

ation of its condition the estimated actual cost of such examination.

Passed the House February 21, 1929.

Passed the Senate February 20, 1929.

Approved by the Governor March 2, 1929.

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## CHAPTER 74.

[H. B. 49.]

### INVESTMENTS AND DEPOSITS BY MUTUAL SAVINGS BANKS.

AN Act relating to and regulating investments and deposits by mutual savings banks.

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

SECTION 1. The words "mutual savings bank" and "savings bank" whenever used in this act, shall mean a mutual savings bank organized and existing under the laws of the State of Washington. Definitions.

The words "its funds" whenever used in this act, 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 and/or fund.

SEC. 2. A mutual savings bank shall have the power to invest its funds in the manner hereinafter in this act specified and not otherwise. Investments made in accordance with act.

SEC. 3. A mutual savings bank may invest its funds in the bonds or interest bearing notes 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 Bonds of United States; Dominion of Canada.

and principal be payable in the United States or with exchange to a city in the United States and in gold coin of the United States or its equivalent.

Bonds of  
this state.

SEC. 4. A mutual savings bank may invest its funds in the bonds or interest bearing obligations of this state issued pursuant to the authority of any law of this state.

Bonds of  
other states.

SEC. 5. A mutual savings bank may invest its funds in the bonds or interest bearing obligations of any other state of the United States upon which there is no default, and upon which there has been no default for more than ninety days: *Provided*, That within ten years immediately preceding the investment such state has not been in default for more than ninety days in the payment of any part of the principal or interest of any debt duly authorized by the legislature of such state to be contracted by such state since January 1st, 1878.

Bonds or  
warrants  
of city,  
town,  
county,  
school dis-  
trict, port  
district,  
water dis-  
trict, or  
other muni-  
cipal cor-  
poration of  
Washington.

SEC. 6. A mutual savings bank may invest its funds in the valid interest bearing warrants or bonds of any city, town, county, 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 municipality, county or district is pledged and taxes are leviable upon all taxable property within its limits. The bonds of any first or second class city of this state for the payment of which the entire revenue of the city's water system less maintenance and operating costs is irrevocably pledged, even though the bonds are not general obligations of the city.

Bonds of  
city,  
county,  
school  
district,  
village or  
town of  
adjoining  
state.

SEC. 7. A mutual savings bank may invest its funds in the valid bonds of any incorporated city, county, school district, village or town situated in one of the states of the United States which adjoins the State of Washington. If at any time the indebted-

edness of any such city, school district, town or village, 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 said city, school district, town or village, less its water debt and sinking fund, shall exceed twelve per centum, or the indebtedness of any such county less its sinking fund shall exceed seven per centum, of the valuation of said city, county, school district, town or village for the purposes of taxation, its bonds shall thereafter, until such indebtedness shall be reduced to the prescribed limitation, cease to be an authorized investment for the moneys of savings banks.

SEC. 8. A mutual savings bank may invest its funds in the bonds of any incorporated city situated in any other state of the United States: *Provided*, Such city has a population as shown by the federal census next preceding the investment, of not less than forty-five thousand inhabitants, and was incorporated as a city at least twenty-five years prior to the making of the investment, and has not since January 1, 1907, defaulted for more than ninety days in the payment of any part of principal or interest of any bond, note or other indebtedness, or effected any compromise of any kind with the holders thereof, but if at any time the indebtedness of any such city, together with the indebtedness of any district (other than local improvement district) or other municipal corporation or subdivision, except a county, which is wholly or in part included within the bounds or limits of said city, less its water debt and sinking fund, shall exceed twelve per centum of the valuation of such city for purposes of taxation, its bonds shall thereafter, and until such indebtedness shall be reduced to twelve per centum of such valuation, cease to be an authorized invest-

Bonds of  
city of any  
state of  
United  
States.

ment of the moneys of mutual savings banks; or *Provided*, Such city has a population as shown by the last decennial federal census of not less than 150,000 inhabitants, and has taxable real property with an assessed valuation in excess of \$200,000,000, and has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount, its bonds shall be legal for investment by mutual savings banks.

Bonds of  
local  
improvement  
districts.

SEC. 9. A mutual savings bank may invest not to exceed fifteen per cent of its funds in the bonds of any local improvement district of any city or town of this state (except bonds 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 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 per cent 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 who shall report in writing their findings and recommendations; and no bonds shall be taken unless such report be 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 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 or-

dered after June 7, 1927, no local improvement district bonds falling within the twenty-five per cent in amount of any issue last callable for payment, shall be acquired or taken as security.

