

Introduced: 2/19/69  
Referred: Commerce

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BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 173

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act amending the Alaska Banking Code."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA

8 \* Section 1. AS 06.05.207(a) is amended by adding a paragraph to read:

9 (5) the amount of the loan does not exceed 90 per cent of  
10 the appraised value of the real estate offered as security, the term  
11 of the loan does not exceed 30 years, the loan is covered by mort-  
12 gage insurance issued by a mortgage insurer authorized to do business  
13 in Alaska, the mortgage insurance amounts to 20 per cent of the loan  
14 and the loan is secured by an amortized mortgage, deed of trust, or  
15 other such instruments under the terms of which the installment  
16 payments are sufficient to amortize the entire principal of the loan  
17 within the period ending on date of its maturity.

18 \* Sec. 2. AS 06.05 is amended by adding new sections to read:

19 Sec. 06.05.208. REVOLVING CREDIT PLANS. (a) A bank may  
20 extend credit under an agreement with a buyer of goods or services  
21 pursuant to which one or more advances may be made from time to time  
22 by the bank for the account of the buyer by means of the bank pur-  
23 chasing from a seller of goods or services instruments evidencing  
24 obligations arising out of sales made by the seller to the buyer.

25 (b) A bank may, in the case of extensions of credit made under  
26 this section, charge, collect and receive a service charge not in  
27 excess of the limitations for the same service charges and trans-  
28 action as provided in AS 45.10.120(c).

29 (c) The bank shall supply the buyer with whom an agreement is

1 made under (a) of this section, a statement setting forth the maximum  
2 service charge permitted pursuant to the provisions of AS 45.10.120(c).

3 Sec. 06.05.209. ISSUE OF CREDIT CARDS. A bank is not prohibited  
4 from issuing unsolicited credit cards or other similar credit granting  
5 devices but the bank may not hold the customer liable for any charges  
6 made on a credit card or other device before its acceptance by the  
7 customer. Retention and use by the customer shall constitute  
8 acceptance.

9 Sec. 06.05.212. OVERDRAFTS. (a) A director, officer or  
10 employee of a state bank who knowingly, willfully and persistently  
11 overdraws his account and who permits a customer to do so, shall be  
12 considered engaged in an unsound banking practice and subject to the  
13 provisions of sec. 005(4) of this chapter.

14 (b) An overdraft of more than 30 days standing may not be  
15 allowed as an asset of the bank.

16 (c) The provisions of this section do not apply to approved  
17 overdraft created under a check guaranty plan or other similar  
18 revolving credit plan.

19 \* Sec. 3. AS 06.05.230 is repealed and re-enacted to read:

20 Sec. 06.05.230. INVESTMENT IN REAL ESTATE AND BANKING PREMISES.  
21 A bank may acquire, purchase, hold, convey and hypothecate real  
22 estate and banking premises for the following purposes only

23 (1) such as shall be necessary for the convenient trans-  
24 action of its business, including banking offices, equipment, furni-  
25 ture and fixtures and parking lots; provided that the purchase or  
26 investment does not exceed 60 per cent of capital and surplus of the  
27 bank. The purchase or investment may consist of stock in a bank  
28 building corporation;

29 (2) the satisfaction of or on account of debts previously

1 contracted in the course of its business;

2 (3) the purchase at sale under judgment, decree, lien, or  
3 mortgage foreclosure, against security held by it.

4 \* Sec. 4. AS 06.05.255(a) is repealed and re-enacted to read:

5 (a) The aggregate amount of outstanding liabilities of a state  
6 bank for money borrowed exclusive of (1) capital notes and debentures  
7 issued under AS 06.05.307, (2) obligations incurred in connection  
8 with the purchase of bank premises as set forth in AS 06.05.230(1),  
9 and (3) borrowings for emergency purposes as permitted by the depart-  
10 ment, shall not at any time exceed the total amount of its unimpaired  
11 capital and one-half of unimpaired surplus.

