

NEW SECTION. Sec. 22. 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.

NEW SECTION. Sec. 23. Sections 1 through 15 of this act shall constitute a new chapter in Title 41 RCW.

NEW SECTION. Sec. 24. If any provision of this 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 April 20, 1981.  
Passed the Senate April 15, 1981.  
Approved by the Governor May 19, 1981.  
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CHAPTER 312

[Engrossed Senate Bill No. 3928]  
INDUSTRIAL LOAN COMPANIES

AN ACT Relating to industrial loan companies; amending section 3, chapter 172, Laws of 1923 as amended by section 1, chapter 71, Laws of 1929 and RCW 31.04.040; amending section 8, chapter 172, Laws of 1923 as last amended by section 3, chapter 19, Laws of 1941 and RCW 31.04.090; amending section 9, chapter 172, Laws of 1923 as last amended by section 4, chapter 19, Laws of 1941 and RCW 31.04.100; amending section 14, chapter 172, Laws of 1923 and RCW 31.04.140; amending section 15, chapter 172, Laws of 1923 as amended by section 6, chapter 19, Laws of 1941 and RCW 31.04.150; and amending section 19, chapter 172, Laws of 1923 and RCW 31.04.220.

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

Section 1. Section 3, chapter 172, Laws of 1923 as amended by section 1, chapter 71, Laws of 1929 and RCW 31.04.040 are each amended to read as follows:

The supervisor of banking shall collect in advance the following fees:

For filing application for certificate of authority and attendant investigation as required by the law, the cost thereof, but not less than ..... \$((+00-00))500.00  
(If the cost of such attendant examination shall exceed \$((+00-00)) 500.00, the applicant shall pay such excess when ascertained by the supervisor of banking.)

<u>For filing application for branch certificate of authority or its relocation and attendant examination as required by law, the cost thereof, but not less than . . . . .</u>	<u>100.00</u>
<u>(If the cost of such attendant investigation exceeds \$100.00, the applicant shall pay such excess when ascertained by the supervisor of banking.)</u>	
For filing articles of incorporation, or amendments thereof, or other certificates required to be filed in his office . . . . .	<del>((+0.00))</del> <u>100.00</u>
For issuing a certificate of increase or decrease of capital stock . . . . .	<del>((+0.00))</del> <u>100.00</u>
For issuing each certificate of authority . . . . .	<del>((+0.00))</del> <u>100.00</u>
<del>((For furnishing copies of papers filed in his office, per folio . . . . .</del>	<del>20))</del>

Every industrial loan company shall also pay to the secretary of state or county auditor for filing any instrument with him the same fees as are required of general corporations for filing corresponding instruments, and also the same license fees as are required of general corporations.

Sec. 2. Section 8, chapter 172, Laws of 1923 as last amended by section 3, chapter 19, Laws of 1941 and RCW 31.04.090 are each amended to read as follows:

Every corporation under the provisions of this chapter shall have power:

(1) To lend money and to deduct interest therefor in advance at the rate of ten percent per annum, or less; to agree with the borrower for the payment of an aggregate amount for expenses incurred and services rendered in connection with the investigation of the character and circumstances of the borrower and the security offered in connection with his loan, and for servicing and maintaining the said loan and security, which amount shall not in any event exceed an initial charge of two dollars on a loan under one hundred dollars or a maximum of two percent of any loan of one hundred dollars or more, and which initial charge may be deducted from said loan in advance, and a charge of fifty cents per month to be collected monthly during the actual period that said loan or any part thereof remain unpaid; to require the borrower to purchase simultaneously with the loan transaction, or otherwise, and pledge as security therefor, an investment certificate of the character described in subdivision (2) of this section, in an amount ~~((not exceeding one-fifth more than))~~ equal to the amount of the ~~((loan made))~~ note. Upon maturity of the note, the borrower may, at his option, surrender the investment certificate. No additional charge shall be made except to reimburse the corporation for money actually expended to any public officer

for filing and recording any instrument securing such loan or in connection therewith. No charge shall be collected unless a loan shall have been made.

