

1 IN THE HOUSE

BY MESSRS. TAYLOR, FISHER AND  
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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; providing for penalties; and pro-  
8 viding for an effective 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;

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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 staff member as savings and loan  
4 supervisor, who shall assist the commissioner in enforcing the  
5 provisions of 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 any 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. ASSOCIATIONS TO INSURE ACCOUNTS WITH FEDERAL SAVINGS  
15 AND LOAN INSURANCE CORPORATION. No association hereafter organized  
16 or created under the provisions of this Act shall commence business  
17 until it has acquired membership in the Federal Savings and Loan  
18 Insurance Corporation or any agency of the United States which  
19 insures deposits of savings and loan associations; provided, that  
20 corporations now in existence and operating as savings and loan  
21 associations shall have 3 years to obtain such insurance.

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

25 Sec. 16. DIRECTORS: NUMBER. The conduct of a savings and  
26 loan association shall be vested in a board of directors of not  
27 less than five nor more than eleven members.

28 Sec. 17. INVESTIGATION AND APPROVAL OF ARTICLES. a. When  
29 articles of incorporation for a savings and loan association

1 are filed, the commissioner shall thereupon transmit them to the  
2 supervisor for his investigation, report and recommendation. The  
3 commissioner may require a deposit of a reasonable amount to  
4 defray the expenses of investigation.

5 b. The supervisor shall proceed to ascertain by such in-  
6 vestigation as he deems necessary, whether the character, res-  
7 sponsibility and general fitness of the persons named in the  
8 articles of incorporation are such as to command confidence and  
9 warrant belief that the business of the proposed association will  
10 be honestly and efficiently conducted in accordance with the in-  
11 tent and purpose of this Act, and whether the population in the  
12 neighborhood of such place and in the surrounding area affords  
13 a reasonable promise of adequate support for the proposed asso-  
14 ciation. The expense of such investigation shall be paid by the  
15 incorporators of the association.

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

29 Sec. 18. REJECTION OF APPLICATION: APPEAL. If the super-  
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1 visor is not satisfied after the examination that it is desirable  
2 to permit the applicants to engage in the proposed savings and  
3 loan business, he shall make a written report of his examination  
4 to the commissioner with his recommendation that the proposed  
5 articles be disapproved. The commissioner, if he approves the  
6 report and recommendation, shall endorse upon each copy of the  
7 proposed articles of incorporation the word "disapproved" and the  
8 date of such endorsement, together with the reason for such  
9 disapproval. He shall forthwith return one copy of the proposed  
10 articles to the incorporators from whom the articles were re-  
11 ceived. The incorporators may, within 30 days of the receipt of  
12 notice of disapproval, commence an appropriate action in the  
13 Superior Court of the district where the principal place of  
14 business of the association is to be situated, which court shall  
15 have jurisdiction of the case, to compel the filing and approval of  
16 the proposed articles of incorporation. An appeal shall lie from  
17 the decree or final order of the court in the same manner as  
18 appeals in other cases are allowable and taken in this state.

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

5 Sec. 20. POWERS OF ASSOCIATION. Every association incor-  
6 porated pursuant to or operating under the provisions of this Act  
7 shall have all the powers enumerated, authorized and permitted by  
8 this Act and by Ch. 126, SLA 1957, and such other rights, privil-  
9 eges, and powers as may be incidental to or reasonably necessary  
10 for the accomplishment of the objects and purposes of the asso-  
11 ciation. Among others, every association shall have the follow-  
12 ing powers:

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

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

26 (3) Other Loans. To use an aggregate amount not ex-  
27 ceeding 30 per cent of the assets at the time of such use, or a  
28 larger amount with the approval of the commissioner, to make  
29 loans as follows: Home loans of any amount regardless of where

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1 the home property securing the loan is situated; other real estate  
2 loans, whether amortized or unamortized, regardless of amount  
3 thereof or location of real estate securing the loan. This power  
4 is herein referred to as the "30 per cent of assets lending  
5 power."

6 (4) Insured and Guaranteed Loans. To make without  
7 regard to the foregoing, any loan, secured or unsecured, which is  
8 insured or guaranteed in any manner and in any amount by the  
9 United States or any instrumentality thereof or by this state or  
10 any instrumentality thereof.

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

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

3 (7) Power to Purchase and To Lend upon Loans and Other  
4 Contracts. The power to make loans shall include (a) the  
5 power to purchase loans and contracts of any type, and (b) the  
6 power to make loans upon the security of loans of any type that  
7 the association may make.

