

(8) Sections 1 through 9, 11, and 15 through 18, chapter 207, Laws of 1953.

Such repeals shall not be construed as affecting any existing right acquired under the provisions of the statutes repealed, nor any rule, regulation or order adopted pursuant thereto, nor as affecting any proceeding instituted thereunder.

75.98.060 Emergency. 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.

Passed the House January 26, 1955.

Passed the Senate January 31, 1955.

Approved by the Governor February 8, 1955.

CHAPTER 13

[H. B. 9.]

MUTUAL SAVINGS BANKS CODE

AN ACT relating to mutual savings banks; enacting a mutual savings banks code to be known as Title 32 of the Revised Code of Washington; providing penalties and repealing chapter 175, Laws of 1915; chapter 156, Laws of 1921; chapter 86, Laws of 1925, extraordinary session; chapter 184, Laws of 1927; chapter 74, Laws of 1929; chapter 123, Laws of 1929; sections 1, 2, and 4 through 12, chapter 132, Laws of 1931; chapter 10, Laws of 1935; chapter 87, Laws of 1935; chapter 95, Laws of 1937; chapter 15, Laws of 1941; chapter 135, Laws of 1945; chapter 228, Laws of 1945; chapter 119, Laws of 1949; and chapter 238, Laws of 1953; and declaring an emergency.

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

TITLE 32

MUTUAL SAVINGS BANKS

Chapter 32.04

GENERAL PROVISIONS

32.04.010 Scope of title. This title shall not be construed as amending or repealing any other law of the state authorizing the incorporation of banks or regulating the same, but shall be deemed to be additional legislation for the sole purpose of authorizing the incorporation and operation of mutual savings banks as herein prescribed. Savings banks incorporated on the stock plan and other

stock banks having savings departments as authorized by RCW 30.20.060, or by any other law of the state heretofore or hereafter enacted, shall not be in any manner affected by the provisions of this title, or any amendment thereto.

32.04.020 Definitions. The use of the term "savings bank" in this title refers to mutual savings banks only.

The use of the words "mutual savings" as part of a name under which business of any kind is or may be transacted by any person, firm, or corporation, except such as were organized and in actual operation on June 9, 1915, or as may be thereafter organized and operated under the requirements of this title is hereby prohibited.

The use of the term "supervisor" in this title refers to the supervisor of banking.

32.04.030 Offices—Branches. (1) A savings bank shall not do business or be located in the same room with, or in a room connecting with, any other bank, or a trust company that receives deposits of money or commercial paper, or a national banking association.

(2) No savings bank, or any officer or director thereof, shall receive deposits or transact any of its usual business at any place other than its principal place of business or an authorized branch.

(3) A savings bank, with the approval of the supervisor, may take over and operate one branch in the city in which the principal place of business of the bank is located, but only upon the conditions and subject to the following limitations:

(a) If the guaranty fund amounts to at least five hundred thousand dollars.

(b) Not more than three branches may be established in the county in which the principal place of business of the bank is located, and none in any other county.

(c) A branch shall not be established at a place at which the supervisor would not permit a proposed new savings bank to engage in business, by reason of any consideration contemplated by RCW 32.08.040, 32.08.050 and 32.08.060, the provisions of which, insofar as applicable, including those relating to appeals, shall extend to applications to establish branches.

This section amended by sec. 1, chap. 80, Laws of 1955.

32.04.040 Changing place of business. Any savings bank may make a written application to the supervisor for leave to change its place of business to another place in the same county. The application shall state the reasons for such proposed change, and shall be signed and acknowledged by a majority of its board of trustees. If the proposed place of business is within the limits of the city or town in which the present place of business of the savings bank is located, such change may be made upon the written ap-

proval of the supervisor; if beyond such limits, notice of intention to make such application, signed by two principal officers of the savings bank, shall be published once a week for two successive weeks immediately preceding such application in a daily newspaper published in the city of Olympia and shall be published in like manner in a newspaper to be designated by the supervisor, published in the county in which the present place of business of the bank is located. If the supervisor grants his certificate authorizing the change of location, which in his discretion he may do, the savings bank shall cause such certificate to be published once in each week for two successive weeks in the newspapers in which the notice of application was published. When the requirements of this section have been fully complied with, the savings bank may, upon or after the day specified in the certificate, remove its property and effects to the location designated therein, and thereafter its principal place of business shall be the location so specified; and it shall have all the rights and powers in such new location which it possessed at its former location.

32.04.050 Reports. A savings bank shall render to the supervisor, in such form as he shall prescribe, at least three regular reports each year exhibiting its resources and liabilities as of such dates as the supervisor shall designate, which shall be the dates designated by the comptroller of the currency of the United States for reports of national banking associations. Every such report, in a condensed form to be prescribed by the supervisor, shall be published once in a newspaper of general circulation, published in the place where the bank is located. A savings bank shall also make such special reports as the supervisor shall call for. A regular report shall be filed with the supervisor within twelve days and proof of the publication thereof within twenty days from the date of the issuance of the call for the report. A special report shall be filed within such time as the supervisor shall indicate in the call therefor. A savings bank that fails to file within the prescribed time any report required by this section or proof of the publication of any report required to be published shall be subject to a penalty to the state of ten dollars for each day's delay, recoverable by a civil action brought by the attorney general in the name of the state.

32.04.060 Expenses of operation limited. No savings bank shall in the course of any fiscal year (which fiscal year shall be deemed to expire on the last day of December in each year) pay or become liable to pay either directly or indirectly for expenses of management and operation more than two and one-half percent of its average assets during such year.

32.04.070 Certified copies of records as evidence. Copies from the records, books, and accounts of a savings bank shall be competent evidence in all cases, equal with originals thereof, if there is annexed to such copies an affidavit taken before a notary public or clerk of a court under seal, stating that the affiant is the officer of the bank having charge of the original records, and that the copy is true and correct and is full so far as the same relates to the subject matter therein mentioned.

32.04.080 Employees' pension plan. A mutual savings bank may provide for pensions for its disabled or superannuated employees and may pay a part or all of the cost of providing such pensions in accordance with a plan adopted by its board of trustees and approved in writing by the supervisor of banking. Whenever the trustees of the bank shall have formulated and adopted a plan providing for such pensions it shall, within ten days thereafter, transmit the same to the supervisor of banking. The supervisor of banking shall thereupon examine such plan and investigate the feasibility and practicability thereof and within thirty days of the receipt thereof by him notify the bank in writing of his approval or rejection of the same. After the approval of the supervisor the mutual savings bank shall be authorized and empowered to put such plan into effect.

This section amended by sec. 2, chap. 80, Laws of 1955.

32.04.090 Reserved.

32.04.100 Penalty for falsification. Every person who knowingly subscribes to or makes or causes to be made any false statement or false entry in the books of any savings bank, or knowingly subscribes to or exhibits any false or fictitious security, document or paper, with the intent to deceive any person authorized to examine into the affairs of any savings bank, or makes or publishes any false statement of the amount of the assets or liabilities of any such savings bank shall be guilty of a felony.

32.04.110 Penalty for concealing or destroying evidence. Every trustee, officer, employee, or agent of any savings bank who for the purpose of concealing any fact suppresses any evidence against himself, or against any other person, or who abstracts, removes, mutilates, destroys, or secretes any paper, book, or record of any savings bank, or of the supervisor of banking, or anyone connected with his office shall be guilty of a felony.

32.04.120 Specific penalties invoked. The provisions of RCW 9.38.040, 9.45.130 and 9.45.140 shall apply to the corporations authorized under this title.

32.04.130 General penalty. Any person who does anything forbidden by chapter 32.04, 32.08, 32.12, 32.16 or 32.24 of this title for

which a penalty is not provided in this title, or in some other law of the state, shall be guilty of a gross misdemeanor and be punished accordingly.

Chapter 32.08

ORGANIZATION AND POWERS

32.08.010 Authority to organize — Incorporators — Certificate. When authorized by the supervisor, as hereinafter provided, not less than nine nor more than thirty persons may form a corporation to be known as a "mutual savings bank." Such persons must be citizens of the United States; at least four-fifths of them must be residents of this state, and at least two-thirds of them must be residents of the county where the bank is to be located and its business transacted. They shall subscribe and acknowledge an incorporation certificate in triplicate which shall specifically state:

- (1) The name by which the savings bank is to be known, which name shall include the words "mutual savings bank";
- (2) The place where the bank is to be located, and its business transacted, naming the city or town and county;
- (3) The name, occupation, residence, and post office address of each incorporator;
- (4) The sums which each incorporator will contribute in cash to the initial guaranty fund, and to the expense fund respectively, as provided in RCW 32.08.090 and 32.08.100;
- (5) A declaration that each incorporator will accept the responsibilities and faithfully discharge the duties of a trustee of the savings bank, and is free from all the disqualifications specified in RCW 32.16.010.

32.08.020 Notice of intention. At the time of executing the incorporation certificate, the proposed incorporators shall sign a notice of intention to organize the mutual savings bank, which shall specify their names, the name of the proposed corporation, and its location as set forth in the incorporation certificate. The original of such notice shall be filed in the office of the supervisor within sixty days after the date of its execution, and a copy thereof shall be published at least once a week for four successive weeks in a newspaper designated by the supervisor, the publication to be commenced within thirty days after such designation. At least fifteen days before the incorporation certificate is submitted to the supervisor for examination, as provided in RCW 32.08.030, a copy of such notice shall be served upon each savings bank doing business in the city or town named in the incorporation certificate, by mailing such copy (postage prepaid) to such bank.

32.08.030 Submission of certificate—Proof of service of notice.

After the lapse of at least twenty-eight days from the date of the first due publication of the notice of intention to incorporate, and within ten days after the date of the last publication thereof, the incorporation certificate executed in triplicate shall be submitted for examination to the supervisor at his office in Olympia, with affidavits showing due publication and service of the notice of intention to organize prescribed in RCW 32.08.020.