SEC. 10. A mutual savings bank may invest not to exceed five per cent 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 per cent 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.

Bonds of irrigation, diking, drainage, diking improvement, drainage improvement district of Washington.

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 be 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, however,* That no mutual savings bank shall invest a sum greater than three per cent of its funds, or, in any event, more than three hundred thousand dollars (\$300,000), in the bonds of any one district described in this section.

Affairs and property of district to be examined.

SEC. 11. A mutual savings bank may invest its funds in the following obligations of railroad cor-

Railroad obligations.

Railroad to have 500 miles standard gauge railroad.

Annual operating revenue of \$10,000,000.

porations: Obligations issued, assumed or guaranteed as to principal and interest by endorsement by, or so guaranteed which guaranty has been assumed by, a railroad corporation or a successor railroad corporation thereof, incorporated under the laws of the United States or any state thereof, owning and operating not less than 500 miles of standard gauge railroad, exclusive of sidings: *Provided*, That if the mileage so owned shall be less than 500 miles, the railway operating revenues from the operation of such railroad shall have been not less than \$10,000,000 each year for at least five of the six fiscal years next preceding such investment; or obligations guaranteed as to principal and interest by, or so guaranteed which guaranty has been assumed by, such railroad corporation under the terms of a lease extending to a date not earlier than the maturity of the obligations so guaranteed, which lease shall provide that the rental thereunder shall be not less than twice the fixed charges of the lessor: *Provided further*, That in each year for at least five of the six fiscal years next preceding such investment, the amount of earnings of such railroad corporation after deducting rent for hire of equipment and joint facility rents, if any, from gross income shall have been not less than one and one-half times the remaining deductions from such gross income as defined by the accounting regulations of the interstate commerce commission: *Provided further*, That such railroad corporation each year for at least five out of the six fiscal years next preceding such investment shall have paid dividends in cash upon its capital stock equivalent to at least  $\frac{1}{4}$  of such deductions: *Provided further*, That at no time within such period of six years such railroad corporation shall have failed regularly and punctually to pay the matured principal and interest of all its mortgage indebtedness: *Provided further*,

That all obligations so authorized for investment shall be

(a) Fixed interest bearing bonds secured by direct mortgage on railroad operated by such railroad corporation; or

Bonds secured by direct mortgage.

(b) Bonds secured by first mortgage upon terminal, depot, bridge or tunnel property, including lands, buildings and appurtenances, used in the service of transportation by one or more such railroad corporation, provided that such bonds be the direct obligation of, or that payment of principal and interest thereof be guaranteed by endorsement by, or guaranteed by endorsement which guaranty has been assumed by, one or more such railroad corporations; or

Bonds secured by first mortgage on terminals, etc.

(c) Debenture bonds of such railroad corporation secured by irrevocable pledge as collateral under a trust agreement of other railroad bonds that are legal investment for savings banks under this section, have a maturity not earlier than the bonds that they secure and of a total face amount not less than the total face amount of the bonds that they secure; or

Debenture bonds.

(d) Fixed interest bearing mortgage bonds other than those described in paragraph (a) hereof, income mortgage bonds, collateral trust bonds other than those described in paragraph (c) hereof, or unsecured bonds, issued, assumed or guaranteed as to principal and interest by endorsement by, or so guaranteed which guaranty has been assumed by, such railroad corporation, the amount of earnings of which each year for at least five of the six fiscal years next preceding such investment after deducting rent for hire of equipment and joint facility rents, if any, from gross income shall have been not less than twice the remaining deductions from such gross income as defined by the accounting regulations of the interstate commerce commission, in-

Fixed interest bearing mortgage bonds.

cluding interest on such income mortgage bonds, if any, and the net income of which after such deductions shall have been not less than \$10,000,000 each year for at least five of the six fiscal years next preceding such investment, and which railroad corporation shall have made the dividend and principal and interest payments hereinbefore required: *Provided, further*, That not more than twenty-five per centum of the funds of any savings bank shall be invested in the bonds, notes and certificates defined herein and in section 12 of this act, and not more than five per centum of its funds shall be invested in the bonds, notes and certificates of any one such railroad corporation. Street railroad corporations shall not be considered railroad corporations within the meaning of this section.

SEC. 12. 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 any mutual savings 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.

Mortgage bonds of class one railroad as defined by Interstate Commerce Commission.

Traffic density.

Bonds must prohibit issuance of equal or prior lien bonds.



