregation corporation or equivalent agency whenever a three-fourths majority of its directors approve the making of such investment.

If the purchase price of any one asset from the segregation corporation or equivalent agency amounts to more than two per cent (2%) of the savings accounts of the association, such purchase may not be made without the prior written approval thereof by the Supervisor.

Fees of secretary of state.

SEC. 76. The Secretary of State shall collect in advance the following fees from each association: For filing articles of incorporation, or amendments thereof, or other certificates required to be filed in his office, ten dollars (\$10); for furnishing copies of papers filed in his office, per folio, twenty cents (20¢).

Every association shall also pay to the Secretary of State or County Auditor, for filing any instrument with him, the same fees as are required of general corporations for filing similar papers.

Annual license fee.

SEC. 77. Every savings and loan association organized under the laws of this state on or before the 31st day of July in each year, shall pay to the Supervisor a license fee, for the ensuing fiscal year commencing August 1st, as follows:

Where the assets of the association do not exceed two hundred and fifty thousand dollars (\$250,000), a fee of fifty dollars (\$50);

Where the assets exceed two hundred and fifty thousand dollars (\$250,000), and do not exceed five hundred thousand dollars (\$500,000), a fee of seventy-five dollars (\$75);

Where the assets exceed five hundred thousand dollars (\$500,000), and do not exceed one million dollars (\$1,000,000), a fee of one hundred dollars (\$100); and Annual license fee.

Where the assets exceed one million dollars (\$1,000,000), the sum of one hundred dollars (\$100) plus ten dollars (\$10) per million dollars of assets, or fraction thereof, in excess of such one million dollars (\$1,000,000).

In addition, each association shall pay a fee of thirty cents (30¢) per thousand dollars of assets, or fraction thereof, up to and including two million five hundred thousand dollars (\$2,500,000) of assets and a fee of fifteen cents (15¢) per thousand dollars of assets, or fraction thereof, in excess of two million five hundred thousand dollars (\$2,500,000). For the purpose of computing such fees, the assets of the association shall be determined as of June 30th of the year in which the fee is payable.

SEC. 78. Every foreign savings and loan association or like corporation doing business in this state, on or before the 31st day of July of each year shall pay to the Supervisor for the privilege of conducting business in this state, a license fee for the ensuing fiscal year, of three hundred dollars (\$300) and, in addition, thirty cents (30¢) upon each one thousand dollars (\$1,000) or fraction thereof of assets held or of savings received within this state, which ever may be the larger, up to and including two million five hundred thousand dollars (\$2,500,000) of such assets or savings and a fee of fifteen cents (15¢) per thousand dollars of such assets or savings, or fraction thereof, in excess of two million five hundred thousand dollars (\$2,500,000). The Supervisor may terminate the right of any foreign association or like corporation to do business in this state whenever any fees remain unpaid, and may take possession of any assets of such foreign association or like corporation in this state. Foreign associations, fees.

SEC. 79. The fees herein provided for shall be in lieu of all other corporation fees, licenses, or excises for the privilege of doing business.

Taxes.

Neither an association nor its members shall be taxed upon its savings accounts as property. An association shall be taxable upon its real and tangible personal property.

An association is a mutual institution for savings and neither it nor its property shall be taxed under any law which shall exempt banks or other savings institutions from taxation.

Computation.

For all purposes of taxation, the assets represented by the contingent fund and other reserves (other than reserves for expenses and specific losses) of an association shall be deemed its only permanent capital and, in computing any tax, whether property, income, or excise, appropriate adjustments shall be made to give effect to the mutual nature of such association.

Foreign associations.

SEC. 80. No foreign association or like corporation, not already authorized to conduct business in the State of Washington, shall be admitted or permitted to conduct business in this state.

SEC. 81. A foreign savings and loan association or like corporation authorized to do business in this state which, by the laws of the state in which it is incorporated, is required to be examined or to make reports to officers of such state, after each such examination or on the making of each such report, shall furnish to the Supervisor a copy of such examination or report, certified by the officer of such state making such examination or receiving such report.

SEC. 82. A foreign savings and loan association or like corporation authorized to transact business in this state, shall conduct its business and comply with all requirements of the Supervisor in conformance with the provisions of this act.

All agreements made by any foreign association or corporation doing business in this state with any resident of this state shall be deemed and construed to be made within this state.