32.08.040 Examination and action by supervisor. When any such certificate has been filed for examination the supervisor shall thereupon ascertain from the best source of information at his command, and by such investigation as he may deem necessary, whether the character, responsibility, and general fitness of the person or persons named in such certificate are such as to command confidence and warrant belief that the business of the proposed bank will be honestly and efficiently conducted in accordance with the intent and purpose of this title, and whether the public convenience and advantage will be promoted by allowing such proposed bank to be incorporated and engage in business, and whether greater convenience and access to a savings bank would be afforded to any considerable number of depositors by opening a mutual savings bank in the place designated, whether the population in the neighborhood of such place, and in the surrounding country, affords a reasonable promise of adequate support for the proposed bank, and whether the contributions to the initial guaranty fund and expense fund have been paid in cash. After the supervisor has satisfied himself by such investigation whether it is expedient and desirable to permit such proposed bank to be incorporated and engage in business, he shall within sixty days after the date of the filing of the certificate for examination indorse upon each of the triplicates thereof over his official signature the word "approved" or the word "refused," with the date of such indorsement. In case of refusal he shall forthwith return one of the triplicates so indorsed to the proposed incorporators from whom the certificate was received.

32.08.050 Appeal from adverse decision. From the supervisor's refusal to issue a certificate of authorization, the applicants or a majority of them, may within thirty days from the date of the filing of the certificate of refusal with the secretary of state, appeal to a board of appeal composed of the governor, the attorney general and the supervisor of banking by filing in the office of the supervisor a notice that they appeal to such board from his refusal. The procedure upon the appeal shall be such as the board may prescribe, and its determination shall be certified, filed, and recorded in the same manner as the supervisor's, and shall be final.

32.08.060 Procedure upon approval. In case of approval, the supervisor shall forthwith give notice thereof to the proposed incorporators, and file one of the triplicate certificates in his own office, shall transmit another triplicate to the county auditor of the county in which such bank is to be located and shall transmit the third triplicate to the secretary of state. Upon receipt from the proposed incorporators of the same fees as are required for filing and recording other incorporation certificates, the county auditor and the secretary of state shall file the certificate in their respective offices, and the secretary of state shall record the same. Upon the filing of said incorporation certificate in triplicate approved as aforesaid in the offices of the supervisor, the secretary of state and county auditor, the persons named therein and their successors shall thereupon become and be a corporation, which corporation shall have the powers and be subject to the duties and obligations prescribed in this title and its corporate existence shall continue for the period of fifty years from the date of the filing of such certificates, unless sooner terminated pursuant to law, but such corporation shall not receive deposits or engage in business until authorized so to do by the supervisor as provided in RCW 32.08.070.

32.08.070 Authorization certificate. Before a mutual savings bank shall be authorized to do any business the supervisor shall be satisfied that the corporation has in good faith complied with all the requirements of law and fulfilled all the conditions precedent to commencing business imposed by this title. If satisfied that the corporation has in good faith complied with all the requirements of law, and fulfilled all the conditions precedent to commencing business imposed by this title, the supervisor shall within six months after the date upon which the proposed organization certificate was filed with him for examination, but in no case after the expiration of that period, issue under his hand and official seal in quadruplicate an authorization certificate to such corporation. Such authorization certificate shall state that the corporation therein named has complied with all the requirements of law, that it is authorized to transact at the place designated in its certificate of incorporation, the business of a mutual savings bank. One of the quadruplicate authorization certificates shall be transmitted by the supervisor to the corporation therein named, and the other three authorization certificates shall be filed by the supervisor in the same public offices where the certificate of incorporation is filed, and shall be attached to said incorporation certificate.

32.08.080 Conditions precedent to reception of deposits. Before such corporation shall be authorized to receive deposits or transact business other than the completion of its organization, the supervisor shall be satisfied that:

(1) The incorporators have made the deposit of the initial guaranty fund required by this title;

(2) That the incorporators have made the deposit of the expense fund required by RCW 32.08.090 and if the supervisor shall so require, have entered into the agreement or undertaking with him and have filed the same and the security therefor as prescribed in said section;

(3) That the corporation has transmitted to the supervisor the name, residence, and post office address of each officer of the corporation;

(4) That its certificate of incorporation in triplicate has been filed in the respective public offices designated in this title.

32.08.090 Expense fund—Agreement to contribute further—Security. Before any mutual savings bank shall be authorized to do business, its incorporators shall create an expense fund from which the expense of organizing such bank and its operating expenses may be paid, until such time as its earnings are sufficient to pay its operating expenses in addition to such dividends as may be declared and credited to its depositors from its earnings. The incorporators shall deposit to the credit of such savings bank in cash as an expense fund the sum of five thousand dollars. They shall also enter into such an agreement or undertaking with the supervisor as trustee for the depositors with the savings bank as he may require to make such further contributions in cash to the expense fund as may be necessary to pay its operating expenses until such time as it can pay them from its earnings, in addition to such dividends as may be declared and credited to its depositors. Such agreement or undertaking shall fix the maximum liability assumed thereby which shall be a reasonable amount approved by the supervisor and the same shall be secured to his satisfaction, which security in his discretion may be by a surety bond executed by a domestic or foreign corporation authorized to transact within this state the business of surety. The agreement or undertaking and security shall be filed in the office of the supervisor. Such agreement or undertaking and such security need not be made or furnished unless the supervisor shall require the same. The amounts contributed to the expense fund of said savings bank by the incorporators or trustees shall not constitute a liability of the savings bank except as hereinafter provided.

32.08.100 Guaranty fund. Before any mutual savings bank shall be authorized to do business, its incorporators shall create a guaranty fund for the protection of its depositors against loss on its investments, whether arising from depreciation in the market value of its securities or otherwise:

(1) Such guaranty fund shall consist of payments in cash made by the original incorporators and of all sums credited thereto from the earnings of the savings bank as hereinafter required.

(2) The incorporators shall deposit to the credit of such savings bank in cash as an initial guaranty fund at least five thousand dollars.

(3) Prior to the liquidation of any such savings bank such guaranty fund shall not be in any manner encroached upon, except for losses and the repayment of contributions made by incorporators or trustees as hereinafter provided, until such fund together with undivided profits exceeds twenty-five percent of the amount due depositors.

(4) The amounts contributed to such guaranty fund by the incorporators or trustees shall not constitute a liability of the savings bank, except as hereinafter provided, and any loss sustained by the savings bank in excess of that portion of the guaranty fund created from earnings may be charged against such contributions pro rata.

32.08.110 Guaranty fund—Purpose. The contributions of the incorporators, or trustees of any such savings bank under the provisions of RCW 32.08.100, and the sums credited thereto from its net earnings under the provisions of RCW 32.08.120, shall constitute a guaranty fund for the security of its depositors, and shall be held to meet any contingency or loss in its business from depreciation of its securities or otherwise, and for no other purpose except as provided in RCW 32.08.130, and RCW 32.12.090(5).

32.08.120 Guaranty fund—Replenishment—Dividends. (1) If at the close of any dividend period the guaranty fund of a savings bank is less than ten percent of the amount due to depositors, there shall be deducted from its net earnings and credited to its guaranty fund not less than five percent of its net earnings for such period.

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

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

32.08.130 Reimbursement fund. When the portion of the guaranty fund created from earnings amounts to not less than five thousand dollars (including in the case of a savings bank converted from a building and loan or savings and loan association or society the amount of the initial guaranty fund), the board of trustees, with the written consent of the supervisor, may establish a reimbursement fund from which to repay contributors to the expense fund and the initial guaranty fund (excepting the initial guaranty fund in the case of a bank converted from a building and loan or savings and loan association or society), and may transfer to the reimbursement fund any unexpended balance of contributions to the expense fund. At the close of each dividend period the trustees may place to the credit of the reimbursement fund not more than one percent of the net earnings of the bank during that period. Payments from the reimbursement fund may be made from time to time in such amounts as the board of trustees shall determine, and shall be made first to the contributors to the expense fund in proportion to their contributions thereto until they shall have been repaid in full, and then shall be made to the contributors to the guaranty fund in proportion to their contributions thereto until they shall have been repaid in full. In case of the liquidation of the savings bank before the contributions to the expense fund and the initial guaranty fund have been fully repaid as above contemplated, any portion of the contributions not needed for the payment of the expenses of liquidation and the payment of depositors in full shall be paid to the contributors to the expense fund in proportion to their contributions thereto until they have been repaid in full, and then shall be paid to the contributors to the guaranty fund in proportion to their contributions thereto until they have been repaid in full.

32.08.140 Powers of bank. Every mutual savings bank incorporated under this title shall have, subject to the restrictions and limitations contained in this title the following powers:

(1) To receive deposits of money, to invest the same in the property and securities prescribed in this title, to declare dividends in the manner prescribed in this title, and to exercise by its board of trustees or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of a savings bank.

(2) To issue transferable certificates showing the amounts contributed by any incorporator or trustee to the guaranty fund of such bank, or for the purpose of paying its expenses. Every such certificate shall show that it does not constitute a liability of the savings bank, except as otherwise provided in this title.

(3) To purchase, hold and convey real property as prescribed in RCW 32.20.280.

(4) To pay depositors as hereinafter provided, and when requested, pay them by drafts upon deposits to the credit of the savings bank in any city in the United States, and to charge current rates of exchange for such drafts.

(5) To borrow money in an emergency for the purpose of repaying depositors, and to pledge or hypothecate securities as collateral for loans so obtained, under the conditions prescribed in this title.

(6) To collect or protest promissory notes or bills of exchange owned by such bank or held by it as collateral, and remit the proceeds of the collections by drafts upon deposits to the credit of the savings bank in any city in the United States, and to charge the usual rates or fees for such collection and remittance for such protest.

(7) To sell gold or silver received in payment of interest or principal of obligations owned by the savings bank, or from depositors in the ordinary course of business.

(8) To act as insurance agent for the purpose of writing fire insurance on property in which the bank has an insurable interest, the property to be located in the city in which the bank is situated and in the immediate contiguous suburbs, notwithstanding anything in any other statute to the contrary.

(9) To let vaults, safes, boxes or other receptacles for the safe-keeping or storage of personal property, subject to laws and regulations applicable to, and with the powers possessed by, safe deposit companies.

(10) To elect or appoint in such manner as it may determine all necessary or proper officers, agents, boards, and committees, to fix their compensation, subject to the provisions of this title, and to define their powers and duties, and to remove them at will.

(11) To make and amend bylaws consistent with law for the management of its property and the conduct of its business.

(12) To wind up and liquidate its business in accordance with this title.

(13) To adopt and use a common seal and to alter the same at pleasure.

