



LAWS OF ALASKA

1978

Source

SCS CSHB 703

Chapter No.

164

AN ACT

Relating to savings associations; and providing for an effective date.

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

* Section 1. AS 06.30.015 is amended by adding new paragraphs to read:

(11) establish, at the discretion of the commissioner, a reserve or charge off that portion of an asset classified as loss in the Federal Savings and Loan Insurance Corporation report of examination or state report of examination;

(12) consider as bad debts and charge off all debts due to the association on which interest is past due and unpaid for a period of six months unless the debts are adequately secured and the association is in process of collection.

* Sec. 2. AS 06.30.030 is amended to read:

Sec. 06.30.030. STANDARDS FOR REGULATIONS. The commissioner in the exercise of the power to issue regulations necessary to carry out this chapter shall act in the interests of a sound and competitive savings and loan system and in the interest of promoting and encouraging thrift, savings, investment, home financing, and the security of persons saving through savings associations.

* Sec. 3. AS 06.30.035 is repealed and re-enacted to read:

Sec. 06.30.035. INCORPORATORS; ARTICLES OF INCORPORATION; CERTIFICATE OF INCORPORATION. (a) Five or more individuals may incorporate under this chapter for the purpose of conducting and carrying on a savings association

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business.

(b) The incorporators shall execute articles of incorporation, which shall specify

- (1) the name assumed by the association;
- (2) the judicial district in which the association is to be located and the community where the association is to locate its principal place of business;
- (3) the nature of its business;
- (4) the amount of its capital stock, surplus, or reserves;
- (5) the number of directors of whom there must be at least five but no more than 25;
- (6) the period for which the association is organized, if limited.

(c) The articles of incorporation shall be signed by all of the incorporators and acknowledged before an officer authorized to take acknowledgements.

(d) Before commencing business, the incorporators of a proposed association shall obtain the approval of the department. In applying for the approval, the incorporators shall submit to the department

(1) an application signed by all of the incorporators in the form and containing the information the department requires, including but not limited to the following:

(A) a notice of the incorporator's intent to organize a savings association;

(B) the name and address of an individual in the state to whom notice to all incorporators may be sent;

(C) if a stock association,

(i) the amount of its capital stock which shall be divided into shares of not less than \$1 each;

(ii) the name, residence and occupation of each incorporator, and the amounts of stock subscribed and paid for by each;

(iii) any past and present connection with any bank or savings association, other than as a customer on terms generally available to the public, of each incorporator and proposed director and each pre-incorporation subscriber of more than five per cent of the capital stock;

(iv) the name, residence and occupation of each pre-incorporation subscriber and the number of shares subscribed for by each;

(D) if a mutual association,

(i) the aggregate amount of savings accounts subscribed by the incorporators and the amount of the expense fund;

(ii) the name, residence and occupation of each incorporator and the amounts of savings accounts subscribed by each;

(E) the address of the proposed place of business of the association or, if an address is not available, a legal description of the proposed place of business;

(2) the proposed articles of incorporation executed in triplicate together with the applicable fees provided in (e) of this section, payable to the department for filing;

(3) the proposed bylaws of the association, as provided in sec. 40 of this chapter, executed in triplicate.

(e) All reasonable investigation expenses incurred by the department in processing an application for approval of a proposed association shall be charged to and paid by the applicant in accordance with this title. At the time of submitting the application for a certificate of incorporation to the department, the applicant shall pay to the department \$1,000 in partial payment of the investigative expenses incurred by the department. If the investigative expenses incurred by the department do not exceed \$1,000, the remainder shall be promptly refunded to the applicant.

(f) The department shall notify the incorporators of its decision on an application for a proposed association. If the application and accompanying documents required by (d) of this section do not conform to the requirements of this chapter and to the regulations adopted under this chapter, the department shall return the documents with an explanation of the defects. If the department does not act within 30 days of receipt of the application, the application shall be considered accepted; however, acceptance of the application does not constitute approval.

(g) The incorporators shall publish notice of the department's acceptance of the application for a proposed association and articles of incorporation once each week for two successive weeks in a newspaper of general circulation published in the community proposed as the association's principal place of business. If there is no newspaper in the proposed principal place of business, the notice shall be published in a newspaper of general circulation near the community. The first publication of the notice shall appear within 15 days after the application and articles of incorporation have been accepted by the department. The notice shall state:

(1) the name of the proposed association;

(2) that the proposed association is to be incorporated under this chapter;

(3) the purpose of the proposed association;

(4) the names and addresses of the incorporators and the proposed initial board of directors as they appear in the articles of incorporation.

(h) Proof of publication under (g) of this section shall be by affidavit of the publisher of the newspaper in which it was made and shall be filed with the department.

(i) Upon acceptance of an application for approval of a proposed association, the department shall conduct an investigation to ascertain whether

(1) the convenience and needs of the public will be served by the association;

(2) the population density or other economic characteristics of the area primarily to be served by the association afford reasonable promise of adequate support for the association;

(3) the character and fitness of the incorporators and the members of the initial board of directors are of a nature which commands the confidence of the community and warrants the belief that the business of the association will be honestly and efficiently conducted;

(4) the initial subscription account for a mutual association and the initial subscription account and the capital for a stock association are paid to at least an extent required by the department;

(5) the association will have personnel with adequate knowledge and experience to conduct its business and officers who are of good character and financial responsibility;

(6) the addition of the association is not detrimental to a sound and competitive savings and loan system;

(7) the name is not deceptively similar to that of another association and is not otherwise misleading; and

(8) other facts and circumstances exist bearing on the association and its relation to the community which the department considers relevant.

