

1 IN THE HOUSE

BY MESSRS. TAYLOR, FISHER
AND KALAMARIDES

2 HOUSE BILL NO. 419

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIRST LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act to authorize savings and loan asso-
7 ciations; and providing for an effective
8 date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 Section 1. SHORT TITLE. This Act may be cited as the
11 "Alaska Savings and Loan Act."

12 Sec. 2. DECLARATION OF POLICY. In providing authority for
13 the establishment of savings and loan associations it is the in-
14 tent of the legislature to make available the benefits of savings
15 and loan associations thereby encouraging the practice of thrift
16 and home ownership and promoting the economic development of
17 Alaska. For the accomplishment of these purposes, the legislature
18 intends by this Act to vest in such savings and loan associations
19 those powers generally possessed by state-chartered savings and
20 loan association and to grant to the commissioner of commerce of
21 the State of Alaska authority to promulgate rules and regulations
22 designed to enable savings and loan associations to perform their
23 functions and to carry out the above purposes.

24 Sec. 3. DEFINITIONS. When used in this Act, unless the con-
25 text otherwise requires:

26 (1) "association" means savings and loan associations
27 and building and loan associations, the two terms being synonymous,
28 and the provisions of this Act apply to both alike;

29 (2) "commissioner" means the commissioner of commerce;

1 (3) "supervisor" means the Savings and Loan Supervisor.

2 Sec. 4. SAVINGS AND LOAN SUPERVISOR, APPOINTMENT AND DUTIES.

3 The commissioner shall appoint a savings and loan supervisor,
4 who shall assist the commissioner in enforcing the provisions of
5 this Act.

6 Sec. 5. BOND OF SUPERVISOR. Before entering upon the duties
7 of his office the supervisor shall subscribe to an oath that he
8 will faithfully and impartially discharge the duties of his office
9 and shall furnish to the State of Alaska a surety bond in such
10 amount as the commissioner may require, conditioned that the
11 supervisor will faithfully and honestly discharge the duties of
12 his office or position.

13 Sec. 6. EXAMINATIONS BY SUPERVISOR: REPORT TO COMMISSIONER.

14 a. The supervisor shall annually, or oftener if he deems it
15 advisable, examine the affairs of every association subject to
16 this Act. The supervisor shall have free access to all books and
17 records of an association which relate to its business, and books
18 and records kept by any officer, agent, or employee, relating to
19 or upon which an record of its business is kept, and may summon
20 witnesses and administer oaths or affirmations in the examination
21 of the directors, officers, agents, or employees of any such
22 association or any other person in relation to its affairs, trans-
23 actions, and conditions, and may require and compel the production
24 of records, books, papers, contracts, or other documents by court
25 order, if not voluntarily produced.

26 b. The supervisor shall make a report of his findings and
27 file the same in the office of the commissioner. A full, true
28 and complete copy of the report of all examinations shall be
29 furnished to the association examined. The commissioner shall

1 collect from the association for each examination all actual and
2 necessary expenses thereof. In lieu of such examination, the
3 commissioner may accept any examination made by a federal home
4 loan bank, the federal home loan bank board or by the Federal
5 Savings and Loan Insurance Corporation.

6 Sec. 7. REPORTS AND EXAMINATIONS AS CONFIDENTIAL INFORMA-
7 TION. a. Neither the commissioner, supervisor nor any employee
8 appointed or acting under the provisions of this Act shall divulge
9 any information acquired by them in the discharge of their duties
10 as prescribed by this Act, except insofar as the same may be
11 rendered necessary by law or under order of court, provided that
12 the commissioner may furnish information as to the condition of
13 any association to the federal home loan bank board, the Federal
14 Savings and Loan Insurance Corporation, or any federal home loan
15 bank or to the savings association departments of other states.

16 b. Any official or employee violating any provision of this
17 section, in addition to the penalties provided for violation of
18 any such provision shall be liable to any person or corporation
19 injured by the disclosure of such information for all damages
20 sustained thereby.

21 Sec. 8. ANNUAL REPORT TO COMMISSIONER BY SUPERVISOR. The
22 supervisor shall annually make a report to the commissioner of
23 the general conduct and condition of all savings and loan asso-
24 ciations doing business in this state.

25 Sec. 9. PENALTIES. Violation of Sec. 7 of this Act is
26 punishable, upon conviction, by removal from position or office
27 and by a fine of not more than \$500.00, or imprisonment for not
28 more than one year, or both fine and imprisonment.