(14) To do all other acts authorized by this title.

32.08.150 Merchandising—Exchange—Borrowing—Certificates of deposit. (1) A savings bank shall not purchase, deal or trade in any goods, wares, merchandise, or commodities whatsoever except such personal property as may be necessary for the transaction of its authorized business.

(2) Such banks shall not, nor shall any officer thereof in his attendance upon the business of such bank, in any manner buy or sell exchange on credit banks or bankers or buy or sell gold or silver except as in this title expressly authorized.

(3) Such bank shall not:

(a) Borrow money or pledge or hypothecate any of its securities as collateral for the repayment of money borrowed except with the written approval of the supervisor, and in pursuance of a resolution adopted by a vote of a majority of its board of trustees duly entered upon its minutes whereon shall be recorded by ayes and noes the vote of each trustee, a certified copy of such minutes being filed with the supervisor;

(b) Make or issue any certificate of deposit payable either on demand or at a fixed day.

32.08.160 Writing of fire insurance restricted. When a savings bank is itself acting as an insurance agent, a trustee, officer, or employee of the bank shall not act as an insurance agent to write fire insurance on property in which the bank has an insurable interest, and no part of a room used by a savings bank in the transaction of its business shall be occupied or used by any person other than the bank in the writing of fire insurance.

Chapter 32.12

DEPOSITS—EARNINGS—DIVIDENDS

32.12.010 Limitation of deposits. When the aggregate amount of deposits and dividends to the credit of any depositor, including in such aggregate all deposits and dividends credited to the depositor as trustee or beneficiary of any voluntary and revocable trust and all deposits and dividends credited to the depositor and another, or others, in either joint or several form, is ten thousand dollars or more, such aggregate shall not be increased by the receipt from the depositor of any further deposit but may be increased by the crediting of dividends or by the consolidation of savings banks having common depositors. Additional accounts may, however, be maintained in the name of a parent as trustee for a dependent or minor child, or in the name of a child as trustee for a dependent parent, but not more than one thousand dollars shall be deposited to any such additional account during any six months period; and additional accounts may be maintained by a person, society, or corporation as administrator, executor, guardian, or trustee under a will: *Provided*, That notwithstanding anything contained in this section, mutual savings banks may accept deposits to the fullest extent that such deposits are insured by the United States government, or any agency thereof, including the Federal Deposit Insurance Corporation.

Every such bank may further limit the aggregate amount which an individual or any corporation or society may have to his or its credit to such sum as such bank may deem expedient to receive;

and may in its discretion refuse to receive a deposit, or may at any time return all or any part of any deposits or require the withdrawal of any dividend.

32.12.020 Repayment of deposits and dividends. The sums deposited with any savings bank, together with any dividends credited thereto, shall be repaid to the depositors thereof respectively, or to their legal representatives, after demand in such manner, and at such times, and under such regulations, as the board of trustees shall prescribe, subject to the provisions of this section and RCW 32.12.030. Such regulations shall be posted in a conspicuous place in the room where the business of such savings bank shall be transacted, and shall be available to depositors upon request. All such rules and regulations, and all amendments thereto, from time to time in effect, shall be binding upon all depositors.

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

(2) Except as provided in subdivision (3) of this section the savings bank shall not pay any dividend, or deposit, or portion thereof, or any check drawn upon it by a depositor unless the passbook of the depositor is produced, and the proper entry is made therein at the time of the payment.

(3) The board of trustees of any such bank may by its bylaws provide for making payments in cases of loss of passbook, or other exceptional cases where the passbooks cannot be produced without loss or serious inconvenience to depositors, the right to make such payments to cease when so directed by the supervisor upon his being satisfied that such right is being improperly exercised by any such bank; but payments may be made at any time upon the judgment or order of a court.

(4) If any person dies leaving in any such bank an account on which the balance due him does not exceed five hundred dollars and no executor or administrator of his estate has been appointed, such bank may in its discretion pay the balance of his account to his widow (or if the decedent was a married woman, then to her husband), next of kin, funeral director, or other creditor who may appear to be entitled thereto. As a condition of such payment such bank may require proof by affidavit as to the parties in interest, the filing of proper waivers, the execution of a bond of indemnity with

surety or sureties by the person to whom the payment is to be made, and a proper receipt and acquittance for such payment. For any such payment pursuant to this section such bank shall not be liable to the decedent's executor or administrator thereafter appointed, unless the payment was made within six months after the decedent's death, and an action to recover the amount is commenced within six months after the date of payment.

32.12.030 Deposits of minors, in trust, of joint tenants. (1)

When any deposit shall be made by or in the name of any minor, the same 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 dividends thereon, to the person in whose name the deposit shall have been made, and his receipt or acquittance shall be a valid discharge.

(2) When any deposit shall be made by any person in trust for another, and no other or further notice of the existence and terms of a legal and valid trust shall have been given in writing to such savings bank, in the event of the death of the trustee, the deposit or any part thereof, together with the dividends thereon, may be paid to the person for whom the deposit was made.

(3) After any deposit shall be made by any person in the names of such depositor and another person and in form to be paid to either or the survivor of them, such deposit and any additions thereto made by either of such persons after the making thereof, shall become the property of such persons as joint tenants, and the same, together with all dividends thereon, shall be held for the exclusive use of such persons and may be paid to either during the lifetime of both or to the survivor after the death of one of them, and such payment and the receipt or acquittance of the one to whom such payment is made shall be a valid and sufficient release and discharge to such savings bank for all payments made on account of such deposit prior to the receipt by such savings bank of notice in writing not to pay such deposit in accordance with the terms thereof. The making of the deposit in such form shall, in the absence of fraud or undue influence, be conclusive evidence, in any action or proceeding to which either such savings bank or the surviving depositor is a party, of the intention of both depositors to vest title to such deposit and the additions thereto in such survivor.

32.12.040 Reserved.

32.12.050 Accounting—Entry of assets, real estate, securities, etc. (1) No savings bank shall by any system of accounting, or any device of bookkeeping, directly or indirectly, enter any of its assets upon its books in the name of any other individual, partner-

ship, unincorporated association, or corporation, or under any title or designation that is not in accordance with the actual facts.

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

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

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

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

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

(6) No such bank shall enter or carry on its books any asset which has been disallowed by the supervisor or the trustees of such bank, or any debt owing to it which has remained due without prosecution and upon which no interest has been paid for more than one year, or on which a judgment has been recovered which

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

32.12.060 Bad debts—Uncollected judgments. Any debt due a savings bank on which interest is one year or more past due and unpaid, unless such debt is well secured and in course of collection by legal process or probate proceedings, shall be considered a bad debt, and shall be charged off of the books of such bank. A judgment held by a savings bank shall not be considered an asset of the corporation after two years from the date of its rendition, unless with the written permission of the supervisor specifying an additional period: *Provided*, That time consumed by any appeal shall be excluded.

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

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

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

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

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

(e) Such other items as the supervisor, in his discretion and upon his written consent, may permit to be included.

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

(a) All expenses paid or incurred, both ordinary and extraordinary, in the transaction of its business, the collection of its debts and the management of its affairs, less expenses incurred and in-

terest accrued upon its debts deducted at the last previous calculation of net earnings for dividend purposes;

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

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

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

This section amended by sec. 3, chap. 80, Laws of 1955.

32.12.080 Misleading advertisement of surplus or guaranty fund.

No savings bank shall put forth any sign or notice or publish or circulate any advertisement or advertising literature upon which or in which it is stated that such savings bank has a surplus or guaranty fund other than as determined in the manner prescribed by law.

32.12.090 Dividends—Rate—Declaration of — Extra — Notice of changed rate. (1) Every savings bank shall regulate the rate of dividends not to exceed six percent per annum upon the amounts to the credit of depositors therewith, in such manner that depositors shall receive as nearly as may be all the earnings of the bank after transferring the amount required by RCW 32.08.120 and such further amounts as its trustees may deem it expedient and for the security of the depositors to transfer to the guaranty fund, which to the amount of ten percent of the amount due its depositors the trustees shall gradually accumulate and hold. Such trustees may also deduct from its net earnings, and carry as reserves for losses, or other contingencies, or as undivided profits, such additional sums as they may deem wise.

(2) Every savings bank may classify its depositors according to the character, amount or duration of their dealings with the savings bank, and may regulate the dividends in such manner that each depositor shall receive the same ratable portion of dividends as all others of his class.

(3) Unimpaired contributions to the initial guaranty fund and to the expense fund, made by the incorporators or trustees of a savings bank, shall be entitled to have dividends apportioned thereon, which may be credited and paid to such incorporators or trustees. Whenever the guaranty fund of any savings bank is sufficiently large to permit the return of such contributions, the contributors may receive dividends thereon not theretofore credited or paid at the same rate paid to depositors.

(4) A savings bank shall not:

(a) Declare, credit or pay any dividend except as authorized by a vote of a majority of the board of trustees duly entered upon its minutes, whereon shall be recorded the ayes and noes upon each vote;

(b) Pay any dividend other than the regular quarterly or semi-annual dividend, or the extra dividend prescribed in subsection (5) of this section;

(c) Declare, credit or pay dividends on any amount to the credit of a depositor for a longer period than the same has been credited: *Provided*, That deposits made not later than the tenth business day of the month commencing any semiannual or quarterly dividend period, or the fifth business day of any month, or withdrawn upon one of the last three business days of the month ending any quarterly or semiannual dividend period, may have dividends declared upon them for the whole of the period or month when they were so deposited or withdrawn: *Provided further*, That, if the bylaws so provide, accounts closed between dividend periods may be credited with dividends at the rate of the last dividend, computing from the first dividend period to the date when closed.

(5) The trustees of any savings bank whose undivided profits and guaranty fund, determined in the manner prescribed in RCW 32.12.070, amount to more than twenty-five percent of the amount due its depositors, shall at least once in three years divide equitably the accumulation beyond such twenty-five percent as an extra dividend to depositors in excess of the regular dividend authorized.

A notice posted conspicuously in a savings bank of a change in the rate of dividends shall be equivalent to a personal notice.

Chapter 32.16

OFFICERS AND EMPLOYEES

32.16.010 Board of trustees—Number—Qualifications. (1) There shall be a board of trustees who shall have the entire management and control of the affairs of the savings bank. The persons named in the certificate of authorization shall be the first trustees. The board shall consist of not less than nine nor more than thirty members.