SEC. 83. Every such foreign association or like corporation shall deposit with the Supervisor forthwith cash or bonds of the United States, or bonds of any state, county, or municipality which are a legal investment for a domestic savings and loan association, or acceptable mortgages on improved real estate in the State of Washington, for a total of not less than its liability to investors in the State of Washington and not in excess of one and one-half times such investment. Such deposit shall be held as security until all claims of residents of this state shall have been fully redeemed and paid off, and its contracts and obligations have been fully performed and discharged.

Bonds of
foreign as-
sociation.

The Supervisor, in his discretion, may permit the withdrawal of any such securities upon such terms and conditions as he deems advisable. Such foreign association may collect and use the interest on any securities so deposited, as long as it fulfills its obligations and complies with the provisions of this act.

Powers of
supervisor
over foreign
associations.

SEC. 84. No foreign savings and loan association or like corporation shall do business in this state until it shall file with the Supervisor a written irrevocable power of attorney providing that service upon the Supervisor of any process issued against it by any court in this state shall constitute valid service of such process upon it. Such service shall be had by serving upon the Supervisor two (2) copies of such summons or other process, together with the sum of two dollars (\$2). The Supervisor, upon receipt of any such summons or other process, shall forthwith transmit, by registered mail, one (1) copy thereof to the principal office of such foreign association or corporation.

Powers of
attorney for
service of
process.

SEC. 85. No foreign savings and loan association shall be permitted to do business in this state on more favorable terms and conditions than the associations organized under the laws of this state are permitted to do business in the state in which such foreign association or corporation is organized.

Failure to
pay
judgment
cancels
authority.

SEC. 86. Any foreign savings and loan association or like corporation doing business in this state which shall remove any action commenced against it in a Court of this state to a Court of the United States, or which shall fail to pay any judgment rendered against it in any Court in this state within sixty (60) days after such judgment shall become final, or which shall fail to comply with any provision of this act, or which shall be placed in liquidation or receivership, or other like proceedings, in any state, shall not thereafter transact any business within this state.

Penalties.

SEC. 87. Any director, officer, agent, or employee of an association who, on behalf of such association, shall knowingly and wilfully make or participate in making or consent to any loan or investment contrary to the provisions of this act shall be guilty of a gross misdemeanor.

SEC. 88. Any director, officer, agent, attorney, or employee of an association who, directly or indirectly, shall purchase at a discount any savings account in the association or any certificate or debenture of any segregation corporation holding assets formerly held by the association shall be guilty of a gross misdemeanor.

SEC. 89. Every transfer of its property and assets by any savings and loan association in this state, made in contemplation of insolvency, or after it shall have become insolvent, with a view to the preference of one creditor or member over another, or to prevent the proper distribution of its property and

assets among its creditors and members, shall be void.

Every director, officer, agent, or employee making such transfer or assisting therein shall be guilty of a felony.

SEC. 90. Every person who shall subscribe to or knowingly make or cause to be made any false statement or false entry in the books of any association, or shall knowingly subscribe to or exhibit any false or fictitious security, document, or paper, with intent to deceive any person authorized to examine into the affairs of any association, or shall knowingly make or publish any false statement of the amount of the assets or liabilities of the savings association, shall be guilty of a felony. Penalties.

SEC. 91. Any person who, for the purpose of concealing any material fact, shall suppress any evidence or abstract, remove, mutilate, destroy, or secrete any book, paper or record of an association, or of the Supervisor, or of anyone connected with the association or the office of the Supervisor, shall be guilty of a felony.

SEC. 92. Any person who shall wilfully instigate, make, circulate, or transmit to another or others any false statement concerning the moral or financial condition, or affecting the financial standing of any association doing business in this state, or who wilfully counsels, aids, procures or induces another to start, transmit, or circulate any such statement or rumor, shall be guilty of a gross misdemeanor. Penalties.

SEC. 93. The information obtained by the Supervisor or any of his examiners or agents shall be deemed confidential and any supervisor, examiner, or agent who shall wilfully circulate or transmit to another, other than in the course of duty to the institution examined and to his superior officer, and to the officials of the institution examined any informa- Supervisors information confidential.

tion so obtained shall be guilty of a gross misdemeanor.

The provisions of this section shall not apply to the preparation and publication of the usual statistical reports of the Supervisor or to the furnishing of any such information to any state or Federal department or agency.

