

CHAPTER 122.

[S. B. 156.]

SAVINGS AND LOAN ASSOCIATIONS.

AN ACT relating to savings and loan associations; providing for the organization, operation, and dissolution of guaranty stock state savings and loan associations, and conversion thereto by other savings and loan associations; adding sections 118a through 118n to chapter 235, Laws of 1945, and to Title 33 RCW as a new chapter thereof.

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

SECTION 1. There is added to chapter 235, Laws of 1945 new sections 118a through 118n, which shall be a new chapter in Title 33 RCW, to read as set forth in sections 2 through 15 of this act. New sections.

SEC. 2. (Sec. 118a) As used in this chapter:
 "Stockholders" means owners of guaranty stock in a guaranty stock savings and loan association; Definitions:
"Stock-
holders."

"Members" means borrowers, obligors, contract purchasers indebted to the association, individuals, and any other legal entities who are the owners of withdrawable savings or guaranty stock in a guaranty stock savings and loan association. "Members."

SEC. 3. (Sec. 118b) The supervisor may, upon terms and conditions required of mutual state savings and loan associations, charter savings and loan associations having guaranty stock. Subject to the specific provisions of this chapter, guaranty associations shall have all the rights, privileges and immunities granted to other associations organized under this title. Guaranty stock savings and loan associations; supervisor may charter. Rights, privileges and immunities of such associations.

SEC. 4. (Sec. 118c) Associations chartered under this chapter shall be known as guaranty stock savings and loan associations, and shall have a permanent non-withdrawable stock of the par value of one hundred dollars per share. The minimum amount of such stock shall be twenty-five thousand dollars in the case of associations located outside of Par value of stock.

Minimum amounts of stock.

incorporated cities, or in cities of less than twenty-five thousand population. Associations located in cities of greater population shall have as a minimum, fifty thousand dollars of such stock. The board of such association is authorized and directed to issue and maintain the guaranty stock in the following percentages: Three percent upon the first five million dollars; two percent upon the next three million dollars, and one percent upon all additional withdrawable savings: *Provided*, That associations whose savings are insured by the Federal Savings and Loan Insurance Corporation shall not be required to maintain stock in excess of three hundred thousand dollars.

Payment for stock.

Stock as security.

Dividends on stock.

Stock issuance for consideration other than cash.

Stock quantity less than minimum.

SEC. 5. (Sec. 118d) The guaranty stock provided for in the preceding section shall be paid for in cash at par, except as hereafter in this section provided, and shall not be eligible as security for loans from the association, nor withdrawable except upon liquidation or dissolution. No dividends shall be declared on guaranty stock until the reserves required by law and the total of the guaranty stock, undivided profits and all reserves available for losses, less all estimated and determined losses resulting from the depreciation in value of the assets, is equal to five percent of the savings. Subject to the provisions of this chapter, guaranty stock shall be entitled to such rate of dividend, if earned, as fixed by the board. Stock dividends may be declared and issued by the board at any time, payable from otherwise unallocated surplus and undivided profits. With the consent of the supervisor, guaranty stock may be issued for a consideration other than cash in connection with mergers, consolidations or transfers.

SEC. 6. (Sec. 118e) In the event that the guaranty stock becomes less than the percentage required under the provisions of this chapter, the executive officer of the association shall promptly inform the

board, and the board shall notify the supervisor of the existing condition. The supervisor shall direct the association, in writing, to issue and sell the necessary guaranty stock to comply with this chapter within ninety days from the receipt of such notice. If the board does not comply within said ninety day period, the supervisor may direct that the association cease to accept savings until the percentage deficiency has been removed.

SEC. 7. (Sec. 118f) Owners of guaranty stock shall be considered as members of the association and shall be entitled to one vote for each share of such stock. Guaranty stock shall not be subject to cumulative voting.

Voting rights
of owners
of stock.

SEC. 8. (Sec. 118g) A majority of the board shall be the owners of guaranty stock in the minimum amounts required by law for directors owning withdrawable savings.

