Banking and Credit Institutions Authorized in the Various States

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHOR
IN THE VARIOUS STATES

Federal
Divis

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

PROHIBITION OF UNAUTHORIZED BANKING - BANKING ACT OF 1935

Section 21 (a) After the expiration of one year after the date of enactment of this Act it shall be unlawful -

(1) .....

"(2) For any person, firm, corporation, association, business trust, or other similar organization to engage, to any extent whatever with others than his or its officers, agents or employees, in the business of receiving deposits subject to check or to repayment upon presentation of a pass book, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization (A) shall be incorporated under, and authorized to engage in such business by, the laws of the United States or of any State, Territory, or District, or (B) shall be permitted by any State, Territory, or District to engage in such business and shall be subjected by the law of such State, Territory, or District to examination and regulation, or (C) shall submit to periodic examination by the banking authority of the State, Territory, or District where such business is carried on and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and under the same conditions as required by the law of such State, Territory, or District in the case of incorporated banking institutions engaged in such business in the same locality."

THE ABOVE REPLACED THE FOLLOWING PROVISION OF THE BANKING ACT OF 1933

Section 21 (a) After the expiration of one year after the date of enactment of this Act it shall be unlawful -

(1) .....

(2) For any person, firm, corporation, association, business trust, or other similar organization, other than a financial institution or private banker subject to examination and regulation under State or Federal law, to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal reserve bank of the district and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ALABAMA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

ALABAMA

References: 1928 Alabama Code, Article 16, Section 8554, p. 1499; and
1932 Supplement to the 1928 Code of Alabama, Beginning page 197.

Deposit institutions operating under State banking laws. The banking laws for the State of Alabama provide for four types of deposit institutions, all operating under the general supervision and control of the banking department. They are classified as follows:

Persons, firms or partnerships
Corporations doing a banking business
Trust companies doing a banking business,
and Savings banks.

All four types are governed by the same laws except that there are additional laws applying to trust business for the trust companies.

A bank is defined as "any person, firm, partnership or corporation doing or carrying on a banking business." There are no further definitions in the law.

The law provides that there shall be no branch banking. However there are two banks now operating branches, one with one branch and the other with fifteen branches, all of which branches were in operation prior to the passage of the "no branch banking" provision.

Loan and investment institutions operating under State law.

There are two types of loan and investment institutions provided for under the State law but they do not come under the State banking Department. Credit Unions are covered by a law of their own under the supervision of the Insurance Department. Building and loan associations are under the Building and Loan Department.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The Building and Loan Department was created in 1931 and a building and loan association is defined as "any association or corporation, heretofore or hereafter formed, created or organized which is chartered under any building and loan law to carry on the business of a building and loan association and is formed to encourage industry, thrift, home building and savings among its shareholders or members, the accumulation of savings, the loaning to its shareholders and members the funds so accumulated to assist its members to buy real property and to erect homes or other improvements thereon and to pay off existing encumbrances thereon".

Building and loan associations are empowered to issue shares and to "enter into all other kinds of contracts appropriate to accumulating a fund for making loans, to cancel shares," etc. or to re-issue shares. They may lend their funds to members only and such loans are to be secured by first mortgages on real estate (or 99 year leasehold interests in real estate and improvements thereon.....The funds of the association may also be deposited in any bank under federal or state supervision.

Credit Unions are covered in the 1928 Alabama Code under the Insurance Department. A credit union is defined as "a cooperative society, incorporated for the twofold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes, particularly among groups of industrial workers and farmers, fraternal and religious organizations, and in those communities where the citizens of the state are distantly removed from convenient centers of business or easy access to financial agencies now provided for

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

by laws of Alabama." They are authorized to receiver deposits (on shares or as savings). They are also authorized to make loans to members and to make any investment which would be legal for savings banks or trust funds.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ARIZONA

ARIZONA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

ARIZONA

References:

Deposit institutions operating under State Banking laws. The banking laws of the State of Arizona provide for four types of deposit, loan and investment institutions, operating under the general supervision and control of the Department of Banking.

Commercial banks
Savings banks
Trust companies
Security companies

All four types of banks are authorized to accept deposits from the general public.

Commercial banks are defined as any bank authorized by law to receive deposits, deal in commercial paper, make loans thereon, lend money on real or personal property, discount bills, notes, or other commercial paper, and to buy and sell securities, gold and silver bullion, or foreign currency or bills of exchange.

Savings banks are defined as banks organized for the purpose of accumulating and loaning its funds, receiving deposits of money, loaning, investing and collecting the same with interest, and repaying depositors with or without interest, and having power to invest said funds in such property, securities, and obligations, as may be presented by its board of directors, and to pay a stipulated rate of interest on deposits made for a stated period or upon special bonds.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Trust companies are defined as banks authorized by law to take, acquire, execute trusts committed to them and to act as trustee or fiduciary, and to receive deposits of money and other personal property and to issue its obligations therefor, and to lend money.

A security company is defined as any investment trust, or any Morris plan company, or any person, receiving money on deposit and issuing certificates of deposit or pass books, or any evidence of deposit therefor whether such money is paid in in cash or by regular or irregular instalments or otherwise, or any person receiving money from the public and investing same, other than banks and building and loan associations.

The 1928 code states that private banks are prohibited and that section apparently has not been repealed.

Branch banking is permitted where the superintendent of banks deems the public convenience and advantage will be promoted thereby. Before a bank can establish a branch it must have a minimum paid in capital and surplus of $50,000 plus $15,000 additional capital and surplus for each branch established.

Loan and investment institutions operating under State Law.

There are two types of loan and investment institutions operating under the Arizona state banking department which are not authorized to accept demand deposits. They are building and loan associations and credit unions.

Building and loan associations are defined as organizations having for their object accumulation by the members of their money by periodical payments into the treasury thereof, to be invested, form time to time, in loans to the members upon real estate for home purposes. Their loans are

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

restricted to loans upon notes secured by first mortgage on improved real property, or real property to be improved under contract with the association.

Credit unions (1934 Supplement, p. 92) are defined as cooperative societies, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rate of interest for provident purposes. They are authorized to receive the savings of their members either as payment on shares or as deposits (including the right to conduct Christmas clubs, vacation clubs and other such thrift organizations within the membership); make loans to members for provident or productive purposes; make loans to a cooperative society or other organization having membership in the credit union; to deposit in state and national banks, and, up to 25 percent of their capital and surplus, invest in the paid-in shares of building and loan associations and of other credit unions; to invest in any investment legal for savings banks or trust funds in the state and to borrow money.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ARKANSAS

ARKANSAS

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

ARKANSAS

References:

Deposit institutions operating under State banking laws. The banking laws of the State of Arkansas provide for four types of deposit institutions, all operating under the general supervision and control of the Department of Banking. They are as follows:

Individuals or parternerships
transacting a banking business;
Banks
Trust Companies
Savings banks

The term "bank" applies to any incorporated bank, trust company or savings bank, other than cooperative banks organized under the provisions of the Act of 1921 and also any partnership, or individual transacting a banking business, also building and loan associations."

Private banks are required to designate a name for such bank which shows that it is not incorporated.

Trust companies are authorized, among other things, to receive money in trust, to accumulate the same at such rates of interest as may be agreed upon,. . . .; to act as agent for the investment of money for other persons, and as agents . . . . . .; and to loan money upon real estate and collateral security, and execute and issue its debentures and notes, etc.

There is no mention of branch banking in the law.

Loan and investment institutions operating under State law. Investment companies are under the Bank Commissioner and are defined as

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

follows: "Every person, corporation, copartnership, company, or association (except those exempt under the provisions of this act) organized or which shall hereafter be organized in this state, whether incorporated or unincorporated, which shall either himself, themselves, or itself or by or through others sell or negotiate for the sale of any contract, stock, bonds or other securities issued by him, them, or it, within the State of Arkansas, shall be known for the purposes of this act as a domestic investment company. Every such person, corporation, copartnership or association a resident of or organized in any other state, territory or government shall be known for the purpose of this act as a foreign investment company."

A building and loan association is defined as a mutual cooperative financial institution, incorporated by the State, and composed of members who associate themselves together for mutual benefit and the purposes outlined in Sec. 750d (extending loans to members to buy, improve, or build homes, or to remove encumbrances therefrom, the funds so loaned to be accumulated through the sale of its own shares). They are not to receive demand deposits.

A guaranty association is the same as a mutual association except that it is to have not less than five corporators and a minimum guaranty capital subscribed of $25,000,paid in cash of not less than $25,000 except in towns of not over 1500 population where it may be $10,000.

Credit Associations: Credit associations are under the supervision of the Insurance Department and may be formed for the purposes of insuring failure of persons indebted to the insured to meet their liabilities, including the insurance or guaranty of depositors or deposits in banks or trust companies.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

5975 b - Credit associtions may not invest in real estate except for the building in which it has its principal office, and the land on which such building stands.

d - They may invest their funds in U S Bonds or State or Municipal Bonds.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

References: Acts of Arkansas 1921 and 1931, and Castle's Annotated Supplement to Arkansas Statutes 1931, and for 1927.

Cooperative associations, including cooperative banks, are authorized by the Acts of 1921, Castle's Supplement to Crawford and Moses' Digest of the Statutes of Arkansas 1927, Chapter 38, Sections 1700a-1700q. They may also be incorporated under the general corporation law. They are under the Commissioner of Mines, Manufactures and Agriculture. The purpose of the act was to authorize the formation of cooperative corporations for the purpose of conducting any agricultural, dairy, mercantile, banking, mining, manufacturing, or mechanical business on the cooperative plan. "Cooperative plan" is construed to mean a "business concern, that distributes the net profits of its business by: First, the payment of a fixed dividend upon its stock; second, the remainder of its profits are prorated to its several stockholders upon their purchases from or sales to said concern or both such purchases and sales." Stock ownership is limited to 10% per person as a maximum.

Credit unions were first authorized in 1931 by Act 161 and were under the Railroad Commission. Act 12 of 1933 abolishes the Railroad Commission and the authority vested in it is transferred to the Corporation Commission except that covered by the Arkansas Security Act of 1927, which is transferred to the State Bank Commissioner. Apparently credit unions would now be under the Corporation Commission.

The law authorizes any seven residents of the State to apply to the Blue Sky Division of the railroad commission for permission to organize. A credit union is defined as a "corporate society, incorporated for the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes." Its powers are: to receive the savings of its members either as payments on shares or as deposits; to make loans to members for provident or productive purposes; to make loans to a cooperative society or other organizations having membership in the credit union; to deposit in State and national banks and invest, up to 25% of its capital, in paid-up shares or building and loan associations and of other credit unions; to invest in any investment authorized for savings banks or trust funds in the State; and to borrow money up to 50% of its assets.

Credit union membership is to be limited to groups having a common bond of occupation, or association, or to groups within a well-defined neighborhood, community or rural district. Organizations composed mostly of the same general group as the credit union membership may be members.

They are required to make reports annually, in the 1931 Act to the Blue Sky Department, now probably to the Corporation Commission. The credit committee is to pass on loans. An assignment of shares or deposits, or the endorsement of a note may be deemed security. Its capital consists of the payments that have been made to it by members on shares.

Interest rates on loans may not exceed 1% a month on unpaid balances and the total charge for a loan may not exceed the highest lawful rate now permitted under the Constitution of the State of Arkansas. Loans are to members. Each year before declaring a dividend 20% of the net earn-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ings is to be set aside as a reserve fund, plus all entrance fees and fines, which fund is to be kept liquid. At the end of the year, on recommendation by the directors, they may declare a dividend from net earnings.

Acts of Arkansas 1931, Act 35 prohibits private banking to the extent that it prohibits doing a deposit business. It says ". . . ., are prohibited from doing or soliciting business in this State, substantially in the manner, or so as to induce the belief that the business, is that, in whole or in part, of a bank, savings bank, trust company, or building and loan association, either by the sale of contract, or of shares of its capital stock upon partial or installment payments thereof, or by the receipt of money, savings, dues, or other deposits, or by the issuance of certificates of investment of money, savings or dues". Then it excepts subsidiaries to banks and trust companies where the bank or trust company is under the supervision of the State Bank Commissioner.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

CALIFORNIA

CALIFORNIA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

CALIFORNIA

References: General Laws of California, 1931, Vol. 1, Title 50, Article 1, p. 219)

Deposit institutions operating under State Banking laws. The banking laws of the State of California provide for three types of deposit, Loan and investment institutions, all operating under the general supervision of the Department of Banking. The three types of institutions, listed below, are authorized to accept deposits;

Savings banks
Commercial banks, and
Trust companies complying with capital requirement for departmental business as given in Sec. 23.

Savings banks and commercial banks are authorized to accept deposits from the general public. Trust companies, may receive deposits from the general public if they have a minimum of $150,000 capital in cities of not over 25,000 population; in cities of up to 100,000 population, $200,000 minimum capital is required; in cities of from 100,000 to 200,000 population, the minimum capital required is $400,000; and where the population exceeds 200,000, a minimum of $500,000 is required. Where the banks does a combination of commercial and savings bank business the minimum capital for the same population runs $50,000, $100,000, $200,000 and $300,000.

Commercial banks are defined as any bank authorized by law to receive deposits of money, deal in commercial paper or to make loans thereon, to lend money on real or personal property, discount bills, notes, etc.,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and to buy and sell such securities as are permissable for investment by commercial banks, gold, silver and silver bullion. There is also provision in towns of 5,000 or less population, under rules and regulations to be prescribed by the superintendent of banking, for the banks to act as agent for insurance companies, and as a broker or agent for others in making or procuring loans on real estates located within 100 miles of the place in which the bank is located.

Savings banks are defined as a bank organized for the purpose of accumulating and loaning the funds of its members, stockholders, and depositors; and which may loan and invest the funds thereof; receive deposits of money; loan, invest and collect the same with interest; repay depositors with or without interest; invest said funds in such property, securities, and obligations as may be prescribed by this act; and to declare and pay dividends on its general deposits, and a stipulated rate of interest on time deposits.

Trust company is defind as any corporation which is incorporated under the laws of this state for the purpose of conducting the business of acting as executor, administrator, guardian of estates, assignes, receiver, depositary or trustee under appointment of any court or by authority of any law of this state, etc.

Branch banking is allowed with the restriction that the approval of the superintendent of banking must first be obtained and that the superintendent of banking must ascertain whether or not public convenience and advantage will be promoted thereby.

Loan and investment institutions operating under state laws: In addition to the three classes listed above, the California state law provides for two types of loan and investment institutions which receive

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

deposits from their members only: building and loan associations and credit union, The building and loan associations are under a building and loan commissioner, and the credit unions under the supervision of the commissioner of corporations with a separate law governing credit unions.

A building and loan association is defined as any institution incorporated for the purpose of receiving and lending money.

A credit union is defined as a corporation organized for the twofold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes. They are authorized to receive money and accumulate funds to be loaned to members, to issue certificates for the money received which specify the date, amount, rate of interest, and when the principal and interest are payable.

Branches of building and loan associations are permitted at the discretion of the commissioner in accordance with the interest of the association and the promotion of public convenience and advantage.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

CALIFORNIA

References: General Laws of California 1931, Vol 2, Title 269, Act 3603, pp. 1780-3; Codes, Laws and Constitution of California, 1935 Supplement, pp. 778-779.

Industrial Loan Companies under supervision of Commissioner of Corporations and subject to laws defining investment companies, investment brokers and agents, etc. (1917); the Commissioner of Corporation is to provide rules and regulations for carrying out the act (1935).

An industrial loan company is any corporation which in the regular course of its business loans money and issues its own choses in action etc.,....

Minimum capital required is $25,000.

Powers: In addition to the ordinary powers of corporations, they are authorized to loan money on personal security or otherwise and deduct interest in advance at 6 percent or less, and receive uniform weekly installments on their certificates of investment purchased by the borrowers at time of loan; to sell or negotiate choses in action, etc.

They may not receive deposits or issue certificates of deposit,...

Investment of funds - savings banks law applies.

Obligation to anyone individual is limited to 2 percent of capital. Loans are limited to one year.

Investments other than loans and real estate as provided for in the act are limited to those legal for savings banks.

May hold such real estate as is necessary to protect their investments.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

COLORADO

COLORADO

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

COLORADO

Refrences: See Session Laws of Colorado for 1931, ch. 80, beginning page 295. Session Laws of Colorado for 1933, Ch. 47, Beginning page 284.

Deposit institutions operating under State banking laws. The banking laws of the State of Colorado provide for three types of deposit, loan and investment institutions, operating under the general supervision and control of the Department of Banking, and authorized to accept deposits from the general public. They are:

Banks or bankers
Banks with trust departments,
Trust companies

Credit unions accept deposits from their members, Industrial banks accept time deposits but are forbidden to accept demand deposits.

The term bank is defined as "any bank, trust company, and/or banker doing business in the State of Colorado," and it is stated that this act applies to individuals or co-partners engaged in the banking business as well as incorporated banks.

Sec.319 provides that no bank "hereafter organized" shall do business unless it has a cash paid up capital of $25,000 in cities or towns having a population of 4,000 or less; or $50,000 in a city with a population of from 4,000 to 50,000, etc.

Sec. 381y states that any bank "now or hereafter organized" under the laws of the state with a paid up capital of $10,000 in cities ortowns having a population of less than 500;-and graduated on up-; in addition to the powers already authorized for banks may be authorized to act in the capacity of trustee, executor, administrator and registrar of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

stocks and bonds.

Sec. 392 provides for the formation of trust companies and Section 394 authorizes trust companies to act as fiscal agents for municipalities, etc., and to receive and distribute money., in that and to pay interest thereon; also, to make loans to individuals or corporation; to perform all the functions in connection with being a trustee or executor of estates.

Sec. 403a provides that any trust company now or hereafter incorporated under the laws of this state, in addition to the rights, powers and privileges, now enjoyed, shall "possess, enjoy and exercise the rights, powers and privileges, and be authorized to engage in the business of banking" to the same extent as if organized as a bank under the laws of the State of Colorado relating to banks and banking. (Shall have separate banking department.)

The law also provides for the establishment of industrial banks primarily for the purpose of carrying on the business of loaning money in small amounts to persons within the conditions set forth. Industrial banks have all the powers incident to corporations to own a certain amount of real estate and to sell, lease encumber, or dispose of same; to borrow money pledging its property as security therefor; and in addition to lend money primarily upon the security of the "character and earning capacity of the borrower and co-makers," to issue investment certificates, etc. Industrial banks are expressly prohibited from carrying any commercial or demand banking accounts, lending money in excess of $5,000 to any one person or corporation, or to accept trusts or act as guardian, administrator, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Branch banking is expressly forbidden.

There is a separate law for credit unions but they are under the supervision of the State Bank Commissioner. A credit union is defined as a "cooperative society, incorporated for the twofold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes.

Credit unions are authorized to receive the savings of their members "either as payment on shares or as deposits, make loans to members for provident or productive purposes, make loans to "a cooperative society or other organization having membership in the credit union," make any investment which is legal for savings banks for trust funds in the state, and to borrow money im accordance with provisions made in the law."

Building and loan associations are under the Building and loan Department with a Building and Loan Commissioner as supervisory authority. They are defined as "any domestic or foreign association or corporation heretofore or hereafter formed, created or organized to carry on the business of a Building and Loan Association," and is formed to encourage thrift, industry, home building and saving among its members, the accumulation of funds through the issuance and sale of its own shares, the loaning to its members of the funds so accumulated to assist is members to acquire real estate, to make improvements thereon, to pay off existing encumbrances thereon, and which accumulates funds to be returned to its members." They are authorized to "acquire, hold, mortgage and convey such real estate and personal property as may be transferred to it in the operation of its business, to levy, "assess and collect from its shareholders such sums of money by way of installment dues, fines, interest on

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

loans," etc., and to issue al sell its shares, to redeem their shares and repay the funds acquired thereby with such earnings as the same may be entitles, when the same are no longer required for the purposes of the Association, to subscribe for the stock of the Federal Home Loan Bank for the district in which it is located, etc., invest its funds in loans to its members secured by first lien Trust Deeds or Mortgages upon improved real estate, or upon its shares, borrow money, charge interest, and upon the approval of the Commissioner establish branches in the state, in the District of Columbia and in other states, colonies of the United States, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

CONNECTICUT

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

CONNECTICUT

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

CONNECTICUT

References: Cumulative Supplement to the General Statutes, 1931, 1933, 1935;
Genreal Statutes of Conn. Revision of 1930, Vol. II,
Chapters 206-13.

The term "bank" is defined as any corporation or association receiving deposits which shall have its main place of business in this state and shall be organized under the provisions of the banking laws of the United States and of this State.

Banks are classified under the Connecticut State law as:

State banks
Trust companies
Savings banks and departments
Private banks
Industrial banks
Building and Loan associations

The last two names are strictly loan and investment companies and are not "banks of deposit and circulation." The first four named are authorized to accept demand deposits.

No definition is given for state bank, trust company or savings bank.

All banks organized under the Act of 1852 are exempted and are authorized to continue to operate under the provisions of the Act of 1852.

Private banker is defined as any person, corporation, firm, partnership or unincorporated association of persons, engaged in whole or in part in receiving deposits subject to check or for repayment on presentation of a pass book. . . . .In other words any one in the banking business other than those otherwise classified under the state or national law. They are required to report to the Commissioner of Banking annually and are subject to examination by the Commissioner. No new private banks could be estab-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

lished after 1925 and those already in existence could not establish any new branches.

No branch banking is allowed, except where established prior to 1925

The term "building and loan association" includes any corporation, voluntary association or society, organized under state laws , the principal purpose of which is to accumulate the savings of its members and make loans therefrom to its members.

Industrial banks are corporations formed "pursuant to the provisions of this section and any corporation heretofore organized under the corporation law of this state to which a certificate of authorization has an industrial bank shall be issued pursuant to the provisions of this chapter in the manner. . . . "

The banking commissioner also supervises all persons, firms, corporations, etc., selling securities, also persons and corporations engaged in making small loans.

Building and loan associations may issue instalment shares of "an ultimate matured value of $100, $200, or $300, or $400 each . . . to be accumulated by monthly or weekly instalments, agreggating $1.00 per share per month, or full paid shares of $100 each; they may permit members to withdraw all or part of their shares according to their by-laws and constitutions, up to 1/2 of the funds in the treasury of an association; they may borrow money up to 25% of their assets. No loan in excess of 10% of its assets without approval of the bank commissioner. They may loan their surplus not needed for loans to members or withdrawal; may make loans to members on security of first mortgage on real estate up to 80% of the appraisal value, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

No industrial bank is permitted to receive money on deposit. They may not make loans to persons not residents of the state except when fully secured by readily marketable securities or fully paid certificates issued by such bank, or if all the endorsers are residents of the state, or if the borrower is employed in the state. etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

DELAWARE

DELAWARE
Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

DELAWARE

References: Laws of Delaware, 1921, Chapter 104. p. 301
" " , 1933, Chapter 93, p. 397; Ch. 94, p. 404.
Revised Statutes, 1915,

The term "bank" in the Delaware State law refers to "every bank and every corporation conducting a banking business of any kind or plan (except those organized under the authority of the U. S.) whose principal place of business is in this State; " . . . . .and the term "trust company" refers to "every corporation doing a trust company business having a principal place of business in this state." No bank or trust company may operate in the state without a "corporate charter."

All banks and trust companies (not including savings banks or savings societies) whether without capital stock, established before or after the passage of Chapter 94 of the 1933 laws, are required to amend their charters to correspond with the law, as enacted in Chapter 94.

There are apparently only three classes of "banks"

Banks
Trust Companies
Savings banks or societies.

Banks and trust companies are quthorized to accept both demand and time deposits; hold, purchase, convey, mortgage or lease real estate; borrow and lend money, etc.; purchase securities for the investment of the funds under its control; take mortgages and obligations of all kinds for payment of money, for the investment of said funds and to sell same; and to receive for safe keeping securities, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

All corporations coming under the act entitled Chapter 94 in the 1933 laws are expressly forbidden to buy and sell investments or securities for others but may as merely incidental to its own business and when requested to do so by a customer. This does not limit the corporation power to buy or sell securities or investments in connection with the investment of any of the funds under its control as a bank or trust company.

Such corporations are expressly forbidden to engage in any business other than a banking or trust company business.

Branch banking is restricted to the same city where the main office is located. First the approval of the Board of Bank Incorporation must be secured, depending upon whether there is good reason for such corporation having a branch office. No corporation is allowed to have more than two branch offices, and no branch office may be established in cities of less than 100,000 population.

Trust companies are authorized to be appointed executor of a will, etc., and to act as agent for the issuing, registering or countersigning the certificates of stock, bonds, or other evidences of indebtedness of a corporation . . . .

Building and loan associations are under the supervision of the State Bank Commissioner but there is a separate building and loan association law, applicable to all corporations, persons, firms, partnerships, associations, trustees or combinations of persons whatsoever, transacting a building and loan business, or other similar business wherein the members or customers are required to pay regular installments to a common fund from which fund loans are made to such members, customers, or to others for the purpose of building homes or buildings, purchasing building sites, paying off liens or debts against real estate, etc., within the boundaries of the State.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

FLORIDA

FLORIDA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

FLORIDA

References: Compiled General Laws of Florids, 1927, Vol. 3, Section 6760)

The Florida state law defines "bank" as "any person or association of persons carrying on the business of banking, whether incorporated or not."

The law classifies banks as:

Banking companies
Trust Companies
Savings banks
Building and Loan Associations
Credit Unions.

all of which are under the Comptroller of the State of Florida.

Banking companies, and trust companies, are authorized to accept demand deposits, also time deposits. Credit unions are borbidden to accept demand deposits but are authorized to accept savings deposits. Building and loan associations accept payment on shares.

Banking and trust companies are not further defined, not are savings banks.

Building and loan associations are defined as "every association heretofore or hereafter incorporated under any law providing for the incorporation of building, loan fund and savings associations," for the purpose of accumulating funds for the use and benefit of its members, assisting them to accumulate money and invest it in their stock (cash or periodic payments).

Credit unions are defined as cooperative societies, incorporated

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

for the two-fold purpose of promoting thrift among their members and creating a source of credit for them at legitimate rates of interest for provident purposes.

Private bankers already in business when the law was passed in 1915 were permitted to continue in business provided they made application so to do to the Comptroller and received his approval. They were required to comply with the minimum capital requirements and otherwise to comply with the banking laws of the state "insofar as they may be applicable."

Branch banking is not expressly forbidden but the law states that the usual business of any banking company "shall be transacted at an office or banking house located in the city or town so specified and not elsewhere."

Every banking company is given all "such powers as may be necessary to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange and other evidences of debt, by receiving deposits, by buying and selling exchange, coin and bullion, and by loaning money on personal and real security; also they may hold and convey real estate" such as may be necessary for their immediate accomodation inthe transaction of their business" up to 40% of its capital and surplus only and "such as shall be conveyed to them in satisfaction of debts proviously contracted in the course of their dealings;" and as they shall purchase at sale under judgments, etc., assigned to the company.