(j) No later than six months after the application for approval has been accepted, the department shall approve or deny it. The time may be extended by up to six additional months when warranted by exceptional circumstances, as determined by the department. Within 30 days after the second publication of the notice required by (g) of this section, any person opposing the application may file with the department written objections to it and request a hearing on the matter. When it approves or denies the application, the department shall notify the incorporators and any other person who requested in writing that he be notified, and, if the application is denied, the department shall state the reasons for its decision and return all copies of the articles of incorporation.

(k) If the department approves the application, the approval shall be endorsed on the articles of incorporation, and the articles of incorporation shall be filed and a certificate of incorporation issued. The department shall retain one copy of the approved articles for its files, file one copy with the Department of Revenue, and return one copy to the incorporators.

(l) At the time of the issuance of the certificate of incorporation by the department the corporate existence begins, unless the certificate provides that it will begin on a stated day in the future in conformity with a provision of the articles of incorporation in which event the corporate existence begins on the date stated, without further action by either the incorporators or the department. The certificate of incorporation is conclusive evidence that the association has been incorporated except as against the department in a proceeding instituted by it to dissolve the association under sec. 836 of this chapter.

(m) An association may amend its articles of incorporation in any manner consistent with this chapter by a vote of its members or stockholders representing two-thirds of the capital at any regular meeting or at a special meeting called for that purpose. A certificate of the terms of the amendments shall be executed by a majority of the directors and filed in the same manner as the articles of incorporation.

* Sec. 4. AS 06.30.040 is repealed and re-enacted to read:

Sec. 06.30.040. BYLAW REQUIREMENTS. (a) The bylaws of a savings association doing business in this state shall be in conformity with the provisions of this chapter and the laws of this state and at all times during the regular hours of business shall be open to the inspection of the members, at its principal place of business.

(b) The bylaws, among other things, shall provide for

(1) the character and methods of conducting the business of the association, with rules governing the admission of members, issuance of certificates, and sale of its certificates;

(2) the custody, control, disposition, and investment of funds of the association;

(3) its loan procedure;

(4) the holding of an annual meeting of the association, and the method for providing adequate notification to members; however, the time and place of it may be set by resolution of the directors of the association;

(5) the holding of special meetings, and the method of providing adequate notification to members;

(6) the duties of the officers and directors of the association and the number of directors to be elected;

(7) the method and qualifications for voting at meetings of members which shall include the right of

cumulative voting;

(8) the terms and conditions for withdrawal of funds by investors; the bylaws may provide that no funds may be withdrawn by investors during the 12 months immediately following the issuance of a contract or certificate if the prohibition is expressed in the contract or certificate.

* Sec. 5. AS 06.30.045 is repealed and re-enacted to read:

Sec. 06.30.045. CERTIFICATE OF AUTHORITY. (a) Until it receives a certificate of authority from the department to engage in the savings association business, an association may not accept deposits or transact any business except what is incidental to its commencement of business or to obtaining payment from subscribers. If, in violation of this subsection, an association transacts business before it receives a certificate of authority to engage in the savings association business, the directors and officers who wilfully authorized or participated in the action are personally, jointly, and severally liable for the debts and liabilities of the association incurred before the certificate of authority to engage in the savings association business is received.

(b) The department shall issue a certificate of authority to engage in the savings association business to a proposed association if, upon review of the information required by this chapter, including the following, it approves the application:

(1) in the case of a stock association, certification by an officer of the association to the department by affidavit, that

(A) the capital, surplus, and savings subscriptions required by the department have been fully paid in cash and aggregate not less than the minimum amount required by the department;

(B) a list of stockholders, giving the name, address, and number of shares held by each has been filed with the department;

(2) in the case of a mutual association, a certification by an officer of the association to the department by affidavit that the initial subscriptions of each subscriber have been fully paid in cash and aggregate not less than the minimum amount required by the department;

(3) that bylaws have been adopted and filed with the department;

(4) that the association has received approval of its application for insurance of accounts from the Federal Savings and Loan Insurance Corporation; and

(5) that the association has complied with all the requirements of this chapter and any conditions imposed by the department and has advised the department in writing of any changes that have occurred in the facts reflected in the material it filed under sec. 35 of this chapter.

* Sec. 6. AS 06.30.060(b) is repealed and re-enacted to read:

(b) Before a certificate of authority is issued for a mutual association, the subscribers shall pay in cash to the chairman, as their subscriptions to a savings account, approved by the department, including that part of the original subscription paid by the chairman, an aggregate amount, fixed as follows in relation to the population of the community in which the home office of the association is to be located:

- (1) in communities having less than 25,000 inhabitants, the minimum sum of \$500,000;
- (2) in communities having 25,001 to 100,000 inhabitants, the minimum sum of \$1,000,000;
- (3) in communities having 100,001 or more inhabitants, the minimum sum of \$2,000,000.