29 Sec. 10. INCORPORATION AND ARTICLES. At any time hereafter

1 any five or more individuals, citizens of the United States and
2 residents of this state, may incorporate a savings and loan
3 association under the provisions of this Act. All the provisions
4 of Ch. 126, SLA 1957 (Alaska Business Corporation Act), which are
5 not in conflict with this Act are hereby adopted as parts of this
6 Act, and all rights, privileges and powers and all the duties and
7 obligations of such domestic corporations and of the officers
8 and shareholders thereof shall be as provided in Ch. 126, SLA
9 1957, except as otherwise provided in this Act.

10 (1) The commissioner of revenue shall not issue any
11 certificate to any such association authorizing it to do business
12 until the articles of incorporation shall have been approved by
13 the commissioner of commerce.

14 (2) No amendment to such articles shall be filed by the
15 commissioner of revenue until the same shall have been approved by
16 the commissioner of commerce.

17 (3) In addition to the other facts required to be stated
18 by the Alaska Business Corporation Act, the articles of incorpora-
19 tion shall set forth:

20 (a) the name of the association which shall not
21 too closely resemble that in use by any existing corporation
22 of this state. The words "savings and loan association" or
23 "building and loan association" shall form a part of the
24 name, and persons not organized under this Act shall not
25 use a name embodying either of the above combination of words;

26 (b) a statement that the association is organized
27 under this Act for the purposes herein expressed.

28 Sec. 11. DEPOSIT REQUIRED PRIOR TO COMMENCEMENT OF BUSINESS.

29 No association heretofore or hereafter organized or created under

1 the laws of this state or the laws of any other state, territory
2 or possession of the United States, shall commence or continue
3 to do business in this state unless and until it shall have first:

4 (1) Complied with all the laws of this state authoriz-
5 ing it to do business therein; and

6 (2) Deposited with the commissioner of commerce;

7 (a) \$50,000.00 in money; or

8 (b) \$50,000.00 in bonds of the United States or
9 bonds, debentures or notes of any federal home loan bank, or
10 the Home Owners' Loan Corporation, notes and bonds insured
11 and debentures issued by the Federal Housing Administrator,
12 or other federal agency, or bonds of a municipality or
13 school district of this state, or bonds of any other state
14 of the United States, or obligations of national mortgage
15 associations; or

16 (c) A certificate of any trust company authorized
17 to do business in this state, stating that it has in its
18 possession, subject to all of the provisions of this Act,
19 first mortgages or first deeds of trust, or both, assigned
20 to it in trust for the purpose of carrying out such provi-
21 sions, and certified to it by such association to be of a
22 value of at least the amount of any other form of deposit
23 permitted by this Act.

24 Sec. 12. WHEN DEPOSIT NOT REQUIRED OF ASSOCIATION. The
25 deposit provisions of this Act shall not apply to any such asso-
26 ciation organized under the laws of the State of Alaska which:

27 (1) has within this state, as shown by its latest
28 financial statement, an amount not less than \$50,000.00 and equal
29 to at least 50 per cent of its liability to residents of this

1 state, invested in real property situated within this state, or
2 in notes secured by first mortgages or first deeds of trust, or
3 both, on or to real property within this state, or in such bonds
4 as are described in Sec. 11 hereof, and

5 (2) has not pledged any of its assets for the protec-
6 tion of any other security holders, excepting a federal home loan
7 bank or other federal loan agency.

8 Sec. 13. DEPOSIT TO CONSTITUTE GUARANTY FUND FOR PROTECTION
9 OF ALASKA RESIDENTS. The deposit with the commissioner or with
10 a trust company shall constitute a guaranty fund for the protec-
11 tion and indemnity of the residents of this state with whom such
12 associations shall do business or to whom they shall become in-
13 debted.

14 Sec. 14. BY-LAWS. The first board of directors shall adopt
15 by-laws to prescribe the methods and by what officers the business
16 of the association shall be conducted.

17 Sec. 15. DIRECTORS: NUMBER. The conduct of a savings and
18 loan association shall be vested in a board of directors of not
19 less than five nor more than eleven members.