Savings banks are authorized to require 60 days notice for withdrawal of funds and the funds are to be invested only in first mortgages of real estate located in the state in an amount not to exceed

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

60 per cent of the valuation of such real estate and not exceeding 75% per cent of the whole amount of deposits, etc.; in public funds of the United States, or bonds of any of the United States, or in municipal bonds where the actual indebtedness does not exceed 5 per cent of the last preceeding valuation of the property therein for the assessment of taxes, or in the notes of any citizens of Florida with a pledge of any of the above securities at no more than par value; in first mortgage railroad bonds with certain limitations; in the stock of any bank incorporated under this State or under the United States, or the notes of any citizen secured by any of the aforesaid; in loans upon the personal notes of their depositors, up to 3/4ths of the amount of an indivudual's deposit; and in case the funds cannot be invested as provided, up to one third may be invested in bonds or other personal security payable at not to exceed one year, etc.; and 10% of the deposits, but not to exceed $25,000, may be invested in the purchase of a suitable site and building for the transaction of business.

Trust companies are authorized to receiver demand and time deposits; lease, hold, purchase and convey real property necessary or convenient in the transaction of its business; purchase, sell and invest in stocks, notes, bills of exchange, "bonds and mortgages on real estate and such other securities as may be of well-known and established value, using only its capital, surplus and general deposits for such purposes" but not trust funds; as well as the usual powers of a trust business.

Building and loan associations are authorized to require 60 days notice when a stockholder desires to withdraw his money must give 60 days

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

notice. Withdrawals up to 50 % of the funds received in any one month are permissible. Associations may make loans to members and secure payment of such moneys by pledges of shares in such association, by note, or bond and mortgage on real estate in the state, Building and loan associations may borrow money for any of its corporate purposes; may purchase and sell real estate upon which it may have a lien, and also for the purpose of occupying smae.

A credit union may receive the savings of its members either as payment on shares or as deposits, make loans to members for provident or productive purposes, make loans to a cooperative society or other organization haveing membership in the union, to borrow money, to invest in any investment legal for savings banks, and to deposit in state and national banks not to exceed 25% of its capital and invest in paid-up shares in building and loan associations and other credit unions.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

FLORIDA

References: Compiled General Laws of Florida 1927; and 1935 Laws of Florida. (In 1937) Code see Article 4 of Corporation Law of 1925, p. 2100; in 1935 Laws see Chapter 16791, pp. 77-83.

General incorporation law provisions applicable to "industrial banks". The following are the provisions under which they are authorized: Sec. 6534 (1917) Additional Powers - 1. To borrow money and contract debts when necessary for the transaction of their business or for the exercise of their corporate rights...; or for any other lawful purpose of their corporation; to issue bonds, promissory notes, bills of exchange, debentures, and other obligations and evidences of indebtedness payable upon the happening of a specified event or events, whether secured by mortgage, pledge or otherwise, etc.

2. To guarantee, purchase, hold, sell, etc., the shares of the capital stock of or any bonds, securities, or evidences of indebtedness created by, or any other corporation of this state, etc.

3. To purchase, hold, sell and transfer shares of their own capital stock.

4. To conduct business, have one or more offices, etc.

Morris Plan Banks. In 1935 an act was passed providing for the organization and operation of Morris Plan banks, for the incorporation thereof, their organization, powers and activities, including the terms of their loans, for the conversion of existing Morris Plan Domestic corporations into Morris Plan banks, to become members of a Federal Reserve Bank, and the Federal Deposit Insurance Corporation, etc.

They may be formed by five or more persons for the purpose of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

carrying on primarily the business of lending money in small amounts to persons under the conditions set-forth in the act. They must comply with the procedure provided for government of the ordinary corporation for profit, including making annual reports, paying franchise fees, etc., and must be approved by the State Comptroller. The Comptroller must ascertain the need for such corporation, etc.

Minimum capital required is $25,000. There is a provision for Morris Plan Companies now operating to become Morris Plan banks upon complying with the organization requirements and making application to the Comptroller, the Comptroller to examine their assets, etc.

Powers authorized in addition to usual powers of corporations for profit are: to lend money upon security of co-makers, personal chattels, or other property; receive or charge a discount of not over 8 percent per annum plus not over 2 percent for the investigation.

To accept deposits and issue as evidence therefor investment certificates, contract or agreements, under any descriptive name which may bear interest..... and permit the withdrawal or cancellation of amounts paid upon the same in whole or in part from time to time.....;

To lend money on any of the foregoing plans or combinations thereof, including lending on collateral deposit of and the compliance of the borrowers with the terms .....;

To establish branch offices in other cities in the State, which branches may not accept time deposits;

They may not accept demand or commercial banking accounts.

They may not lend in excess of 6 percent of their paid in capital

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and surplus to any one individual or corporation, except, etc.; may accept trusts or act as guardian, etc; must have a reserve of at least 10 percent of amount of deposits, etc.

Dividends may be declared from net profits after 10 percent of profit has been paid to surplus until surplus equals 50 per cent of its capital stock.

The State Comptroller is to examine them at least once each year.

They are authorized to become members of Federal Reserve Banks, also to qualify for Federal Deposit Insurance Corporation.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

GEORGIA

GEORGIA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

GEORGIA

Reference: Georgia Code, 1933, Title 13.

"Bank" in the Georgia State law means "any monied corporation" authorized to receive deposits, make loans, discount notes, etc., buy and sell bills of exchange, etc., and includes "incorporated banks, savings banks, banking companies, trust companies and other corporations doing a banking business but does not include private bankers, partnerships or voluntary associations doing a banking business, or national banks, or building and loan associations, or similar associations or corporations, except in cases where the law specifically mentions them.

Private banks are required to include in their name and make very plain that they are unincorporated.

Branch banking is permitted - Chapter 13, Sec.201, in defining "bank" states "The term "bank" shall include a branch bank unless the context indicated that it does not. Also Sec. 203 refers to "Branch banks, already established under the law, shall be operated as branches."

All "banks" are quthorized to accept demand deposits and to loan money on proper security. With the exception of savings banks. They may not purchase bank stock except that of the Federal Reserve Bank of Atlanta and their investment in bonds and debentures is limited to "such as are classed as investment securities" - or "marketable obligations upon which there has never been a default." Banks, other than savings, may purchase and hold real estate only for their own pruposes and such as come into their hands through default or through judgements.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The regulation of receiving deposits by savings banks and savings departments is left largely to the rules and regulations of the individual bank.

"Trust company" is defined as "a corporation having power to execute trusts, and to act in any fiduciary capacity, whether such corporation has been heretofore organized ... or is hereafter organized under this Chapter or any amendments thereto."

Savings banks, trust, and security or guaranty companies are required to have a minimum capital of $100,000 before they may acquire the powers of trust companies. "Any banking company, heretofore or hereafter incorporated under the Constitution and laws of this State, having and exercising the rights, powers and privileges incident to banks, and having not less than $100,000 of capital stock subscribed and paid in, may acquire all the rights, powers, privileges and immunities, subject to the liabilities and restrictions conferred and imposed upon trust companies by Sections 109-101 to 109-105 and 109-201 in the manner herein provided." Trust companies are not authorized to receive deposits unless they have received permission from the Superintendent of Banks, after which they are subject to all the rules and regulations governing banks.

All building and loan associations operating in the state, and "other like associations,"(including corporations organized to do a general savings and loan business, in fact all "savings institutions which pay interest to depositors and whose deposits are not subject to check") are authorized to lend money to persons other than members at 8% or less secured by mortgages and real estate in the same county, and also to "members of the industrial and working classes and to all other

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

persons, due at fixed intervals not exceeding 12 months, and secured in whole or in part by personal indorsements and by its own fully paid stock, or stock payable on the indorsement plan," etc.

Section 12-201 states that "building and loan association" includes all "corporations, societies, or organizations or associations doing a savings and loan or investment business on the building society plan, viz., loaning its funds to its members, whether issuing certificates of stock which mature at a time fixed in advance or not, except those which restrict their business to the county of their domicile and not more than two other adjacent counties."

Credit unions also report to the Superintendent of Banks. They are authorized to receive funds and savings from their members in payment for shares or on deposit, and from non-members according to their by-laws. They may make loans to their members and may invest surplus funds in any investment which is legal for savings banks in this state, in the stock of other credit unions up to 10 per cent of their capital and reserve funds, and may deposit their funds in savings banks, credit unions, state banks, trust companies and national banks. They may borrow money up to 50 per cent of their capital, surplus and reserve fund. They may also undertake other activities in accordance with their own by-laws provided they are not inconsistent with the provisions of the law.

There is a provision in the law (Sec. 25-201 to 25-221 and 25-301-319) for persons, firms, or corporations being licensed to do a small loan business with such things as household furniture, wearing apparel, and wages, etc., as security, with 8 per cent as the maximum interest chargeable, and the maximum loan $300. This does not apply to State banks, trust companies, building and loan associations or licensed pawnbrokers.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

IDAHO

IDAHO

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

IDAHO

References: Idaho Code Annotated, 1932, Vol.II, Titles 25 and 29.
Idaho Laws, 1933 and 1935

The Idaho State law divides banks into

Savings Banks
Commercial banks
Trust Companies

Private banks already in business in 1925 were allowed to continue in business but no new private banks could be opened.

The term "bank" is defined as any incorporated bank or institution (except national) which shall have been incorporated to conduct the business of receiving money on deposit or transacting a trust business and includes any individual, copartnership or unincorporated association engaged in the banking business.

"Savings bank" means a bank organized for the purpose of accumulating and loaning the funds of its members, stockholders and depositors, and which may loan and invest the funds thereof; receive deposits of money; loan, invest and collect the same with interest; and may repay depositors with or without interest.

"Commercial bank" is a bank authorized to receive deposits of money, deal in commercial paper and make loans thereon; or to loan money on real and personal property and purchase or discount bills, notes or other commercial paper; and to buy and sell such securities as are permissable for an investment of commercial banks, gold and silver bullion or foreign coins or bills of exchange.

A "Trust company" is a corporation incorporated under the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

laws of the state, doing a trust business which is defined as acting as trustee for any or all purposes permitted by law (such purposes are enumerated), among them: receiving money on deposit and paying interest thereon; loaning money on real estate and personal property; to lease, hold, purchase and convey real estate for certain purposes; and invest in and sell bonds, mortgages and other securities permitted in case of commercial banks.

Savings banks may not receive demand deposits. Their deposits are to be invested in U S bonds or notes, or those of states, counties, municipalities or school districts; in notes or bonds secured by mortgages; in real estate; in public utility bonds.

Commercial banks may not loan money on notes secured by real estates except first liens; they may not invest in real estate except for their place of business and such property as they take in to satisfy debts due them, etc.

The provision for investment of trust funds is very similar to that for savings deposits except for the additional provision; "Such other securities of a character possessing a substantial market value and general circulation among state and national banks within this state, as may have the approval of the State Commissioner of Finance.

The State of Idaho has what they term the "Blue sky law" which covers domestic and foreign investment companies - any individual, partnership, or firm (other than state and national banks, trust companies etc., otherwise provided for in the banking law) incorporated or unincorporated which deals in stocks, bonds, etc., not included in the authorized investments for banks.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Restricted branch banking is allowed. (1935 Laws) Any incorporated bank or trust company may, with the approval of the Commissioner of Finance, "establish and operate branch banking offices for the transaction of its business within the limits of the city, town or village, in which it is situated, or at any point within this state: Provided, that such corporation shall have a paid-in capital stock of not less than $100,000 and a surplus fund, paid-in or earned, in the amount of not less than ten per cent of its capital stock. The provisions of Section 25-201 of Idaho Code Annotated, being Section 6 of Chapter 133 of the Laws of 1925, shall not apply to any corporation operating branch banking offices, but no such corporation shall establish or maintain branch banking offices unless its paid-in capital stock shall, in the aggregate, amount to at least $25,000 for each of the banking offices, and from and after the effective date of this Act no new branch bank or new branch office of any bank shall be established unless the corporation establishing same has a paid-in and unimpaired capital stock in an amount not less than the minimum capital stock now required by subsections (c) (d) or Section 36 of Title 12 of Bank Act of 1933,.....for a national banking association establishing and operating new branches outside the city, town or village in which such association is situated. Branch offices shall not be established in any city, town, or village, in which there is located a bank or banks, state or national, regularly transacting a customary banking business unless the corporation establishing such branch banking office shall take over an existing bank, or obtain consent of all banks there located. No unit bank hereafter or ganized and operating at a point where there are other operating banks, state

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

or national, shall be permitted to be acquired for the purpose of establishing a branch banking office of a branch bank until said unit bank shall have been in operation as a unit bank for a period of five years."

Chapter 63, 1933, Laws, p.100:

Land and building corporations, building and loan corporations, savings and loan, etc., are corporations organized for the purpose of erecting buildings and making improvements on real estate, or for the accumulation of savings and funds of its shareholders and members, and lending same upon real property, may raise funds in shares or certificates evidencing investments therein, payable in full or in periodical installments, with or without capital stock.

They may borrow money to carry out their objects, etc. They may purchase real estate and erect buildings for their members and make loans upon and secured by improved real property. They may insure the life of their members to insure payments.

Reference: Chapter 42 of 1935 Laws, p. 73. A "Credit union" is a cooperative society, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes. They are authorized to receive the savings of their members either as payments on shares or as deposits, to make loans to members for provident or productive purposes, to make loans to a cooperative society or other organization having membership in the credit union, make deposits in state and national banks, invest up to 25% of its capital in paid-up shares of building and loan associations and of other credit unions, and in any investment that is legal for savings banks or trust funds in the State. Also, to borrow money.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ILLINOIS

ILLINOIS

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

ILLINOIS

References: Illinois Revised Statutes, 1935, Chapters 16a and 32.
(Under supervision of Auditor of Public Accounts)

"Bank" is defined as "any person, firm or corporation engaged in the business of receiving and paying deposits of money within this state.

Banks may be formed for "the purpose of discount and deposit, buying and selling exchange and doing a general banking business, excepting the issuing of bills to circulate as money; and such banks or banking associations shall have the power to loan money on personal and real estate security, and to accept and execute trusts, and shall be subject to all the provisions of this Act."

The minimum capital required to organize a bank is $50,000.

Banks and banking associations are to be "bodies corporate and politic" and have the usual corporate powers. They are to own only such real estate as is necessary for a place to carry on their business and such as comes into their possession through collection of debts due them, the latter not to be held over five years at the most.

There is no further classification of banks. In 1887 a law was passed to provide for the organization of savings societies or institutions for savings but it was held unconstitutional by the supreme court.

Trust companies come under the Corporation Law, as to building and loan associations and credit unions. (Chapter 32)

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Chapter 32, Sections 345-363: Trust Companies.

"Any Corporation which has or shall be incorporated under the general incorporation laws of this State,. . . . . for the purpose of accepting and executing trusts, and any corporation now or hereafter authorized by law to accept or execute trusts, may be appointed assignee or trustee by deed, and executor, guardian or trustee by will, and such appointment shall be of like force as in case of appointment of a natural person." A trust company may be appointed receiver, assignee, administrator or guardian.

A law was passed prohibiting private banking in 1921.

Chapter 32, Sections 375-428: Building, Loan and Homestead Associations.

"Every association heretofore or hereafter organized under any law providing for the incorporation of building, loan and homestead associations, and every association heretofore or hereafter organized or incorporated under any law for the purpose of assisting its members to accumulate and invest their savings, by accumulating a fund from periodical payments on its stock, or otherwise, to be loaned among its members, shall be known in this Act as a mutual building, loan or homestead association."

"Associations organized under this Act may operate under either the serial, or the permanent plan, or both, as their by-laws may provide." etc.

"It shall be unlawful for any company, association, corporation, organization or co-partnership, assuming to be a company or corporation, to transact business in this State for the purpose of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

receiving or accepting monies from their subscribers, contributors, or members, in installments for the purpose of creating a fund with which to make loans to members only, unless such company, association, corporation, organization or co-partnership is organized and doing business under this Act,. . . ."

They are authorized to make loans to members. Excess funds not needed for loans to members may be invested in bonds or debentures of the United States Government or the State of Illinois, or guaranteed by them, or in obligations of the Federal Home Loan Banks. They are authorized to make their loans with real estate as security, also with shares, They also may make loans insured by the Federal Housing Administrator and by life insurance.

Chapter 32, Section 505-527: Credit Unions.

" A credit union is a cooperative society, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes."

Credit unions are authorized to receive the savings of their members as payment on shares, make loans to members for provident or productive purposes, deposit money in state and national banks, invest in any securities issued or guaranteed by the U S, or any state or municipality within the United States, and to borrow money.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

INDIANA

INDIANA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

INDIANA

Reference: Baldwin's Indiana Statutes Annotated, 1934, Chapter 45.
Acts 1935, Indiana, Chapters 5 and 108, also Act 10.

The Indiana State banking law recognizes the following types of banks:

Banks of deposit
Trust companies
Savings banks
Building and loan associations
Rural and guaranty savings and loan associations
Credit unions
Private banks
Mortgage guarantee companies.

The law defines "financial institution" as "any bank and/or trust company, building and loan association or credit union organized or reorganized under the provisions of this act, any bank of discount and deposit, private bank, and loan and trust company, building and loan association, rural loan and savings association, guaranty loan and savings association, mortgage guarantee company or credit union organized under the provisions of any law enacted prior to the passage of this act (1935) and any savings bank or small loan company heretofore or hereafter organized under the provisions of any law of this state."

A "small loan company" is defined as "a person, copartnership or corporation heretofore or hereafter organized engaged in the business of making loans of $300 or less."

Any bank or trust company, or any building and loan association incorporated as such under the state law shall have the rights and powers, shall be entitled to the privileges and shall be subject to the duties, obligations, and liabilities as prescribed in this act.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"Private bankers" includes every partnership, firm or individual transacting a banking business within the state, or using the word bank, banker or banking in connection with his or its business.

Banks and trust companies are authorized to accept time deposits as well as demand deposits.

Savings banks are banks of deposit under rules established by the board of trustees. It is lawful for them to require a notice of from one week to withdraw over $10 up to $100 and on up to 90 days for over $3,000. Their funds may be invested in real estate sufficient for a suitable building in which to transact business, real estate mortgaged to it in good faith for money loaned, and such as it shall purchase at sales upon judgments; bonds, notes, etc., of or guaranteed by the U. S. or any territory or possession of the U. S., or of the State of Indiana or any political subdivision thereof, or of any other state which has for five years previous been paying interest on its legal bonded debt; or notes secured by first mortgages on real estate in Indiana or any adjoining county; with the written approval of the Department of Financial Institutions, in bonds, notes, certificates, debentures, etc., issued by any agency of the government of the U. S.; under regulation of the Federal Housing Administration, may make loans secured by mortgages on real property insured by the Federal Housing Administration; or in promisory notes endorsed by two or more responsible "freeholders" up to $10,000. Savings banks may purchase stock of a Federal Reserve Bank sufficient to qualify them for membership therein. Also, they may make

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the necessary deposit with the Federal Deposit Insurance Corporation and purchase stock of to qualify for membership; also in Federal Home Loan Bank.

Banks and trust companies have the power to act as fiscal agent of the U. S. or any state, municipality, etc.; discount, negotiate, sell and guarantee promisory notes, bonds, drafts, etc; buy and sell exchange, gold, and silver bullion, etc.; loan money; receive time and demand deposits and deposits of securities of other personal property; contract for and receive interest on loans, etc. Their dealing in investment securities is limited to purchasing and selling securities (without recourse) for its customers and in no event on its own account. They may purchase for their own account securities up to 10 percent of their unimpaired capital and surplus. This limitation does not apply to obligations of the U. S., State of Indiana, or municipality therein, or any territory or insular possession of the U. S. They have power to hold real estate the same as savings banks; they may also take over the management of property. The investments authorized for trust funds are U. S. or state bonds or obligations; bonds, notes or mortgages secured by first mortgages on which the principal is to be reduced at least 5 percent each year.

Limited branch banking is allowed. Branch banks may be established within the county in which the main office is located in any city or town in which there is no bank. In cities of over 50,000 population, a bank may open, within the corporate limits of the town, a branch for each $225,000 capital and surplus actually paid in and

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

unimpaired. Bank must first obtain approval of the department based on the public convenience and advantage.

The term "building and loan association" includes any building and loan association organized or reorganized under the provisions of this act, and any building and loan association and guaranty loan and savings association organized under the provisions of any law of this state enacted prior to the passage of this act. They have the power to issue shares to members, receive money from members on shares or in payment of loans; loan money to its members; acquire shares of any Federal Home Loan Bank; merge or consolidate with a Federal savings and loan association, or organize a "companion Federal savings and loan association"; procure insurance from the Federal Savings and Loan Insurance Corporation. They may invest their funds in loans to members upon their notes secured by pledges of stock in the corporation or by mortgages which are first liens; may invest in furniture and fixtures up to 5 percent of the total amount of the fund for contingent losses and undivided profits, in real estate under the same provisions as for savings banks and also to be sold or improved and sold to its members at cost, in shares of a Federal Home Loan Bank, in property acquired in satisfaction of debts. Their excess funds may be invested in bonds, etc., of the U. S., state of Indiana or political subdivision of that state, in bonds or obligations of any territory of the U. S., or state, which has paid principal and interest on its legal obligations for five years previous.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Rural and guaranty savings and loan associations organized under any law of the state are authorized to merge with and sell to, etc., any building and loan association organized under this act, by complying with the provisions of this act.

The powers of guaranty loan and savings associations are the same as those for building and loan associations.

Credit unions are authorized to sell shares of capital stock to members and receive their savings in payment therefor, but no commission or compensation is to be paid to anyone for the sale; make loans to members, and to other credit unions up to 20 percent of the paid in capital stock, and may loan to officers not to exceed their paid in capital stock; invest in any authorized investment for banks and trust companies, and in the capital stock of not more than one bank organized under this act up to 5 percent of its capital and reserve funds; may deposit funds of the corporation in savings banks and banks and/or trust companies, private banks, banks of discount and deposit, loan and trust and safe deposit companies and national banks; may purchase and own real estate conveyed to it in satisfaction of debts.

Mortgage guarantee companies may loan and invest the funds deposited with them in notes and bonds secured by mortgages and deeds of trust; act as agent in care of real estate and rentals. They are not to engage in banking.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

INDIANA

References: Acts of 1935, pp. 897-908: Chapter 181, (Known as the Indiana Industrial Loan and Investment Act)

Industrial Loan and Investment Companies: This law applies to persons, firms, partnerships, corporations, associations, and companies engaged in or attempting to engage in business as an industrial loan and investment company or which shall hereafter be organized for the purpose of .... making industrial loans and investments as the term is used in this act. They are under Department of Financial Institutions of the State of Indiana.

Laws governing their organizations are the same as in Act of 1933 for financial institutions.

Minimum capital required is $50,000 fully paid in cash. Companies previously organized are given three years to comply, if they have the consent of the Department.

Powers: In addition to general corporation powers they are authorized to: (a) issue and sell their secured and unsecured certificates of investment or indebtedness....(b) to lend money upon individual credit or security of co-makers.....

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

IOWA

IOWA
Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

IOWA

Reference: Code of Iowa, 1935.

The banking laws of the State of Iowa provide for five types of banks which are authorized to accept demand deposits:

State banks
Banks and trust companies
Savings banks (loan and savings banks also)
Cooperative banks
Credit unions.

Building and loan associations and similar institutions are not authorized to accept demand deposits.

Defines "banking institution" as "any state bank, trust company, bank and trust company, banking association or stock savings bank which is now or may hereafter be organized under the laws of this state."

"State banks" are defined as "associations organized under the general incorporation laws of this state for transacting a banking business, buying or selling exchange, receiving deposits, discounting notes and bills, other than savings banks."

"Savings banks may receive on deposit the savings and funds of others, preserve and invest the same, pay interest or dividends thereon, and transact the usual business of such institutions, but shall not have power to issue bank notes, bills, or other evidences of debt for circulation as money." They may loan and invest the funds of the corporation.

Savings banks may invest their funds or capital, all money deposited therein, and all its gains and profits as follows:

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

In U. S. bonds or securities, Federal Farm Loan bonds, Home Owners' Loan bonds, Class A stock of the Federal Deposit Insurance Corporation, Iowa state bonds or other interest bearing evidences of indebtedness of the state of Iowa, or bonds or warrants for municipalities in the state of Iowa; in notes or bonds secured by mortgages or deeds of trust on unincumbered farm land or property in Iowa or adjoining states; in Federal Reserve and land bank stock, also in stock of any national mortgage association and in Federal Housing securities.

The same rules for investment apply to banks and trust companies.

The maximum amount of deposits that may be received by savings banks is 20 times their capital and surplus, the capital and surplus to be a guaranty fund for the depositors and to be invested in "safe and available securities." Four percent is the maximum interest which may be paid on time deposits.

Branch banking is limited to establishment of offices where deposits may be received and checks paid in cities or towns where there is no established bank and in the same county or counties "contiguous" to the county in which the main bank is located.

The minimum capital required of state, trust and savings banks is $10,000 in towns or cities of less than 5,000 population.

Loan and trust companies are required to comply with the minimum capital requirements of savings banks.

In regard to cooperative banks, "all state banking provisions are applicable except when inconsistent with the express purposes of this chapter. They may own the real estate upon which banking business

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

is conducted, and buy and sell other real estate under the same rules that govern state banks. Loan and investment powers are same as those for state banks.

Trust companies and state and savings banks organized under this law (Chapter 416) are authorized to act in the usual trust capacities, and to carry on the business of a safe deposit company in addition to the powers granted them as banks.

A credit union has power to receive the savings of its members as payment on shares or as deposits, etc.; to make loans to members for provident or productive purposes; make loans to a cooperative society or other organization having membership in the credit union; to deposit funds in state and national banks and up to 25 percent of its capital trust in paid-up shares of building and loan associations and of other credit unions; borrow money, assess fines, etc. Their membership is limited to groups of the same occupation or association, or within a definite neighborhood or district.

Chapter 417 defines building and loan associations as corporations organized for the purpose of furnishing money to their members upon sufficient security. This covers savings and loan associations also.

They may not receive demand deposits or do a banking business. They have power to issue stock to members to be paid for in single, stated or monthly payments; assess dues, fines, premiums, etc.; they may permit members other than guarantee stockholders, to withdraw all or part of their stock deposits on such terms and at such times as the articles of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

incorporation and by-laws provide; they may acquire and hold real estate and personal property necessary for the transaction of their business; make loans to members on security of real estate or their own shares of stock, may purchase shares of Federal Home Loan Bank of their district; borrow money to loan to their members, etc.

Unincorporated similar organizations also are governed by this law.

Private banks are not expressly prohibited but only incorporated banks may use the word bank or banking in their name or in any way advertise that they are doing a banking business. Individuals, partnerships, etc. are expressly forbidden to use the term bank or banking in their name or advertising.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

KANSAS

KANSAS

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

KANSAS

References: 1923 Revised Statutes of Kansas, 1933 Supplement, and Laws of Kansas 1935.

The state banking laws of Kansas provide for state banks, trust companies, building and loan associations and credit unions. Savings banks are mentioned but there appears to be no separate law to cover them. The banks of deposit are state banks, state bank and trust companies, and savings banks.

The law states that a "banking corporation shall be permitted to carry on the business of receiving money on deposit and to allow interest thereon;" buy and sell exchange, gold, silver, foreign coin, bullion, uncurrent money, bonds or other interest bearing securities, or evidences of indebtedness of the United States, bonds or warrants of the State of Kansas, bonds of Federal Land Banks, Home Owners' Loan Corporation bonds, bonds and warrants of political subdivisions of Kansas, school bonds; buy and sell investment securities which are evidences of indebtedness as per regulations of the law and bank commissioner, the amount invested in the indebtedness of any one obligor not to exceed 10 percent.

State banks with a capital of $100,000 or more may, after obtaining a permit from the bank commissioner therefor, act as trust companies.