(2) Subject to the limitations provided in this chapter, to sell or negotiate written evidences of debt, to be known as "investment certificates," for the payment of money by the corporation at any time, and bearing interest, as therein designated, and to receive payment therefor in full or in installments; to charge a penalty of five cents or less on each dollar of such installment payments delinquent one full week or more. No interest shall be collected on delinquent installments. No certificate or securities of any nature shall be sold at a price in excess of the actual book value of the certificate or securities sold. The issuance of written evidences of debt authorized by this subdivision shall be subject to the provisions of RCW 31.04.230.

(3) To borrow money (~~and to sell and negotiate for cash its promissory notes~~). Nothing contained in this subdivision or in subdivision (2) of this section shall be construed as authorizing the corporation to receive deposits or to issue certificates of deposit or to create any liability due on demand.

(4) To establish branches subject to the approval and authority of the supervisor of banking.

(5) Conferred upon corporations by RCW 31.04.120.

Sec. 3. Section 9, chapter 172, Laws of 1923 as last amended by section 4, chapter 19, Laws of 1941 and RCW 31.04.100 are each amended to read as follows:

No corporation under the provisions of this chapter shall:

(1) Make any loan, on the security of makers, comakers, endorsers, sureties or guarantors, for a longer period than two years from the date thereof.

(2) Hold at any one time the primary obligation, or obligations of any person, firm or corporation, for more than ~~((two))~~ fifteen percent of the amount of the paid-up capital and surplus of such industrial loan company.

(3) Hold at any one time the obligation or obligations of persons, firms, or corporations purchased from any person, firm or corporation in excess of twenty percent of the aggregate paid-up capital and surplus of such industrial loan company.

(4) Make any loans secured by chattel mortgage for a longer period than two years from the date thereof.

(5) Make any loan or discount on the security of its own capital stock, or be the purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith. Stock so purchased or acquired shall be sold at public or private sale or otherwise disposed of within ninety days from the time of its purchase or acquisition.

(6) Invest any of its funds, otherwise than as herein authorized, except in such investments as are by law legal investments for commercial banks.

(7) Make any loan or discount, nor shall any officer or employee thereof on behalf of such corporation, make any loan or discount directly or indirectly to any director, officer or employee of such corporation.

(8) Have outstanding at any time its promissory notes or other evidences of debt in an aggregate sum in excess of three times the aggregate amount of its paid-up capital and surplus, exclusive of investment certificates hypothecated with the corporation issuing them.

(9) Exact a surrender charge on investment certificates issued by the corporation.

(10) Deposit any of its funds with any other moneyed corporation, unless such corporation has been designated as such depository by a vote of the majority of the directors or the executive committee, exclusive of any director who is an officer, director or trustee of the depository so designated.

(11) Make any loan or discount secured by real estate ~~((for))~~ with a total note, less interest and investigation fee in an amount in excess of ~~((seventy-five))~~ ninety percent of the value of such real estate and improvements, including all prior liens against the same: PROVIDED, That for any such loan with a term in excess of two years, the interest rate charged shall not exceed twenty-five percent per annum.

(12) Have outstanding at any time investment certificates issued in the name of any one person, firm or corporation for an amount in excess of ~~((two and one-half))~~ fifteen percent of its paid-up capital and surplus.

(13) Pledge or hypothecate any of its securities to any creditor except that it may borrow and rediscount an amount not to exceed in the aggregate three times the amount of the paid-up capital and surplus thereof, and may pledge as security for amounts borrowed assets of the corporation not exceeding one and one-half times the amount borrowed and may pledge as security for amounts rediscounted assets of the corporation not exceeding one-half the amount rediscounted.

Sec. 4. Section 14, chapter 172, Laws of 1923 and RCW 31.04.140 are each amended to read as follows:

Every corporation under the provisions of this chapter, shall make to and file with, the supervisor of banking a regular report on, or before, ~~((January 10th and July 10th))~~ March 1st of each year, showing the true condition of the corporation as of the preceding December 31st ~~((and June 30th))~~, according to form prescribed by said supervisor, verified by the president, manager or treasurer and attested by at least two directors. Every such corporation shall make and file special reports when and as called for by said supervisor.

Sec. 5. Section 15, chapter 172, Laws of 1923 as amended by section 6, chapter 19, Laws of 1941 and RCW 31.04.150 are each amended to read as follows:

(1) It shall be the duty of the supervisor of banking, his deputy, or examiner, without previous notice to visit each corporation under the provisions of this chapter, at least once in each year and oftener if necessary, for the purpose of making a full investigation into the ~~((condition))~~ compliance of such corporation~~((, and))~~ with the provisions of this chapter and rules adopted thereunder. For that purpose they are hereby empowered to administer oaths and to examine under oath any director, officer, employee or agent of such corporation. Said supervisor of banking may make such other full or partial examinations as he deems necessary; any wilful false swearing in any examination shall be perjury.