Liability of officer or director.

SEC. 94. Every director, officer, agent, or employee of an association who shall borrow or who shall knowingly permit any person to borrow any of its funds in violation of the provisions of this act shall be personally liable for any loss or damage which the association may sustain in consequence thereof.

SEC. 95. The Supervisor (a) shall be charged with the administration and enforcement of this act and shall have and exercise all powers necessary or convenient thereunto;

Powers of supervisor.

(b) shall issue to each association doing business hereunder, when it shall have paid its annual license fee and be duly qualified otherwise, a certificate of authority authorizing it to transact business;

(c) shall require of each association a semi-annual statement and such other reports and statements as he may deem desirable, on forms to be furnished by him;

(d) shall require each association to conduct its business in compliance with the provisions of this act;

Yearly examination of associations.

(e) shall visit and examine into the affairs of every association, without previous notice to it, at least once in each calendar year; may appraise and revalue its investments and securities; and shall have full access to all the books, records, papers, securities, correspondence, bank accounts, and other papers of such association for such purposes;

(f) may accept or exchange any information or reports with the examining division of the Federal Savings and Loan Insurance Corporation or other like agency which may insure the accounts in an association or to which an association may belong;

(g) shall have power to administer oaths to and to examine any person under oath concerning the affairs of any association and, in connection therewith, to issue subpoenas and require the attendance and testimony of any person or persons at any place within this state, and to require witnesses to produce any books, papers, documents, or other things under their control material to such examination; and

Examination
under oath.

(h) shall have any and all other powers incidental to the purposes of such examination and administration.

SEC. 96. In event any person shall refuse to appear in compliance with any subpoena issued by the Supervisor or shall refuse to testify thereunder, the Superior Court of the State of Washington for the county in which such witness was required by said subpoena to appear, upon application of the Supervisor, shall have jurisdiction to compel such witness to attend and testify and to punish for contempt any witness not complying with the order of the Court.

Procedure
on failure
to comply.

SEC. 97. The Supervisor may make an examination of any foreign association or like corporation doing business in this state, whenever he may deem such examination advisable, and the association shall pay the actual costs of each such examination, such cost to include the usual per diem compensation of his examiners. The Supervisor may require an advance deposit of the anticipated expenses of such examination.

Foreign
associations.

SEC. 98. The Supervisor is hereby empowered, upon the written application of the board of directors of an association, if in his judgment the circum-

Postponing
payments.

stances warrant it, to authorize the association to postpone, for a period of ninety (90) days and for such further period or periods as he may deem expedient, the payment of such proportions or amounts of the requests for withdrawal, from time to time, as he may deem necessary or expedient. The period or periods of postponement and the proportions or amounts of the requests to be deferred shall be determined by him according to the ability of the association to pay withdrawals. By regulations prescribed for deferred payments, the Supervisor may classify accounts and limit payments to members of the several classes differently. The Supervisor's orders, regulations and directions shall be in writing and be filed in his offices, and copies thereof shall be delivered to the association.

During postponement of payments, the association shall remain open for business and be in charge of its directors and officers.

The association's failure, during a period of postponement, to pay withdrawal requests shall not authorize or require the Supervisor to take charge of or liquidate the association.

Declaration
of acute
business
depression.

SEC. 99. The Supervisor further is empowered, if in his judgment the circumstances warrant it, to issue in writing a declaration that an acute business depression, state of panic, or economic emergency exists, in which event the directors of any association, state or Federal, within the state may limit withdrawals by resolution, subject to the following conditions; that incoming funds shall be applied:

First, to the payment of operating expenses, indebtedness, taxes, insurance, and to the necessary charges for the protection of the association and its investments;

Second, to the payment to members of emergency withdrawals not exceeding twenty-five dollars (\$25) per month to any member. The board of directors of any association, with the prior written approval

of the Supervisor, by resolution may authorize the payment of emergency withdrawals not exceeding one hundred dollars (\$100) per month to any member;

Third, to the payment of dividends on the savings of its members;

Fourth, three-fourths of all remaining receipts of the association, except interest payments, shall be applied to the payment of withdrawals, until all withdrawal requests have been paid.

All such withdrawal payments shall be made to members having withdrawal requests on file in proportion to the amount of such withdrawal requests.