Any bank may purchase, hold and convey real estate such as is necessary for the transaction of its business up to one-half of the paid in capital and surplus; or that is conveyed to it in satisfaction of debts or it may purchase under judgement sales to protect its interests.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Banks of $50,000 or more capital may invest up to 5 percent of their paid in capital and surplus in the stock of one or more banks or corporations "organized under Section 25a of the Federal Reserve Act; 2 percent in stock of a Federal Reserve Bank and in any deposit insurance or deposit guaranty corporation organized by the United States Government.

Trust companies (Article 20 in the 1923 Revised Statutes and 1933 Supplement) may receive money in trust and pay interest thereon, receive upon deposit for safe keeping personal property; guarantee special deposits; own and control safety vault, etc; accept and perform trusts; accept and hold real or personal property in trust; act as agent for any person or corporation in the management of real or personal property; act as executor or trustee of estates; act as surety; guarantee titles to real estate; loan money on real estate; may receive deposits subject to check upon authority from the bank commissioner, and may pledge the necessary assets to guarantee such deposits. Deposits and all funds pledged on account of such funds shall be set aside and invested in securities approved by the bank commissioner. They may own a suitable building, such real estate as they acquire through the collection of bad debts.

Private banking is prohibited by the laws of 1929, except for those private banks already in operation.

Branch banking is expressly prohibited. (1933).

The term "building and loan associations (Article 10, 1933 Supplement) is construed to cover corporations formed for the purpose of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

receiving money from and loaning money to their members; corporations, associations, companies, copartnerships and individuals transacting the business of issuing or selling bonds, debentures, certificates, shares of stock, etc., for money either paid in advance or to be paid in installments for the purpose of being withdrawable at a future date with accumulated profits under the supervision of the building and loan supervisor (under bank commissioner); their laws to be submitted for approval to the bank commissioner.

Loans may be made to members either on the basis of bids or at a set rate of interest, to the full amount of the shares held by the member such loans to be secured by a note or bond and mortgage non-negotiable and non-assignable which is to be a first lien on real estate.

They may purchase real estate at any sale under judgment to recover any debt due them. They may borrow money. They may invest any funds remaining after loans are made to members in the same class of securities as is permitted for the permanent school fund; in full-paid shares of other building and loan associations in the state, and with the approval of the bank commissioner, up to 5 percent of their assets in first mortgages on Kansas real estate. They may accept bonds of the Home Owners' Loan Corporation and may become members of the Federal Home Owners' Loan Bank in their district.

They may issue "rural credit shares" on which a definite rate of interest or dividends may bepaid; funds from which to be invested whenever possible with "proper security" in first mortgage rural-credit

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

loans on farms in the State of Kansas and in the same county in which such association is located.

They may accept bonds of the Home Owners' Loan Corporation. May become members of the Federal Home Loan Bank in their district.

Credit unions (Act 22, 1933) have power to receive the savings of its members in payment for shares; make loans to members; invest in United States bonds, or of any State or municipality whose bonds are legal investments for savings banks in the state of Kansas; may deposit funds in savings banks, state banks, trust companies and national banks. The funds to be used first for loans to members with preference given to smaller loans. Membership is limited to groups having a common bond of occupation or association, or to groups residing in a well defined neighborhood.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

KANSAS

References: General Statutes of 1935 (Corrick) Chapter 17, Article 2 (Creation and Organization of Corporations).

General Incorporation law provisions applicable to loan and investment companies. Sec. 202 - Authority and Purposes. Among the purposes for which private corporations may be formed are:

(41) The organization of loan and trust companies: Provided that nothing in this act shall be construed to authorize such loan and trust companies to sell real estate held as security, except in the manner provided by law;

(43) The organization and control of banks .....

(44) The organization and control of savings banks....

(53) The organization of investment and loan companies with power to loan money upon real estate, chattel or personal security.

There is no separate law governing them, except the general corporation law.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

KENTUCKY

KENTUCKY

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

KENTUCKY

References: Carroll's Kentucky Statutes, Official Edition, 1930, and Kentucky Acts, 1934.

The term "banks" includes "all banks, trust companies, savings banks, combined banks, real estate mortgage companies engaged in the business of making mortgage loans on real estate and the selling and offering for sale to the public evidences of such loans, whether notes, or bonds, or its own obligation secured by such notes or bonds, and combined banks and trust companies.

Building and loan associations and credit unions do not receive deposits from the general public, but from members only. Trust companies are expressly forbidden to do a "banking business." Private banks are expressly forbidden. There is no separate law for savings banks as distinguished from "banks."

There is no mention of branch banking.

Banks may, subject to law, "exercise such powers as may be necessary to carry on the business of banking by discounting and negotiating notes, drafts, bills of exchange, and other evidences of debt, and purchasing bonds, receiving deposits, and allowing interest thereon, buying and selling exchange, coin and bullion, and lending money on personal or real security, as provided in this article." Any bank or trust company accept drafts for future payment, or bills of exchange drawn upon it by its customers, and issue letters of credit, discount acceptances based upon the importation or exportation of goods up to

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

one-half of its paid-up and unimpaired capital stock and surplus, except with the authority of the bank commissioner. Banks, trust companies and combined banks and trust companies are empowered, subject to existing statutory or charter limitations to pledge the necessary portion of their assets as collateral security for government deposits.

No bank may "employ" its moneys in any business except as provided by law. They may hold "such personal property as has been transferred to it as collateral for the payment of any debt, may own such real estate as is necessary for the transaction of its "legitimate" business and as is conveyed to it in satisfaction of debts previously contracted.

All banks with a minimum capital of $80,000 are authorized to act as fiduciaries.

Trust companies are not banks of deposit unless they are a combination of bank and trust company. Trust companies must have a minimum capital of $15,000. They may act as guardians, executors, administrators, etc., receivers or trustees for estates, agent for the management of estates, collection of rents, accounts, etc.; may receive on deposit for safe keeping gold, silver, jewelry, money and other personal property, etc.

The law defines "building and loan association" as one that shall "receive payments from members only and make loans to members only on the plan herein set forth." They first quote the definition from Bouvier's Law Dictionary: "Cooperative associations, usually

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

incorporated established for the purpose of accumulating and loaning money to their members upon real estate security. It is usual for the members to make monthly payments upon each share of stock, and for those who borrow money from the association to make such payments in addition to interest on the sum borrowed. When the stock, by successive payments and the accumulation of interest, has reached par, the mortgages given by borrowing members are cancelled, and the non-borrowing members receive in cash the par of their stock."

The money accumulated by the associations is to be loaned to its members on notes secured by first mortgages on real estate with the shares of the borrower transferred to the association as further security. Loans may also be made with shares of stock in the association as security up to 80 percent of their value. The remaining funds may be invested in "good and safe" bonds or in such other securities in which banks are now permitted to invest, also in bonds of the Home Owners' Loan Corporation.

There is a provision in the law for the establishment of corporations which are a combination of bank, trust company and in the real estate title insurance business. They are required to have a minimum capital of $150,000.

Credit unions may "receive the savings of its members in payment for shares or on deposits; may loan to its members or may undertake such other activities relating to the purpose of the corporation as its by-laws may authorize. Deposits may also be received from non-members, subject to the conditions contained in this act and upon such terms and

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in such amounts as the board of directors may determine and the by-laws may provide. The membership may consist of the "incorporators and such persons, societies, associations, co-partnerships and corporations as have been duly elected to membership and have subscribed for one or more shares and have paid for the same in whole or in part, together with the entrance fee as provided in the by-laws, etc."

There is a special provision in the law "to further facilitate the organization of credit unions as provided in this act among groups of farmers, it shall be the duty of the department of agriculture of the Commonwealth of Kentucky, in addition to its duties now prescribed by law: (1) To organize and conduct, in the Department of Agriculture, a bureau of information in regards to credit unions; (2) To furnish, upon application of three residents of the state, the proper printed information and blank forms for the formation of credit unions, without cost."

Credit unions, if their by-laws so provide, may borrow and rediscount up to the sum total of the capital, surplus and reserve fund of the borrowing credit union. The capital, surplus, deposits, reserve fund and undivided profits, not utilized for loans to members, may be invested as follows: (1) deposited to the credit of the corporation in savings banks, credit unions, state banks and trust companies, and in national banks; (2) up to 10 percent in the stock of other credit unions; (3) in any investment which is legal for savings banks in the State of Kentucky.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Credit unions may loan to their members for such purposes and upon such security and terms as the by-laws provide and the credit union approve; but security must be required for any loan in excess of fifty dollars. Endorsement of a note or assignment of shares in any credit union is acceptable security for a loan. There is a special provision for making loans in "fixed monthly installments" instead of in one sum where a member needs funds to purchase necessary supplies for growing crops.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

LOUISIANA

LOUISIANA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

LOUISIANA

Reference: Louisiana General Statues, Vol. 1, 1932 with 1935 Supplement.

The Louisiana State banking law covers banks of deposit, discount, exchange and circulation, and savings banks. The term "bank" is defined as including any person or association of persons carrying on the business of banking, whether incorporated or not.

"Banking associations" have the power to receive deposits; lend money on real estate and personal security, accept drafts for payment at a future date, drawn on them by their customers; issue letters of credit; discount, and buy and sell promissory notes and bills of exchange and other evidences of indebtedness, gold and silver, and bonds of the United States and of Louisiana and of the several levee districts in the state, school districts, etc., and municipalities, which have not defaulted in the payment of interest on their bonds for five years.

Banking associations having $25,000 capital may receive savings deposits.

Savings banks have power to: Receive deposits, buy United States, Louisiana State, and other bonds in the state of the same class and conditions as apply to banking associations; buy and sell gold and silver; and lend money on real estate in amounts not exceeding 65 percent of the value thereof; discount and sell promissory notes as shall be secured by good collateral securities with 15 percent more than the amount of the notes; buy and sell real estate as provided by the law.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Banking associations and savings banks may purchase, hold and convey real estate necessary for proper transaction of their business; mortgaged to them as security for loans and conveyed to them in satisfaction of debts; and purchased at sales under judgments, etc.

Private banking is permitted by individual citizens of the state and by firms domiciled in the state, made up of citizens of the state, but they may not use the title bank, banking association or savings bank in connection with their business.

Branch banking is limited to two branches per bank and to banks having a minimum capital of $50,000, but branches already established prior to this act are excepted (1916).

Savings, safe deposit and trust companies, or savings banks and trust companies are required to have at least $100,000 capital. In addition to the powers granted under the general banking laws of the state, they are authorized to acquire and convey real and personal property, including bonds, stocks, and securities of the United States or any of the United States, or of any corporation, board or body, public or private, as may be necessary, proper or convenient to the objects of the association, and to exercise, in relation thereto, all the direct and incidental rights of ownership. They may act as trustee or agent for persons, corporations, etc., as administrators of estates, etc.

Trust funds may be invested in bonds of the United States or of any state in the Union, or any political subdivision of the state of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Louisiana, provided such bonds are quoted at par at the time and have paid their interest regularly for at least two years prior; or in stocks of "incorporated railroads, canals, or other quasi-public corporations which are quoted at par at the time and which have paid dividends of not less than 4 percent for at least five years prior to the investment; or in first mortgages on real estate up to 50 percent of the value.

Branch banking is permitted within the municipality or "parish" in which the main bank is located; one branch to $50,000 capital, two branches to $75,000 capital up to $100,000 capital; three branches to $200,000 capital, five branches to $250,000 capital, six branches to $300,000, and one branch for each additional $100,000 capital. A certificate of authority from the State Bank Commissioner is required.

Building, loan and homestead organizations may be organized by not less than five residents of the state, on a mutual basis, to encourage the promotion of thrift and to assist the members of such corporations in purchasing, building, improving and removing encumbrances therefrom, and for the purpose of loaning money to members thereof (1932). Existing associations to continue in business.

Building and loan associations may issue shares to members; make loans on their own shares or on real estate to members; assess and collect membership or entrance fees, withdrawal fees, etc., as may be authorized by the board of directors, but no membership fee to be in excess of 2 percent of the par value of the shares. They may borrow money and issue evidences of indebtedness therefor; acquire real estate necessary for protection and enforcement of its securities and debts

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

due it, and for a "domicil." They may lend money to other building and loan associations in the state. They may invest their capital in United States Government securities, also those of the State of Louisiana and any municipality, parish, school district, drainage district, etc., in the state. They may make loans on real estate in limited districts.

Any association already organized (1932) in the city of New Orleans may continue to conduct one or more branches then existing. No further branch offices may be established without the written approval of the state bank commissioner and the supervisory of homestead and building and loan associations.

The minimum capital required to start an association in towns of less than 10,000 population is $25,000, and on up to $150,000 according to population, 20 percent of which must be paid in in towns under 10,000 population, and 50 percent in towns over that size.

They may not make loans over $300 when their own indebtedness exceeds 10 percent of their total accumulated capital and no loan to one individual or corporation may be made of over $5,000 which exceeds 3 percent of its total accumulated capital.

Credit unions (Chapter 12) shall have the following powers: (1) to receive savings of its members in payment for shares; (2) make loans to members up to $500 to one borrower; (3) invest through its board of directors in any investment legal for savings banks and in homestead stock; in shares of other credit unions up to 10 percent of the capital stock paid in and the reserve fund; and may deposit funds in savings

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

banks, state banks, trust companies and national banks.

Membership is to be restricted to groups which have a common bond of occupation, association, or residents of a definite community.

They may make loans to their members for such purposes and such security as the charter and the credit committee shall approve. No loans may be made to non-members. They may borrow up to 50 percent of their paid in capital, surplus and reserve fund.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MAINE

MAINE

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MAINE

References: Revised Statutes 1930 and Laws of Maine 1931, 1933, Special Session 1933 and 1935. (Chapter 57 in 1930 Revised Statutes).

The state laws of Maine cover savings banks, trust and banking companies, industrial banks and loan and building associations. Banking is defined as "soliciting, receiving, or accepting of money or its equivalent on deposit as a regular business by any person, copartnership, association, or corporation intended to derive profit from the loan of money except as a reasonable incident to the transaction of other corporate business, or when necessary to prevent corporate funds from being unproductive," "whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass book, a note, a receipt, or other writing, provided that this does not include money left with an agent, pending investment in real estate or securities for or on account of his principle."

"All savings banks or institutions for savings lawfully organized are corporations possessed of the powers and functions or corporations generally, and as such have the usual powers given to corporations" and to receive money on deposit, invest the same, own, maintain and "let" safe deposit boxes and vaults, and "further to transact the business of a savings bank" as provided in the law. Also to issue capital notes and debentures.

There is no limit as to the amount one person may have deposited in savings.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Investments which may be made are specified in great detail, chiefly bonds and secured notes, also in mortgage loans secured by first mortgages on real estate in Maine or any of the New England states, other loans secured by collateral, and personal loans with two individuals as endorsers. Also in New England real estate.

Trust and banking companies have power to: receive on deposit "money, coin, bank notes, evidences of debt, accounts of individuals, companies, corporations, municipalities" and states allowing interest thereon, if agreed or provided by their by-laws;

Borrow money, loan on credits or real estate or personal security and negotiate loans and sales for others;

Own and maintain safe deposit vaults, boxes, etc.;

Hold all such real estate and personal property as may be obtained by the investment of its capital stock or other moneys;

Act as agent for issuing, registering and countersigning certificates, bonds, stocks, etc.;

Act in all trust capacities. Trusts to be kept separate from other assets.

Loans to one person not to exceed 10 percent of the capital, unimpaired surplus and net undivided profits, except on approval of its board and when secured by collateral, and then 20 percent the maximum.

Minimum capital required for trust companies $25,000.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Trust company branches are restricted to those obtaining permission from the bank commissioner based on public necessity and convenience and whether the parent company has the required capital. Such branches to be in its own or adjoining county, except in case there is no state bank already operating in a town or village, trust companies having $500,000 capital may establish a branch.

Industrial Morris Plan banks may be organized in the same manner as trust companies. They shall have only one class of stock. Shall have power to lend money and discount notes, and to deduct interest thereon in advance at not more than 8 percent interest to be repaid in uniform monthly or weekly installments; to sell or negotiate bonds, notes, etc.; to charge $1 for each $50 loan made or fraction thereof;

To establish branch offices under the same conditions as apply to trust companies;

Loans are to be made for not more than one year except loans eligible for insurance under the National Housing Act.

Loan and building associations: "Such body may adopt and use a common seal, hold, manage and convey real and personal property, sue and be sued, prosecute and defend suits in law or in equity," etc. At or before the regular monthly meeting of the officers each member must pay toward the capital $1.00 per share as dues until the shares "reach the value of $200" each. Interest of not less than 3 percent nor more than 6 percent to be paid after maturity until withdrawn.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

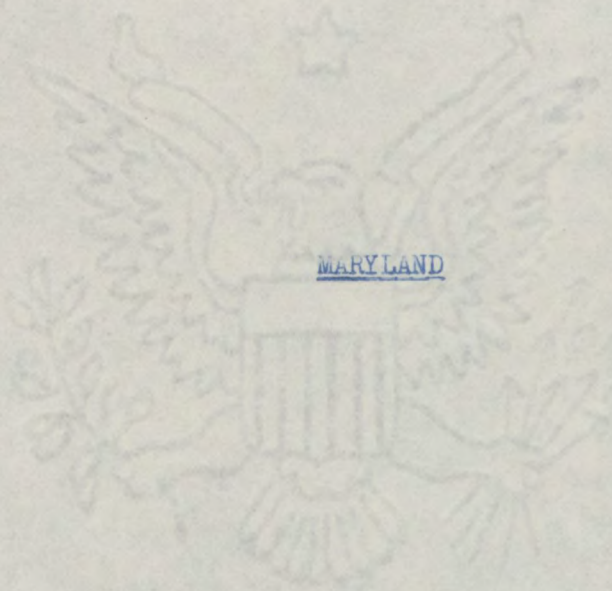
After allowance is made for withdrawals and necessary expenses, the money of the association to be loaned to the members at a rate to be fixed by the directors but in no case to exceed 40¢ per share. Any member may, upon giving satisfactory security receive a loan of from $200 to $300 per share or part thereof.

Loans on real estate may also be made to members repayable in monthly installments sufficient to amortize same, paying interest and principal in from 5 to 20 years.

Loan and building associations authorized to make loans and advances of credit eligible for insurance under the National Housing Act, and to comply with the requirements of the Home Owners' Loan Act of 1933, etc. They may borrow money, upon a vote of their board of directors and may pledge their real estate mortgages, notes, etc., as security therefor. Except with the consent of the bank commissioner the amount that can be borrowed is limited to the amount of its guaranty fund plus 5 percent of its total assets.

Chapter 57, Section 56. (Savings banks) Court may reduce deposit accounts. When a savings bank becomes insolvent through no fault of its trustees, ... the supreme judicial court may upon petition by its trustees and the bank commissioner, after due investigation and notice to all concerned, reduce the deposit account of each depositor, thereby rendering the bank solvent.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis



MARYLAND

MARYLAND

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MARYLAND

References: Annotated Code of Maryland by Bagby, Vol. 1, 1924, also 1929 and 1935 Supplements - Articles 11 and 23. (Division of Financial Review and Control)

The state banking law of Maryland covers banks, savings institutions, trust companies, credit unions. "Building or homestead associations" are covered by "Corporation" law.

The 1924 edition states that the words "banking institution" as used are held to mean incorporated banks, savings institutions, and trust companies, and "not to apply to or include building and loan associations." Instead of having limited charters, banking institutions are given the right to "perpetual succession."

Branch banking is definitely authorized, provided the approval of the Bank Commissioner is first obtained, based on public necessity and convenience, and compliance with the capital requirements. (Minimum capital, $25,000). There are no other restrictions.

Private banking: No person, co-partnership or corporation not subject to the supervision and examinations of the Bank Commissioner may make use of in the firm name or in any way advertise that they are doing a banking business.

"Banks" are given all such powers as "shall be usual in carrying on the business of banking, including receiving deposits and paying interest upon them.

Savings banks: No savings bank hereafter incorporated shall have any capital stock but shall be a mutual association. They may

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

establish branches provided the guarantee fund equals the capital required of state banks. Rules for withdrawal of deposits are to be in the by-laws but bank may at any time require notice of withdrawal up to 90 days. No interest or dividend to be paid to depositors until after the guarantee fund equals at least 1/8 of 1 percent per annum on the amount of deposits then held until such guarantee fund equals at least 3 percent of the deposits.

No unincorporated savings banks are permitted.

Trust companies: The minimum capital required of trust companies is $100,000 in towns up to 25,000 population, plus a surplus equal to 20 percent of the capital, all of which must be paid in before the bank commences business.

For a trust company to establish a branch in a city or town other than the one in which its main office is located, there is a graduated scale of additional capital required plus 20 percent of the additional amount as surplus, beginning with $25,000 for towns of up to 15,000 inhabitants.

Their powers are all of the usual powers in carrying on the business of banking and acting in a fiduciary capacity, including receiving deposits and the management of estates, real or personal, but not to "issue bills to circulate as money."

All banks or trust companies are authorized to participate in "industrial loans" which are furthered by the United States Government on the same basis as state member banks of the Federal Reserve System.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Any banking institution may issue, sell, etc. its capital notes which are subordinate to depositors claims but preferred over stockholders in the event of liquidation. They may hold and acquire real estate in the usual ways. They are all forbidden to have "affiliates" except for reorganization purposes. They are all authorized to qualify as members of the Federal Deposit Insurance Corporation and Federal Reserve.

The maximum liability permitted of any one person, corporation, etc. to a bank is 10 percent of the surplus and paid-in capital of such bank or trust company.

"Demand deposits" are defined as all deposits payable within 30 days; and "time deposits" all "deposits payable after 30 days, and all savings accounts and certificates of deposit, which are subject to not less than 30 days notice before payment.

Credit unions (passed 1929): "A credit union may receive the savings of its members in payment of shares or any deposit; may loan to its members at reasonable rates, which shall not exceed 1 percent per month on the unpaid balance or may invest as hereinafter provided the funds so accumulated and may undertake such other activities relating to the purposes of the corporation as may be consistent with this sub-title and authorized by the by-laws."

They are subject to supervision by the bank commissioner. Their capital consists of payments made to it by the members on shares.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"A credit union shall be deemed an institution for savings and together with all accumulations therein shall not be subject to taxation, except as to real estate owned."

Building or homestead associations (from 1924 and 1935 editions): "Any homestead or building association, formed under the provisions of this article, shall have power, in its certificate of incorporation or its by-laws to limit the number of shares which each stockholder may be allowed to hold; to prescribe the entrance fee to be paid by each stockholder at the time of subscribing; and to regulate the installments to be paid on each share, but not over $1.00 per share per week," etc.

Such a corporation may loan to its members an amount equal to the value of their shares at maturity, such loans to be secured by mortgage on real or "leasehold" property or by "hypothecation of the company stock held by such member. They have power to become a member of and stockholder in the Federal Home Loan Bank of their district; also the benefits of the National Housing Act.

This law covers all corporations in Maryland formed for the purpose of loaning money on real or personal property or for buying, selling, leasing, or otherwise dealing in land. They may provide for the payment of all or part of their stock in advance and for the repayment of loans in installments collecting the premium on loans in advance or in installments. They may accept United States or Maryland bonds as security for their loans.

Foreign building and loan associations are subject to this law.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MASSACHUSETTS

MASSACHUSETTS

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MASSACHUSETTS

References: General Laws of Massachusetts, Tercentenary Edition, 1932, Vol II, Chapters 167, 168, 170, 171 and 172; Massachusetts Acts and Resolves 1933, Chapters 144 and 334; 1934, Chapters 43, 73 and 349; and 1935, Chapters 18, 162, 156, 191 and 452.

"Bank" is defined as "a savings bank, cooperative bank, trust company, any corporation authorized to do the business of banking company under Chapter 172A (Morris plan), or any individual, partnership, association or corporation, incorporated or doing a banking business in the commonwealth, subject to the supervision of the commissioner of banks."

The types of banks covered by the law are:

Savings banks
Cooperative banks
Trust companies
Private banks
Industrial banks
Credit unions

Re private banking: Any corporation, person, etc., making a business of receiving money on deposit or using the words "bank" or "banking", "trust" "banker" must conform to the banking law.

No corporation, person, partnership, or association may use any sign or advertise in any way to do a savings bank or trust business, or use the term bank or banking in their firm name, nor transact the business of "accumulating the savings of its members and loaning to them such accumulations in the manner of a cooperative bank," unless incorporated in the commonwealth for such purpose.

Savings banks: A savings bank is an "institution for savings incorporated as such in this commonwealth." They may contract for deposits at regular intervals at interest. This applies also to savings departments

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in trust companies. They have the "power and privileges specified in this chapter and shall be subject thereto so far as is consistent with the provisions of their respective charters. They may borrow money.

The maximum amount of deposits accepted from one individual is $4,000 which may draw interest until it equals $8,000, which is the maximum allowed to any one account, except that of charitable, religious or labor organizations, or to a credit union, or town sinking fund. Joint accounts may be $8,000 and interest accumulated to $16,000.

Savings banks may accept certain trust accounts in an unlimited amount.

The supreme judicial court may, upon petition of a savings bank or its trustees, order the deposit accounts reduced whenever the value of its assets is less than the total amount of its deposits.

Deposits may be withdrawn according to the by-laws of the corporation but the treasurer of a savings institution may at any time require up to 90 days notice for withdrawals and for loans. When ten such notices are required in one day a written notice must be sent out making the requirement general, etc.

They may make loans to their depositors with deposit books as security, up to the amount of their deposit account and may charge the depositor interest not to exceed 1 percent more than the combined rates of the next preceding dividend distribution.

The investments authorized are first mortgages of real estate, public and other guaranteed bonds specified in detail, loans on personal security, notes secured by collateral, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Branch banking by savings banks is limited to one or more branch offices in the town in which the main office is located, or in towns not over 15 miles distant where there is no savings bank already in operation.

Insurance of deposits in savings banks (1934): The Mutual Savings Central Fund, Inc., is authorized to establish a fund for the insurance of deposits in savings banks under the laws of Massachusetts, by proportionate assessments from time to time of not over 1 percent of the deposits of each member bank, exclusive of its club deposits, one-fourth of 1 percent assessment to be made immediately to be known as the deposit insurance fund.

Cooperative banks (Chapter 144 of 1933): They are formed for the purpose of accumulating the savings of their members and loaning such accumulations to them. Capital shares may be paid up in advance ($200 per) or paid for at the rate of $1.00 per month as dues on each unmatured share. Interest is to be on the basis of profits.

Funds in excess of necessary expenses and the payment of shares may be loaned to qualified applicants at not less than 5 percent interest (to be repaid in monthly installments) up to the amount of their shares at maturity on real estate loans.

Funds may be invested in United States, Massachusetts, or any municipal bonds of cities in New England, in stock or obligations of the Federal Home Loan Bank, or first mortgages on real estate in Massachusetts. They may also borrow money when necessary.

A guaranty fund was established by the Cooperative Central Bank for the insurance of the shares in member banks in Massachusetts. This

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

fund to be raised by assessments "from time to time" of a total not over 1 percent of the share liabilities of such member bank, an assessment of one-fourth of 1 percent to be made immediately after the act is effective. The Central Bank may loan its funds to member banks but only up to 5 percent of the member banks' assets unless secured as required. This debt to be a preferred claim.

