

CHAPTER 80.

[ S. B. 73. ]

MUTUAL SAVINGS BANKS.

AN ACT relating to mutual savings banks; amending section 32.04.030, chapter 13, Laws of 1955 and RCW 32.04.030, and section 32.04.080, chapter 13, Laws of 1955 and RCW 32.04-.080, and section 32.12.070, chapter 13, Laws of 1955 and RCW 32.12.070, and section 32.20.170, chapter 13, Laws of 1955 and RCW 32.20.170, and section 32.20.250, Laws of 1955 and RCW 32.20.250; and amending chapter 13, Laws of 1955 and chapter 32.20 RCW by adding a new section thereto to be known as section 32.20.330; and repealing section 32.20.200, chapter 13, Laws of 1955 and RCW 32.20.200.

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

SECTION 1. Section 32.04.030, chapter 13, Laws of 1955, and RCW 32.04.030 are each amended to read as follows: Amendment.

(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. Offices.

(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 establish and operate branches but only upon the conditions and subject to the limitations following: Branch banks.

(a) If its guaranty fund is not less than the aggregate paid-in capital which would be required by law as a prerequisite to the establishment and operation of an equal number of branches in like locations by a bank.

(b) Branches may be established in any county of the state; and

(c) A branch shall not be established at a place at which the supervisor would not permit a pro-

posed 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.

Amendment.

SEC. 2. Section 32.04.080, chapter 13, Laws of 1955, and RCW 32.04.080 are each amended to read as follows:

Pensions for employees.

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. The board of trustees of a savings bank may set aside from current earnings reserves in such amounts as the board shall deem wise to provide for the payment of future pensions.

Amendment.

SEC. 3. Section 32.12.070, chapter 13, Laws of 1955, and RCW 32.12.070 are each amended to read as follows:

Computation of earnings; gross current operating 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 interest accrued upon its debts deducted at the last previous calculation of net earnings for dividend purposes;

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

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

(d) Contributions to any corporation or any community chest fund or foundation organized and operated exclusively for religious, charitable, scien-

tific, literary or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual and no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation. The total contributions for any calendar year shall not exceed a sum equal to one-half of one percent of the net earnings of such savings bank for the preceding calendar year.

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

Dividends or interest.

(3) Earnings paid by a savings bank on deposits may be referred to as "dividends" or as "interest".

Amendment.

SEC. 4. Section 32.20.170, chapter 13, Laws of 1955, and RCW 32.20.170, are each amended to read as follows:

Investment of funds in certain 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 percent of the gross operating revenues of the corporation are derived from such business, and not more than fifteen percent 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 cor-

poration 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;

Conditions  
utilities must  
meet.

(2) The outstanding fully paid capital stock together with premiums thereon and the surplus 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 non-par 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.

Limitation on  
investments.

SEC. 5. Section 32.20.250, chapter 13, Laws of 1955, and RCW 32.20.250 are each amended to read as follows:

Amendment.

A mutual savings bank may invest not to exceed

Investment in  
real estate  
mortgages.

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 or its agent or trustee and to be payable to the savings bank 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 re-

quested, 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 of 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.

New section.

SEC. 6. Chapter 13, Laws of 1955, and RCW 32.20, are each amended by adding thereto a new section to be known as section 32.20.330, to read as follows:

Investment in obligations of industrial corporations, etc.

Section 32.20.330. Obligations of industrial corporations. A mutual savings bank may invest not to exceed fifteen percent of its funds in such interest bearing obligations issued, guaranteed or assumed by corporations commonly accepted as industrial corporations or engaged in manufacturing, mining, merchandising or commercial financing, incorporated under the laws of the United States, or any state

thereof, or the District of Columbia, as mature within thirty years from the time of the investment, subject to the following conditions:

(1) Not more than two percent of said bank's funds shall be invested in such obligations of any one such corporation. Conditions.

(2) During the five years next preceding the investment for which the necessary statistical data is available, such corporation shall have had

(a) Net sales, or gross income, averaging not less than ten million dollars annually.

(b) Net income available for dividends averaging not less than one million dollars annually.

(c) Net income, after deducting reserves, regularly recurring charges for amortization of discount, expenses allocable to funded debt, and all other charges except interest, and income and profits taxes, of not less than four times the interest charges during said five years.

(d) Net income, computed as described in subdivision (2) (c) above:

(i) In two or more of said years not less than twice the interest charges during said years.

(ii) In the last year of said years not less than three times the interest charges for that year, including annual interest charges on the funded debt outstanding at the time of the investment (excluding all debt which has been called for redemption or which otherwise matures within six months from the time of the investment, and for the payment of which funds have been set aside in trust).

(3) The latest published balance sheet of such corporation shows:

(a) Its total debt including current liabilities does not exceed fifty percent of its gross assets, less reserves, and

(b) Its current assets are not less than two times current liabilities. In computing current assets and

current liabilities, there shall be eliminated from current assets, cash and United States Government notes, bonds, Treasury bills, and certificates of indebtedness in an amount not in excess of Federal income and excess profits taxes included in current liabilities, and there shall be eliminated from current liabilities such Federal income and excess profits taxes in an amount not in excess of the amount eliminated from current assets.

(4) Such obligations have been:

(a) Registered with the Securities and Exchange Commission, and

(b) Rated among the four highest classifications of two or more nationally recognized investment rating services.

(5) In determining the qualifications of any obligation 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 subdivisions (2) and (3) of this section have been complied with.

Repeal.

Savings.

SEC. 7. Repeals and saving. Section 32.20.200, chapter 13, Laws of 1955 and RCW 32.20.200 are each repealed but such repeal shall not be construed as affecting the legality of any investment made pursuant to the provisions of the statute repealed prior to the effective date of this act.

Passed the Senate February 1, 1955.

Passed the House February 23, 1955.

Approved by the Governor March 4, 1955.