* Sec. 7. AS 06.30.060(e) is amended to read:

(e) The incorporators, in addition to their subscriptions to savings accounts in the case of a mutual association, or capital stock in the case of a stock association, shall create an expense fund in an amount not less than that specified by the department. The expense of organizing the association and its operating expenses may be paid from the expense fund until the earnings of the association are sufficient to pay its operating expenses in addition to such dividends as may be declared and paid or credited to its savings account holders from its earnings. The incorporators and others, before a certificate of incorporation is issued, shall deposit to the credit of the chairman of the incorporators in cash the amount of the expense fund. The amounts contributed to the expense fund by the incorporators and others are not a liability of the association except as provided in this chapter.

* Sec. 8. AS 06.30.060(f) is amended to read:

(f) Contributions made to the expense fund may be repaid pro rata to the contributors from the net earnings of the association after provision for statutory additions to the surplus and reserve accounts have been made as provided in sec. 445 of this chapter. If an association is liquidated before contributions to the expense fund have been repaid, contributions to the expense fund remaining unexpended, after the payment of expenses of liquidation, all creditors, and the withdrawal value of all savings accounts, shall be repaid to the contributors pro rata. The books of the association shall reflect the expense fund. Contributors to the expense fund shall be paid dividends on the amounts paid in by them and for this purpose contributions shall be considered as savings accounts of the association.

* Sec. 9. AS 06.30.060 is amended by adding a new subsection to read:

(h) Before a certificate of authority is issued for a stock association, (1) the stock subscribers shall pay in cash to the chairman, their subscriptions to the capital stock and contribution to the surplus account of the

proposed association, approved by the department, including that part of the original subscription paid by the chairman, an aggregate amount not less than those amounts prescribed for mutual associations in (b) or (c) of this section; and (2) the savings subscribers shall pay in cash to the chairman, their subscriptions to a savings account of the proposed association, approved by the department, including that part of the original subscription paid by the chairman, an aggregate amount of one-half that specified for the stock subscription account.

* Sec. 10. AS 06.30.090 is amended to read:

Sec. 06.30.090. CHANGE OF NAME. The name of the home office of an association may be changed in the following manner.

(1) The board of directors shall by resolution approve the proposed new name of the home office of the association. Immediately preceding application to the commissioner for approval, notice of intention to change the name of the home office, signed by two officers, shall be published once a week for two successive weeks in a newspaper of general circulation in the city or the vicinity in which the home office is located, and a copy of the notice shall be displayed during the consecutive two weeks' period in a conspicuous place in the home office of the association.

(2) The association shall file four copies of an application for approval with the commissioner. The application shall be signed by two officers of the association and acknowledged before an officer authorized to take acknowledgments.

(3) Upon approval of an application for change of name, the commissioner shall endorse on each copy of the application a certificate of approval. Upon approval, the name of the association shall be changed immediately.

(4) [deleted]

(5) [deleted]

* Sec. 11. AS 06.30.105 is amended to read:

Sec. 06.30.105. VOTING. (a) Members of record at the end of the calendar month preceding the date of the meeting of members except those who have ceased to be members are entitled to vote. The number of votes which a member may cast shall be determined by the books on the same date for determining the right to vote.

(b) In a mutual association, each member may cast one vote, plus an additional vote for each \$100 or fraction of \$100 of the withdrawal value of savings accounts, if any, held by the member. However, no member may cast more than 50 votes.

(c) At a meeting of the members, voting may be in person or by proxy. Every form of proxy solicited by any person with respect to voting rights in an institution shall conform to the following requirements:

(1) the proxy shall be in writing and signed by the member or his authorized attorney in fact;

(2) the proxy shall be revocable at will by the person giving it; the power to revoke may not be conditioned on any event or occurrence or otherwise limited;

(3) the proxy may not be part of any other document or instrument and shall be clearly labeled "Revocable Proxy" in boldface type;

(4) the proxy may not designate a corporation, partnership or any person other than a natural person to act on behalf of the member.

(d) A simple majority of members of a mutual association present in person or by proxy at a regular or special meeting of members constitutes a quorum. A majority of all votes cast at a meeting of members determines any question.

(e) In a stock association each share of stock is entitled to one vote and any stockholder may vote in person or by written proxy. The holders of a majority of the outstanding voting shares or their authorized representatives constitute a quorum. In the absence of a quorum a meeting may be adjourned and rescheduled on proper notice to the stockholders.

* Sec. 12. AS 06.30.110 is amended to read:

Sec. 06.30.110. MEMBERSHIP CHARGES PROHIBITED. An association may not charge a membership, admission, withdrawal, or other fee or sum of money for the privilege of becoming, remaining, or ceasing to be a member of the association, except reasonable charges upon the making or modification of a loan. An association may not charge a member any sum of money by fine or penalty for any cause, except that a reasonable charge may be made against borrowers for defaults or prepayments. However, nothing contained in this chapter prevents payment being made for the purchase of stock in a stock association.

* Sec. 13. AS 06.30.115 is amended to read:

Sec. 06.30.115. ACCESS TO BOOKS AND RECORDS OF ASSOCIATION. (a) Every member may inspect the books and records of an association which pertain to his loan or savings account.