20 Sec. 16. INVESTIGATION AND APPROVAL OF ARTICLES. a. When
21 articles of incorporation for a savings and loan association
22 are filed, the commissioner shall thereupon transmit them to the
23 supervisor for his investigation, report and recommendation. The
24 commissioner may require a deposit of a reasonable amount to
25 defray the expenses of investigation.

26 b. The supervisor shall proceed to ascertain by such in-
27 vestigation as he deems necessary, whether the character, res-
28 sponsibility and general fitness of the persons named in the
29 articles of incorporation are such as to command confidence and

1 warrant belief that the business of the proposed association will
2 be honestly and efficiently conducted in accordance with the in-
3 tent and purpose of this Act, and whether the population in the
4 neighborhood of such place and in the surrounding area affords
5 a reasonable promise of adequate support for the proposed asso-
6 ciation. The expense of such investigation shall be paid by the
7 incorporators of the association.

8 c. The supervisor shall, within 60 days after receipt of
9 the articles of incorporation, complete his investigation and
10 submit his recommendation to the commissioner. If the supervisor
11 recommends approval of the proposed articles, the commissioner
12 shall issue a certificate of approval of the incorporation of
13 such association. The commissioner of revenue shall then issue a
14 certificate of incorporation in accordance with the provisions
15 of Ch. 126, SLA 1957. Thereupon, the persons named in the
16 articles, their associates and successors shall become a body
17 corporate and shall exercise such powers as are granted in this
18 Act and such other powers as are necessary to enable the associa-
19 tion to carry out the purpose of its organization, not inconsis-
20 tent with the provisions of this Act and existing law.

21 Sec. 17. REJECTION OF APPLICATION: APPEAL. If the super-
22 visor is not satisfied after the examination that it is desirable
23 to permit the applicants to engage in the proposed savings and
24 loan business, he shall make a written report of his examination
25 to the commissioner with his recommendation that the proposed
26 articles be disapproved. The commissioner, if he approves the
27 report and recommendation, shall endorse upon each copy of the
28 proposed articles of incorporation the word "disapproved" and the
29 date of such endorsement, together with the reason for such

1 disapproval. He shall forthwith return one copy of the proposed
2 articles to the incorporators from whom the articles were re-
3 ceived. The incorporators may, within 30 days of the receipt of
4 notice of disapproval, commence an appropriate action in the
5 Superior Court of the district where the principal place of
6 business of the association is to be situated, which court shall
7 have jurisdiction of the case, to compel the filing and approval of
8 the proposed articles of incorporation. An appeal shall lie from
9 the decree or final order of the court in the same manner as
10 appeals in other cases are allowable and taken in this state.

11 Sec. 18. INDEMNITY BONDS. All officers and employees of an
12 association shall, before entering upon the performance of any of
13 their duties, execute their individual bonds with adequate cor-
14 porate surety payable to the association as an indemnity for any
15 loss the association may sustain of money or other property by or
16 through any fraud, dishonesty, theft, embezzlement, robbery,
17 burglary, misapplication, misappropriation, or any other dis-
18 honest or criminal act or omission by any such officer, employee
19 or agent. The amounts and form of such bonds and sufficiency of
20 the surety thereon shall be approved by the board of directors
21 and by the commissioner. In lieu of individual bonds, a blanket
22 bond, protecting the association from loss through any such act
23 or acts on the part of any such officer or employee, may be ob-
24 tained. A true copy of every such indemnity bond shall be filed
25 at all times with the commissioner.

26 Sec. 19. POWERS OF ASSOCIATION. Every association incor-
27 porated pursuant to or operating under the provisions of this Act
28 shall have all the powers enumerated, authorized and permitted by
29 this Act and by Ch. 126, SLA 1957, and such other rights, privil-

1 eges, and powers as may be incidental to or reasonably necessary
2 for the accomplishment of the objects and purposes of the asso-
3 ciation. Among others, every association shall have the follow-
4 ing powers:

5 (1) Loans on Security of Savings Accounts. To make
6 loans on the sole security of savings accounts. No such loan
7 shall exceed the withdrawal value of the accounts owned or other-
8 wise pledged for or by the borrower. No such loan shall be made
9 when an association has applications for withdrawal which have
10 been on file more than 60 days and not reached for payment.

11 (2) Home Loans. To make home loans of any amount and
12 secured by home property situated anywhere subject to the follow-
13 ing limitations: No such loan shall exceed \$35,000.00 except
14 when made under the 30 per cent of assets lending power; no such
15 loan shall be made to a director, an officer, or employee, except
16 when secured by home property owned and occupied by such director,
17 officer, or employee.