(2) A person shall not be a trustee of a savings bank, if he

(a) Is not a resident of this state;

(b) Has been adjudicated a bankrupt or has taken the benefit of any insolvency law, or has made a general assignment for the benefit of creditors;

(c) Has suffered a judgment recovered against him for a sum of money to remain unsatisfied of record or unsecured on appeal for a period of more than three months;

(d) Is a trustee, officer, clerk, or other employee of any other savings bank.

(3) Nor shall a person be a trustee of a savings bank solely by reason of his holding public office.

32.16.020 Oath of trustees—Declaration of incumbency. (1) Each trustee, whether named in the certificate of authorization or elected to fill a vacancy, shall, when such certificate of authorization has been issued, or when notified of such election, take an oath that he will, so far as it devolves on him, diligently and honestly administer the affairs of the savings bank, and will not knowingly violate, or willingly permit to be violated, any of the provisions of law applicable to such savings bank. Such oath shall be subscribed by the trustee making it and certified by the officer before whom it is taken, and shall be immediately transmitted to the supervisor and filed and preserved in his office.

(2) Prior to the first day of March in each year, every trustee of every savings bank shall subscribe a declaration to the effect that he is, at the date thereof, a trustee of the savings bank, and that he has not resigned, become ineligible, or in any other manner vacated his office as such trustee. Such declaration shall be acknowledged in like manner as a deed to be entitled to record and shall be transmitted to the supervisor and filed in his office prior to the tenth day of March in each year.

32.16.030 Vacancies, when to be filled. A vacancy in the board of trustees shall be filled by the board as soon as practicable, at a regular meeting thereof.

32.16.040 Quorum—Meetings—Statement of securities dealings and loans. (1) A quorum at any regular or special or adjourned meeting of the board of trustees shall consist of not less than five of whom the president shall be one, except when he is prevented from attending by sickness or other unavoidable detention, when he may be represented in forming a quorum by the first vice president, or in case of his absence for like cause, by the second vice president; but less than a quorum shall have power to adjourn from time to time until the next regular meeting.

Regular meetings of the board of trustees shall be held at least once a month.

(2) The board of trustees shall by resolution duly recorded in the minutes, designate an officer or officers whose duty it shall be to prepare and submit to each trustee at each regular meeting of the board, or to an executive committee of not less than five members of such board, a written statement of all the purchases and sales of securities, and of every loan, made since the last regular meeting of the board, describing the collateral to such indebtedness as of the date of meeting at which such statement is submitted; but such officer or officers may omit from such state-

ment loans of less than one thousand dollars, except as hereinafter provided. Such statement shall also contain a list giving the aggregate of loans to each individual partnership, unincorporated association, or corporation whose liability to the savings bank has been increased one thousand dollars or more since the last regular meeting of the board, together with a description of the collateral to such indebtedness held by the savings bank at the date of the meeting at which such statement is submitted. A copy of such statement, together with a list of the trustees present at such meeting, verified by the affidavit of the officer or officers charged with the duty of preparing and submitting such statement shall be filed with the records of the savings bank within one day after such meeting, and shall be presumptive evidence of the matters therein stated.

32.16.050 Compensation of trustees. (1) A trustee of a savings bank shall not directly or indirectly receive any pay or emolument for his attendance at meetings of the board, or for any other services as trustee, except as provided in this section.

(2) Trustees acting as officers of the savings bank, whose duties require and receive their regular and faithful attendance at the institution, and the trustees appointed as a committee to examine the vouchers and assets pursuant to RCW 32.16.100, to perform the duties required by RCW 32.16.040(2), or to render other special services as members of committees provided for in the bylaws, may receive such compensation as in the opinion of a majority of the board of trustees shall be just and reasonable; but such majority shall be exclusive of any trustee to whom such compensation is voted.

(3) An attorney for a savings bank, although he is a trustee thereof, may receive a reasonable compensation for his professional services, including examinations and certificates of title to real property on which mortgage loans are made by the savings bank; or if the bank requires the borrowers to pay all expenses of searches, examinations, and certificates of title, including the drawing, perfecting, and recording of papers, such attorney may collect of the borrower and retain for his own use the usual fees for such services, excepting any commissions as broker or on account of placing or accepting such mortgage loans.

(4) If an officer or attorney of a savings bank receives, on any loan made by the bank, any commission which he is not authorized by this section to retain for his own use, he shall immediately pay the same over to the savings bank.

32.16.060 Change in number of trustees. The board of trustees of every savings bank may, by resolution incorporated in its by-

laws, increase or reduce the number of trustees named in the original charter or certificate of authorization.

(1) The number may be increased to a number designated in the resolution not exceeding thirty: *Provided*, That reasons therefor are shown to the satisfaction of the supervisor and his written consent thereto is first obtained.

(2) The number may be reduced to a number designated in the resolution but not less than nine. The reduction shall be effected by omissions to fill vacancies occurring in the board.

32.16.070 Restrictions on trustees. (1) A trustee of a savings bank shall not

(a) Have any interest, direct or indirect, in the gains or profits of the savings bank, except to receive dividends (i) upon the amounts contributed by him to the guaranty fund and the expense fund of the savings bank as provided in RCW 32.08.090 and 32.08.100, and (ii) upon any deposit he may have in the bank, the same as any other depositor and under the same regulations and conditions.

(b) Become a member of the board of directors of a bank, trust company, or national banking association of which board enough other trustees of the savings bank are members to constitute with him a majority of the board of trustees.

(2) Neither a trustee nor an officer of a savings bank shall

(a) For himself or as agent or partner of another, directly or indirectly use any of the funds or deposits held by the savings bank, except to make such current and necessary payments as are authorized by the board of trustees.

(b) Receive directly or indirectly and retain for his own use any commission on or benefit from any loan made by the savings bank, or any pay or emolument for services rendered to any borrower from the savings bank in connection with such loan, except as authorized by RCW 32.16.050.

(c) Become an indorser, surety, or guarantor, or in any manner an obligor, for any loan made by the savings bank.

(d) For himself or as agent or partner of another, directly or indirectly borrow any of the funds or deposits held by the savings bank, or become the owner of real property upon which the savings bank holds a mortgage. A loan to or a purchase by a corporation in which he is a stockholder to the amount of fifteen percent of the total outstanding stock, or in which he and other trustees of the savings bank hold stock to the amount of twenty-five percent of the total outstanding stock, shall be deemed a loan to or a purchase by such trustee within the meaning of this section, except when the loan to or purchase by such corporation occurred without his knowledge or against his protest. A deposit in a bank shall not be deemed a loan within the meaning of this section.

32.16.080 Removal of trustees—Vacancies—Eligibility to reelection. (1) Whenever, in the judgment of three-fourths of the trustees, the conduct and habits of a trustee of any savings bank are of such character as to be injurious to such bank, or he has been guilty of acts that are detrimental or hostile to the interests of the bank, he may be removed from office, at any regular meeting of the trustees, by the affirmative vote of three-fourths of the total number thereof: *Provided*, That a written copy of the charges made against him has been served upon him personally at least two weeks before such meeting, that the vote of such trustees by ayes and noes is entered in the record of the minutes of such meeting, and that such removal receives the written approval of the supervisor which shall be attached to the minutes of such meeting and form a part of the record.

(2) The office of a trustee of a savings bank shall immediately become vacant whenever he

(a) Fails to comply with any of the provisions of RCW 32.16.020 relating to his official oath and declaration;

(b) Becomes disqualified for any of the reasons specified in RCW 32.16.010(2);

(c) Has failed to attend the regular meetings of the board of trustees, or to perform any of his duties as trustee, for a period of six successive months, unless excused by the board for such failure;

(d) Violates any of the provisions of RCW 32.16.070 imposing restrictions upon trustees and officers, except subsection (2) (c) thereof.

(3) A trustee who has forfeited or vacated his office shall not be eligible to reelection, except when the forfeiture or vacancy occurred solely by reason of his

(a) Failure to comply with the provisions of RCW 32.16.020, relating to his official oath and declaration; or

(b) Neglect of his official duties as prescribed in subsection (2) (c) of this section; or

(c) Disqualification through becoming a nonresident, or becoming a trustee, officer, clerk or other employee of another savings bank, or becoming a director of a bank, trust company, or national banking association under the circumstances specified in RCW 32.16.070(1) (b) and such disqualification has been removed.

32.16.090 Removal of trustee, officer or employee on objection of supervisor. Whenever the supervisor finds that any trustee, officer, or employee of any savings bank is dishonest, reckless, or incompetent, or fails to perform any duty of his office, he shall notify the board of trustees of such savings bank, in writing, of his objections to any such trustee, officer or employee, and such

board shall within twenty days after receiving such notification meet and consider such objections, first giving notice to the supervisor of the time and place of such meeting. If the board finds the objections to be well-founded, such trustee, officer or employee shall be immediately removed.

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

32.16.110 Officers. The board of trustees shall elect from their number, or otherwise, a president and two vice presidents and such other officers as they may deem fit.

32.16.120 Fidelity bonds. The trustees of every savings bank shall have power to require from the officers, clerks, and agents thereof such security for their fidelity and the faithful performance of their duties as the trustees deem necessary. Such security may be accepted from any company authorized to furnish fidelity bonds and doing business under the laws of this state, and the premiums therefor may be paid as a necessary expense of the savings bank.

Chapter 32.20

INVESTMENTS

32.20.010 Definitions. The words "mutual savings bank" and "savings bank," whenever used in this chapter, shall mean a mutual savings bank organized and existing under the laws of the state of Washington.

The words "its funds," whenever used in this chapter, shall mean and include moneys deposited with a mutual savings bank, sums credited to the guaranty fund of a mutual savings bank, and the income derived from such deposits or fund, or both.

32.20.020 Investments limited by chapter. A mutual savings bank shall have the power to invest its funds in the manner hereinafter in this chapter specified and not otherwise.

32.20.030 Bonds or obligations of United States and Canada. A mutual savings bank may invest its funds in the bonds or obligations of the United States or 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 the interest and principal, including bonds of the District of Columbia: *Provided*, That in the case of bonds of the Dominion or those for which its faith is pledged the interest and principal is 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.