(b) Except as provided in (a) and (c) of this section, the right of inspection and examination of the books and records is limited to (1) the commissioner or his authorized representatives as provided in this chapter, (2) persons authorized to act for the association, and (3) any federal instrumentality or agency authorized to inspect or examine the books and records of an insured association.

(c) In stock associations every stockholder may inspect the general books and records of the association except a stockholder may not have access to the loan and savings records of other members.

* Sec. 14. AS 06.30.140 is amended to read:

Sec. 06.30.140. ASSOCIATION UNDER DIRECTION OF BOARD OF DIRECTORS. The business of the association is directed by a board of directors of not less than five or more than 25 as determined and elected by ballot from among the members by a plurality of the votes of the members present. If authorized by vote of the members, vacancies on the board of directors may be filled by a simple majority vote of the remaining directors, and those persons so appointed may serve only until the next annual meeting of the association. At all times at least two-thirds of the directors shall be bona fide residents of this state.

- * Sec. 15. AS 06.30.145 is amended to read:

Sec. 06.30.145. QUALIFICATIONS OF DIRECTORS. (a) To qualify as a director, a member of a mutual association shall hold a savings account with the association having a withdrawal value of at least \$1,000. A director automatically ceases to be a director when he ceases to be a member, or when the net equity above loans of all savings accounts in the association held by him aggregates less than the minimum required to be eligible for election as a director. However, no action of the board of directors is invalid through the participation of the director in the action. If a director becomes ineligible under this section by reason of the exercise by the association of the right of redemption of savings accounts provided for in secs. 475 - 485 of this chapter, he remains in office until the expiration of his term or until he otherwise becomes ineligible.

(b) In a stock association each director shall own in his own right free of any encumbrance capital stock of the association in an amount equal to at least \$1,000 in par value.

(c) Each director shall take an oath that he will faithfully and honestly perform the duties of his office and will not violate or permit to be violated any provisions of this chapter. The oath shall be filed annually in the office of the department.

- * Sec. 16. AS 06.30.270 is amended to read:

Sec. 06.30.270. MAINTENANCE OF MEMBERSHIP RECORDS. (a) Every mutual association shall maintain membership records showing the name and address of the member, the status of the member as a savings account holder, or an obligor, or a savings account holder and obligor, and the date of membership. In the case of account-holding members, the association shall obtain a card containing the signature of the holder of the account or his authorized representative and shall preserve the signature card in the records of the association.

(b) Every stock association shall maintain a stock book and a stock transfer book.

- * Sec. 17. AS 06.30.280 is repealed and re-enacted to read:

Sec. 06.30.280. GENERAL POWERS OF ASSOCIATIONS. Every association has the powers enumerated, authorized, and permitted by this chapter and such other rights, privileges, and powers incidental to or reasonably necessary for the

accomplishment of the objects and purposes of the association. Every association may

- (1) sue and be sued, complain and defend in court;
- (2) have a corporate seal, which may be affixed by imprint, facsimile or otherwise;
- (3) adopt and amend bylaws as provided in this chapter;
- (4) appoint officers, agents and employees as its business requires and fix their compensation;
- (5) receive savings and repay or invest the same;
- (6) declare and pay dividends;
- (7) loan money and sell any of its notes or other evidences of its indebtedness, together with the collateral securing the same;
- (8) collect or protect promissory notes or bills of exchange, owned or held as collateral by the association;
- (9) collect or compromise debts due to it and in so doing to apply to the indebtedness the savings accounts of the member debtors and to receive as collateral or otherwise, other securities, property or property rights of any kind or nature;
- (10) procure insurance of its mortgages from a mortgage insurer authorized to do business in this state;
- (11) provide for life, health and casualty insurance for officers and employees and adopt and operate reasonable bonus plans and retirement benefits for officers and employees;
- (12) borrow money and pledge or mortgage its properties and securities in connection with them;
- (13) conduct business in this state or elsewhere as may be permitted by this chapter;
- (14) deposit money and securities in any bank or other like depository;
- (15) sell money orders and travelers checks;
- (16) act as an escrow agent;
- (17) let safe deposit boxes and other receptacles for the safekeeping of personal property;
- (18) dissolve and wind up its business.

* Sec. 18. AS 06.30.295 is amended to read:

Sec. 06.30.295. FIXED RATE, FIXED TERM ACCOUNTS. No association may issue, sell, negotiate, or advertise for sale either to members or the public any type of investment security other than savings accounts. An association may

accept accounts bearing a definite rate of return for fixed periods of time when its board of directors has adopted a resolution providing for the issuance of fixed rate, fixed term accounts and those accounts are insured by the Federal Savings and Loan Insurance Corporation.

- * Sec. 19. AS 06.30.330 is amended to read:

Sec. 06.30.330. FEDERAL SAVINGS AND LOAN ASSOCIATIONS. Federal savings and loan associations incorporated under the Home Owner's Loan Act of 1933, as now or hereafter amended, are not foreign corporations or associations. This section is additional and supplemental to any provision which, by specific reference, is applicable to federal savings and loan associations and the members of them.