In regard to branch banking among cooperative banks the following is an excerpt from Chapter 144 of 1933, Section 11: " .... but moneys due the bank may be collected by the treasurer, or other person duly empowered by the directors, upon such days and in such other places as may be designated by vote of the board of directors and approved by the commissioner, and the bank may advertise these branches in such manner as the commissioner may prescribe."

Trust companies: Minimum capital required $50,000. They may receive on deposit, storage, or otherwise, money, government securities, stocks, bonds, coin, jewelry, plate, valuable papers and documents, evidences of debt, and other property of any kind, upon terms or conditions to be agreed upon. Such deposits to be general deposits. Unless otherwise specified on the certificates, a written notice of 30 days in advance is required to withdraw time deposits.

They may loan either capital or general deposits on real estate in the state, and on personal security. They may also invest in stocks, bonds or other evidences of indebtedness. Loans on mortgages or deed of trust must be on first mortgages on improved real estate, including farm lands, in the state of Massachusetts.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Trust business is to be kept separate from general business. Investments authorized for trust funds are given in detail, chiefly United States or the commonwealth of Massachusetts, or Massachusetts municipalities, or of any other New England State, or of Illinois, Iowa, Michigan, Minnesota, or Wisconsin, or certain other secured bonds, first mortgages, etc.

Except for branches established prior to June 1, 1934, branch offices are restricted to within the same town or in case there are no other commercial banking facilities in a town in the same county with the main office, and the capital and surplus account must not less than one-tenth of its aggregate deposit liability.

Savings departments in trust companies: The maximum amount of savings deposits allowed in one account is $10,000. All trust companies soliciting or receiving savings deposits are required to have a separate department for the purpose, such deposits to be kept separate and to be invested and loaned in accordance with the laws governing deposits in savings banks, with a special investment committee to govern the investments.

Savings deposits in trust companies are to be protected by a guarantee fund to be created by setting apart from net profits before making a semi-annual dividend, one-eighth of 1 percent of the deposits, until the guarantee fund amounts to 5 percent of the savings deposits. Said fund to be kept in the savings department and invested in securities legal for savings departments.

Up to 90 days notice may be required for withdrawals.

They may make loans to depositors in savings departments up to 90 percent of their deposits at interest not over 1 percent more than the dividend rate just previous.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mortgage loan and investment companies do not receive deposits except for investment purposes. They chiefly negotiate loans secured by deeds of trust or mortgages on real estate outside of the commonwealth.

The business of issuing, negotiating and selling bonds, etc., is to be carried on by companies organized under the law for that purpose.

Credit unions (Chapter 171 of 1932 edition, and 163 and 343 of 1933): They are formed for the purpose of accumulating and investing the savings of their members and making loans to them for provident purposes. The board may consent to the organization of the union when satisfied that the proposed field of operation is favorable to the success of such a corporation and that the standing of the incorporators is satisfactory.

They may receive the savings of their members as payment on shares or as deposits, and may lend the funds so accumulated to its members at reasonable rates or invest the funds as provided by law. The par value of the shares is $5.00. A shareholder is limited to 400 shares plus $2,000 in deposits, which with interest and dividends, may accumulate to not to exceed $3,000, the total of both not to exceed $4,000. If an individual has no deposits 800 shares may be held.

A fund equal to 15 percent of the assets of the credit union is to be created by setting aside 10 percent of the gross income before paying dividends, as a guaranty fund. This percentage (15 percent) to be maintained by setting aside the necessary percentage before paying dividends.

Capital, deposits and surplus to be invested in loans to members the excess to be deposited in savings banks or trust companies, or national banks, or invested in bonds or bankers acceptances which are legal invest-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ments for savings banks at the time. Five percent to be carried on hand in cash.

Personal loans may be secured by note of the borrower, or by mortgage of real estate in the commonwealth.

Industrial banks: "Business corporations" organized under Chapter 156 covering such corporation, doing business of loaning money on the Morris plan or similar plan, having a capital of at least $50,000 paid in, may be authorized to do a banking business under the conditions specified in Chapter 172A.

They may receive money in one payment or installments, upon certificates paying up to 5 percent interest.

The capital, surplus, certificate funds and income are to be invested in loans on personal security or secured by assignment of personal property, (none in mortgages of real estate) or in securities authorized as investments for savings banks up to 20 percent of its certificate funds, and up to 25 percent of its paid in capital and surplus in building and building site.

May operate branch offices within the same county but not elsewhere except for those already established prior to January 1935.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MICHIGAN

MICHIGAN

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MICHIGAN

References: State of Michigan, Laws Relating to Banking, Compiled by Frank D. Fitzgerald, Secretary of State, 1934. HG 2426 .M5A 3, and Public and Local Acts, Michigan, 1935.

All banks covered by the state law in Michigan are under two general classes - commercial and savings. Commercial banks are banks of discount and deposit, savings banks are banks of loan and deposit. The law covers:

Commercial banks
Trust companies
Savings banks
Industrial banks
Building and loan associations, and
Credit unions.

Commercial banks and trust companies which have received permission to do so, may receive demand deposits. Trust companies must have a minimum capital of $150,000 and if they are to do a commercial banking business must have the additional capital (minimum $20,000) required of commercial banks according to location.

In addition to the ordinary corporate powers, a bank is authorized to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debts; receive deposits; buy and sell exchange, coin and bullion; and loan money on personal and real security, as provided in the law; purchase stock in a Federal Reserve Bank and become a member of a Federal Reserve Bank and of the Federal Deposit Insurance Corporation.

Branch banking is restricted and limited to require written permission from the commissioner of banking. Permission may be granted only when the capital is equal to the capital requirements of the largest

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

city or town in which branches are to be established. Banks with $3,000,000 capital may file application to establish foreign branches.

Any bank may apply to the commissioner of banking for authority to act in a fiduciary capacity and when acting in such capacity must segregate all assets held in a fiduciary capacity from the other assets of the bank. Trust departments may receive demand deposits. Before such departments may be established the bank must set aside capital and/or surplus equal to at least the minimum required for trust companies.

The commissioner may grant to banks permission to act as administrator or executor of estates of deceased persons and as guardians of the persons and estates of minors and incompetents, without capital equal to that required of banks and trust companies combined.

Banks may invest not to exceed 5 percent of their paid in capital and surplus in stock of one so-called safety and collateral deposit company.

Commercial banks may allow interest on accounts or certificates of deposit but all deposits are payable on demand unless otherwise contracted.

Savings banks have the power to carry on the business of banking; to receive money on deposit. Deposits are to be repaid when required at such time or times and at such interest as may be prescribed by rules made by the board of directors which rules must be posted conspicuously, accessible to all.

Investments which may be made are specified in elaborate detail - chiefly bonds and secured notes.

They may make industrial loans after first obtaining permission from the commissioner to loan money and deduct 7 percent interest therefor

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in advance, or less, and receive uniform weekly or monthly installments. They may charge for such loans $1.00 per each $50.00 or fraction thereof loaned.

They may purchase stock in a Federal Reserve Bank.

They may not make an industrial loan that exceeds two percent of the paid in capital and surplus of the bank.

They may establish branch offices or places of business in the same city or village in which the principal office is located and nowhere else.

Private banks (1931) may not be organized after the passage of this act.

Safety and collateral deposit companies may be organized with a minimum capital of $100,000 for the purpose of carrying on a safety deposit and collateral deposit business for the safe keeping of any personal property, and shall also have power to receive on deposit in trust any personal property and to provide proper vaults and premises for the same; also to receive on deposit any personal property deposited by individuals, partnerships or corporations as collateral security for the payment of bonds or other obligations issued by such individuals, partnerships, etc. It may purchase, hold, lease and convey such real estate and personal estate as may be necessary for the proper conduct of its business.

Trust companies have a minimum capital requirement of $150,000. They have power to receive and hold and repay, etc., real and personal property granted, committed, transferred or conveyed to them "in trust";

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

to administer trusts and act generally as agent for the management of estates, etc.

They may apply to the commissioner of banking for permission to engage in commercial or savings bank business but must have a minimum capital equal to the combined requirements for banks and for trust companies in that particular locality.

The directors may invest the capital stock, after deducting that portion to be deposited with the state treasurer and if engaged in commercial banking, the portion set aside for the part of the business, in bonds secured by mortgages and notes on unencumbered real estate in the State of Michigan with double the amount secured, or in public stocks and bonds of the United States or any of the United States that have not defaulted, etc.

The maximum interest rate is 7 percent - minimum 5 percent.

Building and loan associations (Act 116, 1935). A "building and loan association" is defined as any association or corporation under any building and loan association law for the purpose of building and improving homesteads, removing encumbrances therefrom, accumulating money to be loaned to its members, or assisting its members to accumulate and invest their savings, funds thus loaned to be accumulated in part through the sale of its own shares.

Loans to be made to members only except as provided in Section 33 of this act.

Borrowers to be required to give real estate security, unencumbered except by prior liens held by such association.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Credit unions - (Act of 1925). A credit union is a cooperative society incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes. If organized within a factory, mine, etc., the application to organize must be endorsed by the board of directors or authorized executive officer.

A credit union may receive the savings of its members either as payment on shares or as deposits; may make loans to members for provident or productive purposes; make loans to cooperative society or other organizations having membership in the credit union; deposit money in State and national banks; invest not over 25 percent of its capital in paid up building and loan shares, and shares of other credit unions. They may invest in any investment legal for savings banks or trust funds in the State. They may borrow money as provided in the law.

Membership is limited to groups having a common bond of occupation or association, or to groups within a well defined neighborhood.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MINNESOTA

MINNESOTA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MINNESOTA

References: Mason's Minnesota Statutes, Vol. 3-1934 Supplement, and Laws of Minnesota 1935; also "Compilation of Laws of Minnesota Relating to Banks" by E. A. Benson, 1933

The Minnesota State law defines a bank as "a corporation under public control, having a place of business where credits are opened by the deposit or collection of money and currency, subject to be paid or remitted upon draft, check, or order, and where money is advanced, loaned, on stocks, bonds, bullion, bills of exchange, and promissory notes, and where the same are received for discount or sale; and all persons and co-partnerships, respectively, so operating are bankers."

A savings bank is "an institution under like control, managed by disinterested trustees, solely authorized to receive and safely invest the savings of small depositors."

A trust company is a corporation under like control, authorized, within prescribed limitations, to act as a safe deposit company, trustee or representative for or under any court, public or private corporation, or individual, and as surety or guarantor.

A building and loan association is a corporation under like control, authorized solely to accumulate funds to be loaned to members to assist them in acquiring homes.

A credit union is a cooperative society, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them at legitimate rates of interest for provident purposes.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Apparently there are only two classes of banks authorized to receive demand deposits, State banks and banks and trust companies. However, there is nothing in the law prohibiting savings banks from receiving demand deposits. It states that each savings bank must establish its rules with regard to repayment of deposits and post them conspicuously, etc., but the amount of notice required is apparently up to the individual bank. Trust companies, in order to do a regular banking business, must comply with the law governing State banks as well as that governing trust companies.

Savings banks have perpetual charters. Others not over 30 years.

Re private banking: "All companies, associations and corporations organized under any law of this State, other than those relating to the organization of banks and trust companies, which assume or exercise any of the functions, powers, or privileges conferred upon banks or trust companies under this subdivision, shall be subject to all the limitations, penalties, and requirements incident or pertaining to such functions, powers, or privileges," etc. No individual, co-partnership or corporation, not subject to and complying with the banking laws of the State may make use of the terms "trust" or "savings bank" in their firm name or their advertising.

State banks, also trust companies, may establish savings departments.

Minnesota banks may become members of the Federal Home Loan Bank System.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The granting of charters is conditioned upon whether the applicants are of good moral and financial character and integrity, a reasonable public demand, and if the organization expenses are not out of proportion, and if the volume of business in the locality is sufficient to maintain the solvency of the new bank and the old banks already established in that community.

Banks may own real estate under the usual restrictions. The minimum capital required is $20,000; to add trust powers, $50,000.

Branch banking is prohibited.

Interest on savings deposits is limited to 4 percent in banks and trust companies.

Loans on real estate must be on first liens.

State banks and trust companies may take, hold and manage real or personal property, act as safe depositories, may invest and be responsible for all moneys received in trust.

Savings banks: Accounts in savings banks are limited to $5,000. Real estate may be owned under the usual conditions. They may borrow to supply depositors demands.

All savings banks come under this law except those organized prior to 1879. Those organized under the law of 1867 may have a capital stock provided the minimum is $25,000.

No trustee may have any interest in the profits, or reward for his services except as provided.

The investments authorized are specified in great detail. They include chiefly bonds such as United States, State, municipal in the same State, public utility, notes or mortgages secured by deed of trust, or

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

obligations of the Federal Home Loan Bank, etc.

Trust companies: Minimum capital $50,000, except that companies may be organized with a minimum of $10,000 with powers to act as assignee, trustee or receiver, guardian, executor of wills, or administrator of an estate, by giving a corporate surety bond in such sum as the court may direct, but may not use the word "trust" in the title or name of the company.

Trust companies conducting a banking business must comply with laws governing State banks as well as those governing trust companies. In granting banking powers to a trust company, the Department of Commerce is to be governed by the same laws which are applicable to applications for charters for new State banks.

They may act in any usual fiduciary capacity.

Trust accounts are to be kept separate from other funds.

They may acquire and own real estate in the usual way, and may loan money and secure such loans by mortgage, trust deed, or pledge, purchase notes, bonds, etc., may guarantee titles sold and transferred by it, and may operate and maintain safe deposit vaults and may take and hold for safe keeping money, bonds, stocks, personal property, etc., which is authorized to be deposited in trust.

Building and loan associations: Under supervision of Department of Banking. Negotiable instrument law does not apply to mutual building associations. Minimum capital stock to be $100,000.

Existing financial corporations when law was passed (1927) to continue to transact building and loan business.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Their operations are confined to the county in which the office is located and those contiguous thereto, except with the permission of the State Securities Commission.

A local association is one that confines its operations to the county in which it's principal place of business is located, and counties immediately contiguous thereto. A state association is one that upon application to the State Securities Commission has been authorized to do business in additional counties.

Funds are to be accumulated by: the sale of capital stock to be paid for in full or in installments, 5 percent to be subscribed and paid in before beginning to carry on business; by borrowing money up to 80 percent of the assets of the association, except that associations issuing shares of limited and full participation in earnings are limited to 25 percent of their assets; by special service fees including membership fees which shall not exceed $2.00 per $100 share in each.

Withdrawals require 30 days notice.

Industrial Loan and Thrift Companies (1933): Not to receive savings or demand deposits. Minimum capital $25,000. Authorized by Department of Commerce to make small loans, on security of co-makers, personal chattels, etc., at 8 percent interest, to be repaid in installments, etc.

May not use "bank," "banking" in its name nor operate as a savings bank. To be examined by Commissioner of Banks.

Credit Unions: May receive the savings of its members either as payment on shares or as deposits, make loans to members for provident or

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

productive purposes, make loans to a cooperative society or other organization having membership in the credit union, deposit funds in State and national banks and trust companies, invest in investments legal for savings banks or for trust funds, and they may borrow money.

Their organization is limited to groups having a common bond of occupation or association, or to groups within a well-defined rural district. They are under the Superintendent of banks. Interest is limited to 1 percent per month on unpaid balances.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MISSISSIPPI

MISSISSIPPI

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MISSISSIPPI

References: Mississippi Code 1930, Vol. 2; 1933 Supplement; and General Laws of the State of Mississippi for 1934, Chapter 146

"Bank" includes trust companies, savings banks, branches of banks and trust companies, and all other institutions subject to the provisions of this chapter. They may be created for the purpose of conducting and carrying on a bank and trust company business limited as herein provided; may establish offices of loan and deposit to be known as savings banks; or may establish banks havind departments for carrying on all of the above classes of business.

No private banking is permitted.

Banking corporations may establish branch offices within the home city and county which may not make loans, except to receive the application and transmit it to the parent bank. These branch offices do not count as branch banks.

The minimum capital required to establish branch banks is $100,000 plus the minimum required for a unit bank in that locality for each branch established, the maximum number of branches to be 15. No chain banking is to be permitted.

Credit unions also come under the Department of Bank Supervision. Building and Loan Associations are under the State Auditor.

The State Comptroller is the supervising official for banks. The minimum capital requirement is $25,000. The requirements for new charters are paid up capital and public necessity.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Any bank authorized to do a regular banking business may, with the consent of the state comptroller, act in any kind of trust capacity without altering its charter in any way.

The appointment of the Federal Deposit Insurance Corporation as receiver for failed banks is provided for.

Building and Loan Associations (Chapter 92 of 1930 Code): The term "building and loan association" applies to any domestic or foreign corporation, company, savings association, partnership, person, society or association organized for the purpose of enabling its members or borrowers who are not members to acquire real estate, make improvements thereon, or remove encumbrances therefrom, or loan money to be repaid in monthly installments; or for the accumulation of a fund to be returned to its members who do not obtain advances thereon.

Capital stock may be up to $200 at par; may be paid in advance, or in monthly installments. Members may withdraw unpledged stock.

Credit unions (Chapter 102, 1930 Code): May receive the savings of its members in payment for shares and on deposit; may make loans to members; may invest in United States, State,county, district, and municipal bonds, and other securities approved by the state banking department, in shares of other credit unions, and may deposit funds in savings banks, credit unions, state banks, trust companies and national banks, but funds are first to be loaned to members with preference to the smaller loans.

Organized within groups which have a common bond of occupation, association, or residence within a well defined neighborhood, small community or rural district.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MISSOURI

MISSOURI

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MISSOURI

References: Revised Statutes of Missouri, Vol. I, 1929 and 1935 Supplement

The banking laws of Missouri cover:

State banks
Private banks
Trust companies
Savings and safe deposit companies.

Building and loan associations come under the State Bureau of Building and Loan Associations.

Credit unions are under the Commissioner of Securities.

"Bank" is defined as including any person, firm, association or corporation soliciting, receiving or accepting money or its equivalent on deposit as a business, whether demand or time deposits. Banks are under the supervision of the Department of Finance.

State banks and trust companies are not permitted to operate branch banks within the State. Banks having a capital of $1,000,000 or more may, with the approval of the Commissioner of Finance, open foreign branches under the restrictions specified.

No new private banks could be established after 1919. "Private bankers" are defined as "those who carry on the business of banking by receiving money on deposit, with or without interest, by buying and selling bills of exchange, promissory notes, gold or silver coins, bullion, uncurrent money, bonds or stocks, or other securities, and of loaning money without being incorporated." The minimum capital for private banks is $10,000.

The minimum capital for banks other than private is $15,000. The charter requirements are capital, fitness of incorporators, and

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and probable volume of business sufficient to insure solvency of the new bank and the banks already in existence in that location.

State banks, trust companies and savings banks are banks of deposit and are authorized to accept both demand and time deposits.

State banks are also authorized to loan money on real estate or personal property, and upon collateral or personal security; accept drafts for payment at a future date; purchase stock in a Federal Reserve Bank, and in a safe deposit company under Missouri laws; own real estate under the usual conditions; act as a depository for bonds, mortgages, jewelery, etc., and as fiscal agent of the United States, State, municipalities, etc.

Act in a trust capacity if they have a minimum capital of $50,000 in certain size towns, on up.

"Demand deposits" are defined as those that can be demanded paid within 30 days; "Time deposits" those the payment of which cannot be required within 30 days.

Trust companies (1933) are authorized to:

Receive money in trust and accumulate same at interest, and to receive money on deposit with or without interest; to act as a safe depository and guarantee special deposits; discount and negotiate promissory notes, etc;

Act in any trust capacity, also manage property for corporations or individuals; as fiscal agent for the government, State, etc;

No branch trust companies allowed;

May become member of a Federal Reserve Bank, also of Federal Deposit Insurance Corporation;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

May buy and sell and invest in all kinds of bonds, stocks, etc.;

May own real estate under usual regulations; accept drafts for payment at a future date.

The restrictions on loans are given in great detail.

Savings banks and safe deposit institutions (Article 5, 1929 Code - not mentioned in Supplement):

All capital to be paid in. Corporation to continue not over 50 years. Minimum capital $10,000 - "regarded as a guaranty fund for the security of depositors, and shall be invested as provided in sections 5496 and 5497."

Such corporations may be created for the purpose of receiving for accumulation and safe keeping, any deposit of money, from any person, corporation or society, and investing, holding and repaying the same, crediting and paying interest thereon; also for the purpose of taking and receiving as bailee for safe-keeping and storage only jewelry, plate, money, specie, bullion, stocks, bonds, securities and valuable papers, etc., and guaranteeing their safety.

All deposits and income derived therefrom are to be invested in interest bearing United States obligations, of the State of Missouri, or the United States, or of any States which has not defaulted in payment of their interest or principal for five years previous; in any Missouri municipal bonds under the same conditions.

Building and loans associations (Chapter 35, 1935 Supplement):

Requires 25 persons to incorporate. May incorporate for the "purpose of assisting each other, and all who may afterward become

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

associated with them, in acquiring real estate, making improvements thereon and removing encumbrances therefrom, by advancing to its members out of a fund accumulated by periodical installments, or otherwise, a sum equal to the par value of their shares, and for the further purpose of accumulating the savings of its members to be returned to such of its members who do not obtain advances. The law covers all building and loan or mutual savings associations in the State of Missouri.

The object of such corporations is to accumulate capital in money by payments from its members in installments or otherwise, and from the profits and accumulation arising from the investment of such payments. The capital is to be divided into shares of equal value not to exceed in ultimate value $1,000.

They may insure the accounts of their members with the Federal Savings and Loan Insurance Corporation and comply with the rules of that corporation.

They may accumulate from their earnings a "contingent fund" for the payment of contingent losses, and un "undivided profits fund," both of which may be loaned and invested in other funds of the association.

They may become a member of the Land Bank of the State of Missouri, and invest in shares of said land bank up to 10 percent of its resources.

With written permission of the Supervisory of Building and Loan Associations may loan their funds not needed for loans to members or the payment of matured shares or withdrawals, to other building and loan associations of Missouri.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Loans may be made to a director of officer only with the written approval of a 2/3 majority of the board of directors, on the security of a first mortgage or deed of trust upon the single family residence or homestead of such director or officer.

The establishment of branches is restricted to associations with assets equal to liabilities of at least $1,000,000 based on dues paid in.

They may establish a "participating reserve fund" in which any or all real estate owned by the association and other assets of doubtful value may be placed, to be known as "participating reserve shares" to be issued to the stockholders pro rata whose stock was reduced by the creation of the fund. More than one such reserve fund may be created.

They may accept Home Owners' Loan Corporation bonds in payment of debts.

Stockholders may withdraw by giving at least one month's notice, according to the provisions of their by-laws.

They may borrow to retire matured shares. Loans are limited to 10 percent of the assets.

Credit Unions (Article 15 of Vol. I, 1929):

Are under the Commissioner of Securities. There is the usual limitation as to membership. A certificate may be granted if the Commissioner is satisfied that the proposed field of operation is favorable to the success of such credit union, etc.

Credit unions are authorized to receive the savings of their members in payment for shares; to make loans to members; invest in bonds

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of the United States or any State whose bonds are legal investments for savings banks in Missouri; deposit funds in savings banks, State banks, trust companies, and national banks. The funds are to be used first for loans to members with preference to smaller loans.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MISSOURI

References: Revised Statutes of Missouri 1929, Vol I, Chapter 32, Article 8, pp. 1375-6 and Supplemental Service to the Missouri Official Statutes 1929 through 1935 and June 1936, pp 358-9. Under Corporations.

Loan and Investment Companies. They are defined as any corporation formed under the provisions of this article and may be organized in same manner as manufacturing and business corporations with the same capital requirements. (Minimum given as $2,000 under the law for manufacturing and business corporations).

In addition to general corporation powers they are authorized to: Lend money to any person, firm or corporation, secured by the obligation of such person, firm or corporation or otherwise;

Sell their secured or unsecured evidences or certificates of indebtedness, or of investment, and receive from investors therein or purchasers thereof payments in installments or otherwise with or without allowance of interest on such installments .... Provided no such evidences or certificates .. payable in installments, shall be sold wherein the aggregate amount of the installment payments agreed upon shall be in excess of the face value thereof, and that such certificates, etc., hypothecated for a loan shall not be for an amount in excess of the actual amount of the proceeds of the loan plus any interest which may be taken in advance, or discount at a rate not to exceed the lawful rate of interest, together with charges permitted by this article, and that no payment, with the exception of the last one, in excess of equal weekly, semi-monthly payments, extending over the entire period for which the loan is made shall be required ...; and provided further, that at the maturity of any note or loan or when settlement

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

is made, any such certificate, etc. used for security of such loan shall have a cash surrender value of not less than the sum of all payments made upon it whether matured or not...;

Charge one dollar for each loan of fifty dollars or fraction thereof to cover any examination or investigation of the sureties, etc.;

Charge for a loan made pursuant to this section, when secured by chattel mortgage or lien upon a motor vehicle, a sum not greater than $20.00 on account of extra hazards involved.....

Loan and investment companies may not hold the obligation of any person, etc., for an amount exceeding 10 percent of the paid-in capital stock of such loan and investment company and its surplus and undivided profit combined. This is not to apply to loans secured by collateral so long as the market value of such collateral shall exceed by 20 percent the total liabilities secured in each case, but no loan shall in any case exceed 20 per cent of the paid-in capital stock of such loan and investment company and its surplus, etc;

(b) They may not make any loan under the provisions of this article for a longer period than one year,

(c) Nor deposit any of their funds in any banking corporation unless such corporation has been designated as such depository by a vote of a majority of the directors or of the executive committee, exclusive of any officer or director who is a director or trustee of the depository so designated.....

They may not receive money on deposit or engage in banking within the meaning of section 5296 (on banking).

Co-operative Companies. Are under the supervision of the supervisor of Building and Loan Associations.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

MONTANA

MONTANA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

MONTANA

References: Revised Codes of Montana 1921 and 1927 Supplement, also Laws of Montana 1929, 1931, 1933, 1934 Special Session, and 1935.

The word "bank" is construed to mean any corporation which "shall have been incorporated to conduct the business of receiving money on deposit, or transacting a trust or investment business as hereinafter defined. The soliciting, receiving or accepting of money or its equivalent on deposit as a regular business, whether such deposit, a pass book, a note, or other receipt; provided that nothing herein shall apply to or include money or its equivalent left in escrow, or left with an agent pending investment in real estate or securities for or on account of his principal."

The classes of banks covered are:

Commercial banks
Savings banks
Trust companies
Investment companies.

and other such corporations carrying on the business of banking, trust company or investment company, under the laws of this State or doing business in this State under the national banking laws of the United States.

"Commercial bank" means any bank authorized by law to receive deposits of money, deal in commercial paper, make loans thereon and to lend money on real or personal property, and to discount bills, notes, or other commercial paper, buy and sell securities, etc.

"Savings bank" is defined as "a bank organized only for the purpose of accumulating and loaning the funds of its members, stockholders and depositors, and which may loan and invest the funds thereof, receive deposits of money, loan, invest and collect same, with interest, and repay

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

depositors with or without interest; with power to invest said funds and moneys in such property, securities and obligations as may be presented by this act; and to declare and pay dividends on its general deposits, and a stipulated rate of interest on deposits made for a stated period upon special terms.