SEC. 100. Savings received by an association, during a period or periods of postponement of payment of withdrawals or of acute business depression, panic or economic emergency under authorization or declaration of the Supervisor as hereinbefore provided, shall be repaid to the members paying in such savings before any liquidation dividends shall be declared or paid if, during such period or periods or at the expiration thereof, the Supervisor shall take charge of the association for liquidation, as hereinafter in this act provided.

Deposits
during
depression.

SEC. 101. The Supervisor shall have power to commence and prosecute actions and proceedings to enforce the provisions of this act, to enjoin violations thereof, and to collect sums due to the State of Washington from any association.

Supervisor's
power to act.

SEC. 102. Any domestic association may determine to enter upon voluntary liquidation, to transfer its assets and liabilities to another association, to merge with another association, to segregate its assets into classes, to charge off its losses in excess of its reserves, or to amend its articles of incorporation or its bylaws.

Liquidation
or merger.

Any such liquidation, transfer, merger, segregation, charge-off, or amendment shall be effected by

the vote of a majority in amount of the members present, in person or by proxy, at any regular or special meeting of the members called for such purpose.

Notice of meeting.

Notice of such meeting, stating the purpose thereof, shall be mailed to each member and to the Supervisor, not more than thirty (30) days nor less than ten (10) days before the date of the meeting, postage prepaid, at his last address as shown upon the books of the association.

If such liquidation, transfer, merger, segregation, charge-off, or amendment be authorized by the members at the meeting, the directors of the association are authorized and shall effect such action, and the officers of the association shall execute all proper conveyances, documents, and other papers necessary or proper thereunto.

Unsound association.

SEC. 103. Whenever it shall appear to the Supervisor that any association is in an unsound condition or is conducting its business in an unsafe manner or is refusing to submit its books, papers, or concerns to lawful inspection, or that any director or officer thereof refuses to submit to examination on oath touching its concerns and affairs or that it has failed to carry out any authorized order or direction of the Supervisor, the Supervisor may give notice to the association so offending or delinquent or whose director or officer is thus offending or delinquent to correct such offense or delinquency and, if such association or such director or officer fails to correct said condition, offense, or delinquency within a reasonable time, as determined by the Supervisor, the Supervisor may take possession of such association.

Powers and duties of supervisor.

SEC. 104. Whenever it shall appear to the Supervisor that any association is in an unsound or unsafe condition to continue business or is insolvent, the Supervisor may take possession thereof without notice.

SEC. 105. Upon the Supervisor taking possession of any association, he shall proceed to liquidate such association unless, in his discretion, he shall determine to call a meeting of the savings members to consider either a proportionate charge-off against the members' savings accounts (except juvenile and school savings) to permit the association thereafter to continue in business, or whether the association should proceed to voluntary liquidation under the management of its board of directors. In such event, if the Supervisor shall approve the decision of a majority in amount of the savings present and voting, he shall order such action to be taken.

Liquidation
by
supervisor.

During any period of voluntary liquidation, the Supervisor may take possession of the association and its assets and complete the liquidation whenever, in his discretion, this seems advisable.

SEC. 106. Whenever the Supervisor shall determine to liquidate the affairs of an association, he shall cause the Attorney General to present to the Superior Court of the county in which such association has its principal place of business a written petition setting forth the date of his taking possession, the reasons therefor, and other material facts concerning the affairs of the association and, if the Court shall determine that said association should be liquidated, it shall appoint the Supervisor, and no other person, as the liquidator of such association and fix and require a bond to be given by the liquidator conditioned for the faithful performance of his duties as such liquidator.

Approval
of court.

Upon the filing with and approval by the Court of such bond, the Supervisor shall enter upon his duties as liquidator of the affairs of the association, and, under the direction of the Court, shall administer and liquidate the assets thereof and apply the same to the payment of the expenses of liquidation and the debts of the association, and distribute the remainder to the savings members, first paying

Procedure in
liquidation.

juvenile and school savings accounts in full, and distributing the then remainder to the remaining savings accounts proportionately.

SEC. 107. In any such liquidation proceeding, the Court, except as otherwise in this act expressly provided, shall have the powers and proceed as in receivership proceedings.

Powers of liquidator.