32.20.040 Federally insured or secured loans, securities, etc. A mutual savings bank may invest its funds:

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

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

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

(4) In capital stock, notes, bonds, debentures, or other such obligations of any national mortgage association.

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

(6) In notes or bonds secured by mortgages issued under sections 500 to 505, inclusive, of Title III of the Servicemen's Readjustment Act of 1944 (Public Law 346, 78th congress), and any amendments thereto, and the regulations, orders or rulings promulgated thereunder.

No law of this state prescribing the nature, amount, or form of security or requiring security upon which loans or advances of credit may be made or prescribing or limiting interest rates upon loans or advances of credit, or prescribing or limiting the period for which loans or advances of credit may be made shall be deemed to apply to loans, advances of credit or purchases made pursuant to the foregoing subdivisions (1), (2), (3), (4), (5), and (6).

32.20.050 Bonds of state of Washington and its agencies. A mutual savings bank may invest its funds in the bonds or interest bearing obligations of this state, or any agency thereof, issued pursuant to the authority of any law of this state, whether such bonds or interest bearing obligations are general or limited obligations of the state or such agency.

32.20.060 Bonds of other states. A mutual savings bank may invest its funds in the bonds or obligations of any other state of the United States upon which there is no default.

32.20.070 Bonds and warrants of counties, municipalities, etc., of Washington. A mutual savings bank may invest its funds in the valid warrants or bonds of any county, city, town, school district, port district, water district, or other municipal corporation in the state of Washington issued pursuant to law and for the payment of which the faith and credit of such county, municipality, or district is pledged and taxes are leviable upon all taxable property within its limits.

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

32.20.080 Municipal bonds in adjoining state. A mutual savings bank may invest its funds in the valid bonds of any incorporated city having a population in excess of three thousand inhabitants as shown by the last decennial federal census or of any county or school district situated in one of the states of the United States which adjoins the state of Washington: *Provided*, That the indebtedness of such city or school district, together with the indebtedness of any other district or other municipal corporation or subdivision (except a county) which is wholly or in part included within the boundaries or limits of the city or school district, less its water debt and sinking fund, does not exceed twelve percent, or the indebtedness of the county less its sinking fund does not exceed seven percent, of the valuation thereof for the purposes of taxation.

32.20.090 Municipal bonds in any state. A mutual savings bank may invest its funds in the bonds of any county, incorporated city, or the school district of any such city, situated in the United States: *Provided*, That such county, city, or school district has a population as shown by the federal census next preceding the investment, of not less than forty-five thousand inhabitants, and has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount, and at the time of the investment the indebtedness of such county does not exceed seven percent of the valuation of such county for the purposes of taxation, or the indebtedness of such city or school district, together with the indebtedness of any district (other than local improvement district) or other municipal cor-

poration or subdivision, except a county, which is wholly or in part included within the bounds or limits of said city or school district, less its water debt and sinking fund, does not exceed twelve percent of the valuation of such city or school district for purposes of taxation: *Or provided*, That such county, city, or school district has a population as shown by the last decennial federal census of not less than one hundred fifty thousand inhabitants, and has taxable real property with an assessed valuation in excess of two hundred million dollars, and has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount.

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

32.20.110 District bonds secured by taxing power. A mutual savings bank may invest its funds in the bonds of any port district, water district, sanitary district, sewer district, tunnel district, bridge district, flood control district, park district, or highway district in the United States which has a population as shown by the last decennial federal census of not less than one hundred fifty thousand inhabitants, and has taxable real property with an assessed valuation in excess of two hundred million dollars and has power to levy taxes on the taxable real property therein for the payment of the bonds without limitation of rate or amount.

32.20.120 Local improvement district bonds. A mutual savings bank may invest not to exceed fifteen percent of its funds in the bonds or warrants of any local improvement district of any city or town of this state (except bonds or warrants issued for an improvement consisting of grading only), unless the total indebtedness of the district after the completion of the improvement for which the bonds or warrants are issued, plus the amount of all other assessments of a local or special nature against the land assessed or liable to be assessed to pay the bonds, exceed fifty percent of the value of the benefited property, exclusive of improvements, at the time the bonds or warrants are purchased or taken by the bank, according to the actual valuation last placed upon the property for general taxation.

Before any such bonds or warrants are purchased or taken as security the condition of the district's affairs shall be ascertained

and the property of the district examined by at least two members of the board of investment who shall report in writing their findings and recommendations; and no bonds or warrants shall be taken unless such report is favorable, nor unless the executive committee of the board of trustees after careful investigation is satisfied of the validity of the bonds or warrants and of the validity and sufficiency of the assessment or other means provided for payment thereof: *Provided*, That, excepting bonds issued by local improvement districts in cities of the first or second class, for improvements ordered after June 7, 1927, no local improvement district bonds falling within the twenty-five percent in amount of any issue last callable for payment, shall be acquired or taken as security.

32.20.130 Bonds of irrigation, diking, drainage districts. A mutual savings bank may invest not to exceed five percent of its funds in the bonds of any irrigation, diking, drainage, diking improvement, or drainage improvement district of this state, unless the total indebtedness of the district after the completion of the improvement for which the bonds are issued, plus the amount of all other assessments of a local or special nature against the land assessed or liable to be assessed to pay the bonds, exceeds forty percent of the value of the benefited property, exclusive of improvements, at the time the bonds are purchased or taken by the bank, according to the actual valuation last placed upon the property for general taxation.

Before any such bonds are purchased or taken as security the condition of the district's affairs shall be ascertained and the property of the district examined by at least two members of the board of investment of the mutual savings bank, who shall report in writing their findings and recommendations; and no bonds shall be taken unless such report is favorable, nor unless the executive committee of the board of trustees after careful investigation is satisfied of the validity of the bonds and of the sufficiency of the assessment or other means provided for payment thereof: *Provided*, That no mutual savings bank shall invest a sum greater than three percent of its funds, or, in any event, more than three hundred thousand dollars, in the bonds of any one district described in this section.

32.20.140 Railroad obligations. A mutual savings bank may invest its funds in the obligations of a railroad corporation, other than a street railroad corporation, which comply with the following requirements:

(1) For a period of six years prior to the investment the railroad corporation shall have paid punctually the matured principal and interest of its bond indebtedness and shall either (a) own and op-

erate not less than five hundred miles of standard gauge railroad, exclusive of sidings, in the United States or the Dominion of Canada, or (b) have had operating revenues of at least ten million dollars each year for at least five of the six fiscal years next preceding the investment, and

(2) In each of the six fiscal years next preceding the investment the railroad corporation shall either (a) have had earnings, after deducting rent for hire of equipment and joint facilities from total income, of not less than the remaining deductions from total income as defined in the accounting regulations of the interstate commerce commission, and in the fiscal year next preceding the investment have had earnings, after deducting rent for hire of equipment and joint facilities from total income, of not less than one and one-half times the remaining deductions from total income as defined in such accounting regulations, and which obligations shall be either (i) fixed interest bearing bonds secured by a mortgage on railroad property operated by the railroad corporation, or (ii) bonds secured by a first mortgage upon terminal, depot, bridge, or tunnel property, including lands, buildings, and appurtenances used in the service of transportation by a railroad corporation, or (iii) collateral trust bonds secured by irrevocable pledge of other railroad bonds, which pledged bonds are legal investments for mutual savings banks under this chapter, and which pledged bonds have a par value not less than the par value of the bonds they secure, or (b) in at least five of the six fiscal years next preceding the investment have had earnings, after deducting rent for hire of equipment and joint facilities from total income, of not less than twice the remaining deductions from total income as defined by the accounting regulations of the interstate commerce commission.

Not more than fifteen percent of the funds of any savings bank shall be invested in the bonds, notes, and certificates defined herein and in RCW 32.20.150, and not more than three percent of its funds shall be invested in the bonds, notes, and certificates of any one such railroad corporation.

32.20.150 Railway mortgage bonds. A mutual savings bank may invest its funds in the mortgage bonds of any class one railroad, as defined by the interstate commerce commission, meeting the following requirements:

(1) Such railroad shall have carried fifty net revenue ton miles per year each year for the five years next preceding the proposed investment for each dollar of mortgage bonds of the funded debt of the railroad prior or equal in lien to such bonds, and

(2) Such railroad shall have had a traffic density of at least one million net revenue ton miles per mile of line mortgaged to secure

such bonds each and every year for a period of at least five years prior to the investment by the bank in such bonds, and

(3) The trust indentures of such bonds and of any bonds prior in lien to such bonds secured by mortgages on said railroad and portions thereof shall prohibit the issuance of any additional bonds equal or prior in lien to such bonds except for the purpose of retiring existing prior lien bonds.

32.20.160 Railroad equipment obligations or equipment trust certificates. A mutual savings bank may invest not to exceed fifteen per cent of its funds in railroad equipment obligations or equipment trust certificates which comply with the following requirements:

(1) They must be the whole or part of an issue originally made payable within not more than fifteen years in annual or semi-annual installments substantially equal in amount, beginning not later than one year after the date of the issue;

(2) They must be secured by or be evidence of a prior or preferred lien upon or interest in, or of reservation of title to, the equipment in respect of which they have been issued or sold, or by an assignment of or prior interest in the rent or purchase notes given for the hiring or purchase of such equipment;

(3) The total amount of principal of such issue of equipment obligations or trust certificates shall not exceed eighty-five per cent of the cost or purchase price of the equipment in respect of which they were issued.