"Trust company" means any corporation which is incorporated under the laws of this State for any one or more of following purposes: to receive money in trust and to accumulate same at such rates of interest as may be agreed upon;

The charter requirements are: capital paid in in cash; integrity of purpose of organization; public convenience and advantage. The name must not cause confusion with other banks, also "he shall examine into the fitness of the incorporators to manage a bank."

The minimum capital required for banks is $25,000 plus 10 percent surplus; for savings banks, trust companies, or investment companies, not less than $100,000. This minimum must be paid in in both cases.

No branch banking except in the same or adjoining county in case of consolidations where a bank has at least $75,000 paid up capital and with the written permission of the Superintendent of Banks.

Commercial banks and savings banks may own real estate under the usual restrictions.

One-half of the capital of savings banks and one-half of the deposits must be invested in bonds or other securities of the United States or any of the States, or any county, city, etc., in Montana, on which interest is regularly payable, or Federal Land Bank bonds; or loaned or unencumbered real estate worth at least double the amount secured. The

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

remainder may be invested in the same kind of securities or in approved personal securities, but loans must not be made on the security of less than two responsible persons, with $10,000 as the maximum loan on personal securities.

Commercial banks may loan on real estate when it is a first lien up to 50 percent of the value of the property. Only 25 percent of their assets may be loaned on real estate.

Trust company capital and assets, including deposits, may be invested in such securities, as the board approves, such as negotiable and non-negotiable notes, bonds, mortgages on unencumbered real estate; corporation stocks and bonds, United States, State, or municipal bonds in the State of Montana.

The purchase of any issue of bonds other than United States, State, municipal, etc., is limited to a maximum of 10 percent of the assets of the bank.

Loans to one individual, firm, etc., are limited to 20 percent of the unimpaired capital and surplus. No bank may become indebted for borrowed money or rediscounts in an amount greater than their capital and surplus without permission from the Superintendent of Banks.

All private banks are subject to inspection by the State Examiner.

Morris Plan companies (1925): The minimum capital required is $25,000 plus 10 percent surplus in towns up to 20,000 population.

They are authorized to lend money and deduct interest therefrom in advance at lawful rates, and to require weekly or monthly installments; to buy, sell or negotiate bonds and "choses in action", also drafts and

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

acceptances; to charge for a loan $1.00 for each $50.00 or fraction thereof loaned, to cover expenses incurred in making the loan.

They may not receive demand deposits.

Loans are limited to one year in length, and the maximum loanable to one person, firm, etc., is 10 percent of the capital and surplus of the company.

They are under the supervision of the State banking department.

Building and loan associations (1927, 1931 and 1933):

Corporations mutually operated for the purpose of encouraging home building and thrift among their shareholders, and loaning substantially all of its funds to them on real estate mortgage security. They come under the State examiner and "ex-officio superintendent of banks" (1927).

May do business when 5 percent of the capital has been subscribed and not less than $2,500 paid in, provided the Superintendent of Banks is satisfied with the responsibility, character and general fitness of the incorporators, that there is a reasonable need for the association, and that the public convenience and advantage will be promoted thereby.

In 1933, Chapter 136 authorizes the issuance of "permanent stock."

Expenses are to be paid out of earnings only. Dividends semi-annually from net earnings. Losses in excess of the contingent and reserve funds to be assessed pro rata on all stockholders to the extent of their stock credits only.

Permanent stock may be fully paid for at the time of issuance or in monthly installments, according to the by-laws, except that the amount of permanent stock paid up in cash shall not be less than 5 percent of the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

aggregate amount paid up in all other classes of stock, which amount shall at all times be fully maintained. No loan may be made on permanent stock. The by-laws may provide that the majority of the directors shall be elected from the holders of permanent stock. Permanent stock is not to be preferred.

They may assess and collect from members dues on stock and interest on loans at the time and in the amounts provided for in the constitution and by-laws. Combined costs to borrower must not exceed legal interest rates.

Members are to be allowed to withdraw part or all of their stock credits at such time and upon such terms as the constitution and by-laws may provide.

Each association may provide in its by-laws for a periodical distribution of all net earnings after all liabilities, including dividends on other classes of stock have been met, provided such distribution does not exceed two percent per year on the total loans outstanding up to $500,000 and thereafter not over 1 percent of the total loans outstanding.

Permanent stock to be assessed first for losses. May borrow money when necessary up to 20 percent of its assets. May borrow from the Federal Home Loan Bank.

May make loans to members on the security of their shares, also on their notes secured by first mortgages on improved real estate, but not on farm lands or mining property, etc.

May invest the money of the association in bonds and other securities of the United States, including Home Owners' Loan Corporation; of any State, and in municipal securities in Montana; not over 10 percent

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of the assets in other bonds and securities approved by the Superintendent of Banks; may loan money to other building and loan associations.

At least 5 percent of the net earnings are to be set aside for a fund to cover contingent losses; amount to be determined by the board of directors, up to 5 percent of the book value of the stock.

No deposits are to be accepted.

Loans to one person or firm, etc., limited to 20 percent of the assets of the association.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NEBRASKA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEBRASKA

Deposit institutions operating under State banking laws. The banking laws of the State of Nebraska provide for seven types of deposit, loan and investment institutions, all operating under the general supervision and control of the Department of Banking. Four of these types of institutions, listed below, are authorized to accept deposits:

Commercial banks
Savings banks
Cooperative banks
Cooperative credit associations.

The three types of banks are authorized to accept deposits from the general public. Cooperative credit associations may accept deposits from members.

Commercial banks are defined as banking institutions which follow the practice of repaying deposits upon check, draft or order, and of making commercial loans chiefly. They are also permitted to receive deposits repayable upon presentation of pass books and to require notice before such deposits are repaid.

Savings banks are defined as banking institutions which follow the practice of repaying deposits upon presentation of pass books, and may require notice to be given before repaying deposits, and whose loans are chiefly on real estate security.

Cooperative banks are distinguished from commercial banks by limitations on stock ownership by a single individual, limited dividends, and distribution of earnings in excess of expenses, interest and stock dividends to depositors and borrowers.

Commercial, savings and cooperative banks are grouped together

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in the summary tables of condition published in the reports of the Department of Banking. Inspection of the reports of individual banks in the report for 1935 (latest available) shows only two, which from title and character of liabilities, are operating as savings banks. None could be identified as cooperative banks.

Cooperative credit associations are authorized to receive deposits from members and to make loans to members. They may also invest in Federal, State, local and municipal government bonds, in bonds issued under the Federal Farm Loan Act or in other securities approved by the Department of Banking. They are prohibited from engaging in the business of "banking" as defined by State law. Under this definition "banking" comprises the receiving of deposits of money or instruments of credit subject to be repaid upon check, draft, certificate, pass book or order; the discounting, negotiating of promissory notes, drafts, bills of exchange, and other evidences of debt; and the loaning of money upon personal or other security. Cooperative credit associations do not, therefore, provide checking facilities, nor make many types of loans ordinarily made by banks.

No bank in Nebraska is permitted to maintain branches, or to receive deposits or pay checks except over the counter of and in its own banking house. No institutions other than those operated under the banking laws are authorized to accept deposits.

Loan and investment institutions operating under State law. Three types of institutions operating under the supervision and control of the State Department of Banking are authorized to make specified types

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of loans and investments, but not to accept deposits. These classes of institutions are as follows:

Building and loan associations
Trust companies
Installment investment companies.

Various other corporations and organizations organized under general incorporation or other laws are also engaged in making loans or acting as investment agencies. Such loan and investment institutions include insurance companies, investment dealers and brokers, mortgage loan companies, and finance companies. No list of such loan and investment institutions is available.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEBRASKA

Installment investment companies. Under "State Administrative Departments," Chapter 81, Article 51, Sections 5101-5111, covers "Installment Investment Companies," Every association other than building and loan associations, savings banks, insurance companies or fraternal beneficiary associations, organized under the laws of this state . . . which are organized for the purpose of raising money from its members or others by means of stated installments, or payments, to be held, invested or disbursed, whether the money so contributed is paid in for shares or is held by the association of investment and accumulation for the benefit of its contributors, or as an advance on merchandise or property of any kind, to be delivered in the future, or is held by the association to be disbursed among the contributors in accordance with any agreed plan, and whether the relation of the contributor be that of member, shareholder, vendee, creditor or beneficiary or a trust . . . shall be known as an installment investment company.

The Department of Banking has the power to issue certificates of approval to such companies. They must file, in the office of the Department of Banking, prior to commencing business, a statement showing in full detail the plan upon which it proposes to operate, a copy of the contract it proposes to make, a written statement showing the name, location, and an itemized account of its actual financial condition, and the amount of its property and liabilities, etc . . . If the department finds such company solvent, that its articles of incorporation its constitution and by laws, its proposed plan of business, and proposed contract contain and provide for a fair, just and equitable plan for the transaction of business, it shall

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Installment investment companies. (continued)

issue a certificate of approval, etc.

Installment investment companies are required to file a report of their financial condition, assets, etc., at the close of business June 30, of each year and oftener at the discretion of the Department of Banking on forms prescribed by the department. Penalty for failure . . . The department of banking is to examine all such companies at least once a year or oftener if deemed necessary.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NEVADA

NEVADA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEVADA

References: Nevada Compiled Laws by Hillyer, 1929 with 1934 Supplement and Statutes of Nevada for 1935.

State banks, savings banks, trust companies are banks of deposit in Nevada with one general law covering all three. The law governing building and loan associations is entirely separate but they come under the supervision of the State bank examiner. There was nothing on credit unions.

Minimum capital for banks, $50,000 and a surplus of 20 percent of the capital stock.

Branch banking is allowed if only one branch is operated in the home county the bank must have a paid up capital of $60,000 and $25,000 additional capital and surplus for each additional branch in the State. They may issue preferred stock.

Charters are granted on compliance with capital and other corporate requirements. In reorganization assets may be accepted at face value in lieu of cash.

Any bank under this act may:

Receive money on deposit;

Buy and sell exchange, gold, etc.;

Loan money on chattel and personal security, or on real estate secured by mortgage;

Own a suitable building, etc., not exceeding 60 percent of the capital and surplus and such as it shall acquire through collection of debts due it;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Have the power to carry on a savings bank business, such deposits to be repaid to depositors at such time or times and at such rate of interest as may be prescribed by the bank, agreed to by the depositor and by the State board of finance.

Funds of savings banks are to be invested in United States, State, or municipal bonds; or in obligations of national mortgage associations, or similar credit institutions now organized or hereafter organized in accordance with Title III of the national housing act; or loaned on negotiable paper secured by the above named classes of security; or upon notes or bonds secured by mortgage lien upon unencumbered real estate. Second mortgage loans may be made on improved farm lands where the combined encumbrances do not exceed 50 percent of the cash value or 80 percent of the assessed value, whichever is the smaller amount. Loans may be made on notes or bonds secured by mortgage liens which the Federal Housing Administrator has insured or has committed himself to insure; or loaned upon notes secured by collateral of known marketable value (not mining stock); or held as cash or deposited in good solvent banks up to 40 percent of the capital and surplus of the depositing bank.

Chattel mortgages are not deemed collateral security and are not acceptable investments.

When the savings bank business is not segregated from a commercial bank's business, the ratio of savings deposits, including time certificates of deposit, to the total deposits shall determine the portion of the bank's funds which shall be invested according to savings bank restrictions.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Any corporation organized under this act may state in its articles of incorporation that it will carry on a trust company business and shall thereupon have power, in addition to the usual banking powers, to act as a trustee, guardian, administrator, executor, fiscal agent, and as local agent of foreign corporations, except that no bank shall act as agent for any insurance company.

There is no stockholder liability other than the forfeiture of the stock itself.

Total liability to any one person, firm, etc., is not to be more than 25 percent of the paid in capital and surplus.

The ratio of deposits to capital and surplus must not be greater than 8 to 1 for more than 60 days.

Interest on time deposits is limited to 3 percent.

Real estate may be owned under the usual restrictions. Preferred stock may be issued.

Banks and trust companies may by so declaring in their articles of incorporation, conduct a mortgage loan business subject to regulation by the State board of finance and the Superintendent of Banks, such business to be kept segregated from the other business of the bank or trust company.

Banks and building and loan associations are authorized to make and issue loans in accordance with the national housing act; become members of the Home Owners' Loan Bank; invest in Home Owners' Loan Corporation bonds.

Building and loan associations: certificates are to be issued by the Secretary of State but must first be approved by the State bank

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

examiner. Membership shares may be on a paid up or installment basis.

One-half of funds from memberships are to be invested in or loaned upon real estate, real estate mortgages, deeds of trust, or in bonds, shares or other securities which are principally based for their security on earnings upon real estate, or instruments secured by real estate.

Such corporations must either have an amount equal to at least 40 percent of its liability to residents of the State of Nevada invested in Nevada real estate or in notes secured by first mortgages or deeds of trust, or any real property within the State, or deposit a minimum of $20,000 (up to 50 percent of its liabilities) as a guaranty fund for the protection of the residents of Nevada with whom they do business.

All membership shares and other securities of such corporations or associations, except their permanent capital and guaranty stock, must state the cash surrender value after payment of each installment and that they are redeemable in cash after reasonable notice at any time after one year for an amount at least equal to the amount paid therefor, together with interest at not less than 4 percent per year, less a reasonable entrance or membership fee not to exceed $2.00 per $100 matured value, etc.

The fixed rate of 4 percent interest does not apply to the capital stock and membership shares of mutual building and loan associations which may be issued without any fixed rate of interest.

They are authorized to make such loans and advances of credit, etc. as are eligible for insurance under Titles I and II of the National Housing Act.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

They may purchase Home Owners' Loan Corporation obligations and comply with the law, also become a member of a Federal Home Loan Bank and subscribe for shares in any Federal savings and loan association.

Not over one-half of the receipts of the preceding month (excepting borrowed money) may be paid out in anyone month to withdrawing investors without the permission of the State bank examiner.

Such corporations or associations must have a license to sell their securities, which licensed must be renewed annually.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NEW HAMPSHIRE

NEW HAMPSHIRE

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEW HAMPSHIRE

References: Public Laws of New Hampshire 1926, Vol. II, and New Hampshire Laws for 1927-29, 1931 and Special Session 1930, 1933 and 1935 with Special Session 1934. (Chapters 120 through 267 in 1926 Public Laws).

The State banking law of New Hampshire covers "State banks, savings banks or institutions for savings, trust companies, banking companies, and all similar corporations, building and loan associations, credit unions, Morris Plan banks and the business of making small loans in sums of three hundred dollars or less, unless otherwise limited in their operation;" also private banks.

Savings banks: Only banks incorporated as such may transact the business of a savings bank.

There is no definite statement in the law as to authority to receive deposits, and there are no decisions reported in the Northwestern Digest. The bank report gives only one column headed "Deposits". The law refers to "deposit" or "pass" books.

The law provides authority for savings banks to do a safe deposit business, to own real estate in the usual way, to deposit cash in national banks or trust companies whose capital is unimpaired and whose credit is good.

No savings bank or savings department of a trust company may loan more than 5 percent of its deposits to any individual.

Officers and members of the investment committee of savings banks may not be an officer in or engaged in the business of selling or negotiating loans, stocks, securities, etc. or in private banking.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mutual savings banks are to create a guaranty fund by setting aside 10 percent of their net earnings each year until a fund equal to from 5 to 10 percent of its deposits has been created, which guaranty fund may not be used for dividends.

Savings banks are to pay the rate of interest agreed upon and any change in rates requires three months notice at least.

There is no limit to the deposit of trust funds, creation of sinking funds, or deposits of State, counties, etc.

In guaranty savings banks the paid in guaranty fund is to equal 10 percent of its general deposits until deposits are $1,000,000 or more and 5 percent for all deposits over $1,000,000, to be carried from net earnings. All over $1,000,000 in the guaranty fund goes to guaranty fund surplus and is subject to guaranty fund laws as in mutual banks, but may be transferred to the paid in guaranty fund at any time. The special depositors in a guaranty savings bank may vote to increase the guaranty fund at any time.

Five percent of the deposits in savings banks must be kept in cash or United States public funds and the balance invested as follows:

1. Notes and bonds such as:

   a. First mortgages on real estate in New Hampshire up to 70 percent of the value of the real estate; also mortgages insured by the Federal Housing Administrator - up to 75 percent of the deposits may be so invested; for over 75 percent it is necessary to have the permission of the Bank Commissioner.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

b. First mortgages on real estate outside of New Hampshire but in the United States, improved, occupied and productive:

Percent of Deposits on Property		Percent
Outside of N. England	Inclusive N. England	value of property
30	40	50 or 60 with further security

Loans or investments on property outside of New England must be made through a registered New Hampshire dealer in securities.

c. First mortgages on timber lands in Maine and Vermont up to 50 percent of the value of the land and up to 5 percent of the deposits may be so invested;

d. Stock exchange collateral;

e. Deposit books;

f. Notes with two or more signers;

g. Farm loan bonds and obligations of national mortgage associations;

h. Bankers acceptances - not over 5 percent of the deposits to be loaned to any one borrower on the above classes of security.

2. Public obligations such as public funds of:

United States
New Hampshire
Other States and certain municipalities
Other municipalities

Canada and its provinces and cities of 50,000 or more whose net debt does not exceed 7 percent of its assessed valuation

Not over 5 percent of the deposits may be invested in bonds of any one municipality; not over 10 percent in the aggregate in bonds of the Dominion of Canada and its provinces and cities.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

3. In other bonds, notes and stocks to a limited extent where the net income of the company in question has not been less than 1¼ times the annual interest on the entire funded debt. Not over 65 percent of the deposits may be invested in the following:

   Steam railroad securities

   Public service companies bonds, and notes, dividend paying capital stock, telephone companies, New England manufacturing companies

   Bank stocks

Trust and banking companies: May not issue or sell their own bonds or mortgage securities, etc., which are to be sold as investments, nor guarantee them.

Those becoming stockholders in a Federal Reserve bank have all the privileges of member banks.

All those conducting a savings department must keep such business separately, its savings department being subject to the laws governing savings banks.

Stockholders have double liability.

May be appointed trustee whenever an individual may be appointed.

Fiduciary powers are limited to specified corporations located in the State.

Assets held in a fiduciary capacity must be segregated from the other assets.

Are under the supervision of the board of trust company incorporation composed of the bank commissioner, the deputy bank commissioner and the attorney general.

The par value of the stock plus 20 percent surplus must be paid in in cash before shares are issued.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The minimum capital required is $25,000 - the maximum allowed $500,000.

Such corporations may be authorized and empowered to receive on deposit, storage or otherwise money, securities, jewelry, documents, etc., for safekeeping; to collect and disburse the income and principal of property when due; advance or loan money or credits on personal security or property; to advance or loan not exceeding 25 percent of its capital and surplus on notes securec by first mortgage of real estate in New England up to 75 percent of the value of the security; negotiate, purchase and sell stocks, bonds and other evidences of indebtedness; do a general banking business and a savings bank business; act as trustee of estates, etc., and as agent for issuing, registering or countersigning certificates of stock, bonds, etc.

(common) May hold and own real estate under the usual conditions

(common) May not loan on security of its own stock nor purchase same.

Total liability by one person, firm, etc., to the corporation is 10 percent of its actually paid in capital stock and surplus.

Double liability for stockholders.

Private banking: Everyone owning any portion of the funds employes in any private bank is liable as a partner for all the debts and obligations of the bank.

Covers every association or partnership formed for the purpose of loaning money or dealing in money, receiving deposits, buying and selling exchange or transacting such other business as is usually transacted by banks. The clerk or cashier of every private bank is required

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

to make the same returns to towns where its stockholders reside as the cashiers of other banks are by law required to make.

Building and loan associations: (Chapter 266 of 1926 Public Laws and 1933 and 1935 Session Laws): Purpose - accumulating the savings of its members, and of loaning such funds to them to enable them to purchase homesteads and improve their condition.

Name must indicate that it is a cooperative building and loan association.

Capital stock is unlimited.

One individual is limited to 50 shares in any one such association.

May collect monthly dues of $1.00 per share until the value reaches $200 or they are withdrawn, cancelled or forfeited.

Shall loan money so collected, together with interest, premiums, fines, and profits, to the shareholders offering the highest premium above the established rate of interest and will give satisfactory security, including a pledge of shares of the capital stock of the corporation sufficient to repay the loan in from five to 20 years.

If all of its money cannot be loaned to shareholders it may loan to others upon mortgages of improved real estate up to 50 percent of its value, or upon "other security deemed to be equally good." It may also make loans on real estate on the "direct reduction plan" - to be repaid in monthly installments covering interest and principal in not to exceed 20 years.

The corporation or association has a lien on shares of delinquent shareholders.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

May borrow money to pay off matured shares, for making loans, withdrawals of shares to such percent as is approved by the commissioner and with his approval may pledge as collateral real estate mortgages, notes, or other securities.

Re real estate, they may purchase houses, or purchase land and erect houses thereon, and may sell or lease same to its shareholders.

May become member of the Federal Home Loan Bank of the New England district, etc.

May, by vote of its shareholders, pass to the credit of a guaranty fund from time to time not to exceed 10 percent of its net earnings. This fund may be used or terminated at the direction of the majority vote of the shareholders. This fund may be increased from time to time to 10 percent of the capital dues and capital profits of the association.

Also by vote of its shareholders, a building and loan association may set aside a part of its earnings to create a surplus for the protection of its shareholders.

The interest, premiums, fines, and profits less losses and necessary expenses and that set aside for the guaranty fund, shall be equitably distributed among the shares and added to the dues paid by the shareholders at least once a year until the value of each share reaches $200 when they are to be repaid to the shareholders and retired.

Shareholders may withdraw by giving 30 days notice but the directors may refuse to use more than half of the funds in the treasury for such withdrawals, in which case the shareholder must wait until funds accumulate.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

When shares are matured instead of withdrawing, shareholders may at the option of the board choose to accept paid up certificates for $200 bearing not over 5 percent interest. The maximum number of paid up shares which one person may hold is ten. These may be withdrawn on 30 days notice.

Investment certificates are issued to obtain money for loans on New Hampshire homes. They bear interest not to exceed 5 percent and the maximum value one person may hold is $2,000. The total maximum amount that may be issued is equal to 10 percent of the association's other liabilities.

Credit unions (Chapter 267 of 1926 Public Laws): Are under bank commissioner. Purpose - accumulating and investing savings of their members for provident purposes.

Capital is unlimited. Par value of shares not over $10.00.

May receive its members' money on deposit in payment for shares; may make loans to members on terms and security real or personal to be determined by the union, on interest not to exceed 6 percent.

May deposit money not needed for loans in any savings bank, trust company, or national bank of the State, or invest the surplus funds in securities approved by the commissioner.

Before paying any annual dividend, 10 percent of the net income must be set aside for a guaranty fund until this fund reaches 20 percent of the paid in capital stock when upon vote of the members, after recommendation by the board of directors, the percent may be decreased and it may also be increased with the same approval.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEW HAMPSHIRE

Morris Plan Banks. Under Chapter 260, headed "General Provisions as to Savings Banks and Trust Companies," Section 1, "Application of Title," states

> "The provisions of this title, so far as the properly may, shall apply to state banks, savings banks or institutions for savings, trust companies, banking companies, and all similar corporations, building and loan associations, credit unions, Morris plan banks, and the business of making loans in sums of three hundred dollars or less, unless otherwise limited in their operations."

Chapter 262, of the same code, Sec. 3, amended 1931, provides for loans secured by one or two endorsers. This is all that I can find in the New Hampshire laws on Morris plan banks. I therefore assumed that they came under the law covering savings banks.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NEW JERSEY

NEW JERSEY

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEW JERSEY

References: Revised Statutes, Vol. 1, of 1934, Title 17, Subtitle 2, and Laws of New Jersey for 1935, also New Jersey Statute Service, 1934.

Deposit institutions operating under State banking laws. The banking laws of the State of New Jersey provide for five types of deposit, loan and investment institutions, all operating under the general supervision and control of the Commissioner of Banking and Insurance. Four of these are authorized to accept deposits:

Banks
Trust companies
Savings banks and savings associations
Credit unions
Building and loan associations.

The first three are authorized to accept deposits from the general public. Credit unions may accept deposits from their members. Building and loan associations are expressly denied the right to receive deposits.

The use of the terms "bank," "trust company," "savings bank," etc. is restricted but the various classifications are not defined with the exception of "credit unions."

Credit unions are for the purpose of creating a fund to encourage savings thereby and to furnish a temporary fund to encourage savings and to furnish temporary loans to said members for provident and productive purposes.

Except for small loans and provident loan associations, building and loan associations are the only loan and investment institutions provided for under the banking law that do not receive deposits. (insurance companies, etc.)

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Every bank has the power to carry on the business of banking by discounting bills, etc., by receiving deposits with or without interest thereon, ..., by loaning money on real and personal security, "by exercising all the usual and incidental powers and purposes belonging or pertaining to such business." They may carry on a safe deposit business, may purchase, hold and convey real estate in the usual way, and they are authorized to purchase, invest in and sell stocks of corporations.

Any bank, trust company, or title guaranty company of the State is authorized to loan money on bond and mortgages on improved real estate (first liens), may issue participation certificates "or coupon bonds with a guarantee of payment of principal and interest, and may secure same by depositing a trust mortgage or agreement with another bank or trust company, etc., which trust mortgage or agreement may include a number of bonds and mortgages. Banks may have title guaranty powers under certain conditions.

State banks may act in a fiduciary capacity provided they have a paid in capital of at least $100,000 and the permission of the Commissioner of Banking and Insurance. The paragraph further states they "may set apart a fund or funds specifically devoted to securing its liabilities in capacities of trust and confidence and deposit securities representing said funds with the Registrar of the Prerogative Court in the same manner as provided for trust companies.

State banks and trust companies may become members of a Federal Reserve bank, of the Federal Deposit Insurance Corporation and subscribe to its stock, etc., subscribe to the stock of the Home Owners' Loan Corporation, etc., to bonds of the Federal Land Bank, also may cooperate with the Federal Housing Administration.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Banks (other than savings) and trust companies may establish and maintain branch offices, with the written approval of the Commissioner of Banking and Insurance when he deems such branch will be of public service, and it has a paid in capital of $50,000 more than is required for a bank, and $100,000 for a trust company, for each branch established. Such branches must be within the limits of the city in which the bank is located, must not be in a town of less than 20,000 inhabitants, and limited to one branch in a town between 20,000 and 40,000 inhabitants, two in cities from 40,000 to 80,000, and from there up to be determined by the Commissioner. With the approval of the Commissioner branches may be established in locations where a bank's assets, in case the bank is in process of liquidation, are purchased by another bank.

Savings banks may establish one branch office in towns of from 25,000 to 50,000 population, and two in towns from 50,000 to 100,000, if they have the approval of the Commissioner based on it being beneficial to the public; if they have a surplus of at least 5 percent of its deposits, and in addition $50,000 surplus for each branch. Branches must be within the corporate limits. They may lease space for their branches.

State banks are authorized to act in a fiduciary capacity provided they have a paid in capital of at least $100,000 if they have permission from the Commissioner.

The minimum capital required for trust companies is $100,000 paid in full. All trust companies must be incorporated under the State law. To obtain a charter they must have the approval of the Commissioner based on whether or not public interest will be served and/in compliance with the law.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Trust funds are to be kept separate from investments of capital.

Trust companies may carry on the business of banking and have all the usual trust powers. They may invest in and sell stocks, promissory notes, etc.

They may not issue bills to circulate as money. They may receive deposits subject to check with or without interest.