- * Sec. 20. AS 06.30.335 is repealed and re-enacted to read:

Sec. 06.30.335. APPLICATION FOR CERTIFICATE OF AUTHORITY FOR BRANCH, AGENCY OR CHANGE OF LOCATION. (a) No association may establish or maintain a branch office or agency without the written approval of the commissioner; however, a temporary and incidental agency may be created for individual transactions and for special temporary purposes with the prior special permission of the commissioner except for the purposes specified in secs. 760 - 775 of this chapter.

(b) Before operating a branch office or agency or changing the location of the home office, branch office, or agency of the association, an association must apply to the department for a certificate of authority to do so. The application shall be in the form and contain the information the department requires to enable it to determine whether a certificate of authority should be issued, including but not limited to the address at which the association, agency or branch office will operate. All reasonable investigation expenses incurred by the department in processing an application shall be charged to and paid by the applicant in accordance with this title. At the time of submitting the application to the commissioner, the applicant shall pay to the department \$500 in partial payment of those investigation expenses incurred by the department. If the investigation expenses incurred by the department do not exceed \$500, the remainder shall be promptly refunded to the applicant.

(c) The department shall notify the association of its action on the application for a branch office or agency or for a change of location. If the application and the accompanying documents do not conform to the requirements of (b) of this section, the department shall return them with an explanation of the defects in them. If the department does not respond within 30 days of its receipt of the application, it shall be considered to have been accepted; however, acceptance of the application does not constitute approval.

(d) The association shall publish notice of the acceptance by the department of the application for a branch office or agency or for approval to change the location of the home office, a branch, or agency of an association, in the manner provided in sec. 35(g) and (h) of this chapter. The notice shall state the proposed location.

(e) Upon acceptance of an application for a certificate of authority to operate a branch office or agency or for approval to change the location of the home office, branch office, or agency of an association, the department shall conduct an investigation to be sure that

(1) the addition of the proposed facility in the community is not detrimental to a sound and competitive banking and savings system;

(2) the population density and other economic characteristics of the area primarily to be served afford reasonable promise of adequate support for a branch or a relocated home office, branch office, or agency;

(3) the capital and reserves of the association are adequate in relation to the anticipated business and costs of operating at the proposed location;

(4) the name is not deceptively similar to that of another branch office, agency or association, and is not otherwise misleading;

(5) the proposed location of the agency, branch or home office is in a separate facility designated as a savings and loan association, and no other business is conducted in the facility.

(f) No later than 150 days after the application for a certificate of authority to operate a branch office or agency or to change the location of the home office, branch office, or agency of an association has been accepted, the department shall make a determination whether to approve the application. Within 30 days after the second publication of the notice referred to in (d) of this section, any person opposing the pending application may file written objections with the department. When it approves or denies the application, the department shall notify the association and any other person who requested in writing that he be notified, and, if the application is denied, the department shall state the reasons for its decision. The department shall issue a certificate of authority to operate a branch office or agency or to change the location of the home office, branch office, or agency of an association if

(1) all conditions imposed by the department in granting the certificate have been fulfilled;

(2) the requirements of this chapter are satisfied.

(g) If the rights conferred by a certificate of authority are not exercised within one year from the date of its issuance, the certificate lapses.

* Sec. 21. AS 06.30.355 is amended to read:

Sec. 06.30.355. BRANCH OFFICES AND AGENCIES SUBJECT TO DIRECTION FROM HOME OFFICE. Each association shall be operated from the home office which shall be located in the state. All branch offices and agencies are subject to direction from the home office.

* Sec. 22. AS 06.30.375 is amended to read:

Sec. 06.30.375. SAVINGS ACCOUNTS IN GENERAL. Savings accounts shall be opened for cash or its equivalent. Except as limited by the board of directors, a member may make additions to his savings accounts in amounts and at times he chooses. Except as provided in secs. 450 - 455 of this chapter, an association may not prefer one of its savings accounts over another as to the right to receive dividends. No preference between savings account members may be created with respect to the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up the business of the association.

* Sec. 23. AS 06.30.430 is amended by adding new subsections to read:

(b) Every association shall upon request submit to the department a report of inactive savings accounts. The executive officer of the association is responsible for furnishing the report. The department shall proceed to recover the property through escheat proceedings in the manner provided in AS 09.50.070 - 09.50.160.

(c) A service charge may be made by the association for reasonable costs incurred in maintaining inactive accounts.

* Sec. 24. AS 06.30.445 is repealed and re-enacted to read:

Sec. 06.30.445. GENERAL RESERVE FOR LOSSES AND NET WORTH REQUIREMENTS. (a) A savings association shall establish and maintain a general reserve account for losses and other net worth accounts adequate to assure solvency of the association.

(b) Each savings association shall accumulate and maintain as a net worth account a general reserve for the sole purpose of absorbing losses. At the annual closing date following the anniversary of its certificate of authority and each annual closing date thereafter, the general reserve shall have a minimum balance not less than an amount fixed by regulation. The commissioner by regulation shall fix the required minimum amount of general reserve accounts for the association as prescribed in section 563.13 of the Federal Savings and Loan Insurance Corporation Regulations. The regulation shall provide a uniform schedule of minimum levels to be reached during the first 20 or more years of an association's operation for the purpose of achieving an orderly accumulation of the general reserve account.