12 \* Sec. 5. AS 06.05.260(a) is repealed and re-enacted to read:

13 (a) A bank may not give preference to a depositor or creditor  
14 by pledging any of the assets of a bank as collateral security except

15 (1) such security may be given to the state to secure  
16 state funds, or to a municipal corporation or other public corpora-  
17 tion, municipal utility or municipal utility board, or political  
18 subdivision, or service district of the state to secure its funds,  
19 and to the United States as may be required to make the bank a  
20 depository for United States funds;

21 (2) to secure a mortgage or deed of trust in connection  
22 with the purchase of banking premises as provided in sec. 230 of  
23 this chapter.

24 \* Sec. 6. AS 06.05.305(b) is amended to read:

25 (b) A [ANY] bank which engaged in business before August 6,  
26 1968 [MARCH 26, 1951], and which does not have a paid-up capital of  
27 at least \$100,000 [\$50,000] does not violate this chapter if it  
28 acquires and maintains [ACQUIRED] a paid-in capital of not less than  
29 \$100,000 [\$50,000] by no [NOT] later than August 6, 1973 [MARCH 26,

1 1956].

2 \* Sec. 7. AS 06.05.305 is amended by adding a new subsection to read:

3 (d) When any state bank fails to maintain its total adjusted  
4 capital accounts and reserves in an amount equal to the substandard  
5 assets as disclosed by the FDIC or the state in a bank's latest report  
6 of examination, the department shall consider such a condition as  
7 endangering the safety of the depositor and may direct the bank's  
8 directors to increase the capital accounts in an amount sufficient  
9 to cover substandard assets.

10 \* Sec. 8. AS 06.05 is amended by adding a new section to read:

11 Sec. 06.05.307. CAPITAL NOTES OR DEBENTURES. (a) A bank  
12 organized under the laws of this state may, with the approval of  
13 stockholders owning two-thirds of the stock of the bank entitled to  
14 vote or without such approval if authorized by its articles of  
15 incorporation, issue convertible or non-convertible capital notes or  
16 debentures with the written consent of the department. The principal  
17 amount of notes and debentures outstanding at any time shall not  
18 exceed 33 1/3 per cent of the capital stock and surplus fund of the  
19 bank at the date of issue. The rate and term shall be subject to the  
20 approval of the department but in no event may the term be more than  
21 20 years after the date of issue.

22 (b) No bank may retire capital notes or debentures if the  
23 retirement creates an impairment of its capital. Capital notes and  
24 debentures are subordinated in right of payment in the event of  
25 involvency or liquidation of the bank to the prior payment of all  
26 deposits and all claims of other creditors except the holders of  
27 securities on a parity with the capital notes and debentures and the  
28 holders of securities expressly subordinated to the capital notes  
29 and debentures.

1 (c) Bank assets may not be pledged to secure capital notes and  
2 debentures but the bank may for the security and the protection of the  
3 holders of the capital notes and debentures, agree through its board  
4 of directors to restrict the payment of dividends.

5 (d) The amount of outstanding notes and debentures not maturing  
6 within one year shall be added to the capital stock and surplus fund  
7 of the issuing bank for the purpose of determining the maximum amount  
8 that may be loaned by the bank as provided in sec. 205 of this chapter.

9 (e) All debentures and capital notes issued before the effective  
10 date of this section by any bank organized under the laws of this state  
11 are authorized by the department.

12 \* Sec. 9. AS 06.05.525 is repealed and re-enacted to read:

13 Sec. 06.05.525. INJUNCTION. Whenever a state bank fails to  
14 comply with the provisions of this chapter, or the regulations of the  
15 department, or is found by the department to be in an unsafe or  
16 unsound condition the result of which will cause substantial injury to  
17 the bank or to its depositors, creditors or stockholders, the superior  
18 court shall upon the suit of the department issue an injunction  
19 restraining the violation and may issue an order prohibiting the  
20 transaction of all or any part of the bank's business until such time  
21 as the circumstances upon which the suit is based no longer exist.

22 \* Sec. 10. AS 06.05.250 is repealed.

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