SEC. 13. 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:

(a) 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.

Railroad equipment obligations.

Payable in not more than 15 years.

(b) 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.

Must be secured by prior or preferred lien.

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

Amount of issue.

(d) The remaining fifteen per centum of said cost or purchase price shall have been paid by or for the account of the corporation so constructing, acquiring, purchasing or leasing said equipment, or by funds loaned or advanced for the purpose by the government of the United States or one of its agencies or instrumentalities but subordinated as to security, in the event of default, to the prior or preferred equipment obligations or equipment trust certificates.

15% of cost of purchase price shall have been paid.

SEC. 14. The words "gross operating revenues" whenever used in this section and in sections 15 and 16 of this act, shall mean and include the total amount earned from the operation of all property owned or operated and/or leased and operated by the corporation as shown by the official reports issued by the corporation.

"Gross operating revenues," defined.

"Operating  
expense,"  
defined.

The words "operating expenses" when used in this section and in sections 15 and 16 of this act, shall mean and include all expenses of operation; current maintenance; all taxes, other than federal and state income taxes; and proper provision for the retirement of the physical property of the corporation.

"Proper  
provision  
for the  
retirement  
of the physi-  
cal property  
of the  
corporation,"  
defined.

The words "proper provision for the retirement of the physical property of the corporation" when used in this section and in sections 15 and 16 of this act, shall mean that for five years next preceding the proposed investment, the amount which the corporation shall have appropriated for retirement reserve, together with any part of the earnings not appropriated for dividends or other purposes but retained as a corporate surplus, shall have averaged per year not less than four per cent of the book value of all physical assets other than land or interest in lands, where such segregation of such assets is available, or shall have averaged per year not less than two and one-half per cent of the book value of all physical assets: *Provided, however,* That in the case of assets utilized in supplying water, the words "proper provision for the retirement of physical property of the corporation" shall mean, that for the five years next preceding, the amount which the corporation shall have appropriated for retirement reserve together with any part of the earnings not appropriated for other purposes but retained as a corporate surplus shall have averaged per year not less than one per cent of the book value of all physical assets, other than land, used in water supply.

"Book value  
of physical  
assets,"  
defined.

Book value of all physical assets wherever used in this section and in sections 15 and 16 of this act shall mean the book cost of the fixed capital of the corporation, less the balance retained in the retirement reserve and less the earned surplus of the

corporation not appropriated for dividends or other purposes, but retained as corporate surplus.

The words "fixed charges" whenever used in this section and in sections 15 and 16 of this act, shall mean and include all rentals for property operated under lease, interest on all indebtedness, guaranteed and assumed interest and dividends, and an amount sufficient to amortize any discount on outstanding securities within a reasonable time.

"Fixed charges," defined.

The words "net earnings of the corporation" whenever used in this section and in sections 15 and 16 of this act, shall mean the balance obtained by deducting from the gross operating revenue the operating expenses of the corporation as herein defined, and by adding to this balance the income of the corporation from securities and miscellaneous sources, but not to exceed, however, fifteen per cent of such balance.

"Net earnings of the corporation," defined.

Corporations supplying water chiefly for the purpose of irrigation shall not be deemed to be engaged in the business of supplying water within the meaning of this section and of sections 15 and 16 of this act.

Corporation supplying water for irrigation.

SEC. 15. A mutual savings bank may invest not to exceed fifteen per cent of its funds in the mortgage bonds of corporations incorporated under the laws of the United States or of any states thereof, and engaged in the business of supplying telephone service, electric energy, artificial gas, and/or water, meeting the following requirements:

Mortgage bonds of telephone, electrical energy, artificial gas, or water companies.

(1) At least seventy-five per cent of the gross operating revenues of such corporation shall be derived from such business and shall have been derived from such business each year for the five years next preceding the proposed investment, unless the corporation shall be engaged in the business of furnishing telephone service or electrical energy and

75% of gross operating revenue to be derived from business.

shall meet the requirements of section 16 of this act.

Corporation to be subject to regulation of public service commission.

(2) The corporation shall be subject to regulation by a public service commission or other similar regulatory body duly established by the laws of the United States or of the states in which such corporation transacts such business.

Official reports of corporation to show operating revenue of one million dollars, regular payment of indebtedness, and net earnings.