(c) The commissioner may permit an association to cure a deficiency in its general reserve account by requiring the board of directors of the association to earmark earned surplus, voluntarily pledged savings accounts of a mutual association, or capital surplus or stated capital of a stock association, as part of its general reserve account in the amounts needed to cure the deficiency. Amounts so earmarked shall be held for the same purpose as the general reserve to the extent the earmarked amounts are needed to maintain the required reserve account level. An association may not pay dividends or interest from the reserve account or other funds earmarked for the purpose of meeting the reserve

account requirement.

(d) Every savings association shall build up and maintain its net worth so that at the close of business on any annual closing date its net worth accounts shall equal not less than the dollar amount determined in accordance with the regulations adopted by the commissioner to be adequate to assure solvency of the association. The regulations shall provide for an adjustment of the net worth requirement during the first years of an association's operation in accordance with (b) of this section. If an association fails to establish or maintain the general reserve or the net worth requirements of this section, the commissioner may, in accordance with the provisions of this title, require the association to take appropriate corrective action.

(e) An association may establish reserve accounts, in addition to the general reserve, as its board of directors may authorize, and make transfers to and charge such reserve accounts.

(f) Losses as they are determined, not charged to other reserve accounts, shall be charged to the general reserve until the general reserve account is exhausted. After exhaustion of the general reserve, any remaining losses not charged to other reserve accounts shall be charged as determined:

(1) in the case of a stock association, to earned surplus, then capital surplus and then stated capital; or

(2) in the case of a mutual association, to earned surplus and then the expense fund, if any.

(g) Any insurance reserve required by an insurer of the savings accounts of an association shall be considered part of the general reserve for the purpose of (b) of this section.

* Sec. 25. AS 06.30.455 is amended to read:

Sec. 06.30.455. COMPUTATION AND PAYMENT OF DIVIDENDS ON SAVINGS PLANS. Dividends shall be credited to savings accounts on the books of the association on the dividend-payment date unless a savings account holder requests and the association agrees to pay dividends on all or part of a savings account in cash. Dividends payable in cash shall be paid on the dividend-payment date and may be paid by check or bank draft. All savings account holders shall participate equally in dividends pro rata to the withdrawal value of their respective accounts, except the association may pay dividends according to the rate limitations prescribed for different classes of accounts and administered by the Federal Home Loan Bank Board. Dividends shall be declared on the withdrawal value of each savings account at the beginning of the dividend period, plus additions to it made during the dividend period, less amounts withdrawn and noticed for withdrawal, which for dividend purposes shall be deducted from the latest previous addition, computed at the declared rate for the time invested. The date of investment is the date of actual receipt by the association

of an account or an addition to an account. If the board of directors so determines, accounts or additions received by the association on or before a date not later than the 10th day of the month, unless the day determined is not a business day, in which case it may be the next succeeding business day, shall receive dividends as if invested on the first day of the month in which the payments were received. If the board makes this determination, it also shall determine that payments received after the determination date shall either (1) receive dividends as if invested on the first day of the next succeeding month, or (2) receive dividends from the date of actual receipt by the association.

- * Sec. 26. AS 06.30.495 is amended to read:

Sec. 06.30.495. LOANS ON SECURITY OF SAVINGS ACCOUNTS. An association may make loans on the sole security of savings accounts whether or not the borrower is the owner of the accounts if the association obtains a lien upon or a pledge of the savings account as a security for the loan. However, the loan may not exceed the withdrawal value of the accounts owned or pledged for or by the borrower. An association may not make a loan on the sole security of a savings account when applications for withdrawal have been on file more than 60 days and have not been paid.

- * Sec. 27. AS 06.30.500 is repealed and re-enacted to read:

Sec. 06.30.500. INVESTMENT IN FIRST MORTGAGES. Subject to the provisions of this chapter and regulations adopted under it, an association may invest in deeds of trust on mortgages in a first lien position on real property, including leasehold estates subject only to reservations, easements and restrictions of record, subject to the following limitations:

(1) No investment in mortgages executed by any one mortgagor may exceed in the aggregate two per cent of the assets of the association at the time the investment is made, or \$90,000 on a single-family dwelling or \$90,000 per unit on a multiple-family dwelling or other improved realty, whichever is greater, or other maxima established by the commissioner by regulation.

(2) No investment in any one mortgage may exceed two per cent of the assets of the association at the time the investment is made, or as specified in (1) of this section, whichever is greater, or more than 80 per cent of the appraised value of a one-to-four family residence securing a conventional loan; however, an association may make 95 per cent of appraised value loans if the term of the loan does not exceed 30 years, and the loan is secured by an amortized mortgage, deed of trust, or other instrument under the terms of which the installment payments are sufficient to amortize the entire principal of the loan within the period ending on the date of its maturity and, in addition, the loan is either

(A) insured by mortgage insurance in an amount equal to 20 per cent of the loan issued by a mortgage insurer authorized to do business in Alaska; or

(B) secured in addition to the amortized mortgage by a savings account held by the lending institution in an amount equal to 10 per cent of the loan or other collateral acceptable to the department.

(3) Except as provided in (1) of this section, no investment may be made in a conventional loan secured by a mortgage on a one-to-four family residence unless the mortgaged property is located inside this state and the mortgage has a maturity not exceeding 30 years from the date the loan is made.

