

Original sponsor: Rules Committee
by Request of the Governor

Offered 3/27/69
Referred: Rules

1 IN THE SENATE

BY THE COMMERCE COMMITTEE

2 CS FOR 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 new paragraph to
9 read:

10 (5) the amount of the loan does not exceed 90 per cent of
11 the appraised value of the real estate offered as security, the term of
12 the loan does not exceed 30 years, and the loan is secured by an
13 amortized mortgage, deed of trust, or other instrument under the terms
14 of which the installment payments are sufficient to amortize the en-
15 tire principal of the loan within the period ending on the date of its
16 maturity and, in addition, the loan is either (A) insured by mortgage
17 insurance in an amount equal to 20 per cent of the loan issued by a
18 mortgage insurer authorized to do business in Alaska; or (B) secured in
19 addition to the amortized mortgage by a savings account held by the
20 lending institution in an amount equal to 10 per cent of the loan or
21 other collateral acceptable to the department.

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

23 Sec. 06.05.208. REVOLVING CREDIT PLANS. (a) A bank may extend
24 credit under an agreement with a buyer of goods or services under which
25 one or more advances may be made from time to time by the bank for the
26 account of the buyer by means of the bank purchasing from a seller of
27 goods or services instruments evidencing obligations arising out of
28 sales made by the seller to the buyer.

29 (b) A bank may, in the case of extensions of credit made under

1 this section, charge, collect and receive a service charge not in ex-
2 cess of the limitations for the same service charges and transaction as
3 provided in AS 45.10.120(c).

4 (c) The bank shall supply the buyer with whom an agreement is made
5 under (a) of this section, a statement setting out the maximum service
6 charge permitted under AS 45.10.120(c).

7 Sec. 06.05.209. ISSUE OF CREDIT CARDS. A bank is not prohibited
8 from issuing unsolicited credit cards or other similar credit granting
9 devices but the bank may not hold the customer liable for charges made
10 on a credit card or other device before its acceptance by the customer.
11 Before an unsolicited card is considered accepted by the customer, the
12 customer shall execute and furnish to the bank a written statement of
13 acceptance.

14 Sec. 06.05.212. OVERDRAFTS. (a) A director, officer, or employee
15 of a state bank who knowingly, wilfully and persistently overdraws his
16 account and who permits a customer to do so, shall be considered engaged
17 in an unsound banking practice and subject to the provisions of sec.
18 5(4) of this chapter.

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

21 (c) The provisions of this section do not apply to an approved
22 overdraft created under a check guaranty plan or other similar revolving
23 credit plan.

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

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

28 (1) such as are necessary for the convenient transaction of
29 its business, including banking offices, equipment, furniture and

1 fixtures and parking lots; provided that the purchase or investment
2 does not exceed 6) per cent of capital and surplus of the bank; the
3 purchase or investment may consist of stock in a bank building corpor-
4 ation;

5 (2) the satisfaction of or on account of debts previously
6 contracted in the course of its business;

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

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

10 (a) The aggregate amount of outstanding liabilities of a state
11 bank for money borrowed exclusive of (1) capital notes and debentures
12 issued under sec. 307 of this chapter, (2) obligations incurred in con-
13 nection with the purchase of bank premises as set out in sec. 230(1) of
14 this chapter, and (3) borrowing for emergency purposes as permitted by
15 the department, may not at any time exceed the total amount of its
16 unimpaired capital and one-half of its unimpaired surplus.

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

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

20 (1) to the state to secure state funds, or to a municipal
21 corporation or other public corporation, municipal utility or municipal
22 utility board, or political subdivision of the state to secure its
23 funds, and to the United States as may be required to make the bank a
24 depository for United States funds;

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

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

29 (b) A [ANY] bank which engaged in business before August 6, 1968

1 [MARCH 26, 1951], and which does not have a paid-up capital of at least
2 \$100,000 [\$50,000] does not violate this chapter if it acquires and
3 maintains [ACQUIRED] a paid-in capital of not less than \$100,000 by no
4 [\$50,000 NOT] later than August 6, 1973 [MARCH 26, 1956].

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

6 (d) If a state bank fails to maintain its total adjusted capital
7 accounts and reserves in an amount equal to the substandard assets as
8 disclosed by the FDIC or the state in a bank's latest report of examin-
9 ation, the department shall consider the failure as endangering the
10 safety of the depositor and may direct the bank's directors to increase
11 the capital accounts in an amount sufficient to cover substandard
12 assets.

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

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

25 (b) No bank may retire capital notes or debentures if the retire-
26 ment creates an impairment of its capital. Capital notes and deben-
27 tures are subordinated in right of payment in the event of insolvency
28 or liquidation of the bank to the prior payment of all deposits and all
29 claims of other creditors except the holders of securities on a parity

1 with the capital notes and debentures and the holders of securities
2 expressly subordinated to the capital notes and debentures.

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

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

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

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

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

24 * Sec. 10. AS 06.05.250 and AS 06.05.207(a)(3) are repealed.
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