18 (3) Other Loans. To use an aggregate amount not ex-
19 ceeding 30 per cent of the assets at the time of such use, or a
20 larger amount with the approval of the commissioner, to make
21 loans as follows: Home loans of any amount regardless of where
22 the home property securing the loan is situated; other real estate
23 loans, whether amortized or unamortized, regardless of amount
24 thereof or location of real estate securing the loan. This power
25 is herein referred to as the "30 per cent of assets lending
26 power."

27 (4) Insured and Guaranteed Loans. To make without
28 regard to the foregoing, any loan, secured or unsecured, which is
29 insured or guaranteed in any manner and in any amount by the

1 United States or any instrumentality thereof or by this state or
2 any instrumentality thereof.

3 (5) Dealing With Successors in Interest. In the case
4 of loans made under subsections (2), (3), and (4) of this section,
5 in the event the ownership of the real estate security or any part
6 thereof becomes vested in a person other than the party or parties
7 originally executing the security instruments, and provided there
8 is not an agreement in writing to the contrary, an association
9 may, without notice to such party or parties, deal with such
10 successor or successors in interest with reference to said mort-
11 gage and the debt thereby secured in the same manner as with such
12 party or parties, and may forbear to sue or may extend time for
13 payment of or otherwise modify the terms of the debt secured
14 thereby, without discharging or in any way affecting the original
15 liability of such party or parties thereunder or upon the debt
16 thereby secured.

17 (6) Property Improvement and Small Loans. To make
18 property improvement loans to home owners and other property
19 owners for maintenance, repair, modernization, improvement, and
20 equipment of their properties, with or without security, provided
21 that no such loan without security shall exceed \$3,500.00 and
22 provided further, that not in excess of 25 per cent of the assets
23 of the association shall be so invested.

24 (7) Power to Purchase and To Lend upon Loans and Other
25 Contracts. The power to make loans shall include (a) the
26 power to purchase loans and contracts of any type, and (b) the
27 power to make loans upon the security of loans of any type that
28 the association may make.

29 (8) Participation Loans. An association may participate

1 with other lenders in loans of any type that such an association
2 may otherwise make, provided that the other participants are
3 instrumentalities of or corporations owned wholly or in part by
4 the United States or this state, or are associations or corpora-
5 tions insured by the Federal Savings and Loan Insurance Corpora-
6 tion or the Federal Deposit Insurance Corporation, or are life
7 insurance companies with assets in excess of \$25 million.

8 (9) Servicing Loans. To service mortgages and deeds
9 of trust subject to such regulations and restrictions as may be
10 prescribed by the commissioner, provided such mortgages and
11 deeds of trust originally are made by such association and sub-
12 sequently sold.

13 Sec. 20. LOAN PLANS. a. Real estate loans may be made as
14 authorized by this Act, or upon any other loan plan approved by
15 the commissioner. No real estate loan shall be made until a
16 qualified person selected by the board of directors shall have
17 submitted a signed appraisal of the real estate securing such
18 loan. Payments on real estate loans shall be applied first to
19 the payment of interest on the unpaid balance of the loan and the
20 remainder to the reduction of principal; provided that if the
21 loan is in default in any manner, payments may be applied by the
22 mortgagee in any manner approved by the commissioner.

23 b. Every loan shall be evidenced by a note or bond for the
24 amount of the loan. The note or bond shall specify the amount,
25 rate of interest, terms of repayment and may contain all other
26 terms of the loan contract.

27 c. Every real estate loan shall be secured by a mortgage or
28 other instrument constituting a first lien, or the full equivalent
29 thereof, upon the real estate securing the loan, according to any

1 lawful or well-recognized practice which is best suited to the
2 transaction. Any such instrument, constituting a first lien, is
3 herein termed a "mortgage." Such mortgage shall provide speci-
4 fically for full protection to the association with respect to
5 such loan and additional advances and the usual insurance risks,
6 taxes, assessments, other governmental levies, maintenance and
7 repairs. It may provide for an assignment of rents, which assign-
8 ment shall be absolute upon the borrower's default, becoming opera-
9 tive upon written demand made by the association. All such mort-
10 gages shall be recorded in accordance with the law of this state.