SEC. 108. The liquidator, upon the approval of the Court, may sell, discount, or compromise debts of the association and claims of the association against its debtors. The liquidator, likewise, with the approval of the Court, may lease, operate, repair, exchange, or sell, either for cash or upon terms, the real and personal property of the association.

In any liquidation proceeding, the liquidator, with the approval of the Court, whenever funds are available, may pay savings members whose balances amount to not more than five dollars (\$5) the full amount of such balances.

Liquidation proceedings.

In any liquidation proceeding, any checks issued or payments held by the liquidator which remain undelivered for six (6) months following the final liquidation dividend, shall be deposited with the Supervisor, after which the liquidator shall be discharged by the Court. During five (5) years thereafter, the Supervisor shall deliver any such checks or payments to the payee, or his legal representative, upon receipt of satisfactory evidence of his right thereto. After said five (5) years, the Supervisor shall cancel all such checks or payments retained remaining in his possession and issue his check against the account for the amount thereof, payable to the State Treasurer, and deliver the same to him. Such payment shall escheat to the state, and it shall not be necessary to have such escheat adjudged in any legal proceeding.

SEC. 109. Upon the termination of any liquidation proceeding, any files, records, documents, books

of account, or other papers in the possession of the liquidator shall be surrendered into the possession of the Supervisor, who, in his discretion at any time after the expiration of one (1) year, may destroy any of such files, records, documents, books of account or other papers which appear to him to be obsolete or unnecessary for future reference.

Destruction
of files and
records.

SEC. 110. In any liquidation of the segregation corporation of any association, all funds remaining on hand, after the payment of all accounts, certificates or debentures issued by the segregation corporation or association, together with interest on dividends thereon amounting to, in the aggregate, the rate of dividends credited by the association to its members for the same period, shall be paid to and become the property of the association.

Remaining
funds.

In any such liquidation, any residue remaining amounting to less than one per cent (1%) of the aggregate original amount of outstanding certificates, debentures or accounts, regardless of the total amount paid to certificate or debenture holders, shall be paid to and become the property of the association.

SEC. 111. In the liquidation of a segregation corporation, any checks issued in such liquidation or funds for the payment of liquidation dividends, which remain undelivered for six (6) months following the final liquidating dividend, shall be delivered, together with the books, records, and papers of the corporation, to the association which has been liquidating the said corporation. During five (5) years thereafter, the association shall deliver any such checks or portions of said funds to the payee, or his legal representative, upon receipt of satisfactory evidence of his right thereto. After said five (5) years the association shall cancel all undelivered dividend checks remaining in its possession and issue a check for the amount thereof together with any

Undelivered
liquidation
dividends.

other funds, which check shall be payable to the State Treasurer, and deliver the same to him. Such payment shall escheat to the state, and it shall not be necessary to have such escheat adjudged in any legal proceeding. After said five year period the association may destroy any of the books, records, papers, and documents of the corporation which it deems are obsolete or unnecessary for future reference.

Undelivered
dividends on
voluntary
liquidation.

SEC. 112. In any voluntary liquidation of an association, any checks issued in such liquidation or funds representing liquidating dividends or otherwise which remain undelivered for six (6) months following the final liquidating dividend, shall be deposited with the Supervisor, together with any files, records, documents, books of account, or other papers of the association. The Supervisor, in his discretion at any time after the expiration of one (1) year, may destroy any of such files, records, documents, books of account, or other papers which appear to him to be obsolete or unnecessary for future reference. During five (5) years thereafter, the Supervisor shall deliver any such checks or portions of such funds to the payee, or his legal representative, upon receipt of satisfactory evidence of his right thereto. After said five (5) years, the Supervisor shall cancel all such checks remaining in his possession and issue his check payable to the State Treasurer, for the amount thereof together with any other liquidating funds, and deliver the same to him. Such payment shall escheat to the state, and it shall not be necessary to have such escheat adjudged in any legal proceeding.

Removal of
liquidator.

SEC. 113. The Court, upon notice and hearing may remove the liquidator for cause. From such order of removal the Supervisor may appeal to the Supreme Court by notice of appeal and bond for costs as in other appeals.

During the pendency of any appeal the Director of Finance, Budget and Business shall act as liquidator of the association, without giving any additional bond for the performance of his duties as such liquidator.

If such order of removal shall be affirmed, the Director of Finance, Budget and Business shall name another liquidator for the association, which nominee, upon qualifying as required for receivers generally, shall succeed to the position of liquidator of the association.