Any banks, trust companies, title guaranty companies of the State authorized to loan money on bonds and mortgages on improved real estate (first liens) may issue participation certificates or coupon bonds with a guaranty of payment of principal and interest, and may secure same by depositing a trust mortgage or agreement with another bank or trust company, etc., which trust mortgage or agreement may include a number of bonds and mortgages.

Private bankers must have $50,000 in unencumbered assets. They are subject to the same supervision, examination, etc., and must make the same reports as incorporated banks. They must be United States citizens and one or more of the persons so engaged must be residents of this State. A certificate from the Commissioner is required before any such individual or firm may do a banking business, which cannot be issued until after proper investigations have been made.

Foreign corporations. The Commissioner may issue a certificate of authority to savings, trust, safe deposit, indemnity, mortgage, investment loan and building corporations of other States or foreign countries to transact and solicit business in New Jersey at his discretion when such corporation has filed a copy of its charter, a statement of its financial condition which must show that it has a paid in, well invested and unimpaired

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

capital of at least $100,000, has deposited securities worth $30,000 with the Commissioner to be held by him in trust for the benefit of the creditors of such corporation in New Jersey, unless it has deposited in either the State or county where it is organized $100,000 in cash or approved securities, and they must make the Commissioner their attorney. Such business to be subject to examination by the Commissioner and to make annual reports to him.

Savings banks and savings associations have the power to receive money on deposit, to invest the same, and further transact the business of a savings bank, as hereinafter provided. A majority of the "associates" must reside in the county and be "freeholders" in the State. Before the Commissioner authorizes the organization of a savings bank he must take into consideration accessibility, density of population to be served, the character and general fitness of the corporators.

They may issue capital notes and debentures, and may sell to or pledge same as security for loans obtained from any division of the Federal Government.

Deposits may be withdrawn upon demand at such time and upon such terms as may be established by rule of their board of managers, such regulation to be posted in a conspicuous place in the principal room in which such business is transacted, etc. The bank may limit the amount which may be deposited to one account and may at their discretion refuse to receive a deposit, etc. The maximum receivable from one person or society is $10,000, exclusive of accrued interest or 10 percent of the surplus of such savings bank, whichever amount is greater, the aggregate not to exceed

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

$25,000 exclusive of accrued interest unless the deposit was made prior to the act, or pursuant to the order of a court, etc. One dollar is the minimum amount they are required to receive.

They may invest in United States obligations, State bonds, municipal bonds, railroad bonds, real estate and public utility bonds. May make any loans eligible under the National Housing Act.

Maximum interest or dividend on deposits is 5 percent. Up to 15 percent of deposits to be held as a reserve for the security of the depositors, etc.

To report to Commissioner at least once a year. Commissioner to examine at least once every two years.

Membership authorized in Federal Reserve, Federal Home Loan Bank, Federal Deposit Insurance Corporation, but still remain subject to the laws of the State.

May provide and rent safe deposit boxes to their depositors.

May own real estate on which premises are located and rent other space in same location.

Building and loan associations may be organized for the purpose of assisting each other in acquiring real estate, making improvements thereon, and removing encumbranches by the payment of periodical installments, and also to accumulate a fund for the repayment of members who do not obtain advances for the above purposes. Before a certificate of incorporation may be granted notice must be published in a local newspaper each week for four weeks and in addition the Commissioner must make a personal investigation after which he is to pass upon the character, public necessity, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

No branch offices or agents are allowed except in cases where two such associations or more merge, with the written consent of the Commissioner they may continue the office of the merged association up to two years.

They may purchase at public or private sale any real estate in which they may have an interest, may sell its lands and tenements to its members or to non-members. Shares of non-borrowing members may be paid off or retired at their actual value according to the constitution of that association. Premiums may be taken for priority or privilege of loans or acquisition of real estate and the rate to be agreed upon.

They may borrow money from any source on their note, bond and mortgage, etc., giving their bonds and mortgages as collateral, up to 25 percent of their bond and mortgage assets, except that obligations to the Federal Home Loan Bank are not included in this limitation.

They may not solicit or receive deposits as a savings bank or banking institution.

Their funds are to be invested in real estate and improvements; in mortgage loans to members; loans on shares; mortgage loans to non-members on bonds secured by mortgages; and in securities in which the savings banks of the State are allowed to invest or make loans upon such securities. At least 1 percent of their gross assets must be in specified stocks or bonds of the United States, New Jersey, or municipalities.

Shares may be withdrawn upon up to 30 days notice. There is a provision for a "reward profit plan." (1935, Ch. 59, Sec. 13.)

Two reserve accounts are to be set up, a "contingency reserve account," and a "real estate reserve account."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

All common shares are to be classified as:

Installment - payable monthly, semi-monthly or weekly;

Single payment - issued upon a single payment thereon and mature through the crediting of profits at the same rate as that apportioned to installment shares;

Juvenile - issued to minors, with voting rights in case the minors are 16 or over. They are not chargeable with fines and need not make any regular payments. These may be credited with dividends not in excess of the rate credited to installment shares.

Income - paid up in advance. Except where there is a "repaid profit plan" the rate of dividends may not exceed 90 percent of that paid on installment shares.

Maximum value of income shares to be held by any one member, $25,000 and not in excess of 2 percent of the liabilities of such association for dues on installment shares.

They may become a member and participate in any Federal corporation or agency organized to make loans or extend credit to building and loan associations.

Credit unions are associations of persons composed of employees having a common employer, or persons identified with a church, parish, society, or organization of war veterans in the State; or ten or more persons engaged in agricultural pursuits within a county in the State, for the purpose of creating a fund to encourage savings thereby and to furnish temporary fund to encourage savings thereby and to furnish temporary loans to said members for provident and productive purposes. They have the power the accumulate savings of members by deposits as herein set forth and make such uses of the accumulations as are provided for in this chapter. They may borrow money up to 25 percent of their deposits for the purpose of mak-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ing loans to members, or to pay off withdrawing members, but not to an amount in excess of its deposits less the amount loaned to its members. They may take, hold by lease, gift, purchase devise or bequest any real or personal property necessary or desirable for attaining the objects and carrying into effect the purposes of the corporation.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NEW MEXICO

NEW MEXICO

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEW MEXICO

References: New Mexico Statutes, 1929 Compilation, and Session Laws of 1931, 1933, 1934 and 1935.

Deposit institutions operating under State banking laws. Four types of institutions which receive deposits are provided for and one that does not receive general deposits. The four receiving deposits are:

Commercial banks
Savings banks
Trust compahies
Mercantile companies

and the fifth type covered is mutual building and loan associations.

Commercial banks are defined as any bank "authorized to receive deposits of money, deal in commercial paper, or to make loans thereon, and to lend money on real or personal property, and to discount bills, notes, or other commercial paper, and to buy and sell securities, gold and silver bullion, or foreign coins or bills of exchange."

Savings bank is defined as a bank organized "for the purpose of accumulating and loaning the funds of its members, stockholders, and depositors, and which may loan and invest the funds thereon, receive deposits of money, loan, invest and collect the same with interest, and invest its funds in such property, securities and obligations as may be prescribed by this act."

Trust company is defined as "incorporated for the purpose of conducting the business of acting as executor, administrator, guardian of estates, assignee, receiver, depository, trustee, and such other purposes as hereinafter specifically set forth in Section 60 (13-303) of this act."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mercantile companies may be organized by not less than three incorporators in towns of less than 1,500 inhabitants with a minimum of $30,000 capital of which $20,000 must be paid in before commencing business, the full $30,000 to be paid in full within the year.

Mutual building and loan associations may be organized by not less than eight persons or incorporators for the purpose of building and repairing homesteads and other property, and loaning money to the members thereon.

Limited branch banking is permitted; mercantile companies having a banking department may receive deposits and buy and sell exchange at their branch stores; and after obtaining a permit from the State bank examiner banks may open branch offices in the same county and in adjacent counties, or within a radius of 100 miles where there are no banks already established.

The minimum capital required of banks is $25,000. The minimum surplus required before making a dividend on common stock is 20% of the minimum capital requirement. One-fifth of net profits is to be carried to surplus until the surplus equals 50% of the capital. State banks and trust companies may issue preferred stock not subject to double liability.

Borrowing by State banks is restricted to an amount not over its capital and surplus, and must have authority of its board of directors. In cases of emergency, with the approval of the State bank examiner, a greater amount may be borrowed.

Loans are limited to 20% of the capital and surplus to any one creditor. They may loan up to 30% of their total deposits on first mortgages on real estate. May not loan on their own stock except to protect

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

their own interests. May loan on other bank stock to 25% of their total capital stock. They make loans in cooperation with the Federal Housing Administration.

State banks and trust companies may issue preferred stock not subject to double liability.

Regulation on investment in real estate is the usual one. Investment in notes and bonds, etc., other than securities of the United States, or of the States, counties, cities, etc., which have earned at least 4% net per year on their capital stock for the past five years and have not disputed the payment of their debts limited to 30% of their capital and surplus. Authorized to become a member of a Home Owners' Loan bank, of the Federal Reserve and the Federal Deposit Insurance Corporation. May own and control a safety vault and rent boxes.

Charters - after 10% of the capital has been paid in in cash and other legal requirements have been complied with, the State bank examiner is to determine whether or not the organizers are of good general moral character and financial responsibility; and whether or not the proposed field of activity can probably support such bank, or such additional bank, without damage to those already in existence in case there are other banks in the locality.

The same laws that apply to State banks apply to private bankers.

Each savings bank's board of directors is to prescribe regulations governing withdrawals, which regulations are to be printed in the depositors' pass books.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Savings banks may invest in the stocks and bonds of and become a member of the Federal Home Loan bank. Savings banks may invest up to 75% of their savings deposits in loans on or purchase of mortgages secured by first mortgages on real estate. Other banks are limited to 30% of their total deposits. Savings deposits may be invested in securities of the United States, of the States, counties, cities, towns, school districts, commercial paper, negotiable paper secured by collateral having an actual cash market value in excess of the loan so secured, and first mortgage bonds of steam railroads, water, gas, light, telephone and industrial corporations which have paid at least 4% net for five years preceding and which have not defaulted.

Trust companies may be organized by five or more persons with a minimum capital of $100,000 fully paid in. They are authorized to receive money in trust and to accumulate same at interest not to exceed the legal rate, to receive money upon deposit for safe-keeping and personal property of any description, to own and control a safety vault, boxes, etc. They may accept real or personal property in trust, act as agent or attorney in fact for any individual or corporation in the management or control of real or personal property, investment of money, etc., may loan money upon real estate, with personal and collateral security and purchase and sell all kinds of government, State, etc., bonds and other investment securities. If they act in a fiduciary capacity without bond they must deposit from $10,000 to $200,000 with the Auditor of State as he may require.

They may (trust companies) cooperate with the Federal Housing Administration, invest in stocks and bonds and become a member of the Home Owners' Loan bank, may make loans up to five years on first mortgages on

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

real estate to 75% of their general deposits.

Mercantile companies may do a banking business if their required capital is paid in, and set aside as required and a certificate issued.

Charters for building and loan associations - to organize requires not less than eight organizers with a minimum capital of $5,000 paid in capital.

The par value of their shares must not be less than $200 and there must be at least 200 shares. It is unlawful for them to issue or sell any preferred shares. All classes must participate equally. They may issue three types of shares to members - installment, fully paid and optional payment shares. Stockholders may withdraw by giving notice at a stated meeting of the board of directors and at the following meeting may receive the amount paid, interest, etc.

They are authorized to lend their funds on real estate, or shares of its own stock. They may employ up to 5% of their total resources in the purchase of real estate and erection of buildings for rent or otherwise; they may also purchase at sales of property in which the association has a mortgage or other lien. They may invest in stocks and bonds of the Federal Home Loan bank, become a member thereof, and pledge its securities to obtain loans from. If funds are not needed for loans to members, funds may be invested in securities of the United States, of the States, counties, cities, etc.

Interest charges on loans to members may not exceed 10%. Loans may be made to other than members only when funds are not demanded by members.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Before transacting business in the State, foreign building and loan associations must file a financial statement, including shares of stock, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NEW YORK

NEW YORK

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NEW YORK

References: New York Banking Annotated 1935 by Baldwin, and General Laws of New York 1936.

Deposit institutions operating under State banking laws. The banking laws of the State of New York provide for three types of general deposit institutions and five more that accept time deposits only. The first three are:

Commercial banks
Trust companies
Private bankers

and the latter five are:

Savings banks
* Investment companies
Savings and loan associations,
Industrial banks
Credit unions

"Banks" are defined as "any domestic moneyed corporation other than a trust company, authorized to discount and negotiate promissory notes, drafts, bills of exchange, and other evidences of debt; to receive deposits of money and commercial paper; to lend money on real or personal security; and to buy and sell gold and silver bullion, foreign coins, or bills of exchange."

A "trust company" is defined as "any domestic corporation formed for the purpose of taking, accepting and executing such trusts, as may be

* Investment companies are classed with those that accept time deposits only in spite of the fact that they are empowered to "engage in the business of receiving deposits" because the Bank Commissioner's report shows no general deposits in their liabilities.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

for the purpose of taking, accepting and executing such trusts, as may be lawfully committed to it, acting as trustee in cases prescribed by law, receiving deposits of money and other personal property, and issuing its obligations therefor, and lending money on real or personal securities".

A "private banker" is defined as an individual who, by himself, or as a member of a partnership or unincorporated association other than an unincorporated express company, is engaged in the business of receiving deposits subject to check or for repayment upon the presentation of a pass book, certificate of deposit, or other evidence of debt, or upon the request of the depositor, or in the discretion of such individual, partnership, etc., of receiving money for transmission; of discounting or negotiating, etc.; of buying or selling exchange, etc.; or is engaged in any part of such business.

A "savings bank" is defined as a corporation authorized by the laws of this State only to receive money on deposit in such sums, to invest same in such securities, obligations, and property, and to declare, credit and pay from its earnings such dividends as may be prescribed by law.

An "investment company" is defined as any corporation other than insurance, formed under the laws of this State or of any other State and doing business in this State, for the purpose of selling or negotiating to individuals other than bankers, bonds or notes secured by deed of trust or mortgages on real property or choses in action, sound, insured, negotiable or guaranteed by it; or for the purpose of receiving any money

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

or property either from its own members or from other persons, and entering into contract for the withdrawal of such money or property at any time with any increase thereof, or for the payment of any sum of money at any time.

There is no definition given of an "industrial bank". In 1931 a new law was passed which made the old law on investment companies apply to industrial banks with certain alterations and set up a separate law for investment companies.

A "savings and loan association" is defined as a domestic moneyed but non-stock corporation, organized under the laws of this State for the purpose of encouraging industry, frugality, home building; the savings of money by its members; the accumulation of savings; the lending of such accumulations to its members; and the repayment to each member of his savings when they have accumulated to a certain sum, or at any time he shall desire the same, or the association shall desire to repay the same. The term shall include any corporation, company or association, organized under the laws of this State doing business in this State and having for a part of its title or name the words, building and loan association, building association, building and mutual loan association, savings loan association, savings association, cooperative loan association, or cooperative bank, and every corporation, company or association organized under the laws of this State where shares are wholly or in part payable by a cumulative period in regular or periodic instalments

. . . . . .

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Credit unions are defined as "a domestic moneyed but non-stock corporation organized under Article 11 of Chapter 689 of 1909 and amended by Chapter 582 of 1913, or Article 11 of this Chapter, for the purpose of promoting thrift among its members and of making loans to its members at reasonable rates with or without security. (Laws of 1936, Ch. 421, p. 367). They may receive deposits from their members. They are empowered to lend money to their members upon such terms and conditions as the by-laws provide, etc.

Organization certificates under the old investment company law required investment companies to state whether or not they were being organized for the purpose covered by subsections 4 and 5 of the general powers, to deduct interest in advance on loans and charge a fee of one dollar per fifty dollar loan. If the corporation were for the latter purpose they could have a minimum capital of $25,000 in cities of under 50,000 population, etc.

The minimum capital requirements of the present industrial banking law are the same as applied under the old investment company law, when such companies were organized to deduct interest in advance upon loans, charge $1.00 for each $50 loan or fraction thereof, and to impose a fine of five cents per dollar for each default in payment of an installment when such certificate has been given as collateral for the payment of a loan.

Investment companies are required, prior to commencing business, to deposit with the superintendent as a pledge of good faith, etc., interest bearing stocks or bonds of New York, or of the United States, to the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

amount of $1,000. The investment company may collect the interest on these securities as long as it remains solvent.

The capital required for investment companies is more complicated. The minimum required is $50,000, except when the company is organized for the purpose of making advances to or aiding the owners of mortgage certificates and/or investments guaranteed by corporations organized or doing business under the insurance law, or under the banking law, for which the superintendent of insurance or of banks has been or may be appointed rehabilitator and liquidator . . . . ., and/or making loans to rehabilitate the real property underlying such certificates, the minimum capital may be $1,000.

It is when the investment companies are organized for the purpose of selling or negotiating bonds or notes secured by deed of trust or mortgages on real property . . . . ., to advance money upon the security of such bonds . . . . ., to purchase or otherwise acquire such bonds, etc., and pledge them to secure the payment of collateral trust bonds or notes . . . . . that the minimum of $50,000 applies. If organized for other purposes $100,000 is the minimum.

Investment companies may not exercise the power to "engage in the business of receiving deposits" and "accepting bills of exchange or drafts . . . issuing letters of credit, discounting, purchasing or advanicing money on the security of bills of exchange, etc. They may do one or the other. They may receive money or property in instalments or otherwise with or without allowing interest on such instalments, and enter into contract for the withdrawal of such . . . . . .

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Industrial banks are authorized to accept deposits and issue as evidence thereof bonds, notes, certificates or other evidence of indebtedness; to deduct interest in advance on loans; and charge $1.00 per $50 loan; impose a fine of five cents for each dollar in default or fraction thereof . . . . .; to lend money on real or personal property; to purchase, sell, etc., bonds or notes of individuals, copartnerships, corporations, etc.; to purchase, sell, etc., stocks of any one domestic corporation engaged in business of the same general character as such industrial bank . . . . . up to 10% of the capital and surplus of the bank and to a total of 30% of its capital and surplus; to issue capital notes or debentures when so officially authorized by the superintendent of banks; become a member of a Federal Reserve bank.

Savings and loan associations have authority to: issue shares (there are seven classes of shares provided for -- instalment, savings, accumulative, prepaid, income, juvenile savings, national defense and club savings shares) to persons qualified for membership; receive from its members sums of money, or dues, payable on such shares; to invest the moneys so received in the property and securities prescribed in this law; borrow money as provided in this law; declare and credit dividends; and exercise all such incidental powers as shall be necessary to carry on the business of a savings and loan association. They may charge an entrance or membership fee; may charge premium or interest in excess of the legal rate, upon loans to members, etc.; mature shares and pay to the holders thereof the matured value of such shares, permit members

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

to withdraw their shares and pay the withdrawal value thereof, etc.; assign to the savings and loan bank of the State of New York bonds and mortgages and other securities owned by the association as security for the payment of debenture bonds . . . . .; may purchase stock of and become a member of a Federal Home Loan Bank, etc.

Savings and loan associations may invest their funds in loans to members upon their bonds secured by the transfer to the association of instalment shares having a matured value at least equal to the amount of such loans and further secured by mortgages upon real estate; or secured by the transfer and pledge of instalment shares, etc., where the dues paid by the borrower may be immediately applied in reduction of his indebtedness, provided the yearly payment of dues and interest be not less than 9% of the amount lent, if such amount is in excess of 70% of the appraised value of the real estate described in the mortgage . . . .; or upon their notes secured by the transfer and pledge to the association of shares the withdrawal value of which shall exceed the amount of any such loan, etc.

Or, they may invest in real property under the usual conditions; or in shares of the savings and loan bank of the State of New York up to 10% of its resources at the time of such investment. If they at any time have funds not needed for loans to members and the payment of matured shares and withdrawals, they may invest them in obligations of the savings and loan bank of the State of New York; in securities authorized as investments for savings banks in section 239 of this chapter; in bonds and

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

mortgages on unincumbered improved real estate situated in the State of New Jersey up to 60% of the value of the real estate; in loans to other savings and loan associations; in shares of other savings and loan associations, up to $10,000 . . . . .; and in the capital stock of a Federal Home Loan Bank, or/and bonds of the Home Owners' Loan Corporation.

They may charge premium or interest in excess of the legal rate upon loans to its members upon the "instalment premium plan", the premium-interest plan, and the gross premium plan with proportionate rebates for the unexpired period of the loan, upon payment thereof before maturity, etc.

They may borrow for a term not to exceed one year, if authorized by the vote of the majority of its board of directors; if the aggregate of money borrowed and the prior underlying mortgages, liens, etc., upon the real estate does not exceed 20% of its accumulated capital.

There is a provision for a guaranty fund. Every savings and loan association must accumulate a guaranty fund to be ultimately equal to at least 5% of its accumulated capital and to at least 50% of the book value of all real estate owned by it.

It requires 10 or more savings and loan associations to organize the Savings and Loan Bank of New York. They are authorized to issue, sell, etc., bonds and notes secured by bonds and first mortgages made to or held by member associations; receive money and property from its members and from other associations, corporations and persons in instalments or otherwise; invest its capital and other funds in bonds secured by first mortgages of real estate situated within the territory in which its members are authorized to make loans, and in securities author-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ized as investments for savings banks; etc. They may not do a general deposit business except with savings and loan associations. There is a provision for a guaranty fund for the Savings and Loan Bank of the State of New York to be accumulated from its profits by carrying to such fund annually a sum equal to 1/2 of 1% of its capital until such fund is equal to at least 15% of such capital.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NORTH CAROLINA

NORTH CAROLINA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NORTH CAROLINA

Reference: North Carolina Code of 1935, Ch. 5 (Banks), and Ch. 93 (Cooperative organizations).

Deposit institutions operating under State banking laws. There are four types of banks mentioned in the law but only two operating under separate provisions. State banks, trust companies and savings banks are all covered under the chapter headed "Banks" and industrial banks have separate provisions. Industrial banks, however, are not banks of general deposit.

"Banks" are defined as any corporation, partnership, firm or individual receiving, soliciting or accepting money or its equivalent on deposit as a business. This does not include building and loan associations, Morris plan comapnies, industrial banks or trust companies not receiving money on deposit.

"Industrial banks" are defined as any corporation organized, or which may hereafter be organized, under the general corporation laws of this State, which is engaged in lending money to be repaid in weekly, or monthly, or periodical installments, or principal sums as a business, but it does not include building and loan associations or commercial savings banks.

Commercial, savings and trust comapnies are grouped together in their reports and compilations, and industrial banks are given by themselves.

The powers of banks are the ordinary powers given to banks. They are restricted from dealing in investment securities other than United States,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

State, municipal, or such Federal Farm Loan, Federal Home Loan, Home Owners' Loan Corporation securities, etc. This does not prevent the purchase and sale of securities without recourse upon the order and for the account of customers. All banks, building and loan associations, title insurance companies, land mortgage companies, savings and loan associations, etc., are authorized to invest in any bonds guaranteed by the United States - also any person, firm, or corporation acting in a fiduciary capacity. They may also invest in mortgages issued under the National Housing Act.

Their investment in bonds or other interest bearing securities of any one firm, individual, or corporation, is limited to 20% of their unimpaired capital and permanent surplus where the latter is not over $250,000, and to 10% when it exceeds $250,000, except as to United States, State, municipal and the like bonds, or securities. They may invest up to 10% of their paid-in capital and permanent surplus in stock of a central reserve bank. They may not invest over 50% of their permanent surplus in stocks of other firms, corporations, etc., except to protect the bank from loss.

Loans to any individual, firm, or corporation, except to a municipal corporation, may not exceed 20% of the unimpaired capital and surplus where the latter amounts to not over $250,000, and to 10% where it amounts to over $250,000.

Industrial banks are authorized to loan money on real or personal security, discount or purchase notes, bills of exchange, etc.; to sell their secured or unsecured evidences of indebtedness, or investment, and receive therefor, payments in installments or otherwise; to charge $1.00 for each $50.00 loan or fraction thereof, up to $250, and $1.00 for each $250 excess or fraction thereof. An additional fee of $5.00 may be charged when such loans are secured by mortgage on real estate. They are authorized to co-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

operate with the Federal Deposit Insurance Corporation. The total liability permitted for loans to any one person, corporation, firm, etc., is not to exceed 10% of the paid-in capital and surplus.

Branch banking is allowed both commercial and industrial banks at the discretion of the commissioner of banks. He is to take into consideration public convenience and advantage, and their compliance with the law, such as the capital requirements. Each bank that establishes branches must have the minimum capital required for its main bank and in addition the minimum required for the location of each of its branches.

Classified under "Cooperative Organizations" are building and loan associations, land and loan associations, land mortgage associations, credit unions, cooperative associations and marketing associations. The last two named are not dealt with here as they deal with associations for the purpose of conducting businesses such as has to do with agriculture, forestry, mining and the like, and the marketing of produce.

"Building and loan associations" are defined as corporations, companies, societies or associations organized to make loans to members only, and to enable members to acquire real estate, make improvements thereon, by the payment of money in periodical installments or principal sums for the accumulation of a fund to be returned to members who have not obtained advances for such purposes. They are under the supervision of the commissioner of insurance.

Building and loan associations may make loans to shareholders only, and only to the extent of the par value of the shares held by the shareholder. These loans are to be made at meetings of the board of directors, which meetings are to be held at least once a month. Loans are to be secured by mortgages or "deeds in trust" unencumbered except as to prior lien held by the association, accompanied by a transfer and pledge to the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

association, as collateral security for the repayment of the loan. Shares may be accepted as security for loans up to 90% of the amount paid in as dues on such shares. United States Liberty Loan bonds may be received as security to an amount not exceeding 90% of the face value of such bonds and not exceeding the par value of the shares held by the borrower.

Building and loan associations may borrow up to 30% of their gross assets for the purpose of making loans or to pay maturing series of stock.

They may become members of and hold stock in a Federal Home Loan bank.

"Land and loan associations" appear to be, in short, building and loan associations for the farmers. They are under the same supervision and regulations as building and loan associations.

Given in the same article with land and loan associations are "land mortgage associations" only they appear to be under different supervision. Their by-laws and plan of organization is subject to the approval of the Commissioner of Agriculture and the Corporation Commission. It also states that "the statutes relating to banks and banking, Sections 216 to 254 inclusive, insofar as applicable and not in conflict with the provisions hereof, shall apply to land mortgage associations.

To organize a building and loan association it requires a minimum of seven incorporators, payment of $25 to the clerk of the supreme court (which eventually finds its way to the school fund), and the approval of the insurance commissioner after he has investigated the location, the character

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and fitness of the proposed stockholders, public convenience and advantage, and whether or not it is being formed for the purposes of a mutual building and loan association only. Land and mortgage associations require at least 15 incorporators and a minimum capital of $20,000 and their purpose is to make loans upon agricultural and forest lands, and dwelling houses within the State. They are authorized to make loans (conditions to be approved by the Corporation Commission if the security used is to be the basis for a bond issue), and to accept as security for such loans a first mortgage upon improved or partially improved agricultural lands within the State, such loans not to exceed 65% of the appraised value of the real estate; to purchase first mortgages issued against North Carolina agricultural lands, improved or partially improved, from persons or firms or corporations within the State, engaged in the colonization or settlement of North Carolina lands; to issue bonds secured by the pledge of the mortgages so taken; and to pledge such notes and mortgages as security for the bonds of the land mortgage association. Detailed restrictions are given as to the mortgage obligations acquired. Borrowers are required to repay at least 1% of the original amount of the mortgage annually.