11 d. Any mortgage that can be made by an association under
12 the provisions of this Act may be made to secure existing debts or
13 obligations, to secure debts or obligations created simultaneously
14 with the execution of the mortgage, to secure future advances
15 necessary to protect the security, and to secure future advances
16 to be made at the option of the parties up to a total amount stated
17 in the mortgage, and all such debts, obligations, and future ad-
18 vances shall, from and as of the time the mortgage is filed for re-
19 cord as provided by the law of this state, be secured by such
20 mortgage equally with, and have the same priority over the rights
21 of all persons who subsequent to the recording of such mortgage
22 acquire any rights in or liens upon the mortgaged real estate, as
23 the debts and obligations secured thereby at the time of the fil-
24 ing of the mortgage for record; except that (a) the mortgagor or
25 his successor in title is hereby authorized to file for record,
26 and the same shall be recorded, a notice limiting the amount of
27 optional future advances secured by such mortgage to not less than
28 the amount actually advanced at the time of such filing, provided
29 a copy of such filing is also filed with the mortgagee, and (b) if

1 any optional future advance shall be made by the mortgagee to the
2 mortgagor or his successor in title after written notice of any
8 mortgage, lien, or claim against such real property which is juni-
4 or to such mortgage, then the amount of such advance shall be
5 junior to such mortgage, lien, or claim of which such written no-
6 tice was given.

7 e. An association may pay taxes, assessments, insurance pre-
8 miums, and other similar charges for the protection of its real
9 estate loans. All such payments shall be added to the unpaid ba-
10 lance of the loan and shall be equally secured by the first lien
11 on the property as provided above. An association may require life
12 insurance to be assigned as additional collateral upon any real
13 estate loan. In such event, the association shall obtain a first
14 lien upon such policy and may advance premiums thereon, and such
15 premium advances shall be added to the unpaid balance of the loan
16 and shall be equally secured by the first lien on the property as
17 provided above.

18 f. An association may require the borrower to pay monthly
19 in advance, in addition to interest or interest and principal
20 payments, the equivalent of one-twelfth of the estimated annual
21 taxes, assessments, insurance premiums, and other charges upon
22 the real estate securing a loan, or any of such charges, so as to
23 enable the association to pay such charges as they become due from
24 the funds so received. The amount of such monthly charges may
25 be increased or decreased so as to provide reasonably for the
26 payment of the estimated annual taxes, assessments, insurance
27 premiums, and other charges. The association may carry such
28 funds in trust in an account or may credit the same to the in-
29 debtedness and advance the money for taxes, insurance, or other

1 charges. Every association shall keep a record of the status
2 of taxes, assessments, insurance premiums, and other charges on
3 all real estate securing its loans and on all real and other
4 property owned by it.

5 g. All real estate loans may be prepaid in part or in full,
6 at any time, and the association shall not charge for such
7 privilege of anticipatory payment, an amount greater than one and
8 one-half per cent of the amount of such anticipatory payment.

9 Unless agreed in writing to the contrary, any prepayment of prin-
10 cipal shall be applied on the final installment of the note or
11 other obligation until fully paid, and thereafter on the in-
12 stallments in the inverse order of their maturity.

13 Sec. 21. LOAN EXPENSES. Every association may require bor-
14 rowers to pay all reasonable expenses incurred in connection with
15 the making, closing, disbursing, extending, readjusting, or re-
16 newing of real estate loans. Without limiting the generality of
17 the foregoing, such expenses may include appraisal, attorneys'
18 or abstract, recording, and registration fees, title examination,
19 mortgage insurance, credit report, survey, drawing of papers,
20 escrow services, loan closing costs, and taxes or charges imposed
21 upon or in connection with the making and recording of any mort-
22 gage or deed of trust. Every association also may require
23 borrowers to pay the cost of all other necessary and incidental
24 services rendered by the association or by others in connection
25 with real estate loans in such reasonable amounts as may be fixed
26 by the board of directors. Without limiting the generality of
27 the foregoing, such costs may include the costs of services of
28 inspectors, engineers, and architects. Such reasonable initial
29 charges may be collected by the association from the borrower and

1 paid to any persons, including any director, officer, or employee
2 of the association rendering such services, or paid directly by
3 the borrower. In lieu of such initial charges to cover such
4 expenses and costs, an association may make a reasonable charge,
5 part or all of which may be retained by the association which
6 renders such service, or part or all of which may be paid to others
7 who render such services. No director, officer, or employee of an
8 association shall receive any fee or other compensation of any
9 kind in connection with procuring any loan for an association,
10 except for services actually rendered as above provided. The
11 association shall furnish a loan settlement statement to each
12 borrower upon the closing of the loan, indicating in detail the
13 charges and fees such borrower has paid or obligated himself to
14 pay to the association or to any other person in connection with
15 such loan. A copy of such statement shall be retained in the
16 records of the association.

