

## CHAPTER 222

[Engrossed House Bill No. 642]

## MUTUAL SAVINGS BANKS

AN ACT Relating to mutual savings banks; amending section 32.20.270, chapter 13, Laws of 1955 as last amended by section 7, chapter 145, Laws of 1967 and RCW 32.20.270; amending section 6, chapter 80, Laws of 1955, and RCW 32.20.330; amending section 16, chapter 55, Laws of 1969 and RCW 32.20.255; adding a new section to chapter 13, Laws of 1955 and to chapter 32.04 RCW; adding a new section to chapter 13, Laws of 1955 and to chapter 32.16 RCW; and adding new sections to chapter 13, Laws of 1955 and to chapter 32.20 RCW; and directing the codification of one such section.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

NEW SECTION. Section 1. There is added to chapter 13, Laws of 1955 and to chapter 32.04 RCW a new section to read as follows:

Any pension payment or retirement benefits payable by a mutual savings bank to a former officer or employee, or to a person or persons entitled thereto by virtue of service performed by such officer or employee, in the discretion of a majority of all the trustees of such bank, may be supplemented from time to time. Whenever the trustees of the bank shall have formulated and adopted a plan providing for such supplemental payments, within ten days thereafter said trustees shall 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 appropriate to provide for the payments of future supplemental payments.

NEW SECTION. Sec. 2. There is added to chapter 13, Laws of 1955 and to chapter 32.16 RCW a new section to read as follows:

In the event a savings and loan association is converted to a mutual savings bank, any person, who at the time of such conversion was a director of the savings and loan association, may serve as a trustee of the mutual savings bank until he reaches the age of seventy-five years or until one year following the date of conversion of such savings and loan association, whichever is later. The bylaws of any mutual savings bank may modify this provision by requiring earlier retirement of any trustee affected hereby.

NEW SECTION. Sec. 3. There is added to chapter 13, Laws of

1955 and to chapter 32.20 RCW a new section to read as follows:

A mutual savings bank may invest its funds in loans to banks or trust companies which mature on the next business day following the day of making such loan. The loans may be evidenced by any writing or ledger entries deemed adequate by the mutual savings bank and may be secured or unsecured. The loans made hereunder are payable on the same basis as are regular deposits in such banks, and therefore the transactions may be characterized for accounting and statement purposes and carried on the books of the mutual savings bank as either a deposit with or a loan to the bank.

NEW SECTION. Sec. 4. There is added to chapter 13, Laws of 1955 and to chapter 32.20 RCW a new section to read as follows:

A mutual savings bank may invest its funds in the purchase of United States government securities from a bank or trust company, subject to the selling bank's or trust company's agreement to repurchase such securities on the business day next following their purchase by the mutual savings bank. The securities may be purchased at par, or at a premium or discount, as the mutual savings bank may agree, and may be characterized for accounting and statement purposes and carried on the books of the mutual savings bank as such securities to the extent of their market value, and as due from such banks or trust companies to the extent that the repurchase price agreed to be paid exceeds such market value.

Sec. 5. Section 32.20.270, chapter 13, Laws of 1955 as last amended by section 7, chapter 145, Laws of 1967 and RCW 32.20.270 are each amended to read as follows:

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 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, or the proceeds of such policy to be impounded or payable to a trustee for use in repairing or rebuilding or replacing improvements on the leasehold.

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 loan shall be made upon a leasehold interest in real estate for a period in excess of ~~((twenty-five))~~ thirty years, or in any case where the term of the loan will exceed eighty percent of the unexpired term of the lease.

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 five years prior to the expiration of the lease.

No loan on a leasehold estate shall be for an amount greater than ~~((seventy-five))~~ eighty percent of the value of such leasehold estate. A loan may be made on a leasehold 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 qualify under this section.

Sec. 6. Section 6, chapter 80, Laws of 1955 and RCW 32.20.330 are each amended to read as follows:

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 communications, transportation, furnishing utility or telephone services, manufacturing, mining, merchandising or commercial financing, incorporated under the laws of the United States, or any state thereof, or the District of Columbia, or the Dominion of Canada, or any province thereof, 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, pursuant to this section or otherwise.

(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)) at the time of purchase are ((:

{a} Registered with the Securities and Exchange Commission; and

{b}) rated among the ((four)) three 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))

NEW SECTION. Sec. 7. There is added to chapter 13, Laws of 1955 and to chapter 32.20 RCW a new section to be codified as RCW 32.20.217, to read as follows:

A mutual savings bank may invest not to exceed five percent of its funds in obligations issued or guaranteed by the Asian Development Bank.

Sec. 8. Section 16, chapter 55, Laws of 1969 and RCW 32.20.255 are each amended to read as follows:

A mutual savings bank may invest its funds in real estate contracts and in loans secured by real estate mortgages or deeds of trust or real estate contracts not otherwise eligible for investment by the savings bank, which are prudent real estate ~~(loans)~~ investments for the bank in the opinion of its board of trustees or of officers or committees designated by the board, whose action is ratified by the board at its regular meeting next following the investment. The total amount a mutual savings bank may invest pursuant to this section shall not exceed ~~((twenty-five))~~ fifty percent of the total of its guaranty fund, undivided profits, and unallocated reserves.

NEW SECTION. Sec. 9. If any provision of this 1971 amendatory act, or its application to any person or circumstance is held invalid, the remainder of the act, or the application of the provision to other persons or circumstances is not affected.

Passed the House March 25, 1971.

Passed the Senate May 4, 1971.

Approved by the Governor May 21, 1971.

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