(4) No investment may be made in a conventional loan if the aggregate unpaid principal of all conventional loans exceeds 80 per cent of deposits plus all borrowings from the Federal Home Loan Bank.

(5) The loan may not be made to a director, officer, or employee except when secured by home property owned and occupied by the director, officer, or employee.

(6) No investment may be made in a mortgage upon a leasehold unless

(A) the leasehold has an unexpired term of not less than two years beyond the maturity of the loan;

(B) the principal amount of the mortgage loan is not in excess of 80 per cent of the appraised value of the leasehold; and

(C) provision is made for completed amortization of the loan within an unexpired term by period payments as the department may prescribe.

* Sec. 28. AS 06.30.505(a) is amended to read:

(a) An association may use for loans other than those specified in sec. 500 of this chapter an aggregate amount not exceeding 30 per cent of the assets at the time of use, or a larger amount with the approval of the commissioner as follows:

(1) home loans, whether direct-reduction or not, which exceed \$90,000 each, regardless of where the home property securing the loan is situated;

(2) [deleted]

(3) home loans of any amount, which are not direct-reduction home loans, regardless of where the home property securing the loan is situated;

(4) other real estate loans, whether amortized or unamortized, regardless of amount or location of real estate securing the loan.

* Sec. 29. AS 06.30.505 is amended by adding new subsections to read:

(c) An association may, subject to regulations adopted by the commissioner, invest not to exceed 10 per cent of its assets in loans secured by mobile homes.

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(d) The loans referred to in (a) of this section may not exceed 80 per cent of appraised value of the property securing the loans except as provided in secs. 500 and 510 of this chapter.

* Sec. 30. AS 06.30.555 is amended by adding a new subsection to read:

(b) An association may, subject to the requirements of this chapter, make or acquire a loan by a second lien on improved real estate if

(1) payments on the loan secured by the first mortgage are current and the bank retains in its records a written report of the status and balance of the first lien loan as of the date the second lien loan is made or acquired;

(2) the total of the balance of the loan secured by the first lien and the loan secured by the second lien does not exceed the maximum percentage of appraised value permitted under sec. 505(d) of this chapter;

(3) the second mortgage agreement contains a provision that the association is entitled to be subrogated to all rights of the borrower under the first mortgage;

(4) the total aggregate amount of such loans outstanding does not exceed 10 per cent of the association's assets.

* Sec. 31. AS 06.30.615(a) is amended to read:

(a) An association may invest an amount which does not exceed the sum of its capital stock, surplus, undivided profits and reserve accounts in real estate including buildings and appurtenances as may be or reasonably anticipated to be necessary or convenient for the transaction of its business from portions of which a revenue may be derived by rentals or otherwise. However, the commissioner may approve investment of a larger sum.

* Sec. 32. AS 06.30.615(b) is amended by adding a new paragraph to read:

(7) stock of a wholly owned subsidiary corporation having as its exclusive activity the ownership and management of the association's real property.

* Sec. 33. AS 06.30 is amended by adding a new section to read:

Sec. 06.30.616. INVESTMENT IN SERVICE CORPORATION.

(a) An association may, subject to the approval of the commissioner, invest in, hold, and sell the capital stock and other obligations of

(1) any service corporation organized under the laws of this state if the entire capital stock of the service corporation is available for purchase only by one or more savings and loan or banking institutions having their home offices in this state, to perform accounting or similar functions or servicing loans primarily for those

institutions;

(2) any service corporation whose activities consist of purchasing and disposing of loans and making each investment as specifically authorized by federal and state law for savings and loan and banking institutions.

(b) An association may invest upon approval by the commissioner in a service corporation an amount not to exceed five per cent of its total assets at the time of the investment, except the total investment under this section and sec. 615 of this chapter may not exceed the sum of its capital stock, surplus, undivided profits and reserve accounts.

* Sec. 34. AS 06.30.625 is amended to read:

Sec. 06.30.625. ANNUAL REPORT. Within 30 days of the end of each calendar year, every association shall make an annual written report to the commissioner of its affairs and operations. The commissioner shall prescribe and furnish the form for the annual report. The report shall include a complete statement of its financial condition, including a statement of income and expense since its last previous report, for the 12 months ending on December 31 of the previous year. The report shall be signed by the president, treasurer, and at least three directors.

* Sec. 35. AS 06.30.760 is amended to read:

Sec. 06.30.760. CONVERSION INTO FEDERAL SAVINGS AND LOAN ASSOCIATION. A mutual association or corporation of this state doing a home-financing business may convert itself into a federal savings and loan association in accordance with sec. 5 of the Home Owners' Loan Act of 1933, as now or hereafter amended, upon a vote of 51 per cent or more of the votes of the members cast at an annual meeting or at a special meeting called to consider the action. A copy of the minutes of the proceedings of the meeting of the members, verified by the affidavit of the secretary or an assistant secretary, shall be filed in the office of the commissioner within 10 days after the date of the meeting. A sworn copy of the proceedings of the meeting, when filed, is presumptive evidence of the holding and action of the meeting. Within three months after the date of the meeting, the association shall take action in the manner prescribed and authorized by the laws of the United States which will make it a federal savings and loan association. A copy of the charter issued to the federal savings and loan association by the Federal Home Loan Bank Board or a certificate showing the organization of the association as a federal savings and loan association shall be filed with the commissioner. The copy shall be certified by the secretary or assistant secretary of the Federal Home Loan Bank Board. Failure to file the charter or certificate with the commissioner does not affect the validity of the conversion.