32.20.170 Utility bonds. A mutual savings bank may invest its funds in the bonds of any corporation which at the time of the investment is incorporated under the laws of the United States or any state thereof, or the District of Columbia, and is transacting the business of supplying electrical energy, or artificial gas or natural gas purchased and supplied in substitution for, or in mixture with, artificial gas, for light, heat, power, and other purposes, or of supplying water for municipal, industrial, and domestic use, or is transacting any or all of such business: *Provided*, That at least seventy-five per cent of the gross operating revenues of the corporation are derived from such business, and not more than fifteen per cent of the gross operating revenues are derived from any one kind of business other than supplying electricity or gas or electricity and gas or water: *Provided further*, That the corporation is subject to regulation by a public service commission or public utility commission, or other similar regulatory body duly established by the laws of the United States or the states in which the corporation operates, subject to the following conditions:

(1) The corporation shall make public in each year a statement and a report giving the income account covering the previous fiscal

year and a balance sheet showing in reasonable detail the assets and liabilities at the end of the year;

(2) The outstanding fully paid capital stock of the corporation shall be equal to at least two-thirds of the total debt secured by mortgage lien on any part or all of its property: *Provided*, That in the case of a corporation having nonpar value shares, the amount of capital which the shares represent shall be the capital as shown by the books of the corporation;

(3) The corporation shall have been in existence for a period of not less than eight fiscal years and at no time within the period of eight fiscal years next preceding the date of the investment shall the corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed, or guaranteed, but the period of life of the corporation, together with the period of life of any predecessor corporation or corporations from which a major portion of its property was acquired by consolidation, merger, or purchase shall be considered together in determining the required period;

(4) For a period of five fiscal years next preceding the investment the net earnings of the corporation shall have averaged per year not less than twice the average annual interest charges on its total funded debt applicable to that period, and for the last fiscal year preceding such investment such net earnings shall have been not less than twice the interest charges for a full year on its total funded debt outstanding at the time of such investment, and for such period the gross operating revenues of the corporation shall have averaged per year not less than one million dollars;

(5) In determining the qualifications of any bond under this section where a corporation has acquired its property or any substantial part thereof within five years immediately preceding the date of the investment by consolidation or merger, or by the purchase of all or a substantial portion of the property of any other corporation or corporations, the gross operating revenues, net earnings, and interest charges of the several predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of subdivision (4) of this section have been complied with;

(6) The gross operating revenues and expenses of a corporation for the purposes of this section shall be, respectively, the total amount earned from the operation of, and the total expense of maintaining and operating, all property owned and operated by or leased and operated by the corporation, as determined by the system of accounts prescribed by the public service commission, or public utility commission or other similar regulatory body having jurisdiction. The gross operating revenues and expenses, as

defined above, of subsidiary companies may be included: *Provided*, That all the mortgage bonds and a controlling interest in the stock or stocks of the subsidiary companies are pledged as part security for the mortgage debt of the principal company;

The net earnings of any corporation for the purpose of this section shall be the balance obtained by deducting from its gross operating revenues, its operating and maintenance expenses, taxes other than federal and state income taxes, rentals, and provisions for renewals and retirements of the physical assets of the corporation, and by adding to said balance its income from securities and miscellaneous sources but not, however, to exceed fifteen percent of said balance;

(7) The bonds must be part of an issue of not less than one million dollars and must be mortgage bonds secured by a first or refunding mortgage secured by property owned and operated by the corporation issuing or assuming them, or must be underlying mortgage bonds secured by property owned and operated by the corporations issuing or assuming them: *Provided*, That such bonds are to be refunded by a junior mortgage providing for their retirement: *Provided further*, That the bonds under the junior mortgage comply with the requirements of this section, and that the underlying mortgage is either a closed mortgage or remains open solely for the issue of additional bonds which are to be pledged under the junior mortgage. The aggregate principal amount of bonds secured by the first or refunding mortgage plus the principal amount of all the underlying outstanding bonds shall not exceed sixty percent of the value of the physical property owned as shown by the books of the corporation and subject to the lien of the mortgage or mortgages securing the total mortgage debt: *Provided*, That if a refunding mortgage, it must provide for the retirement on or before the date of their maturity of all bonds secured by prior liens on the property.

Not more than fifteen percent of the funds of any mutual savings bank shall be invested in the bonds defined herein and in RCW 32.20.180 and not more than three percent of its funds shall be invested in the bonds of any one such corporation.

This section amended by sec. 4, chap. 80, Laws of 1955.

32.20.180 Telephone company bonds. A mutual savings bank may invest its funds in the bonds of any corporation which at the time of the investment is incorporated under the laws of the United States or any state thereof, or the District of Columbia, and is authorized to engage, and is engaging, in the business of furnishing telephone service in the United States: *Provided*, That the corporation is subject to regulation by the federal communications commission or a public service commission, or public utility commission, or other similar federal or state regulatory body, duly

established by the laws of the United States or the states in which such corporation operates, subject to the following conditions:

(1) The corporation shall have been in existence for a period of not less than eight fiscal years and at no time within the period of eight fiscal years next preceding the date of the investment shall the corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed, or guaranteed, but the period of life of the corporation together with the period of life of any predecessor corporation or corporations from which a major portion of its property was acquired by consolidation, merger or purchase shall be considered together in determining the required period; and the corporation shall make public in each year a statement and a report giving the income account covering the previous fiscal year and a balance sheet showing in reasonable detail the assets and liabilities at the end of the year;

(2) The outstanding fully paid capital stock of the corporation shall at the time of the investment be equal to at least two-thirds of the total debt secured by all mortgage liens on any part or all of its property;

(3) For a period of five fiscal years next preceding the investment the net earnings of the corporation shall have averaged per year not less than twice the average annual interest charges on its total funded debt applicable to that period, and for the last fiscal year preceding such investment such net earnings shall have been not less than twice the interest charges for a full year on its total funded debt outstanding at the time of such investment, and for such period the gross operating revenues of the corporation shall have averaged per year not less than one million dollars;

(4) The bonds must be part of an issue of not less than one million dollars and must be secured by a first or refunding mortgage, and the aggregate principal amount of bonds secured thereby, plus the principal amount of all underlying outstanding bonds shall not exceed sixty percent of the value of the property real and personal owned absolutely and subject to the lien of the mortgage: *Provided*, That if a refunding mortgage, it must provide for the retirement of all bonds secured by prior liens on the property. Not more than thirty-three and one-third percent of the property required as security for the bonds in order to comply with the provisions of this subdivision may consist of stock or unsecured obligations of affiliated or other telephone companies, or both;

(5) In determining the qualifications of any bond under this section where a corporation has acquired its property or any substantial part thereof within five years immediately preceding the date of the investment by consolidation or merger or by the pur-

chase of all or a substantial portion of the property of any other corporation or corporations, the gross operating revenues, net earnings, and interest charges of the several predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of subdivision (3) of this section have been complied with;

(6) The gross operating revenues and expenses of a corporation for the purpose of this section shall be respectively the total amount earned from the operation of, and the total expense of maintaining and operating, all property owned and operated by or leased and operated by the corporation, as determined by the system of accounts prescribed by the federal communications commission or the public service commission, or public utility commission, or other similar federal or state regulatory body having jurisdiction;

(7) The net earnings of any corporation for the purpose of this section shall be the balance obtained by deducting from its gross operating revenues, its operating and maintenance expenses, provision for depreciation of the physical assets of the corporation, taxes other than federal and state income taxes, rentals, and miscellaneous charges, and by adding to the balance its income from securities and miscellaneous sources but not, however, to exceed fifteen percent of the balance. The term funded debt shall be construed to mean all interest bearing debt maturing more than one year from date of issue.

32.20.190 Telephone and electric company bonds, notes, etc. A mutual savings bank may invest not to exceed five percent of its funds in the bonds, notes, or debentures of corporations engaged in the business of furnishing telephone service or electrical energy, meeting the following requirements, even though less than seventy-five percent of the gross revenues are derived from the operation of such property:

(1) Such corporation shall be subject to regulation by the interstate commerce commission, or by the federal communications commission or by a similar regulatory body of the United States, or by the public service commission or similar regulatory body of the states in which it operates;

(2) The official reports issued by the corporation for a period of ten fiscal years next preceding the investment in any such bonds, notes, or debentures shall show annual gross revenues of not less than fifty million dollars during any year;

(3) Such corporation shall have paid regularly and promptly each and every year for ten years next preceding the investment, the matured interest and matured principal of all its indebtedness, direct, guaranteed, or assumed;

(4) The net earnings of the corporation available for fixed charges for the ten year period next preceding such investment shall have been not less than three times such fixed charges during any year;

(5) Such bonds, notes, or debentures shall be part of an original issue of at least five million dollars; and

(6) Not more than two percent of the funds of any mutual savings bank shall be invested in such bonds, notes, or debentures of any one such corporation.

32.20.200 Obligations of industrial corporations. A mutual savings bank may invest not to exceed fifteen percent of its funds in such interest bearing obligations of industrial corporations incorporated under the laws of the United States, or any state thereof, or the District of Columbia, as are legal for investment by savings banks in the state of New York.

This Section repealed by Sec. 7, Chap. 80, Laws of 1955.

32.20.210 Obligations of International Bank for Reconstruction and Development. A mutual savings bank may invest not to exceed five percent of its funds in interest bearing obligations of the International Bank for Reconstruction and Development.

32.20.220 Bankers' acceptances and bills of exchange. A mutual savings bank may invest not to exceed twenty percent of its funds in bankers' acceptances and bills of exchange of the kind and character following:

(1) Bankers' acceptances, and bills of exchange made eligible by law for rediscount with federal reserve banks, provided the same are accepted by a bank or trust company which is a member of the federal reserve system and which has a capital and surplus of not less than two million dollars.

(2) Bills of exchange drawn by the seller on the purchaser of goods and accepted by such purchaser, of the kind made eligible by law for rediscount with federal reserve banks, provided the same are indorsed by a bank or trust company which is a member of the federal reserve system and which has a capital and surplus of not less than two million dollars.

The aggregate amount of the liability of any bank or trust company to any mutual savings bank, whether as principal or indorser, for acceptances held by such savings bank and deposits made with it, shall not exceed twenty-five percent of the paid up capital and surplus of such bank or trust company, and not more than five percent of the funds of any mutual savings bank shall be invested in the acceptances of or deposited with a bank or trust company of which a trustee of such mutual savings bank is a director.

32.20.230 Notes secured by collateral securities or real estate mortgages. A mutual savings bank may invest its funds in prom-

issory notes payable to the order of the savings bank, secured by the pledge or assignment of any bonds, warrants, or interest bearing obligations lawfully purchasable by a savings bank, or secured by pledge or assignment of one or more real estate mortgages of the class described in RCW 32.20.250 and 32.20.270, but no such loan shall exceed ninety percent of the cash market value of such securities so pledged. Should any of the securities so held in pledge depreciate in value after the making of such loan, the savings bank shall require an immediate payment of such loan, or of a part thereof, or additional security therefor, so that the amount loaned thereon shall at no time exceed ninety percent of the market value of the securities so pledged for such loan.