8 (8) Participation Loans. An association may participate  
9 with other lenders in loans of any type that such an association  
10 may otherwise make, provided that the other participants are  
11 instrumentalities of or corporations owned wholly or in part by  
12 the United States or this state, or are associations or corpora-  
13 tions insured by the Federal Savings and Loan Insurance Corpora-  
14 tion or the Federal Deposit Insurance Corporation, or are life  
15 insurance companies with assets in excess of \$25 million.

16 (9) Servicing Loans. To service mortgages and deeds  
17 of trust subject to such regulations and restrictions as may be  
18 prescribed by the commissioner, provided such mortgages and  
19 deeds of trust originally are made by such association and sub-  
20 sequently sold.

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

1 mortgagee in any manner approved by the commissioner.

2 b. Every loan shall be evidenced by a note or bond for the  
3 amount of the loan. The note or bond shall specify the amount,  
4 rate of interest, terms of repayment and may contain all other  
5 terms of the loan contract.

6 c. Every real estate loan shall be secured by a mortgage or  
7 other instrument constituting a first lien, or the full equivalent  
8 thereof, upon the real estate securing the loan, according to any  
9 lawful or well-recognized practice which is best suited to the  
10 transaction. Any such instrument, constituting a first lien, is  
11 herein termed a "mortgage." Such mortgage shall provide speci-  
12 fically for full protection to the association with respect to  
13 such loan and additional advances and the usual insurance risks,  
14 taxes, assessments, other governmental levies, maintenance and  
15 repairs. It may provide for an assignment of rents, which assign-  
16 ment shall be absolute upon the borrower's default, becoming opera-  
17 tive upon written demand made by the association. All such mort-  
18 gages shall be recorded in accordance with the law of this state.

19 d. Any mortgage that can be made by an association under  
20 the provisions of this Act may be made to secure existing debts or  
21 obligations, to secure debts or obligations created simultaneously  
22 with the execution of the mortgage, to secure future advances  
23 necessary to protect the security, and to secure future advances  
24 to be made at the option of the parties up to a total amount stated  
25 in the mortgage, and all such debts, obligations, and future ad-  
26 vances shall, from and as of the time the mortgage is filed for re-  
27 cord as provided by the law of this state, be secured by such  
28 mortgage equally with, and have the same priority over the rights  
29 of all persons who subsequent to the recording of such mortgage

1 acquire any rights in or liens upon the mortgaged real estate, as  
2 the debts and obligations secured thereby at the time of the fil-  
3 ing of the mortgage for record; except that (a) the mortgagor or  
4 his successor in title is hereby authorized to file for record,  
5 and the same shall be recorded, a notice limiting the amount of  
6 optional future advances secured by such mortgage to not less than  
7 the amount actually advanced at the time of such filing, provided  
8 a copy of such filing is also filed with the mortgagee, and (b) if  
9 any optional future advance shall be made by the mortgagee to the  
10 mortgagor or his successor in title after written notice of any  
11 mortgage, lien, or claim against such real property which is juni-  
12 or to such mortgage, then the amount of such advance shall be  
13 junior to such mortgage, lien, or claim of which such written no-  
14 tice was given.

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

26 f. An association may require the borrower to pay monthly  
27 in advance, in addition to interest or interest and principal  
28 payments, the equivalent of one-twelfth of the estimated annual  
29 taxes, assessments, insurance premiums, and other charges upon

1 the real estate securing a loan, or any of such charges, so as to  
2 enable the association to pay such charges as they become due from  
3 the funds so received. The amount of such monthly charges may  
4 be increased or decreased so as to provide reasonably for the  
5 payment of the estimated annual taxes, assessments, insurance  
6 premiums, and other charges. The association may carry such  
7 funds in trust in an account or may credit the same to the in-  
8 debtedness and advance the money for taxes, insurance, or other  
9 charges. Every association shall keep a record of the status  
10 of taxes, assessments, insurance premiums, and other charges on  
11 all real estate securing its loans and on all real and other  
12 property owned by it.

13 g. All real estate loans may be prepaid in part or in full,  
14 at any time, and the association shall not charge for such  
15 privilege of anticipatory payment, an amount greater than one and  
16 one-half per cent of the amount of such anticipatory payment.  
17 Unless agreed in writing to the contrary, any prepayment of prin-  
18 cipal shall be applied on the final installment of the note or  
19 other obligation until fully paid, and thereafter on the in-  
20 stallments in the inverse order of their maturity.