(3) For a period of at least five fiscal years next preceding the investment by any mutual savings bank in the bonds of any such corporation the official reports issued by the corporation shall show:

(a) Gross operating revenues of at least one million dollars for each of said years;

(b) That such corporation has paid regularly and promptly the matured interest and matured principal of all its indebtedness, direct, guaranteed or assumed; and

(c) That the net earnings of such corporation shall have averaged per year not less than twice the average annual fixed charges and for the last fiscal year preceding such investment such net earnings shall have been not less than twice the fixed charges for the full year:

*Provided, however,* That where any such corporation shall have acquired its property or any substantial part thereof within the period of the five fiscal years next preceding, either by purchase from or merger or consolidation with any other corporation or corporations, the gross operating revenues, net earnings and fixed charges of the several predecessor or constituent corporations shall be consolidated and adjusted for the purpose of determining the qualifications of the bonds under the requirements of this section.

Bonds to be part of original issue.

(4) The bonds of such corporation shall comply with the following requirements:

(a) The bonds shall be part of an original issue of not less than one million dollars, and

(b) The bonds shall be either

(1) Mortgage bonds secured by a first or refunding mortgage secured by property owned and operated by the corporation issuing or assuming them, or

Bonds secured by first or refunding mortgage.

(2) Senior mortgage bonds secured by property owned and operated by the corporation issuing or assuming them, and which such senior mortgage bonds have been authorized to be refunded and retired by a junior mortgage authorizing refunding bonds which comply with the requirements of this section. Such senior mortgage shall be either a closed mortgage or shall remain open solely for the issue of additional bonds which are to be pledged under such junior mortgage.

Senior mortgage bonds.

(c) The aggregate principal amount of bonds described in this paragraph, secured by first or refunding mortgages, plus the principal amount of all outstanding bonds issued under senior mortgages shall not exceed sixty per cent of the value of the physical property owned as shown by the books of the corporation and subject to the lien of such mortgage or mortgages securing the total mortgage debt.

Bonds not to exceed 60% of value of physical property.

(d) If the bonds are secured by a refunding mortgage such mortgage shall provide for the retirement on or before the date of their maturity of all bonds secured by prior liens on the property.

Refunding mortgage bonds to provide for retirement.

(5) Not more than five per cent of the funds of any mutual savings bank shall be invested in the bonds of any one such telephone, electric, gas and/or water corporation.

Not more than 5% of bank funds to be so invested.

SEC. 16. A mutual savings bank may invest not to exceed five per cent of its funds in the bonds of corporations engaged in the business of furnishing telephone service or electrical energy, meeting the following requirements, even though less than

Five per cent of funds may be invested in telephone and electrical companies deriving less than 75% from operation of property.

seventy-five per cent of the gross revenues is derived from the operation of such property:

(1) Such corporation shall be subject to regulation by the interstate commerce commission 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 shall show annual gross revenues of not less than \$50,000,000.00 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 shall be part of an original issue of at least \$5,000,000.00; and

(6) Not more than two per cent of the funds of any mutual savings bank shall be invested in such bonds of any one such corporation.

SEC. 17. A mutual savings bank may invest not to exceed twenty per cent 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,

Corporation to be subject to regulation of Interstate Commerce Commission and Public Service Commission.

Annual gross revenue of \$50,000,000.

Regular payment of indebtedness for 10 years.

Net earnings for ten years.

Part of original issue of \$5,000,000.

Investment limited to 2% of funds.

Bankers' acceptances and bills of exchange.

Eligible by law for rediscount with federal reserve banks.

Bills of exchange for purchase of goods.

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 per cent of the paid up capital and surplus of such bank or trust company, and not more than five per cent 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.

Amount of liability of bank or trust company for acceptances to be limited.

SEC. 18. A mutual savings bank may invest its funds in promissory notes payable to the order of the savings bank upon demand, 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 sections 20 and 21 of this act, but no such loan shall exceed ninety per centum 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 per cent of the market value of the securities so pledged for such loan.

Promissory notes secured by bonds, warrants, etc.

SEC. 19. A mutual savings bank may invest its funds in promissory notes made payable to the order of the savings bank on demand, secured by the pledge and assignment of the pass book of the

Promissory notes secured by pledge of pass book.

mutual savings bank as collateral security for the payment thereof. No such loan shall exceed the balance due the holder of such pass book as shown herein.

75% in loans secured by first mortgages on real estate.

SEC. 20. A mutual savings bank may invest not to exceed seventy-five per cent of its funds in loans secured by first mortgages on real estate subject to the following restrictions:

Note from borrower required.

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

Abstract of title to be furnished.

(a) 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

Policy of title insurance.