Board owner-
ship of stock.

SEC. 9. (Sec. 118h) Each member of an association having savings or guaranty stock shall have a proportionate proprietary interest in its assets or net earnings subordinate to the claims of its other creditors with priorities as established by this chapter. Each borrower, obligor and each contract purchaser indebted to an association shall also be a member thereof, but as such shall have no interest in its assets.

Interest in
association
of members.

SEC. 10. (Sec. 118i) No dividend shall be paid or credited upon shares of guaranty stock for any period in which the association shall not have declared and paid dividends upon withdrawable savings.

Dividends on
stock.

SEC. 11. (Sec. 118j) Guaranty stock associations may convert to mutual or federal savings and loan associations or mutual savings banks under the provisions of applicable statutes and regulations of proper supervisory authorities. In the event of compliance with such statutes and regulations an

Conversion of
guaranty stock
association to
mutual or fed-
eral associa-
tion or mutual
savings bank.

appraisal of the guaranty stock shall be made by the supervisor, upon written request of the directors of the association, and the appropriate value of the guaranty stock may be given consideration in the proceedings to convert by giving credit to such stock from surplus and other reserves.

Conversion of mutual association to guaranty stock association.

SEC. 12. (Sec. 118k) Any mutual association, either state or federal, operating in the state of Washington may convert itself into a guaranty stock savings and loan association. Such conversion shall be effected by the vote of two-thirds of the members present and voting 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 be given to the supervisor and to each member by mailing notice to his last known address at least thirty days prior to the meeting.

Resolution to amend articles and bylaws.

At such meeting the members may adopt a resolution amending its articles of incorporation and bylaws to provide for operation under this chapter as a guaranty stock association.

Notice of conversion and sale of stock.

Upon adoption of such resolution, savings members shall be given notice of the proposed change and shall be offered, for a period of sixty days following the date of the meeting, the right to subscribe for the proposed guaranty stock at par, pro rata to their savings in such mutual association, and such right shall be transferable. The amount of such guaranty stock shall be as prescribed in this chapter. In the event that the total guaranty stock required has not, at the end of the sixty day period, been fully subscribed, the unsubscribed portion shall be offered to any former subscribers for such guaranty stock.

Approval of conversion.

When the stock has been fully subscribed and paid for, certified copies of the documents relating to the conversion shall be submitted to the supervisor for his approval of the conversion proceedings.

Upon notification by the supervisor that he approves the conversion, the directors shall adopt a resolution declaring the association to be a guaranty stock association and thereafter it shall be such.

Resolution declaring association to be guaranty association.

SEC. 13. (118l) The accumulated surplus and unallocated reserves of an association at the time of conversion to a guaranty stock association shall be designated as a permanent loss reserve against which any losses incurred on assets may be charged. In case of liquidation the remaining sum in said permanent loss reserve shall be distributed to the savings members in proportion to the withdrawable value of their savings accounts at the time of liquidation. In liquidation, after payment of all liabilities and the withdrawable value of all types and classes of savings accounts together with the remainder in the permanent loss reserve heretofore mentioned, any excess shall be paid pro rata to the guaranty stockholders.

Permanent loss reserve.

Excess on liquidation.

SEC. 14. (Sec. 118m) The directors of an association which has voted to amend its charter or convert to another type of institution, may withdraw the application at any time prior to the issuance of the amended charter, by adopting a proper resolution and forwarding a copy to the supervisor.

Withdrawal of application for conversion.

SEC. 15. (Sec. 118n) It is the intention of the legislature to grant, by this chapter, authority to create guaranty stock savings and loan associations in this state, by either organization or conversion under its provisions, and in the event of conflict between the provisions of this chapter and other provisions of Title 33 RCW, such other provisions shall be construed in favor of the accomplishment of the purposes of this chapter.

Purpose of chapter.

Passed the Senate February 7, 1955.

Passed the House March 2, 1955.

Approved by the Governor March 14, 1955.