21 Sec. 22. LOAN EXPENSES. Every association may require bor-  
22 rowers to pay all reasonable expenses incurred in connection with  
23 the making, closing, disbursing, extending, readjusting, or re-  
24 newing of real estate loans. Without limiting the generality of  
25 the foregoing, such expenses may include appraisal, attorneys'  
26 or abstract, recording, and registration fees, title examination,  
27 mortgage insurance, credit report, survey, drawing of papers,  
28 escrow services, loan closing costs, and taxes or charges imposed  
29 upon or in connection with the making and recording of any mort-

11 the borrower. In lieu of such initial charges to cover such  
12 expenses and costs, an association may make a reasonable charge,  
13 part or all of which may be retained by the association which  
14 renders such service, or part or all of which may be paid to others  
15 who render such services. No director, officer, or employee of an  
16 association shall receive any fee or other compensation of any  
17 kind in connection with procuring any loan for an association,  
18 except for services actually rendered as above provided. The  
19 association shall furnish a loan settlement statement to each  
20 borrower upon the closing of the loan, indicating in detail the  
21 charges and fees such borrower has paid or obligated himself to  
22 pay to the association or to any other person in connection with  
23 such loan. A copy of such statement shall be retained in the  
24 records of the association.

25 Sec. 23. INVESTMENTS. Every association shall have power  
26 to invest in securities and real estate as follows:

27 (1) Securities. In obligations of, or guaranteed as  
28 to principal and interest by, the United States or this state; in  
29 stock of a federal home loan bank of which it is eligible to be

1 a member, and in any obligations or consolidated obligations of  
2 any federal home loan bank or banks; in stock or obligations of  
3 the Federal Savings and Loan Insurance Corporation; in stock or  
4 obligations of a national mortgage association or any successor  
5 or successors thereto; in demand, time, or savings deposits with  
6 any bank or trust company the deposits of which are insured by the  
7 Federal Deposit Insurance Corporation; in stock or obligations of  
8 any corporation or agency of the United States or this state, or  
9 in deposits therewith to the extent that such corporation or  
10 agency assists in furthering or facilitating the association's  
11 purposes or powers; in savings accounts of any association operat-  
12 ing under the provisions of this Act and of any federal savings  
13 and loan association and in bonds, notes or other evidences of  
14 indebtedness which are a general obligation of any city, borough,  
15 school district, or other municipal or political subdivision of  
16 this state.

17 (2) Real Estate. In real estate as may be or reasonably  
18 anticipated to be necessary or convenient for the transaction of  
19 its business, from portions of which a revenue may be derived by  
20 rentals or otherwise. In real estate purchased at any sale, pub-  
21 lic or private, judicial or otherwise, upon which the association  
22 has a lien or claim, legal or equitable; in real estate accepted  
23 by the association in satisfaction of any obligation; in real  
24 estate purchased for sale, or improvement and sale and upon con-  
25 tracts; in real estate acquired by the association in exchange for  
26 real estate owned by the association; in real estate acquired by  
27 the association in connection with salvaging the value of property  
28 owned by the association; in the purchase and development of real  
29 estate for the purpose of producing income or for sale or for

1 improvement thereof and the erection of buildings thereon for  
2 sale or rental purposes. Title to all real estate shall be taken  
3 and held in the name of the association and such title shall  
4 immediately be recorded in accordance with law.

5       Sec. 24. ANNUAL REPORTS. a. On or before the last day of  
6 January in each year, every association shall make an annual  
7 written report to the commissioner, upon a form to be prescribed  
8 and furnished by the commissioner, of its affairs and operations,  
9 which shall include a complete statement of its financial condi-  
10 tion, including a statement of income and expense since its last  
11 previous similar report, for the 12 months ending on the 31st  
12 day of December of the previous year. Every such report shall be  
13 verified by the president and treasurer.

14       b. Every association also shall make such other reports as  
15 the commissioner may from time to time require, which shall be in  
16 such form and filed at such date as he may prescribe, and shall,  
17 if required by him, be verified in the same manner as the annual  
18 report.

19       Sec. 25. SAVINGS ACCOUNTS AND INVESTMENT CERTIFICATES AS  
20 LEGAL INVESTMENTS. Administrators, executors, custodians, guar-  
21 dians, trustees, and other fiduciaries of every kind and nature,  
22 insurance companies, business and manufacturing companies, banks,  
23 credit unions and all other types of financial institutions,  
24 charitable, educational, eleemosynary and public corporations  
25 and organizations, state, municipalities and public corporations  
26 and bodies, and public officials hereby are specifically auth-  
27 orized and empowered to invest funds held by them, without any  
28 order of any court, in savings accounts and investment certifi-  
29 cates of associations which are under state supervision, and in

1 accounts of federal savings and loan associations organized under  
2 the laws of the United States and under federal supervision and  
3 such investment shall be deemed and held to be legal investments  
4 for such funds.