SEC. 114. The savings of any member of an association, to an amount not exceeding two hundred and fifty dollars (\$250), shall be exempt from attachment, garnishment, and execution, except as to any indebtedness due to such association.

Garnishment
of savings.

SEC. 115. An association may petition the Superior Court of the State of Washington for Thurston County for the review of any decision, ruling, requirement or other action or determination of the Supervisor, by filing its complaint, duly verified, with the Clerk of the Court and serving a copy thereof upon the Supervisor. Upon the filing of the complaint, the Clerk of the Court shall docket the same as a cause pending therein.

Appeals
from
action of
supervisor.

The Supervisor may answer the complaint and the petitioner reply thereto, and the cause shall be heard before the Court as in other civil actions. Both the petitioner and the Supervisor may appeal from the decision of the Court to the Supreme Court of the State of Washington.

SEC. 116. Any domestic association may convert itself into a Federal Savings and Loan Association. Any such conversion shall be effected by the vote of a majority in amount of the members present, in person or by proxy, at any regular or special meeting of the members called for such purpose. Notice of such meeting, stating the purpose thereof, shall

Conversion
to Federal
association.

be mailed to each member not more than thirty (30) days nor less than ten (10) days before the date of the meeting, postage prepaid, at his last address as shown upon the books of the association.

Conversion
to Federal
association.

If such conversion be authorized by the members at the meeting, the directors of the association are authorized and shall effect such action, and the officers of the association shall execute all proper conveyances, documents, and other papers necessary or proper thereunto.

If conversion be authorized, a copy of the minutes of the meeting shall be filed forthwith with the Supervisor.

Upon consummation of such conversion, the successor Federal Savings and Loan Association shall succeed to all right, title, and interest of the domestic association in and to its assets, and to its liabilities to the creditors and members of the association.

Upon such conversion, after the execution and delivery of all instruments of transfer, conveyance and assignment, the domestic association shall be deemed dissolved.

Powers of
Federal
associations.

SEC. 117. Every Federal Savings and Loan Association, the home office of which is located in this state, and the savings accounts therein shall have all the rights, powers and privileges and be entitled to the same immunities and exemptions as pertain to savings and loan associations organized under the laws of this state.

Conversion
of Federal
association
to domestic.

SEC. 118. Any Federal Savings and Loan Association the home office of which is located in this state may convert itself into a domestic savings and loan association of this state. For any such conversion, such Federal association shall proceed as provided in this act for the conversion of a domestic association into a Federal association.

Upon consummation of such conversion, the successor domestic association shall succeed to all right, title, and interest of the Federal association in and to

its assets, and to its liabilities to the creditors and members of such Federal association.

SEC. 119. If any section, provision, or part of this act shall be adjudged to be invalid or unconstitutional, such adjudication shall not affect the validity of the act as a whole, or of any section, provision, or part thereof not adjudged to be invalid or unconstitutional. Partial
invalidity.

SEC. 119-A. Whenever, in this act or any prior acts relating to savings and loans, the term "Supervisor" or "Supervisor of Savings and Loans" appears, it is understood that the Director of the Department of Finance, Budget and Business may act for and in lieu of the said Supervisor of Savings and Loans, if and when there is no Supervisor of Savings and Loans duly qualified to act. Definition
of terms.

SEC. 120. Chapter 183, Laws of 1933, as amended by chapter 9, Laws of 1935; chapter 171, Laws of 1935; chapter 98, Laws of 1939; chapter 222, Laws of 1941, being Remington's Revised Statutes, sections 3717-1 to 112 inclusive, PPC 453-13 to 223, and chapter 15, Laws of 1933, Extraordinary Session, being Remington's Revised Statutes, sections 3757-1 to 6 inclusive, PPC 453-1 to 11, are hereby repealed. This repeal shall not operate to revive any acts or sections repealed thereby. From and after the effective date of this act, existing savings and loan associations and the members, directors, and officers thereof shall operate and be supervised under the provisions of this act. Acts
repealed.

SEC. 121. This 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. Effective im-
mediately.

Passed the House March 5, 1945.

Passed the Senate March 5, 1945.

Approved by the Governor March 16, 1945, with the exception of subsection (r) of section 29, which is vetoed.