32.20.240 Notes secured by pledge of passbook. A mutual savings bank may invest its funds in promissory notes made payable to the order of the savings bank, secured by the pledge and assignment of the passbook of the mutual savings bank as collateral security for the payment thereof. No such loan shall exceed the balance due the holder of such passbook as shown therein.

32.20.250 Real estate mortgages. A mutual savings bank may invest not to exceed seventy percent of its funds in loans secured by first mortgages on real estate subject to the following restrictions:

In all cases of loans upon real property, a note secured by a mortgage on the real estate upon which the loan is made shall be taken by the savings bank from the borrower;

The savings bank shall also be furnished by the borrower, either

(1) A complete abstract of title of the mortgaged property, which abstract shall be signed by the person or corporation furnishing the abstract of title, and which abstract shall be examined by a competent attorney and shall be accompanied by his opinion approving the title and showing that the mortgage is a first lien; or

(2) A policy of title insurance; or

(3) A duplicate certificate of ownership issued by a registrar of titles.

The real estate subject to such first mortgage must be improved to such extent that the net annual income thereof or reasonable annual rental value thereof in the condition existing at the time of making the loan is sufficient to pay the annual interest accruing on such loan in addition to taxes and insurance and all accruing charges and expenses.

No loan on real estate shall be for an amount greater than sixty percent of the value of such real estate, including improvements, except that in the case of property improved with a single family occupancy detached dwelling not more than fifteen years old, such loan may be for an amount not greater than two-thirds of the value of such real estate, including improvements, or if such

dwelling is not more than two years old and is occupied by the owner, such loan may be for an amount not greater than eighty percent of the first ten thousand dollars of value and fifty percent of the remainder of the value of such real estate, including improvements; and in the event such savings bank obtains, as additional collateral, an assignment of a policy or policies of life insurance issued by a company authorized to do business in this state, such loan may exceed the limits herein specified, but such excess shall not be more than eighty percent of the cash surrender value of such assigned life insurance.

No mortgage loan shall be made in excess of fifty percent of the value of the security unless its terms require the payment of principal and interest in annual, semiannual, quarterly or monthly payments, at a rate which if continued would repay the loan in full in not more than twenty years, beginning within one year and continuing until the loan is reduced to fifty percent or less of the value of the security.

The mortgage shall contain provisions requiring the mortgagor to maintain insurance on the buildings on the mortgaged premises to such reasonable amount as shall be stipulated in the mortgage, the policy to be deposited with the savings bank and to be payable to it in event of loss: *Provided*, That the savings bank may, at its option, forego insurance in either of the following cases:

- (1) A loan upon agricultural land, or
- (2) A loan upon a feehold interest in urban property subject to an outstanding lease.

A loan may be made on real estate which is to be improved by a building or buildings to be constructed with the proceeds of such loan, if it is arranged that such proceeds will be used for that purpose and that when so used the property will be improved to the extent required by this section.

No mortgage loan, or renewal or extension thereof for a period of more than one year, shall be made except upon written application showing the date, name of the applicant, the amount of loan requested, and the security offered, nor except upon the written report of at least two members of the board of investment of the bank certifying on such application according to their best judgment the value of the property to be mortgaged; and the application and written report thereon shall be filed and preserved with the savings bank records.

Every mortgage and assignment of a mortgage taken or held by a savings bank shall be taken and held in its own name, and shall immediately be recorded in the office of the county auditor of the county in which the mortgaged property is located.

A mortgage on real estate shall be deemed a first mortgage and lien within the meaning of this section even though

(1) There is outstanding upon the real estate a lease to which the mortgage is subject, and two members of the board of investment of the bank deem the lease advantageous to the owner of the mortgaged property, and the mortgagee in case of foreclosure of the mortgage can compel the application upon the mortgage debt of substantially all the rents thereafter to accrue; and/or

(2) There are outstanding nondelinquent taxes or special assessments or both, and the sum of the assessments and the amount of the loan does not exceed the limits herein specified.

This Section amended by Sec. 5, Chap. 80, Laws of 1955.

32.20.260 Real estate contracts. Limits of total investment in contracts and certain mortgages. A mutual savings bank may invest not to exceed fifteen percent of its funds in contracts for the sale of real estate subject to the following restrictions:

(1) That it acquire the title in fee to the property covered by such contract;

(2) That the property subject to the contract is such as would be eligible, and that the balance owing thereon is no greater and is payable within the times prescribed under RCW 32.20.250 for a mortgage loan secured by the property;

(3) That the purchaser shall not be in default in any of the terms of the contract.

The total amount which a mutual savings bank may invest in contracts for the sale of realty, mortgages upon real estate and participations therein, and mortgages upon leasehold estates shall not exceed seventy percent of its funds.

32.20.270 First mortgages upon leaseholds. A mutual savings bank may invest its funds in loans secured by first mortgages upon leasehold estates in improved real property, subject to the following restrictions:

In all cases of loans upon leasehold estates, a note secured by a mortgage upon the leasehold interest upon which the loan is made shall be taken by the savings bank from the borrower.

The savings bank shall also be furnished by the borrower, either

(1) A complete abstract of title of the mortgaged property, which abstract shall be signed by the person or corporation furnishing the abstract of title, and which abstract shall be examined by a competent attorney and shall be accompanied by his opinion approving the title and showing that the mortgage is a first lien upon the leasehold estate; or

(2) A policy of title insurance; or

(3) A duplicate certificate of ownership issued by a registrar of titles.

The leasehold estate subject to such mortgage must be an interest in real estate in a city which has a population in excess of one hundred thousand according to the latest decennial federal census.

The mortgage shall contain provisions requiring the mortgagor to maintain insurance on the buildings in such reasonable amount as shall be stipulated in the mortgage, the policy to be payable to the savings bank in case of loss.

No mortgage loan upon a leasehold, or any renewal or extension thereof for a period of more than six months, shall be made except on a written application showing the date, the name of the applicant, the amount of the loan requested, and the security offered, nor except upon the written report of at least two members of the board of investment of the bank certifying upon such application according to their best judgment the value of the leasehold interest to be mortgaged and recommending the loan; and the application and written report thereon shall be filed with the bank records.

Every leasehold mortgage and every assignment of a leasehold mortgage taken or held by a savings bank shall be taken and held in its own name and shall immediately be recorded in the office of the county auditor of the county in which the property under lease is situated.

No mutual savings bank shall loan upon a leasehold interest in real estate unless,

(1) The lease contains a provision requiring the feeholder or his successors in interest to notify, in writing, the holder of any mortgage on the leasehold estate of any default on the part of the lessee in the performance of the obligations of the lease within ten days after such default occurs and unless the lease also provides that in the event of default of the lessee in the performance of any of the covenants of the lease, no forfeiture of the lease shall take place until thirty days after the holder of the mortgage on the leasehold estate has been served by the feeholder or his successors in interest with written notice of the default and of intention to forfeit the lease, or

(2) In the event the lease does not contain the provisions above described, the savings bank, prior to such loan, has obtained an agreement from the owner of the feehold to notify the savings bank of any default on the part of the lessee in the performance of the obligations of the lease within ten days after such default occurs, and that in event of default of the lessee in performance of any of the covenants of the lease, no forfeiture of the lease shall take place until thirty days after the savings bank has been served by the feeholder or his successors in interest with written notice

of the default and of intention to forfeit the lease. Such agreement shall be signed by the owner of the feehold estate and by all other persons or corporations holding a mortgage or other interest in the feehold estate, and shall be in such form as to bind their successors in interest, and shall be immediately recorded in the office of the county auditor of the county in which the property is situated.

No loan shall be made upon a leasehold interest in real estate for a period in excess of ten years, or in any case where the lease is to expire in less than twenty years, nor upon a leasehold interest where the lease has run less than five years at the date of making or purchasing the loan.

No loan shall be made upon a leasehold interest in real estate unless its terms require substantially equal semiannual, quarterly or monthly payments which, if continued at the same rate, would extinguish the debt at least ten years prior to the expiration of the lease.

Whenever used in this section the words "annual gross income" of the leasehold estate shall mean the sum remaining after deducting all of the expenses of operation, repairs, maintenance, cost of management, taxes, assessments and insurance premiums, for a given year, from the gross revenue of that year.

Whenever used in this section the words "minimum gross income" shall be the least annual gross income, as above defined, actually obtained during the three-year period preceding the date of the loan.

Whenever used in this section the words "standard annual rental" shall mean the maximum rental to be paid under the lease during the life of the loan and for a period ending three years after the maturity of the loan. In event the rental during the life of the loan, and including a period ending three years after the maturity of the loan, is uniform, then such uniform rental shall be the standard annual rental.

Whenever used in this section the words "standard net income" shall mean the remainder obtained by deducting the standard annual rental from the minimum annual gross income as above defined.

Whenever used in this section the words "appraised value of the leasehold estate" shall mean the sum obtained by a summation of the present values of a series of annual payments each equal in amount to the standard net income for the unexpired period of the leasehold estate. In the calculation of present value of future income such income shall be subjected to compound discount at a rate not less than eight per cent per annum.

No savings bank shall make any loan upon a leasehold estate unless the standard net income thereof as above defined shall be equal to or greater than the standard annual rental.

In event the standard net income is greater than, but less than twice, the standard annual rental, the savings bank may loan not to exceed thirty-five percent of the appraised value of the leasehold estate as defined herein.

In event the standard net income is greater than twice but less than four times the standard annual rental, the savings bank may loan not to exceed forty percent of the appraised value of the leasehold estate as defined herein.

In event the standard net income is greater than four times but less than eight times the standard annual rental, the savings bank may loan not to exceed forty-five percent of the appraised value of the leasehold estate as defined herein.

In event the standard net income is greater than eight times the standard annual rental, the savings bank may loan not to exceed fifty percent of the appraised value of the leasehold estate as defined herein.

Not more than seventy-five percent of the funds of a mutual savings bank shall be invested in mortgage loans upon real estate or real estate leaseholds or both.

32.20.275 First mortgages participated in by others. A mutual savings bank may invest in loans secured by first mortgages which are eligible for investment by such banks, the making or holding of which is participated in by others. The note, mortgage and insurance may run to the participants as their interests may appear and may be held by any one of the participants.