5 Sec. 26. CONSOLIDATION OF ASSOCIATIONS: TRANSFER OF ASSETS.

6 Two or more associations may unite and become incorporated in  
7 one body, with or without dissolution or division of assets of  
8 either association, or the association may transfer its commit-  
9 ments, assets and property to any other association, but any of  
10 the acts shall require a vote of two-thirds of the shareholders  
11 of the association to be consolidated or whose assets are to be  
12 transferred, as well as the approval in writing of the commis-  
13 sioner:

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

1 of its savings liability, credits, as above provided, shall again  
2 be made to the general reserve until it shall again be equal to  
3 at least 12 per cent of its savings liability. The board of  
4 directors may make additional transfers to other reserve accounts.  
5 Interest receivable on all loans shall be accrued monthly and an  
6 interest due and accrued account shall be maintained equivalent  
7 to all accrued and uncollected interest. On or before each  
8 closing date, after payment or provision for all expenses and  
9 appropriate transfers to reserves, the remainder of net earnings  
10 for the period shall be credited to the undivided profits account  
11 or to an unallocated reserve account.

12 Sec. 28. NOTICE OF IRREGULARITIES BY COMMISSIONER. The  
13 commissioner shall notify an association in writing, specifically  
14 setting forth the irregularities and matters complained of by  
15 him when it appears to him that any one of the following has  
16 occurred:

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

19 (2) The association is conducting business in an unsafe  
20 or unauthorized manner.

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

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

25 (5) From an examination or report provided for, the  
26 commissioner has reason to conclude that the association is in an  
27 unsound or unsafe condition to transact business or that it is  
28 unsafe for the association to continue business.

29 Sec. 29.. FAILURE TO CORRECT IRREGULARITIES: ACTION BY  
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1 ATTORNEY GENERAL. a. After notice has been served as provided in  
2 Sec. 27, if the association fails to take prompt action after re-  
3 ceipt thereof to correct the irregularities and matters contained  
4 in the notice, the commissioner shall advise the attorney general  
5 of the failure of the association to correct the irregularities.

6 b. If, in the opinion of the attorney general, the irregu-  
7 larities are sufficient to justify an action in the superior court  
8 for the correction thereof or for the appointment of a receiver,  
9 he may bring an action in the name of the commissioner in the  
10 superior court of the district in which the principal place of  
11 business of the association is located for the correction of the  
12 irregularities and matters complained of and for other relief as  
13 the court deems necessary for the benefit of the shareholders.

14 Sec. 30. RECEIVER: APPOINTMENT: TRANSFER OF ASSETS: POWERS:  
15 LIABILITY. a. In the event the court grants the petition for  
16 receivership, the commissioner shall be appointed as receiver and  
17 may forthwith take possession of the property and business of the  
18 association and retain possession until the association resumes  
19 business or its affairs are finally liquidated, but if the  
20 association or company has the insurance protection provided by  
21 title IV of the national housing act, as now or hereafter amended,  
22 the court may tender to the federal savings and loan insurance  
23 corporation the appointment as receiver, or as co-receiver with  
24 the commissioner.

25 b. Upon the acceptance by the insurance corporation of the  
26 appointment as receiver or co-receiver, possession of and title to  
27 all the assets, property and business of the insured association  
28 shall automatically pass to and be vested in the insurance cor-  
29 poration as receiver, or in the insurance corporation and the

1 commissioner jointly as co-receivers, as the case may be. There-  
2 upon the insurance corporation, if it is receiver, or the insur-  
3 ance corporation and the commissioner equally and jointly, if the  
4 insurance corporation is co-receiver, shall have and possess, and  
5 may exercise:

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

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

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

16 c. The receiver or receivers may also make loans on the  
17 security of, or may purchase at public or private sale or  
18 otherwise, bid at any receiver's or liquidator's sale, and liquid-  
19 ate or sell, all or any part of the assets of the association,  
20 and, in the event of the purchase of any assets of an association  
21 of which it is receiver or co-receiver, it shall bid for and pay  
22 a fair and reasonable price.

23 Sec. 31. PROCEDURE FOR LIQUIDATION. The liquidation under  
24 this article of an association and a receivership thereof, may,  
25 at the discretion of the receiver or receivers, be conducted and  
26 carried out in full or in part in the same manner as provided for  
27 the liquidation of or receivership for an insolvent bank.