17 Sec. 22. INVESTMENTS. Every association shall have power
18 to invest in securities and real estate as follows:

19 (1) Securities. In obligations of, or guaranteed as
20 to principal and interest by, the United States or this state; in
21 stock of a federal home loan bank of which it is eligible to be
22 a member, and in any obligations or consolidated obligations of
23 any federal home loan bank or banks; in stock or obligations of
24 the Federal Savings and Loan Insurance Corporation; in stock or
25 obligations of a national mortgage association or any successor
26 or successors thereto; in demand, time, or savings deposits with
27 any bank or trust company the deposits of which are insured by the
28 Federal Deposit Insurance Corporation; in stock or obligations of
29 any corporation or agency of the United States or this state, or

1 in deposits therewith to the extent that such corporation or
2 agency assists in furthering or facilitating the association's
3 purposes or powers; in savings accounts of any association operat-
4 ing under the provisions of this Act and of any federal savings
5 and loan association and in bonds, notes or other evidences of
6 indebtedness which are a general obligation of any city, borough,
7 school district, or other municipal or political subdivision of
8 this state.

9 (2) Real Estate. In real estate as may be or reasonably
10 anticipated to be necessary or convenient for the transaction of
11 its business, from portions of which a revenue may be derived by
12 rentals or otherwise. In real estate purchased at any sale, pub-
13 lic or private, judicial or otherwise, upon which the association
14 has a lien or claim, legal or equitable; in real estate accepted
15 by the association in satisfaction of any obligation; in real
16 estate purchased for sale, or improvement and sale and upon con-
17 tracts; in real estate acquired by the association in exchange for
18 real estate owned by the association; in real estate acquired by
19 the association in connection with salvaging the value of property
20 owned by the association; in the purchase and development of real
21 estate for the purpose of producing income or for sale or for
22 improvement thereof and the erection of buildings thereon for
23 sale or rental purposes. Title to all real estate shall be taken
24 and held in the name of the association and such title shall
25 immediately be recorded in accordance with law.

26 Sec. 23. ANNUAL REPORTS. a. On or before the last day of
27 January in each year, every association shall make an annual
28 written report to the commissioner, upon a form to be prescribed
29 and furnished by the commissioner, of its affairs and operations,

1 which shall include a complete statement of its financial condi-
2 tion, including a statement of income and expense since its last
3 previous similar report, for the 12 months ending on the 31st
4 day of December of the previous year. Every such report shall be
5 verified by the president and treasurer.

6 b. Every association also shall make such other reports as
7 the commissioner may from time to time require, which shall be in
8 such form and filed at such date as he may prescribe, and shall,
9 if required by him, be verified in the same manner as the annual
10 report.

11 Sec. 24. SAVINGS ACCOUNTS AND INVESTMENT CERTIFICATES AS
12 LEGAL INVESTMENTS. Administrators, executors, custodians, guar-
13 dians, trustees, and other fiduciaries of every kind and nature,
14 insurance companies, busines and manufacturing companies, banks,
15 credit unions and all other types of financial institutions,
16 charitable, educational, eleemosynary and public corporations
17 and organizations, state, municipalities and public corporations
18 and bodies, and public officials hereby are specifically auth-
19 orized and empowered to invest funds held by them, without any
20 order of any court, in savings accounts and investment certifi-
21 cates of associations which are under state supervision, and in
22 accounts of federal savings and loan associations organized under
23 the laws of the United States and under federal supervision and
24 such investment shall be deemed and held to be legal investments
25 for such funds.

26 Sec. 25. CONSOLIDATION OF ASSOCIATIONS: TRANSFER OF ASSETS.
27 Two or more associations may unite and become incorporated in
28 one body, with or without dissolution or division of assets of
29 either association, or the association may transfer its commit-

1 ments, assets and property to any other association, but any of
2 the acts shall require a vote of two-thirds of the shareholders
3 of the association to be consolidated or whose assets are to be
4 transferred, as well as the approval in writing of the commis-
5 sioner.