32.20.280 Investments in real estate. A mutual savings bank may invest its funds in real estate as follows:

(1) A tract of land whereon there is or may be erected a building or buildings suitable for the convenient transaction of the business of the savings bank, from portions of which not required for its own use revenue may be derived: *Provided*, That the cost of the land and building or buildings for the transaction of the business of the savings bank shall in no case exceed twenty-five percent of the guaranty fund of the savings bank, except with the approval of the supervisor; and before the purchase of such property is made, or the erection of a building or buildings is commenced, the estimate of the cost thereof, and the cost of the completion of the building or buildings, shall be submitted to and approved by the supervisor;

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

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

All real estate purchased by any such savings bank, or taken by

it in satisfaction of debts due it, shall be conveyed to it directly by name, and the conveyance shall be immediately recorded in the office of the proper recording officer of the county in which such real estate is situated.

Every parcel of real estate purchased or acquired by a savings bank, shall be sold by it within five years from the date on which it was purchased or acquired, or in case it was acquired subject to a right of redemption, within five years from the date on which the right of redemption expires, unless:

(1) There is a building thereon occupied by the savings bank as its offices, or

(2) The supervisor, on application of the board of trustees of the savings bank, extends the time within which such sale shall be made.

32.20.290 Depository of funds. No savings bank shall deposit any of its funds with any bank, trust company, or other moneyed corporation or concern which has not been approved by the supervisor as a depository for the savings bank's funds and designated a depository by vote of a majority of the trustees of the savings bank, exclusive of any trustee who is an officer, director, or trustee of or who is interested in the depository so designated.

32.20.300 Reserved.

32.20.310 Deposit of securities. A savings bank may deposit securities owned by it, for safekeeping, with any duly designated depository for the bank's funds. The written statement of the depository that it holds for safekeeping specified securities of a savings bank may be taken as evidence of the facts therein shown by any public officer or any officer of the bank or committee of its trustees whose duty it is to examine the affairs and assets of the bank.

32.20.320 Investment of funds—Working fund. The trustees of every savings bank shall as soon as practicable invest the moneys deposited with it in the securities prescribed in this title: *Provided*, That for the purpose of paying withdrawals in excess of receipts, and meeting accruing expenses, or for the purpose of awaiting a more favorable opportunity for judicious investment, any such bank may keep on hand or on deposit in one or more banks or trust companies in this state or in the city of New York, state of New York, the city of Chicago, state of Illinois, the city of Portland, state of Oregon, or the cities of San Francisco or Los Angeles, state of California, an available fund not exceeding twenty percent of the aggregate amount credited to its depositors, but the sum deposited by any such savings bank in any one bank or trust company shall not exceed twenty-five percent of the paid

up capital and surplus of the bank or trust company in which the deposit is made, and no more than five percent of the aggregate amount credited to the depositors of any such savings bank shall be deposited in a bank or trust company of which a trustee of such savings bank is a director.

Chapter 32.24

INSOLVENCY AND LIQUIDATION

32.24.010 Liquidation of solvent bank. If the trustees of any solvent mutual savings bank deem it necessary or expedient to close the business of such bank, they may, by affirmative vote of not less than two-thirds of the whole number of trustees, at a meeting called for that purpose, of which one month's notice has been given, either personally or by mailing such notice to the post office address of each trustee, declare by resolution their determination to close such business and pay the moneys due depositors and creditors and to surrender the corporate franchise. Subject to the approval and under the direction of the supervisor, such savings bank may adopt any lawful plan for closing up its affairs, as nearly as may be in accordance with the original plan and objects.

32.24.020 Procedure to liquidate and dissolve. When the trustees, acting under the provisions of RCW 32.24.010, have paid the sums due respectively to all creditors and depositors, who, after such notice as the supervisor of banking shall prescribe, claim the money due and their deposits, the trustees shall make a transcript or statement from the books in the bank of the names of all depositors and creditors who have not claimed or have not received the balance of the credit due them, and of the sums due them, respectively, and shall file such transcript with the supervisor and pay over and transfer all such unclaimed and unpaid deposits, credits, and moneys to the supervisor. The trustees shall then report their proceedings, duly verified, to the superior court of the county wherein the bank is located, and upon such report and the petition of the trustees, and after notice to the attorney general and the supervisor, and such other notice as the court may deem necessary, the court shall adjudge the franchise surrendered and the existence of the corporation terminated. Certified copies of the judgment shall be filed in the offices of the secretary of state, supervisor of banking and auditor of the county wherein the bank is located and shall be recorded in the office of the secretary of state.

32.24.030 Transfer to another bank for consolidation or liquidation. A mutual savings bank may for the purpose of consolidation or voluntary liquidation transfer its assets and liabilities to another mutual savings bank, by the affirmative vote or with the written

consent of two-thirds of the whole number of its trustees, but only with the written consent of the supervisor and upon such terms and conditions as he may prescribe.

Upon any such transfer being made, or upon the liquidation of any such mutual savings bank for any cause whatever, or upon its being no longer engaged in the business of a mutual savings bank, the supervisor shall terminate its certificate of authority, which shall not thereafter be revived or renewed. When the certificate of authority of any such corporation has been revoked, it shall forthwith collect and distribute its remaining assets, and when that is done, the supervisor shall certify the fact to the secretary of state, whereupon the corporation shall cease to exist and the secretary of state shall note the fact upon his records.

In case of the consolidation with or voluntary liquidation of a mutual savings bank by another mutual savings bank, as herein provided, any sums advanced by its incorporators, or others, to create or maintain its guaranty fund or its expense fund shall not be liabilities of such mutual savings bank unless the mutual savings bank, so assuming its liabilities shall specifically undertake to pay the same, or a stated portion thereof.

32.24.040 Unsafe practices—Notice to correct. Whenever it appears to the supervisor that any mutual savings bank is conducting its business in an unsafe manner or that it refuses to submit its books, papers, or concerns to lawful inspection, or that any trustee or officer thereof refuses to submit to examination on oath touching its concerns, or that it has failed to carry out any authorized order or direction of the supervisor, such supervisor may give notice to the mutual savings bank so offending or delinquent or whose trustee or officer is thus offending or delinquent to correct such offense or delinquency, and if the mutual savings bank fails to comply with the terms of such notice within thirty days from the date of its issuance, or within such further time as the supervisor may allow, then the supervisor may take possession of such mutual savings bank as in the case of insolvency.

32.24.050 Liquidation of bank in unsound condition or insolvent. Whenever it appears to the supervisor that any offense or delinquency referred to in RCW 32.24.040 renders a mutual savings bank in an unsound or unsafe condition to continue its business, or that it has suspended payment of its obligations, or is insolvent, such supervisor may take possession thereof without notice.

Upon taking possession of any mutual savings bank, the supervisor shall forthwith proceed to liquidate the business, affairs, and assets thereof and such liquidation shall be had in accordance with the provisions of law governing the liquidation of insolvent banks and trust companies.

32.24.060 Possession by supervisor—Bank may contest. Within ten days after the supervisor takes possession thereof, a mutual savings bank may serve notice upon such supervisor to appear before the superior court in the county wherein such corporation is located, at a time to be fixed by said court, which shall not be less than five nor more than fifteen days from the date of the service of such notice, to show cause why such corporation should not be restored to the possession of its assets. Upon the return day of such notice, or such further day as the matter may be continued to, the court shall summarily hear said cause and shall dismiss the same, if it finds that possession was taken by the supervisor in good faith and for cause, but if it finds that no cause existed for the taking possession of such corporation, it shall require the supervisor to restore the bank to the possession of its assets and enjoin him from further interference therewith without cause.

32.24.070 Receiver prohibited except in emergency. No receiver shall be appointed by any court for any mutual savings bank, nor shall any assignment of any such bank for the benefit of creditors be valid, excepting only that a court otherwise having jurisdiction may in case of imminent necessity appoint a temporary receiver to take possession of and preserve the assets of the mutual savings bank. Immediately upon any such appointment, the clerk of the court shall notify the supervisor by telegram and mail of such appointment and the supervisor shall forthwith take possession of the mutual savings bank, as in case of insolvency, and the temporary receiver shall upon demand of the supervisor surrender up to him such possession and all assets which have come into his hands. The supervisor shall in due course pay such receiver out of the assets of the mutual savings bank such amount as the court shall allow.

32.24.080 Transfer of assets when insolvent—Penalty. Every transfer of its property or assets by any mutual savings bank in this state, made in contemplation of insolvency, or after it has become insolvent, with the view to the preference of one creditor over another, or to prevent equal distribution of its property and assets among its creditors, shall be void. Every trustee, officer, or employee making any such transfer shall be guilty of a felony.

Chapter 32.98**CONSTRUCTION**

32.98.010 Continuation of existing law. The provisions of this title insofar as they are substantially the same as statutory provisions repealed by this chapter and relating to the same subject matter, shall be construed as restatements and continuations, and not as new enactments.

32.98.020 Title, chapter, section headings not part of law. Title headings, chapter headings, and section or subsection headings, as used in this title do not constitute any part of the law.

32.98.030 Invalidity of part of title not to affect remainder. If any provision of this title, or its application to any person or circumstance is held invalid, the remainder of the title, or the application of the provision to other persons or circumstances is not affected.

32.98.050 Repeals and saving. The following acts or parts of acts are each repealed:

- (1) Chapter 175, Laws of 1915;
- (2) Chapter 156, Laws of 1921;
- (3) Chapter 86, Laws of 1925, extraordinary session;
- (4) Chapter 184, Laws of 1927;
- (5) Chapter 74, Laws of 1929;
- (6) Chapter 123, Laws of 1929;
- (7) Sections 1, 2, and 4 through 12, chapter 132, Laws of 1931;
- (8) Chapter 10, Laws of 1935;
- (9) Chapter 87, Laws of 1935;
- (10) Chapter 95, Laws of 1937;
- (11) Chapter 15, Laws of 1941;
- (12) Chapter 135, Laws of 1945;
- (13) Chapter 228, Laws of 1945;
- (14) Chapter 119, Laws of 1949;
- (15) Chapter 238, Laws of 1953;

but such repeals shall not be construed as affecting any existing right acquired under the provisions of the statutes repealed, nor as affecting any proceeding instituted thereunder.

32.98.060 Emergency. 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.

Passed the House January 26, 1955.

Passed the Senate January 31, 1955.

Approved by the Governor February 8, 1955.