There is a provision for "reserve associations" which are organized and the stock held by local land and loan associations. They are under the Commissioner of Insurance and have such powers, rights, etc., as are accorded to other domestic associations, "and may conform to such laws, rules, and regulations as may be prescribed by the laws of the United States, or of this State, to enable them to receive moneys, bonds or securities, to

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

be used in loans and to secure same.

There is a special provision for building and loan associations from other States to transact business in North Carolina.

Credit unions are under the supervision of the superintendent of credit unions in the State Department of Agriculture. They may receive the savings of their members in payment for shares or on deposit, may make loans to their members at reasonable rates (not exceeding the legal rate) or may invest their funds according to the provisions of this law, and "may undertake such other activities relating to the purpose of the corporation as its by-laws may authorize". If provided in their by-laws, they may borrow money not to exceed four times the sum of its capital, surplus and reserve fund, in addition to receiving deposits. They may execute contracts of guaranty to procure credit for their members up to "10% of the total credit under the said contracts of guaranty handled through that association in a particular year; ..."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

NORTH DAKOTA

NORTH DAKOTA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

NORTH DAKOTA

Reference:- Laws of North Dakota, 1931, 1933 and 1935, also "A Compilation of the Laws relating to State Banks, Savings Banks and Trust Companies in the State of North Dakota, July 1, 1927, by Gilbert Semingson, State Examiner.

The banking laws of North Dakota provide for seven types of institutions operating under the supervision of the State Examiner. They are:

State Banks
Savings Banks
Trust Companies
Building and Loan Associations
Credit Unions
Mutual Aid Corporations
Bank of North Dakota

The laws refer to both stock savings banks and mutual savings banks but there is no provision in the law for other than stock savings banks. The law also refers to "Mutual Investment Corporations" but there does not appear to be any law to cover these as a type.

There are only four types of institutions that are authorized to accept demand deposits -- State banks, trust companies*, savings banks and the Bank of North Dakota. Credit unions are empowered to accept savings deposits from their members. Building and loan associations are not authorized to accept either demand or time deposits.

State banking associations are defined as follows: "Every corporation organized under the laws of this State for State banking associa-

* As to authority of trust companies to receive deposits the law states "to accept and receive deposits of money for general savings account or safe keeping, or investment, and to provide by its bylaws and regulations for the payment of interest or dividends thereon and the withdrawal of same, ..."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

tions or savings banks, and corporations or other associations, except national banks and trust companies, whose business in whole or in part consists of the taking of money on deposit, shall be held and are hereby declared to be State banking associations."

No definition is given for trust companies except that they are "to transact business as annuity, safe deposit, surety and trust company". Such companies are to be perpetual.

There is no definition to distinguish savings banks from any other State banking association, except in the number of people required to organize one. A minimum of three persons may organize a State bank, five may organize a savings bank, and nine are required to form a trust company. Directors of savings banks may, at their discretion, demand one week's notice for withdrawal of deposits of from $10 to $100, two weeks for from $100 to $500, etc.

The Bank of North Dakota was established for the purpose of "encouraging and promoting agriculture, commerce and industry" by the State, to be controlled by the Industrial Commission. It may do anything that any bank may lawfully do except as restricted in the law. It may construct, remodel and repair buildings; may own necessary property; its capital to be raised by the sale of bonds issued by the State in the sum of $2,000,000, before the bank opens for business. It may receive deposits "from any source". Originally it was intended that all public moneys should be deposited in the Bank of North Dakota but this was changed in 1921 when a law was passed making State and national banks legal depositories. It accepts demand deposits and time deposits (The report shows certificates of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of deposit). The State guarantees all deposits in the Bank of North Dakota and they are exempt from taxation. It may make loans to counties, cities or political subdivisions of the State, or to national or State banks, under regulation of the Industrial Commission, and it may make loans to individuals, etc., when secured by first mortgages on real estate in the State in restricted amounts, or by warehouse receipts up to 90% of the value of the commodities covered. It is empowered to transfer funds to other departments or projects of the State to be returned with interest to the bank.

A building and loan association is defined as " a corporation mutually operated, for the purpose of encouraging home building and thrift among its shareholders and loaning substantially all of its funds to them on real estate mortgage security". Building and loan associations are under the supervision of the banking board. They may not receive demand or time deposits. They may issue installment, fully paid, prepaid and optional shares. Withdrawals are according to the by-laws of the association. They may make loans to members on security of their shares in the association or on their notes secured by first mortgages.

Credit unions are termed "corporate cooperative associations". They are under the State banking board and it requires seven residents of the State to organize one. The chartering of a credit union is up to the discretion of the State examiner as to whether it will benefit the members and whether or not it complies with this act.

Private banking was prohibited by Chapter 96 of the Laws of 1931.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mutual aid corporations are apparently not deposit institutions, but may be with or without capital stock. They are non-profit organizations for assisting financially or otherwise rural rehabilitation, housing or cooperative endeavors. Banking powers are the usual ones. Loans "dependent entirely upon real estate security" are limited to 25 percent of its total loans and discounts, first mortgages only being accepted and these limited to 40 percent of the actual cash value of the property mortgaged.

Trust companies may act in the usual trust capacities, receive deposits of money for savings accounts, safe keeping or for investment. They may issue preferred stock, also capital notes and debentures.

The minimum capital required to organize a bank is $15,000 plus a surplus equal to 20 percent of the required capital paid in. A ratio of 1 to 10 between capital and deposits must be maintained.

Trust companies are required to have a minimum subscribed capital of $100,000 with $50,000 paid in, with the full amount paid in within two years.

Savings banks are required to have a minimum capital of $25,000 paid in and their deposits must not be more than 20 times their capital.

Building and loan associations must have at least $2,500 paid in before starting, which capital must be maintained.

In chartering banks the State Banking Board is required to make a "diligent search" to determine the need for further banking facilities in the location specified, "whether the character and financial standing of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the incorporators will be beneficial to the public welfare of the community and whether or not there is any reason why such bank should not be established." The Board then makes its recommendation to the Secretary of State. This law was enacted in 1933.

Almost the same condition applies to the chartering of building and loan associations. This provision was included in the building and loan law passed in 1931.

Savings banks are authorized to invest their funds in United States, State and municipal bonds, notes or bonds secured by mortgage or deed of trust on unincumbered real estate in North Dakota up to 40 percent of the actual cash value of the property mortgaged, in railroad corporation bonds that have been paying both interest and dividends, in public utility bonds and the like. The maximum loan to an individual or corporation is limited to 15 percent of the capital and surplus of the bank.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

OHIO

OHIO

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

OHIO

Reference: Baldwin's 1936 Certified Revision of Throckmorton's Ohio Code, Annotated.

The state laws of Ohio provide for five types of institutions which are authorized to receive demand deposits from the public, in addition to those private banks which were in existence prior to 1919. They are as follows:

- Commercial banks
  Savings banks
  Mutual savings societies
  Trust companies, and
  Title guaranty and trust companies.

In addition to these, the law covers "special plan banks" which may receive time deposits only. The six types mentioned are under the supervision of the superintendent of banks.

Building and loan associations may receive time deposits from the public but they are under the supervision of the superintendent of building and loan associations. Credit unions may receive money as payment on shares from members only and are under the supervision of the division of securities.

"Bank" includes "any person, firm, association, or corporation soliciting, receiving or accepting money, or its equivalent, on deposit as a business, whether such deposit is made subject to check or is evidenced by a certificate of deposit, a passbook, a note, a receipt, or other writing, and unless otherwise stated, includes commercial banks, savings banks, trust companies, special plan banks, and unincorporated banks." It does not apply to building and loan associations. All banks, including the trust department of any bank, organized and existing under the laws of the United States

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

shall be subject to inspection, examination and regulation as provided by law. A minimum of five persons, a majority of whom are citizens of this state may become incorporated to establish a commercial bank, savings bank, trust company, a special plan bank, or a combination, upon the terms and conditions and subject to the limitations prescribed in the law.

The law does not separate savings banks and commercial banks by definition. The minimum capital required to establish a commercial bank, savings bank, or special plan bank in Ohio is $35,000 plus a surplus equal to 20 percent of its capital, which capital and surplus must be paid in. Before authorizing a bank to commence business, it is the duty of the superintendent to consider "the actual purpose for which the corporation is being formed, the character and general fitness of the incorporators, and whether or not the public convenience and advantage will be served," etc.

Banks are authorized to invest in secured interest bearing bonds of the U. S., its divisions and territories; in bonds of foreign countries which have been in existence for a certain period of time and have not defaulted, etc.; bankers acceptances (with restrictions); railroad equipment bonds; bonds or notes secured by first mortgages; bonds, notes, etc., covered by the national housing act, etc. Savings banks may also invest in stocks of companies upon which dividends have been earned for five consecutive years prior to the investment; promissory notes secured upon approval by the executive committee of the board of directors and in ground rents or certificates of participation, etc., in improved lands under lease for a period of at least 25 years, conditioned that the leasehold shall pay all taxes and assessments thereon, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Mutual savings societies. A minimum of 20 persons, a majority of whom are citizens of Ohio, may associate and become incorporated as a mutual savings bank without capital stock to be known as a society for savings. They may not use the term "bank" or "banker" in connection with their name. The superintendent of banks has the same discretion in granting them permission to become incorporated as he has in chartering banks. The incorporators must create a guaranty fund for the protection of the depositors of at least $35,000 and an expense fund of $5,000, to be repaid to the incorporators pro rata at such times that the surplus will not be reduced below $50,000 or below 10 percent of the deposits. They may receive deposits from the general public, and may limit the aggregate amount which anyone may deposit. All statutory provisions applicable to banks, such as with regard to examinations, reports, branches, etc., are applicable to mutual savings societies. They may become members of the Federal Reserve System and the F. D. I. C.; may issue their capital notes and debentures under regulations by the superintendent of banks. Their money may be invested in the same manner as that of savings banks.

Trust companies require a capital of at least $100,000. If a commercial or savings bank has a trust department the company must have the minimum capital required for each type of institution. The required capital must be paid in before accepting trusts, also $100,000 in cash or interest bearing obligations of or secured by the United States, of any state, or municipality, or certain types of first mortgage bonds of any railroad must be deposited with the state treasurer. They may receive and hold moneys or property in trust, or on deposit from executors, administrators,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

assignees, etc., or individuals upon such terms or conditions as may be agreed upon. Property and securities received in trust must be kept segregated from the capital stock and other properties of the trust company. Money held in trust may be treated as a deposit. They may invest in, or loan their trust funds upon the bonds or securities given as investments for banks and savings banks, also in stocks and bonds of corporations when authorized by the vote of the board of directors or the executive committee.

Title guaranty and trust companies established prior to the banking legislation in 1919 may establish a commercial or savings bank provided such corporation maintains the required capital for both types of institutions and its bank capital and other assets are held solely for the repayment of deposits.

Deposits in special plan banks are not payable unconditionally upon demand or at a fixed time but are payable according to the conditions of their contract with their depositors. In re their loans made upon the security of the character and earning capacity of the borrower, they may require their borrowers to make equal periodical deposits during the period of the loan with or without an allowance of interest, in addition to discounting interest at the rate allowed by law.

Building and loan associations are corporations for the purpose of raising money to be loaned to the members and others. The minimum capital required to be subscribed is $300,000, at least 5 per cent of which must be paid in before commencing business. Also the superintendent of building and loan associations is to determine what the facts are with regard to its location, its incorporators. In all permanent or perpetual associations at least 5 per cent of the net earnings each year to be set

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

aside for a reserve fund until the fund equals 10 per cent of the total assets. They may invest their funds in bonds of or guaranteed by the United States; up to 10 per cent of their assets in bonds or interest bearing obligations of the District of Columbia, state of Ohio, of any county, municipality, school district, etc., in the state of Ohio, or in farm loan bonds or those of the Federal Home Loan bank and may accept bonds or other securities issued by the Home Owners' Loan Corporation in exchange for eligible real estate, home mortgages, and other obligations secured by real estate. They may receive time deposits only from all persons, firms, corporations and courts; may issue stock to members; may issue capital notes and debentures upon the approval of the superintendent; may permit members to have their stock credits repurchased by the association in part or in full 30 days after filing application therefor. They may permit the withdrawals of deposits according to the rules of the association but not upon check or draft. They may borrow money not to exceed 30 per cent of the amount paid in by the stockholders and depositors; may become member and stockholder of the Federal Home Loan bank and do all things necessary to obtain insurance by the Federal savings and loan insurance corporation. They may make loans to members and others secured by first mortgages or deeds of trust, or by pledge of stock or deposits up to 80 per cent of the face value of such stock or deposits, the pledge of any of the securities included in the authorized investments up to 10 per cent of the assets of the association, and secured by obligations covered by the national housing act and its amendments.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Credit unions are for the purpose of promoting thrift among and to provide credit for their members for provident and productive purposes. They are under the supervision of the division of securities. They have authority to accept payments on shares of their stock from their members. A member may dispose of any part or the whole of his shares by giving 60 days notice. They may make loans to members for provident and productive purposes, make investments that are legal for trustees in Ohio, borrow money not to exceed 50 per cent of their paid in and unimpaired capital and surplus. Interest on their loans is limited to 1 per cent per month on the unpaid balance. They cannot have branches. Their membership is limited to one group of persons. Loans over $50 must be secured by the pledge of shares in the credit union or a joint, endorsed or secured note, or an assignment of wages. Twenty per cent of the annual net earnings of a credit union available for dividends, together with all entrance fees is to be set aside each year as a reserve fund against losses, and is not to be distributed except in the event of dissolution and liquidation of the credit union. The reserve fund is to be maintained at 20 per cent of the amount paid in on shares.

In re branch banking, the consent of the superintendent of banks must first be obtained before a branch may be established, and then only in the same place as that named in the articles of incorporation, or in cities or villages contiguous thereto, or in other parts of the county or counties in which the municipality containing the main bank is located, except that banks located in counties contiguous to the main bank which

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

were affiliates of the main bank on January 1, 1935, and prior thereto may be operated as branches. Before such branches may be established they must have a minimum capital of $35,000 for each branch in towns of 5,000 population or under, in addition to the capital of the main bank.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

OKLAHOMA

OKLAHOMA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

OKLAHOMA

References: Oklahoma Statutes for 1931 and 1936 Supplement

Under the Oklahoma state banking law there are just two classes of banks authorized to accept demand deposits from the general public, banks and trust companies. Credit unions may accept deposits from their members only. There is no provision for savings banks as distinguished from commercial banks, and there is likewise no provision for private banks or bankers.

Charters are granted to commercial banks when the bank commissioner, "after investigation" is satisfied that the bank in question has "complied with the law," and that its capital is fully paid in. They have the usual banking powers; may lend money on chattel and personal security, or on real estate secured by first mortgages up to 20 percent of the aggregate loans of such bank, and may own real estate under the usual conditions. They are specifically forbidden to employ their moneys directly or indirectly in trade or commerce. Their interest charges are limited to 4 percent unless with the written consent of the bank commissioner. The minimum capital requirement is $10,000.

Trust companies may be created for one or more reasons - to receive money in trust or on general deposit with or without interest, receive savings accounts, personal property on deposit, guarantee special deposits, etc.; to accept and execute trusts, to act as agent or attorney for any person or corporation in the management of real or personal property,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and for the investment of money, etc.; to loan money upon real estate and collateral security, issue its notes and debentures, etc; to buy and sell bonds and warrants. The minimum capital required is $25,000 actually paid in. In order to obtain a charter a trust company must have its articles of agreement filed, its subscribed capital paid in, and be approved by the Banking Board, according to Sec. 9203. In Sec. 9210, it states "one-half of the capital stock actually subscribed must be paid in cash when the articles are filed and the remainder within six (6) months thereafter, which fact must be certified without delay . . . . . to the Secretary of State; and the amount of capital authorized by such articles shall not be more than $10,000,000."

The law governing building and loan associations covers all building and loan associations, domestic or foreign, doing business in the state, or any person, pardnership, or corporation "engaged in the business of disposing of contracts on the partial payment plan" and such institutions are "subject to the supervision of the bank commissioner. It includes "all persons, etc., doing a business of selling contracts upon which to predicate or base a loan at some future date," but does not include "money lenders where either the principal or interest of such money loaned is paid in installments where no stock or certificate of interest in such business is issued to the borrower in consideration of the money loaned." All foreign building and loan associations transacting business in Oklahoma must have a certificate of authority from the Oklahoma bank commissioner and must conform to the Oklahoma law; they must also file a copy of their charter and by-laws with the bank commissioner, must appoint an agent in each

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

county upon whom service of legal processes may be had, pay a fee of $10.00 upon filing of their application, be subject to examination by the Oklahoma bank commissioner at any time, may not charge over 10 percent interest, and must keep on deposit with the State Treasurer a surety bond of from $10,000 to $100,000, not to be more than 1 percent of the assets invested in the state. Their money is to be loaned to the highest bidder at stated meetings of the stockholders, provided such shareholder gives ample security for the loan. A shareholder may borrow the full amount of the value of shares held by him at interest not to exceed 12 percent plus the percent bid for priority; or such association may loan its moneys to members at the rate of interest provided in its by-laws but the premium plus interest payment per money may not be more than 1 percent. Funds are to be loaned on real estate security or that of share in the association. Loans may be made to non-members when not required by members. They may borrow up to 15 percent of their total assets - this restriction does not apply, however, to United States or state corporations "authorized by law under either the United States or state to admit building and loan associations to membership and/or to lend money to and/or accept deposits from building and loan associations." They may borrow and lend to "like" associations upon approval of the board of directors of both associations plus the approval of the bank commissioner and the Building and Loan Board.

A building and loan association, in addition to loaning its funds, may "employ a certain portion of its capital stock in the purchase of real estate and the erection of buildings thereon for rent or otherwise." Shareholders may withdraw their money by giving thirty days notice, provided the demands for withdrawals do not exceed one-half of the funds in the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

treasury. There is a special provision for withdrawal from foreign building and loan associations where the individual invested his money in shares for the purpose of obtaining a loan but where the loan was not finally consumated, the shareholder having complied with the law in every respect. Such association is compelled in such cases to refund the money upon 30 days notice.

There is in Oklahoma a building and loan board composed of the bank commissioner and three others appointed by the governor with the approval of the Senate. The three members appointed by the governor must be residents of the state and have had at least three years experience in active management of an association and must be "actively engaged in management of an association during their terms of office." The three appointive members are to be paid $10.00 per day for each day actually spent performing their duties as such, plus expenses. The bank commissioner with the approval of the building and loan board is authorized to appoint up to three examiners to be known as building and loan auditors, one of whom may be building and loan supervisor. The building and loan board has full power to grant or refuse any permit or license to do business in the state when such association does not conform, etc. It also has power to prescribe rules and regulations, etc.

A credit union is defined as "a cooperative society incorporated for the purpose of promoting thrift among its members, and creating a source of credit for them at legitimate rates of interest for provident purposes." The maximum capital permitted is $15,000, consisting of payments made to it by its members on shares. They come under the bank commissioner.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

They may receive deposits from their members and make loans to their members, including any cooperative society which may be a member. They are to be examined by the bank commissioner at least once each year, and must report to him at least once annually. Their interest rates on loans may not exceed 10 percent per year on unpaid balances.

There is no reference to branch banking.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

OREGON

OREGON

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

OREGON

Reference: Oregon Code Annotated 1930, Vol. 2 and 1935 Supplement, 22 and 25.

The state laws of Oregon provide for three types of institutions which are authorized to receive demand deposits from the public:

Commercial banks
Trust companies
Savings banks.

The following three types of financial institutions are also under the supervision of the banking department (which is headed by the superintendent of banks) but are restricted from accepting demand deposits:

Mutual savings banks
Industrial loan companies
Credit unions.

Savings and loan associations (or building and loan associations) are under the corporation commissioner and are also restricted from receiving demand deposits.

A commercial bank is defined as one which does not maintain a savings department and which is authorized by law to receive deposits of money, deal in commercial paper, or to make loans thereon; to lend money on real or personal property; to purchase or discount bills, notes or other commercial paper; and to buy and sell . . . such securities as are permissible for investment by commercial banks, gold and silver bullion . . ; any commercial bank may also act as broker or agent for others in making or procuring loans on real estate located within the state, receive fee for same, but may not guarantee either the principal or interest on such loans . . This also applies to the commercial department of any savings or trust company.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

A trust company is defined as a corporation incorporated under the laws of the state for the purpose of conducting a trust or banking business or acting as executor, administrator, guardian of estates, assignee, receiver, depositary or trustee, under appointment of any court, etc. . or as trustee for any purpose permitted by law, . . or to the trust department of any bank or trust company.

A savings bank means a "bank organized for the purpose of accumulating and loaning funds of its stockholders and depositors, and which may loan and invest the funds thereof, receive deposits of money; loan, invest and collect same, with interest; repay depositors with or without interest, with power to invest said funds in such property, securities and obligations as may be prescribed by this act; to declare and pay dividends on its general deposits, and a stipulated rate of interest on deposits made for a stated period or upon special terms. This law also applies to savings departments of commercial banks or trust companies."

No definition is given for mutual savings banks. They are required to pay both a guaranty and an expense fund. Before granting a charter the superintendent of banks must make due investigation as to the competency and fitness of the directors and officers to engage in a mutual savings bank business.

An industrial loan company is defined as "any corporation which, in the regular course of its business, loans money and issues its own choses of action as provided in this act.

Credit unions are not defined. In order to obtain an authorization for one, the superintendent of banks must be satisfied that all requirements have been met. They may issue shares to persons qualified for membership; charge an entrance fee and a fee for transfer of shares; receive the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

savings of its members in payment for shares or on deposit; lend money to its members, at rates not to exceed one per cent per month in unpaid balances inclusive of all charges incident thereto; deposit its money according to Section 7; loan to nonmembers is prohibited. Loans without security limited to $50. They may borrow up to 40 per cent of the capital except where the capital is less than $5,000 they may borrow up to $2,000. To meet contingencies credit unions must create a guaranty fund which shall not exceed the capital of the corporation plus 50 per cent of its other liabilities. This fund is made up of all entrance fees, transfer fees and fines after payment of organization expenses and at the close of each fiscal year 25 per cent of the net earnings are to be carried to this fund.

Savings and loan, or building and loan associations must be corporations, and may be either mutual or reserve fund type. A mutual association is one in which all members have the right of withdrawal of their stock credits and equal voting privileges and equal rights to hold office, and in which the earnings of the association, after payment of expenses and provisions for contingent fund and proper reserves, are distributed to the members substantially in proportion to their investments in the association.

"A reserve fund association is one in which no part of the reserve fund stock subscribed may be withdrawn until the full contractual obligations of the association have been met, and in which preferential rights as to holding office, or directorship and to profits after payment of obligations, are or may be given to its reserve fund stockholders. The relation between a reserve fund association and the purchasers of its

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

certificates, bonds, obligations or debentures, other than its reserve fund stock, is that of debtor and creditor."

The savings and loan supervisor is appointed by the corporation commissioner and must have had at least three years experience in savings and loan associations work.

Branch banking is permitted with restrictions by banks and trust companies, except mutual savings banks. Banks with $1,000,000 unimpaired paid in capital, and trust companies not doing a commercial or savings bank business with paid in capital of $500,000, may establish one or more branches within the state if they comply with the capital requirements for their location. Banks and trust companies in counties of less than 200,000 population may establish one or more branch offices within the county or tributary trade area as determined by the superintendent of banks, if the unimpaired capital and surplus of such bank or trust company is equal to the aggregate required to organize banks in the places where the main office and branches are to be located. The minimum population where branches may be established where there is already a national or state bank in operation, is 50,000, unless it is to take over an existing national or state bank.

To establish a branch, savings and loan associations must first have a permit from the corporation commissioners, must have the same amount of capital for a branch, actually paid in, as would be required for a new association.

Commercial banks are required to have a minimum capital of $25,000 and up according to the population. The minimum for trust companies is $50,000. In both cases the full amount of the authorized

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

capital must be paid in before a charter may be granted. Banks or trust companies desiring to do a departmental business must segregate their capital and surplus for the commercial and savings departments. Subscribers to capital stock of commercial banks are required to pay in cash at the time of payment of their stock subscription an amount equal to at least 20 per cent of their stock as a guarantee or expense fund to be used to liquidate the cost of organization and for general expenses.

Before any mutual savings bank may be authorized to do business, its incorporators are to create an expense fund to cover organization and operating expenses, of at least $5,000, agreeing to make such further contributions as are necessary to pay the operating expenses until its earnings, over and above the dividends to depositors, will pay the expenses. The superintendent of banks may also require a surety bond. That part of the expense fund contributed by the incorporators may be repaid from that portion of the guaranty fund created from earnings whenever such repayment will not reduce the guaranty fund below 10 per cent of the total amount due depositors.

Before any bank or trust company may transact a trust business it shall deposit with the superintendent of banks, as security and pledge for faithful performance of its duties as a trust company, a minimum of $25,000 in cash or interest bearing securities (restricted).

The minimum capital required for industrial loan companies is $50,000. At least 25 per cent of the authorized capital must be paid in before articles of incorporation are filed, and the balance within a year. In 1937 the capital requirements were revised as to the amount required when the population is over 200,000, that is the requirement was lowered from $200,000 to $150,000.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The minimum capital requirement for savings and loan associations is $25,000 and $10,000 surplus before a certificate of authority may be granted. After it becomes a growing business the reserve fund stock, surplus, undivided profits and contingent fund must be maintained at 5 per cent of the gross liabilities, except reserve fund capital and money borrowed from a F. H. L. bank and/or other Federal or state financial agency authorized to act as a reserve agency for savings and loan associations, until they (gross liabilities) reach $1,000,000; thereafter, at 2½ per cent of gross liabilities, except reserve fund capital and money borrowed from a F. H. L. bank and/or other Federal or state financial agency authorized to act as a reserve agency for savings and loan associations, until such reserve fund stock, surplus, undivided profits and contingent fund shall reach $1,000,000. The capital of mutuals consists of the accumulated payments of members and dividends credited thereto. All associations under this act are required to promptly deposit with the corporation commissioner, or with a duly chartered bank or trust company of this state, in trust for its members and creditors, all notes, mortgages, and other securities received by it in its usual course of business, except notes secured by its own shares or obligations, and notes, mortgages and other securities assigned by the Federal Home Loan bank and/or other Federal or state financial agencies authorized to . . . Deposit to be made within 10 days after receipt of the securities.

Other charter requirements for commercial banks are: to give the names of their proposed active managers and directors, and give evidence of their character, financial responsibility and ability, also of the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

incorporators; to give evidence of the need and advisability of granting such authority; notice of application must be published; superintendent of banks to investigate and satisfy himself as to the object in forming the corporation, character, fitness, etc., of persons named, competence of proposed directors and officers, assurance of reasonable volume of business, and that public convenience and advantage will be promoted. The full amount of authorized capital must be paid in before a bank may commence business.

Re charter requirements for industrial loan companies; before the articles of incorporation are filed, all such corporations must pay in cash to a treasurer selected by the subscribers not less than 25 per cent of the amount of the capital stock, and not less than 1/12 of the balance each 30 days thereafter until fully paid. Organization expenses are limited to 10 per cent of the paid in capital stock. The 1937 Session Laws make it mandatory for all firms transacting a similar business in the state to comply with this law, to be chartered accordingly, except banks, trust companies, insurance companies, credit unions, or national savings and loan associations or foreign corporation.