(b) A policy of title insurance; or

Certificate of ownership.

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

Real estate to be improved.

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.

Loan not to exceed 50% of value of real estate.

No loan on real estate shall be for an amount greater than fifty per cent of the value of such real estate, including improvements.

Mortgage to require mortgagor to maintain insurance.

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, however,* That the savings bank may, at its option, forego insurance in either of the following cases:

(a) A loan upon agricultural land, or

(b) A loan upon a feehold interest in urban property subject to an outstanding lease.

Insurance waived in loan of agricultural land or urban property.

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.

Real estate to be improved by building.

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 recommending the loan; and the application and written report thereon shall be filed and preserved with the savings bank records.

Loan or mortgage for more than year only on conditions.

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.

Mortgage or assignment taken in name of bank.

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

Deemed first mortgage although outstanding lease.

(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

Outstanding non-delinquent taxes and assessments.

(2) There are outstanding non-delinquent taxes or special assessments or both, and the sum of the assessments and the amount of the loan does not exceed fifty per cent of the value of the property.

First mortgages upon leasehold estates.

SEC. 21. 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:

Note and first mortgage to be taken.

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

Abstract of title to be furnished.

(a) 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

Policy of title insurance.

(b) A policy of title insurance; or

Certificate of ownership.

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

Leasehold on property in city of 100,000 population.

The leasehold estate subject to such mortgage must be an interest in real estate in a city which has a population in excess of 100,000 according to the latest federal decennial census.

Mortgage to require insurance.

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 mutual 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.

No mortgage or renewal for more than six months, except on conditions.

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.

Mortgage and assignment to be taken in name of bank.

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

(a) 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 shall have occurred and unless the lease also provides that in the event of default of the lessee of 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 shall have been served by the feeholder or his successors in interest with written notice of the default and of intention to forfeit the lease, or

Lease to contain provisions for notice after default and before forfeiture.

(b) In event the lease does not contain the provisions above described, the savings bank, prior to such loan, shall have obtained an agreement from the owner of the feehold to notify the savings bank

Owner may agree to notify bank of default.

of any default on the part of the lessee in the performance of the obligations of the lease within ten days after such default shall have occurred, 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 shall have 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 semi-annual, 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

No loan on leasehold for more than 10 years.

Loan to require equal periodical payments.

"Annual gross income," defined.

"Minimum gross income," defined.

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.

"Standard annual rental," defined.

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.

"Standard net income," 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.

"Appraised value of the leasehold estate," defined.

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.

Income to be equal or greater than 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 per cent of the appraised value of the leasehold estate as defined herein.

When income is less than twice rental 35% of value may be loaned.

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 per cent of the appraised value of the leasehold estate as defined herein.

When income is less than 4 times rental 40% of value may be loaned.

When income less than 8 times rental 45% of value may be loaned.

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 per cent of the appraised value of the leasehold estate as defined herein.

When income is greater than 8 times rental 50% of value may be loaned.

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

Not more than 75% of funds may be invested in real estate mortgages or leaseholds.

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

Real estate investments.

SEC. 22. A mutual savings bank may invest its funds in real estate as follows:

Home office buildings.

(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 per centum of the guaranty fund of the savings bank, except with the approval of the supervisor of banking; 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 of banking;

Acquired in payment of debts.

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

Purchased at sales under judgments or mortgages held by it.

(3) Such lands as such 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.

Purchases and conveyances for debts taken in name of bank.

Every parcel of real estate purchased or acquired by any such 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:

Real estate to be sold within five years, unless—

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

Building occupied as offices of bank.

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

Time extended by supervisor of banking.

SEC. 23. No mutual savings bank shall deposit any of its funds with any bank, trust company or other monied corporation or concern which has not been approved by the supervisor of banking 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.

Funds to be deposited only in depository approved by supervisor of banking.

SEC. 24. A mutual savings bank may deposit securities owned by it, for safe keeping, with any duly designated depository for the bank's funds. The written statement of the depository that it holds for safe keeping 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.

Securities may be deposited with designated depository for bank's funds.

Trustees to  
make invest-  
ments as  
soon as  
practicable.

SEC. 25. The trustees of every mutual savings bank shall as soon as practicable invest the moneys deposited with it in the securities prescribed in this act: *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 per centum 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 per centum of the paid up capital and surplus of the bank or trust company in which the deposit is made, and no more than five per centum 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.

Passed the House February 22, 1929.

Passed the Senate February 21, 1929.

Approved by the Governor March 4, 1929.