(2) The supervisor of banking is hereby authorized and empowered to make such general rules and regulations and such specific rulings, demands, and findings as may be necessary for the proper conduct of such business and the enforcement of this chapter, in addition hereto and not inconsistent herewith.

(3) The industrial loan company shall keep and use in its business such books, accounts, and records as will enable the supervisor of banking to determine whether such industrial loan company is complying with the provisions of this chapter and with the rules and regulations lawfully made by the supervisor of banking hereunder. Every industrial loan company shall preserve such books, accounts, and records for at least two years after making the final entry recorded therein.

(4) No industrial loan company shall advertise, print, display, publish, distribute, or broadcast or cause or permit to be advertised, printed, displayed, published, distributed, or broadcast, in any manner whatsoever, any statement or representation with regard to the rates, terms or conditions for the lending of money which is false, misleading, or deceptive. The supervisor of banking may order any industrial loan company to desist from any conduct which he shall find to be a violation of the foregoing provisions.

(5) Whenever the supervisor of banking shall make any findings or shall issue any specific order or demand, then such industrial loan company thereby affected may, within thirty days from date of service of notice, appeal to the superior court of the state of Washington for Thurston county. The appeal shall be perfected by filing it, together with proof of service, with the clerk of the superior court of Thurston county. The supervisor of banking shall, within fifteen days after the date of filing of such notice of appeal, make and certify a transcript of the evidence and all of the records and papers on file in his office relating to the order appealed from, and the supervisor of banking shall forthwith file the same in the office of the clerk of said superior court. The reasonable costs of preparing of such transcripts shall be assessed by the court as part of the costs. A trial shall be had in said superior court de novo. The industrial loan company shall be deemed the plaintiff and the state of Washington the defendant. Each party shall be entitled to subpoena witnesses and produce evidence to sustain the findings

and order or demand of the supervisor. Either party may appeal from the judgment of said superior court of the state of Washington as in other civil actions.

Sec. 6. Section 19, chapter 172, Laws of 1923 and RCW 31.04.220 are each amended to read as follows:

(1) Every officer, director, agent, stockholder, or employee of a corporation under the provisions of this chapter who shall fraudulently receive money or money's worth in exchange for the issuance of any choses in action of such corporation, when he knows or has good reason to believe that such corporation is insolvent shall be deemed guilty of a felony, and punished upon conviction, thereof, by a fine not exceeding one thousand dollars, or imprisoned in the state penitentiary not exceeding ten years, or both such fine and imprisonment, at the discretion of the court.

(2) Every officer, director, agent, stockholder, or employee of a corporation under the provisions of this chapter, who shall directly or indirectly, receive a bonus, commission, compensation, remuneration, gift, speculative interest or gratuity of any kind from any person, firm, or corporation for granting, procuring or endeavoring to procure, for any person, firm or corporation, any loan by or out of the funds of such corporation, or the purchase or sale of any securities or property for or on account of such corporation, shall be guilty of a felony.

(3) Every officer, director or employee of such corporation who shall borrow or shall knowingly permit any of its officers, directors or employees to borrow any of its funds in violation of the provisions of this chapter, shall be personally liable for any loss or damages which the corporation, its shareholders or any person may sustain in consequence thereof, and shall also be guilty of a felony.

(4) Every corporation under the provisions of this chapter, which fails to file any report, required to be filed by this chapter within the time herein specified shall be subject to a penalty of (~~ten~~) fifty dollars per day for each day's delay—a civil action for the recovery of any such penalty may be brought by the attorney general in the name of the state.

(5) Every person who shall violate, or knowingly aid or abet the violation of any provision of this chapter; for which no penalty has been prescribed, and every person who fails to perform any act which it is made his duty to perform herein and for which failure no penalty has been prescribed, shall be guilty of a misdemeanor. No person who has been convicted for the violation of the banking laws of this or any other state, or of the United States shall be permitted to engage in, or become an officer or official of any corporation organized under the provisions of this chapter.

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