28 Sec. 32. FISCAL AGENT. An association shall have power to  
29 act as fiscal agent of the United States, and, when so designated

1 by the Secretary of the Treasury, it shall perform, under such  
2 regulations as he may prescribe, all such reasonable duties as  
3 fiscal agent of the United States as he may require, and shall have  
4 power to act as agent for any instrumentality of the United States  
5 and as agent of this state or any instrumentality thereof.

6 Sec. 33. FALSE STATEMENTS AS TO FINANCIAL CONDITION. A  
7 person who wilfully makes, circulates or transmits to any other  
8 person any statement written, printed, or by word of mouth which  
9 is untrue in fact and known by the person to be untrue or which  
10 is directly derogatory to the financial condition or affects the  
11 solvency or financial standing of a savings and loan association  
12 is guilty of a misdemeanor.

13 Sec. 34. BRANCH OFFICES. An association may establish or  
14 maintain a branch office with the approval of the commissioner.  
15 Each application for approval of the establishment and maintenance  
16 of a branch office shall state the proposed location thereof, the  
17 need therefor and the functions to be performed therein. Upon the  
18 receipt by the commissioner of such an application, he shall  
19 determine whether the establishment and maintenance of such office  
20 will unduly injure any properly conducted existing association in  
21 the community where such branch office is proposed to be estab-  
22 lished or in any neighboring community. If he finds that no undue  
23 injury is likely to result and that the establishment and main-  
24 tenance of such branch office is advisable, he shall approve the  
25 application.

26 Sec. 35. SUPERVISORY POWER OF COMMISSIONER. a. The commis-  
27 sioner shall have supervision over all associations which are  
28 subject to the provisions of this Act. He shall enforce the pur-  
29 poses of this Act by use of the powers herein conferred and by

1 reference to the courts when required.

2 b. Every approval by the commissioner given pursuant to the  
3 provisions of this Act and every communication having the effect  
4 of an order or instruction to any association shall be in writing  
5 signed by the commissioner under seal and shall be sent by  
6 registered mail to the association affected thereby, addressed to  
7 the president thereof at the home office of the association.

8 Sec. 36. EXEMPTION FROM "BLUE SKY" LAWS. At such time as  
9 associations organized under the provisions of this Act are insured  
10 with Federal Savings and Loan Insurance Corporation, the sale of  
11 savings accounts and investment certificates of any association  
12 is hereby exempted from all provisions of law of this state which  
13 provide for the supervision and regulation of the sale of se-  
14 curities, and the sale of any such accounts or certificates shall  
15 be legal without any action or approval whatsoever on the part of  
16 any official authorized to license, regulate and supervise the  
17 sale of securities.

18 Sec. 37. COMMERCIAL OR CHECKING ACCOUNTS PROHIBITED. An  
19 association shall carry no commercial or checking accounts.

20 Sec. 38. ORGANIZATIONS SUBJECT TO PROVISIONS OF THIS ACT.  
21 All persons accepting monies from the public and engaged in home  
22 financing, whether or not incorporated, and every corporation  
23 heretofore incorporated under the statutes of this state which  
24 has for its purpose the promotion of thrift and the financing  
25 of homes, except banking institutions, and federal savings and  
26 loan associations, shall within three years from the time this  
27 Act becomes effective, be subject to the provisions of this Act  
28 and shall be deemed to exist hereunder.

29 Sec. 39. EFFECTIVE DATE. This Act takes effect on the day  
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by the Senate

1 after its passage and approval or on the day it becomes law without  
2 such approval.

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AMENDMENTS TO HOUSE BILL NO. 419  
(adopted by the Senate March 25, 1960)

Page 1, line 7: After the semicolon, insert "providing for penalties;"

Page 2, line 3: Insert between "a" and "savings" insert the words "staff member as"

Page 2, line 19: Delete the word "an" and substitute in lieu thereof the word "any"

Page 6, line 14: Add new section 14 as follows:

"Sec. 14. ASSOCIATIONS TO INSURE ACCOUNTS WITH FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION. No association hereafter organized or created under the provisions of this Act shall commence business until it has acquired membership in the Federal Savings and Loan Insurance Corporation or any agency of the United States which insures deposits of savings and loan associations; provided, that corporations now in existence and operating as savings and loan associations shall have 3 years to obtain such insurance." Renumber following sections accordingly.

Page 18, line 9: Delete the comma after the word "by"

Page 22, line 29: Before "The" insert "At such time as associations organized under the provisions of this Act are insured with Federal Savings and Loan Insurance Corporations," Put a small "t" on the word "The"