6 Sec. 26. RESERVE ACCOUNTS: UNDIVIDED PROFITS. Every asso-
7 ciation shall set up and maintain the reserves required by, and
8 may set and maintain such additional reserves as are permitted
9 by, this Act. On or before any authorized closing date, after
10 payment of or provision for all expenses, each association shall,
11 before the declaration of a dividend for the period, transfer to
12 a separate reserve account, which shall be set up and maintained
13 for the sole purpose of absorbing losses (termed in this Act
14 "general reserve"), an amount equal to at least 10 per cent of its
15 net earnings, until the general reserve is equal to at least 12
16 per cent of the savings liability. In the event that any credit
17 to the general reserve is made following the effective date of
18 this Act in excess of the minimum 10 per cent requirement, the
19 dollar amount of any such excess may be carried over as a credit
20 toward the minimum requirement of any subsequent period. If and
21 whenever the general reserve is not equal to at least 12 per cent
22 of its savings liability, credits, as above provided, shall again
23 be made to the general reserve until it shall again be equal to
24 at least 12 per cent of its savings liability. The board of
25 directors may make additional transfers to other reserve accounts.
26 Interest receivable on all loans shall be accrued monthly and an
27 interest due and accrued account shall be maintained equivalent
28 to all accrued and uncollected interest. On or before each
29 closing date, after payment or provision for all expenses and

1 appropriate transfers to reserves, the remainder of net earnings
2 for the period shall be credited to the undivided profits account
3 or to an unallocated reserve account.

4 Sec. 27. NOTICE OF IRREGULARITIES BY COMMISSIONER. The
5 commissioner shall notify an association in writing, specifically
6 setting forth the irregularities and matters complained of by
7 him when it appears to him that any one of the following has
8 occurred:

9 (1) The association has violated the provisions of its
10 articles of incorporation, its by-laws or any law of this state.

11 (2) The association is conducting business in an unsafe
12 or unauthorized manner.

13 (3) The association refuses to submit its books, papers
14 and records to the inspection of the supervisor.

15 (4) An officer of the association refuses to be ex-
16 amined upon oath touching the affairs of the association.

17 (5) From an examination or report provided for, the
18 commissioner has reason to conclude that the association is in an
19 unsound or unsafe condition to transact business or that it is
20 unsafe for the association to continue business.

21 Sec. 28. FAILURE TO CORRECT IRREGULARITIES: ACTION BY
22 ATTORNEY GENERAL. a. After notice has been served as provided in
23 Sec. 27, if the association fails to take prompt action after re-
24 ceipt thereof to correct the irregularities and matters contained
25 in the notice, the commissioner shall advise the attorney general
26 of the failure of the association to correct the irregularities.

27 b. If, in the opinion of the attorney general, the irregu-
28 larities are sufficient to justify an action in the superior court
29 for the correction thereof or for the appointment of a receiver,

1 he may bring an action in the name of the commissioner in the
2 superior court of the district in which the principal place of
3 business of the association is located for the correction of the
4 irregularities and matters complained of and for other relief as
5 the court deems necessary for the benefit of the shareholders.

6 Sec. 29. RECEIVER: APPOINTMENT: TRANSFER OF ASSETS: POWERS:
7 LIABILITY. a. In the event the court grants the petition for
8 receivership, the commissioner shall be appointed as receiver and
9 may forthwith take possession of the property and business of the
10 association and retain possession until the association resumes
11 business or its affairs are finally liquidated, but if the
12 association or company has the insurance protection provided by
13 title IV of the national housing act, as now or hereafter amended,
14 the court may tender to the federal savings and loan insurance
15 corporation the appointment as receiver, or as co-receiver with
16 the commissioner.

17 b. Upon the acceptance by the insurance corporation of the
18 appointment as receiver or co-receiver, possession of and title to
19 all the assets, property and business of the insured association
20 shall automatically pass to and be vested in the insurance cor-
21 poration as receiver, or in the insurance corporation and the
22 commissioner jointly as co-receivers, as the case may be. There-
23 upon the insurance corporation, if it is receiver, or the insur-
24 ance corporation and the commissioner equally and jointly, if the
25 insurance corporation is co-receiver, shall have and possess, and
26 may exercise:

27 (1) All the powers and privileges provided by the laws
28 of this state or otherwise with respect to the commissioner as
29 receiver of a savings and loan association.