* Sec. 36. AS 06.30.775(a) is amended to read:

(a) A federal savings and loan association may convert itself into a mutual association under this chapter upon a vote of 51 per cent or more of the votes of members of the federal savings and loan association cast at an annual

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meeting or at a special meeting called to consider the action. Copies of the minutes of the proceedings of the meetings of members, verified by the affidavit of the secretary or an assistant secretary, shall be filed in the office of the commissioner and mailed to the Federal Home Loan Bank Board, Washington, D.C., within 10 days after the meeting. The verified copies of the proceedings of the meeting when filed are presumptive evidence of the holding and action of the meeting. At the meeting at which conversion is voted upon, the members shall also vote upon the directors who shall be the directors of the state-chartered association after conversion takes effect. The directors shall execute two copies of the petition for certificate of incorporation and two copies of the bylaws, as provided in this chapter. The commissioner shall insert in the certificate of incorporation, at the end of the paragraph preceding the testimony clause, the following:

This association is incorporated by conversion from a federal savings and loan association.

* Sec. 37. AS 06.30 is amended by adding a new section to read:

Sec. 06.30.836. INVOLUNTARY DISSOLUTION BEFORE COMMENCEMENT OF BUSINESS. (a) Before the issuance of a certificate of authority, the department may dissolve and cause the liquidation of an association incorporated under this chapter if the department discovers, after its approval of the articles of incorporation, a reason why the association should not have been incorporated, or if a certificate of authority has not been issued within one year after the issuance of the certificate of incorporation or within the time the department allowed for satisfaction of conditions precedent to the issuance of a certificate of authority. After giving the association notice and an opportunity for hearing, the department shall file a statement of facts and issue a certificate of dissolution.

(b) An association dissolved under (a) of this section shall immediately proceed to liquidate under secs. 835 - 855 of this chapter, and the department may take possession of the association if it considers it necessary to effect a liquidation that complies with secs. 835 - 855 of this chapter.

* Sec. 38. AS 06.30.910(1) is amended to read:

(1) "association" means a savings association or savings and loan association authorized to do business under this chapter and may be either a stock association or a mutual association as the context requires;

* Sec. 39. AS 06.30.910(3) is amended to read:

(3) "commissioner" means the commissioner of commerce and economic development or his designee;

* Sec. 40. AS 06.30.910(4) is amended to read:

(4) "direct-reduction loan" means a loan repayable in consecutive equal or unequal monthly installments beginning not later than 90 days after the date of the

advance of the loan, which are sufficient to retire the debt, interest, and principal within 30 years; however, the initial loan contract shall not provide for a monthly installment of an amount larger than a previous monthly installment and in the case of construction loans the first payment shall not be later than 18 months after the date of the first advance, and a direct reduction loan is an amortized loan;

* Sec. 41. AS 06.30.910(5) is amended to read:

(5) "dividend" means

(A) in the context of a savings account, interest which is that part of the net earnings of an association which is declared payable on savings accounts by the board of directors, and is the cost of savings money to the association;

(B) in the context of a share of stock in a stock association, that part of the net earnings of an association which is declared payable by the board of directors and is distributed to the stockholders of the association representing their profits in the enterprise;

* Sec. 42. AS 06.30.910(11) is repealed and re-enacted to read:

(11) "improved real estate" means

(A) real estate improved by a permanent structure or structures having a value of at least 25 per cent of the appraised value of the real estate or other improvements which render the real estate usable by a business or industrial enterprise; or

(B) building lots or sites which, by reason of installations and improvements that have been completed in keeping with applicable governmental requirements and with general practice in the community, are building lots or sites ready for construction on each such building lot or site or a structure designed for residential use;

(C) farm land which is useful without further substantial improvements for agricultural purposes;

(D) real estate which is or which from the proceeds of the loan will become improved business or residential property through the addition of streets, water, sewer, and other utilities; or fill, gravel, topping, bulkheads, piling, or other similar improvements that make the property more suitable for use;

* Sec. 43. AS 06.30.910(13) is repealed and re-enacted to read:

(13) "member" means a person

(A) holding a savings account of a mutual association;

(B) borrowing from or assuming or obligated upon a loan or interest in a loan held by a mutual association;

(C) purchasing property securing a loan or interest in a loan held by a mutual association;

(D) obligated to a mutual association;

(E) who is a stockholder in a stock association; or

(F) persons including joint and survivorship relationships;

* Sec. 44. AS 06.30.910 is amended by adding a new paragraph to read:

(26) "department" means the Department of Commerce and Economic Development.

* Sec. 45. The following laws are repealed: AS 06.30.050, 06.30.055, 06.30.340, 06.30.345, 06.30.350, 06.30.435, 06.30.490, 06.30.830, 06.30.860, 06.30.885, 06.30.890, 06.30.900, and 06.30.905.

* Sec. 46. This Act takes effect immediately in accordance with AS 01.10.070(c).