1 (2) Accumulatively and additionally to the foregoing,
2 all of the rights, powers, privileges and authority which were
3 held or possessed by the association and its officers, directors,
4 members and creditors.

5 (3) All the rights, privileges, powers and authority
6 conferred upon or vested in it, or intended so to be, by federal
7 statutes.

8 c. The receiver or receivers may also make loans on the
9 security of, or may purchase at public or private sale or
10 otherwise, bid at any receiver's or liquidator's sale, and liquid-
11 ate or sell, all or any part of the assets of the association,
12 and, in the event of the purchase of any assets of an association
13 of which it is receiver or co-receiver, it shall bid for and pay
14 a fair and reasonable price.

15 Sec. 30. PROCEDURE FOR LIQUIDATION. The liquidation under
16 this article of an association and a receivership thereof, may,
17 at the discretion of the receiver or receivers, be conducted and
18 carried out in full or in part in the same manner as provided for
19 the liquidation of or receivership for an insolvent bank.

20 Sec. 31. FISCAL AGENT. An association shall have power to
21 act as fiscal agent of the United States, and, when so designated
22 by the Secretary of the Treasury, it shall perform, under such
23 regulations as he may prescribe, all such reasonable duties as
24 fiscal agent of the United States as he may require, and shall have
25 power to act as agent for any instrumentality of the United States
26 and as agent of this state or any instrumentality thereof.

27 Sec. 32. FALSE STATEMENTS AS TO FINANCIAL CONDITION. A
28 person who wilfully makes, circulates or transmits to any other
29 person any statement written, printed, or by word of mouth which

1 is untrue in fact and known by the person to be untrue or which
2 is directly derogatory to the financial condition or affects the
3 solvency or financial standing of a savings and loan association
4 is guilty of a misdemeanor.

5 Sec. 33. BRANCH OFFICES. An association may establish or
6 maintain a branch office with the approval of the commissioner.
7 Each application for approval of the establishment and maintenance
8 of a branch office shall state the proposed location thereof, the
9 need therefor and the functions to be performed therein. Upon the
10 receipt by the commissioner of such an application, he shall
11 determine whether the establishment and maintenance of such office
12 will unduly injure any properly conducted existing association in
13 the community where such branch office is proposed to be estab-
14 lished or in any neighboring community. If he finds that no undue
15 injury is likely to result and that the establishment and main-
16 tenance of such branch office is advisable, he shall approve the
17 application.

18 Sec. 34. SUPERVISORY POWER OF COMMISSIONER. a. The commis-
19 sioner shall have supervision over all associations which are
20 subject to the provisions of this Act. He shall enforce the pur-
21 poses of this Act by use of the powers herein conferred and by
22 reference to the courts when required.

23 b. Every approval by the commissioner given pursuant to the
24 provisions of this Act and every communication having the effect
25 of an order or instruction to any association shall be in writing
26 signed by the commissioner under seal and shall be sent by
27 registered mail to the association affected thereby, addressed to
28 the president thereof at the home office of the association.

29 Sec. 35. EXEMPTION FROM "BLUE SKY" LAWS. The sale of

1 savings accounts and investment certificates of any association
2 is hereby exempted from all provisions of law of this state which
3 provide for the supervision and regulation of the sale of se-
4 curities, and the sale of any such accounts or certificates shall
5 be legal without any action or approval whatsoever on the part of
6 any official authorized to license, regulate and supervise the
7 sale of securities.

8 Sec. 36. COMMERCIAL OR CHECKING ACCOUNTS PROHIBITED. An
9 association shall carry no commercial or checking accounts.

10 Sec. 37. ORGANIZATIONS SUBJECT TO PROVISIONS OF THIS ACT.
11 All persons accepting monies from the public and engaged in home
12 financing, whether or not incorporated, and every corporation
13 heretofore incorporated under the statutes of this state which
14 has for its purpose the promotion of thrift and the financing
15 of homes, except banking institutions, and federal savings and
16 loan associations, shall within three years from the time this
17 Act becomes effective, be subject to the provisions of this Act
18 and shall be deemed to exist hereunder.

19 Sec. 38. EFFECTIVE DATE. This Act takes effect on the day
20 after its passage and approval or on the day it becomes law
21 without such approval.

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