Before a mutual savings bank may commence business its incorporators must create a guaranty fund for the protection of its depositors of at least $5,000, to be used only to pay off losses and repayment of contributions of directors and incorporators as provided until the fund, together with undivided profits, reaches 25 per cent of the deposits. Amounts contributed to the guaranty fund by the incorporators and directors may be repaid from that portion of the guaranty fund which comes from earnings, after the expense fund has been repaid provided it will not reduce the guaranty fund

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

below 10 per cent of the amount due depositors. Also, the board of trustees may create a fund to be known as the "guarantor's reimbursement fund," using 1 per cent of the net earnings at the closing of any dividend period, provided it would not reduce the dividend below 3½ per cent per annum, this fund to accumulate until equal to the amount due the incorporators from the expense fund and the guaranty fund. That portion of the guaranty fund created by earnings must equal at least $15,000 before any of it may be used to create the guarantor's reimbursement fund. (Requires from 9 to 24 incorporators, all citizens of the U. S. and 4/5ths residents of Oregon, 2/3 residents of that county.)

Savings and loan associations are of two types - mutual and reserve fund. Mutuals require a minimum of 5 persons residents of the state; the purpose must be to encourage thrift, industry, frugality, home building and savings among its shareholders, members and others, to loan to its members and others the moneys so accumulated with the profits and earnings thereon, etc. The minimum capital required is $5,000. The reserve fund association requirements are the same, except that whereas the authorized capital for mutuals is unlimited, the articles of incorporation of the reserve fund type must state the amount of the authorized capital and must first pay into the association in cash on its reserve fund stock a minimum of $25,000 capital and $10,000 surplus, also fees, etc. The savings and loan supervisor is to investigate, after the filing of the articles of incorporation, the character, responsibility and general fitness of the incorporators, also the question of public convenience and advantage.

In addition to the usual corporation powers and those used in carrying on a banking or trust business by buying and discounting . . promissory notes, bonds, drafts, bills of exchange, etc., by receiving

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

deposits of money upon which interest may or may not be paid, by buying and selling coin and bullion, etc., and by loaning money on personal security or real estate, as provided in the act, commercial banks are given power to lease, hold, purchase and convey any and all real estate in the manner herein provided; to act as fiscal or transfer agent, executor, etc.; to purchase and hold for the purpose of becoming a member of the stock in the Federal Reserve bank in that district; The law also provides for the purchase of stock and membership in the F. D. I. C., sub-rogation, etc. They may purchase, hold and convey the lot on which the business is located, furniture and fixtures, etc., not to exceed in value 50 per cent of the paid up calpital and surplus, etc., such real estate or personal property purchased by or conveyed to such bank or trust company in satisfaction of a debt previously contracted, etc. Dividends are to be paid from net profits only after all loans, unsecured debts, depreciation, expenses have been deducted (this is further restricted in the 1937 laws in the deductions to "all debts, unless same are well secured, on which interest for a period of one year is <u>past due</u> and unpaid.) Commercial banks are required to report at least three times each year to the superintendent of banks on forms prescribed and furnished by him, also to make further reports upon call. The superintendent is required to examine each bank at least twice each year and oftener at his discretion.

Banks and trust companies may not invest in stocks of other companies except: in that of a Federal Reserve Bank; such as it may acquire to protect its investments; in stock of any safe deposit company organized and existing on the premises owned or leased by the bank or trust company;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in capital stock of agricultural and livestock companies to same extent as is permitted national banks; trust companies not doing a banking business may invest in a subsidiary investment company not to exceed 20 per cent of the paid in capital and surplus of such trust company; fully paid stock of a subsidiary corporation one of the purposes of which is to aid such bank or trust company in handling real estate, claims, judgments, etc.

No bank or trust company shall pledge or hypothecate any of its assets except as authorized by the law. Any bank or trust company may rediscount or sell any of its assets for temporary purposes with or without guaranty or indorsement without any limitation under the terms of this section. They may rediscount with and sell to a Federal Reserve bank any and all such notes, drafts, bills of exchange . . . as fully as may national banks . . . Any bank or trust company is authorized for any temporary purpose to borrow money, to pledge or hypothecate as security therefor its assets not exceeding 25 per cent in excess of the amount borrowed, or up to 50 per cent with the previous consent of the superintendent of banks. They may borrow up to the amount of their capital and surplus without the assent of the superintendent of banks, over that amount must first be approved. Any pledge of collateral in excess of that permitted by law or to any depositor or creditor not permitted by law, shall be void as to that portion which is in excess. Any bank or trust company operating a commercial and savings department shall not rediscount, etc., any assets of one department for the benefit of the other department. Total loans to a person, copartnership, etc., shall at no time exceed 20 per cent of the aggregate paid up and unimpaired capital and surplus of such bank or trust company - this percentage reduced to 10 per cent after January 1, 1935, except for

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the exceptions provided for. In figuring this, the aggregate capital and surplus of both commercial and savings departments is to be taken into consideration. Such obligations must be fully secured. The exceptions to the foregoing are: (1) Obligations arising from the discount of commercial or business paper actually owned by the person, copartnership, etc., shall be limited to 30 per cent of capital and 20 per cent of surplus . . . . . (2) Obligations drawn in good faith against actually existing values and secured by . . . . (3) Obligations as indorser or guarantor of notes, other than commercial paper having a maturity date . . . . and owned by the person endorsing same shall be limited to 5 per cent of such capital and surplus, additional to such 20 per cent, etc.; (4) obligations as endorser, assignor and/or guarantor of conditional sale contracts, etc. (9) exceptions all told). Real estate loans are limited to 25 per cent of the capital, surplus, and commercial deposits, must be on first liens, etc. Gives restrictions on loans to officers and employees.

Trust companies are authorized to: (1) Act as fiscal agent of the U. S. or of any state, municipality, political body or corporation, and in such capacity to receive and disburse money, transfer . . certificates of stock, bonds or other evidences of indebtedness, etc.; (2) lease, hold, purchase and convey all real property necessary or convenient in the transaction of its business, or which it shall acquire in settlement or partial settlement of indebtedness due to the trust company by any of its debtors, etc.; (3) to receive deposits of moneys, securities and other

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

personal property in trust from any person or corporation and to loan trust funds on real or personal securities, etc.; (4) to act as trustee under any mortgage or bonds issued . . . . . .; (5) to accept trusts from and execute trusts for married women . . . . . ; (6) be appointed under any court as guardian, ... ; (7) be appointed under any court as executor; (8) legal trusts in general; (9) in connection with trusts to receive, hold, dispose of, etc., any property or estate, real or personal, subject to that trust; (10) to receive upon deposit in connection with trusts, bonds, mortgages, jewelry, plate, stock, securities, and valuable papers, etc.; (11) to purchase, invest in, etc., bills of exchange, bonds, etc.; (12) to execute the powers and possess the privileges conferred on banks by the banking laws of this state. All trust companies already in existence which have not already received a charter to do a banking business must obtain such a charter before they may receive deposits and do a banking business; (13) to purchase stock of and become a member of a Federal Reserve bank, but to remain subject to the state laws; (14) to rediscount and negotiate promissory notes, bills of exchange . . . and loan money upon real estate or personal property and upon collateral or personal security, at a rate of interest not exceeding that allowed by law; (15) to accept for payment at a future date drafts and issue letters of credit, etc.; (16) trust companies possessing the right to examine and guaranty titles may maintain branches for this purpose but may not do a trust or banking business at such branches. No loans may be made to an officer or employee from trust funds. Trust funds must be kept separate from the other business of the bank or trust company.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Funds held in trust may be invested in: interest bearing bonds, notes, etc., of the U. S., or for which the faith of the U. S. has been pledged; bonds or other obligations of the state of Oregon, or of any county, incorporated city, school district, etc., in the state having a population of not less than 2,000, or in bonds of any other state in the U. S., or any county, etc., having a population of not less than 25,000, provided that . . . . .; bonds (not foreign) listed on the stock exchanges or New York Curb market, or bonds admitted to unlisted trading on the New York Curb market, provided the obligor on such bond has not defaulted in the payment . . .; in bonds of the Kingdom of Great Britain and the Dominion of Canada, or any province thereof, provided such bond is payable in U. S. dollars; in notes or bonds secured by a first lien upon improved real estate in any of the states of Oregon, Washington, Idaho or California, provided that . . . .; in such evidences of indebtedness or such property as may be agreed upon by the trust company and the party creating the trust, or as may be designated by the court in connection with any court trust. They may accept Home Owners Loan bonds and may continue investments already in effect when trust is turned over to the trust company.

Savings departments of commercial banks or trust companies must keep the accounts of the savings department separate from the other business, and each department must abide by the laws and regulations governing that kind of business. They may issue general certificates of deposit which are transferable as in other cases by indorsement and delivery, and may issue time certificates of deposit . . ., all certificates of deposit are subject to the same limitations as deposits, may borrow money, or pledge or hypothecate

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

their securities only to meet demands of their depositors and then only upon a resolution adopted by a vote of a majority of its board of directors and with the consent of the superintendent of banks.

Except for reserves and loans, assets of savings banks and savings departments may be invested as follows and not otherwise: interest-bearing obligations of the State of Oregon or any county or other division havings a population of not less than 25,000, etc.; bonds listed upon certain specified stock exchanges or any other responsible stock exchange approved by the superintendent of banks or the New York curb market, provided the total obligation of any one debtor shall not exceed 10 percent of the aggregate capital and surplus. The superintendent of banks may withdraw such approval; notes or bonds secured by first lien upon improved real estate in Oregon, Washington, Idaho or California up to 50 percent of the cash market value, etc.; in notes of an individual; in real estate as provided for; in unsecured obligations with a maturity not exceeding six months supported by satisfactory endorsement, etc.; in bonds of Great Britain, or any province thereof, etc.; promissory notes; bankers' acceptances, collateral call loans, etc., etc.; bonds of Home Owners Loan Corporation. They may establish their own rate of interest but when savings earnings are not sufficient it must be paid from other departments. They may not deal or trade in real estate or personal property in any other case or for any other purpose than is authorized by this Act (22-906). Each bank is to prescribe in its by-laws regulations for withdrawals up to $100 and on up to six months for withdrawals of more than $3,000.

Mutual savings banks may receive deposits of money, invest some in property and securities prescribed, declare dividends, and have all the necessary powers to carry on a mutual savings bank. They may not pay deposits on

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

demand or at a fixed date. Rules for paying depositors are to be established by the board of directors and approved by the superintendent of banks. They may require up to six months notice for withdrawals but may pay sooner if they so choose. They may: issue transferrable certificates showing amounts contributed by any incorporator or director to the guaranty or expense fund; may purchase, hold, convey, etc., and mortgage real property as prescribed in Section 11 (22-2511 of Code); borrow money in an emergency for the purpose of repaying depositors, and pledge securities as collateral for loans so obtained; become a member of a Federal Reserve bank, etc.; may not deal in merchandise, . . .; may not borrow money except as specified and then with the approval of the superintendent of banks; individual's deposits are limited to $5,000, or $7,500 including accrued dividends and interest. They are required to make three reports at least each year to the superintendent on forms prescribed and furnished by him, and others at his discretion. Their interest rate is not to exceed 6 percent per annum.

Mutual savings banks may invest deposits, guaranty fund, surplus and undivided profits, income, etc., in such items as United States bonds and securities, State and municipal bonds and securities, New York stock exchange listed bonds, bonds of railroad corporations, in secured loans, 90-day promissory notes, real estate such as building for its own business, and to protect its loans, etc.

Industrial loan companies may loan money on personal security, or otherwise and deduct interest therefor in advance at not over 10 percent per year, require uniform installments on its certificates of investment purchased by the borrower simultaneously with the said loan transaction, etc.; charge for a loan $3.00 per $100 or less, maximum 3¢ on the dollar, including expenses; impose a charge of 5; or less per week on each delinquent dollar;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

sell or negotiate choses in action for the payment of money and receive payment therefor in regular installments with interest at not over 6 percent; they may not receive deposits or issue certificates of deposit; purchase their own capital stock at not over par value; have the usual corporate powers. They may not make loans on the sole security of makers, co-makers, guarantors, etc., for more than 18 months, nor on security of chattel mortgages for more than two years; hold the primary obligations of any one person, co-partnership or corporation, for more than 3 percent of the paid-up capital and surplus of such company; may not hold the obligations of persons, etc., for more than 20 percent of the capital and surplus; may not loan more than 5 percent on security of its own capital stock except to prevent loss to the company; may not loan on real estate security more than one-third of their total resources; may not loan to employees, officers or directors, nor may employees, officers or directors be co-makers; may invest only as herein authorized or in investments lawful for commercial banks; may not have outstanding its investment certificates, etc., in excess of two times the aggregate amount of its paid-up capital and surplus, exclusive of those hypothecated with the organization issuing them; may not pledge or hypothecate any of its securities to any creditor, except it may borrow and rediscount up to the amount of its paid-up capital and surplus and pledge as security its assets up to twice the amount borrowed and rediscounted; etc. Before dividends are paid, 10 percent of the net dividend to be declared is to be carried to surplus until the surplus equals 15 percent of the authorized capital stock. Unearned interest and accrued and uncollected interest are not to be paid from profits. When examination shows the capital depleted below the required amount, the superintendent may notify them to repair their capital within 60 days, or to discontinue any unsafe and unsound

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

practices and when they fail to do so may take final action demanding immediate compliance. Upon their continued non-compliance he may take possession of the bank, etc. Except where otherwise provided, the superintendent of banks has the same supervisory powers over industrial loan companies as he has over banks and trust companyes. The superintendent without prior notice is to visit and examine each industrial loan company at least once each year. All such corporations are required to make a report annually on January 25 showing total liabilities and resources on the form prescribed by the superintendent of banks; further reports on call. They may purchase and hold real estate necessary for the convenient transaction of their business, including the renting of other offices or apartments in the building (not over 25 percent of its capital and surplus may be so invested); such as is necessary to protect its loans, etc., but may not pay more than is absolutely necessary to pay its debts and costs, which real estate may not be held over five years if so acquired.

Savings and loan associations, in addition to other powers granted by law to corporations have power to: receive money and accumulate funds to be loaned and invested, and to loan same to their shareholders, investors and others; to permit shareholders and investors to withdraw part or all of such money or funds, and to prescribe conditions of such withdrawals; to receive money and to execute investment certificates therefor; to borrow money for the purpose of making loans and of paying dividends, withdrawals and maturities. They cannot have demand or checking accounts. Their purpose is to encourage thrift, industry, frugality, home building and savings among its shareholders, members and others; to loan to members and others the moneys so accumulated with the profits and earnings thereon; to make repayments, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

They may become a member of a Federal Home Loan bank, etc. They may issue debentures or investment certificates under this act in form approved by the the supervisor, provided the amount owed by the association shall not exceed one-half of the amount of its withdrawable capital. If the capital is withdrawn below twice the amount of such obligation, the volume of obligations shall be reduced before further withdrawals are granted.

Every savings and loan association is required on January 1 and July 1 each year to file with the corporation commissioner a full detailed statement of its financial condition (statement to set forth character of assets, liabilities, receipts and disbursements, etc., on forms prescribed by the supervisor). Penalty provided. Financial statement to be published. With reference to mutual savings and loan associations, four types of shares are provided for: installment shares, those that participate in the dividends apportioned by the association and upon which the owner makes a regular payment until such shares reach their matured value or are withdrawn, etc., or of those with no participation in such dividends, the dues being payable in regular amounts at stated periods and being immediately applied in reduction of a debt due to the association; optional payment shares, which participate in the dividends and upon which payments shall be made in such sums and at such times as the holders may elect until the shares reach their matured value or are retired or withdrawn; prepaid shares, which participate in the dividends apportioned by the association and upon which a single payment of 50 percent or more of the maturity value of such shares shall be paid at the time shares are issued; and full paid or income shares, for which a single payment of par value is made and which receive dividends in cash.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

In reserve fund savings and loan associations, stock may be sold for cash or upon installments, but in every case the purchaser shall be held responsible for the full amount of the purchase price and the total amounts collected shall at all times equal or exceed the percentage of gross liabilities required in Section 25-347. Reserve fund associations also may issue their shares and obligations, etc. Each of such shares and obligations in every case shall clearly state the rate of interest to be paid, etc. Their reserve and undivided profits of savings and loan associations is to be invested in the same manner and in the same class of securities as is provided for all other funds of such associations. It is lawful for mutual associations to hold undivided profits, in addition to the contingent reserve fund, up to 3 percent of the total assets of such association.

Obligations of savings and loan associations are a lawful investment for trust funds. Such associations may invest their funds in the following: an account in any national or State bank, Federal Home Loan bank, and/or other federal or State financial agency authorized to loan to or act as a reserve agency for savings and loan associations; in loans upon or in notes secured by first mortgages on improved real estate up to 66 and 2/3 percent of the appraised value for installment loans and 50 percent on straight loans; in loans to its investors or members on the security of its certificates or shares but not upon reserve fund shares; in loans to other domestic savings and loan associations; loans upon or purchase of United States bonds or general obligations of the States of, or municipalities in, Oregon, Washington, Idaho, and California, or of the Federal Home Loan bank, etc.; in loans upon shares other than reserve fund shares, debentures, or investment certificates

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of any savings and loan association upon approval of the supervisor; may purchase at any sale real estate upon which it may have a mortgage, judgment or lien of any sort or in which it may have an interest, and may lease, sell, mortgage, etc., real estate as may be necessary or convenient for a location for its business; in furniture and fixtures to a reasonable extent; in capital stock of a Federal Home Loan bank, etc., make loans secured by such real estate or leasehold, as the Federal Housing Administration makes a commitment to insure pursuant to Title II of the National Housing Act, and may obtain such insurance, etc.

Expenses of savings and loan associations are to be paid from earnings or surplus. Every such association must have a contingent fund, in mutuals to be created from the earings of the association in an amount not less than 5 percent of its interest income during the preceding year, until such fund shall amount to at least 5 percent of its paid-in capital up to $20,000,000 and 2½ percent of its liabilties in excess of $20,000,000. Losses are to be charged to the contingent fund. After expenses and obligations are met and the contingent fund provided for, earnings are to be credited to shareholders. Such associations are to be examined annually or oftener, if the supervisor sees fit. The supervisor may prescribe the form of accounting.

When it appears to the corporation commissioner that the capital of a savings and loan association is impaired, or that its affairs are in an unsafe or unsound condition, or that it is conducting its business in an unsafe or unlawful manner, the corporation commissioner may direct the supervisor to take possession pending further proceedings, etc. Investors or shareholders, other than reserve fund stockholders are required to give 60 days notice in writing of intention to withdraw all or part of his invested funds from any savings and loan association. It is proposed to repeal the double liability required of stockholders.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

PENNSYLVANIA

PENNSYLVANIA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

PENNSYLVANIA

Reference: Purdon's Pennsylvania Statutes, 1936, Titles 7 and 15, brought up to date from the 1937 Acts.

The laws of the State of Pennsylvania provide for three types of institutions which are authorized to receive demand deposits, banks, private banks, and trust companies, and for a combination of bank and trust company. Their savings banks may not receive deposits payment of which can be legally demanded in less than 14 days and unless provided to the contrary in their by-laws deposits are payable 60 days after demand.

Their laws also provide for building and loan associations and credit unions, neither of which are authorized to accept deposits from the public.

"Banking" is defined as discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; receiving money and commercial paper on deposit or for transmission; lending money on real or personal security; buying and selling gold and silver bullion, foreign exchange, coin or bills of exchange. A "bank" is defined as any bank which does not have the power to act as trustee, guardian, executor, administrator, or in other fiduciary capacities, incorporated under this act, or under . . . any special act, ...

A "trust company" is defined as any corporation organized for insurance of owners of real estate, mortgagees, and others interested in real estate, from loss by reason of defective titles, liens and encumbrances, etc., and has acquired the power to engage in the business of banking and acting as fiduciary . . . ."

A "bank and trust company" is an institution incorporated as a

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

bank of deposit and discount . . . which has acquired the power to act in a fiduciary capacity . . with capital stock at least equal to that required by law of trust companies; or any corporation organized "for insurance of owners of real estate, mortgagees, etc., from loss by reason of defective titles, liens, etc., which have acquired the power to engage in the business of banking and to act as fiduciary, etc.; or a corporation organized under any special act of the General Assembly which has the power to engage in a banking business and to act as fiduciary."

"Savings bank" includes any savings bank incorporated under this act; or under the act approved the twentieth day of May, 1889 (Pamphlet Laws 246), entitled "An Act to provide for the incorporation and regulation of savings banks and institutions without capital stock, established for the encouragement of saving money;" or under any special act of the General Assembly, etc.

"Private bank" means a banking business, other than those specifically exempted by this act, owned and operated in this Commonwealth by an individual, a partnership, or any other unincorporated association; but this does not include clubs and hotels which receive money from members and guests for safekeeping, express, steamship, or telegraph companies which receive money for transmission, attorneys at law, etc. Private banks are now required to incorporate and the same powers and restrictions which are applicable to banks are applicable to them, with a few exceptions. They do not have to publish their reports. The cash reserve required is 50 percent of that required of other banks. The same restrictions apply as to loans, borrowing, real estate, investments and interest, except that, if they are so licensed, they may deal in securities provided their capital is at least $100,000.

"Building and loan associations" are not exactly defined, but a

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

number of pertinent terms are defined and among these given are: "Authorized capital", the sum of the par value of the shares authorized to be issued by an association; "department" refers to department of banking; and "corporation", a corporation or a joint stock association organized under the laws of this Commonwealth, of the United States, or of any other State, territory, foreign country or dependency."

"Credit union" is defined as "a cooperative society, in the nature of a corporate entity, incorporated for the two-fold purpose of promoting thrift among its members and creating a source of credit for them, at legitimate rates of interest, for provident purposes". In addition to the usual corporate powers, a credit union may receive the savings of its members as payment on shares; make loans to members for provident or productive purposes, and to such cooperative society or other organization having membership in the Credit Union; deposit its funds in State banks or trust companies, or national banks, not over 25 percent of its funds may be invested in first mortgages of real estate located in the State the terms of which require reduction of the principal from time to time, and in the paid-up shares of such building and loan associations and other credit unions organized under the laws of the Commonwealth; invest its funds in any investment legal for savings banks or trust companies; borrow money as indicated in the law up to 50 percent of its assets; make by-laws subject to approval of the Banking Department; may hold, purchase and transfer such real estate and personal property as the purposes of the credit union require. Rates of interest on loans may not exceed 6 percent discounted and repayable in equal installments over one year, except that a fine may be charged on overdue installments. Dividends may be paid at the end of the fiscal year from net earnings on all outstanding shares. Twenty percent of the net earnings are to

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

be set aside each year and kept liquid as a reserve against bad loans. They are required to report at least annually and as often as required by the secretary of banking on blanks supplied by the department, and are to be examined at least annually, and as often as required, by the secretary of banking.

Limited branch banking is allowed, except in the case of building and loan associations. Building and loan associations are permitted no branches. Banks and trust companies having branches in existence when the branch banking law was passed may continue them. Any incorporated bank or trust company, in carrying out a consolidation, may establish a branch any place within the Commonwealth where it would be lawful for a national bank to establish a branch. Private banks must first have the written approval of the department. Any incorporated bank or trust company may establish a branch within the corporate limits of a city of the first or second class in which the institution's principal place of business is located, or in the corporate limits of the city or borough in which its principal place of business is located if it was authorized to be established by any affiliated institution.

Unimpaired capital equal to that required for banks in such location is required for the establishment of each branch, unless the population of such township or borough is not over 5,000 in which case the capital for the branch may be half of the usual required amount, except that in the case of savings banks and private banks it must equal the minimum amount approved for such banks by the department.

The regulations covering examinations and reports come under Title 71, the Department of Banking Code. It says the department shall examine all institutions thoroughly at least once each year, and more fre-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

quently if it seems such action necessary to safeguard the interests of depositors, other creditors, or shareholders of such institutions. Also, every institution, except building and loan associations, shall send to the department at least twice each year, and more frequently if the department shall so order, a complete report of its condition, exhibiting in detail under appropriate headings the resources and liabilities of the institution. Every building and loan association is required to send a report to the department once each year, unless the department orders more frequent reports.

The minimum capital requirement for commercial banks is $50,000; the minimum required for trust companies or banks and trust companies is $150,000; except that existing (1935) banks and trust companies may continue at the old capital requirements. Banks and trust companies must maintain a surplus equal to 100 percent of their capital; before commencing business their surplus must be equal to 50 percent of their capital, also they must have an expense fund of 5 percent of the common stock, any balance left after organization expenses are paid to go to undivided profit. Double liability of stockholders was repealed. Savings banks are required to establish an expense fund of at least $10,000 to take care of organization and operating expenses until the income is sufficient to meet such expenses. As soon as the expense fund has been reimbursed from earnings and the surplus equals the expense fund, the contributors to the expense fund are to be reimbursed. A surplus is to be accumulated up to 25 percent to be divided at the end of the year among depositors. The maximum capital for building and loan associations is $1,000,000 and the maximum value of a share $500. One issue or series of capital stock is not to exceed $500,000. An association may issue shares with the following plans: installment, optional payment, direct reduction loan, full-paid, and pre-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

paid. No preferred shares are permitted.

Before granting a certificate of authorization to a bank or trust company the department must determine: whether public convenience and advantage will be served and whether the density of the population warrants the bank; whether the responsibility, character and general fitness for the business of the incorporators, directors and officers will command the confidence of the community, etc.; whether or not the amount of authorized common capital, surplus and expense fund must be fully paid in.

In addition to the usual corporate power banks, or banks and trust companies, have the power to: receive money on deposit and pay interest thereon; receive money for transmission to a foreign country or vice - versa; rediscount and borrow money, bonds or other securities, etc.; lend money upon the security of real or personal property, etc., and charge interest, discount, etc.; buy and sell exchange, coin and bullion; purchase hold, or convey real property; improve or lease real property for its accomodation; accept drafts or bills of exchange for payment at future dates; issue letters of credit, etc.; become a member of a Federal Reserve bank; do a safe deposit business; invest in shares of an institution doing a foreign banking business; become a member of a clearing house association establish branch banks, etc., in accordance with the law; become a member of the Federal Deposit Insurance Corporation, etc.; apply for insurance of mortgages as provided for by the National Housing Act.

Trust companies, in addition to the general corporate powers, may: purchase, hold or convey real property; improve or lease real property; for their accomodation; do a safe deposit business; establish branches in accordance with this act; make investments in accordance with the limitations for savings banks; and trust companies and banks and trust companies may act

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

as fiduciaries and pursuant thereto receive and dispose of real or personal property; act as agent, attorney, etc.; pool mortgages or securities for investment of funds held by its fiduciary, with certain limitations. Certain existant banks and trust companies are empowered to insure titles.

Borrowing of banks and trust companies is limited to the amount of unimpaired capital. Loans to one individual, corporation, etc., are restricted to 10 percent of the unimpaired capital plus 10 percent of the surplus, with certain exceptions. Loans to directors must have the affirmative vote of a majority of the directors other than the one receiving the loan, or . . . or else secured by collateral worth at least 20 percent more than the amount of the loan. To salaried officers or employees loans in excess of $1,000 must have the amount in excess of $1,000 secured by collateral worth 120 percent of the excess, except where the security is a mortgage upon the home of such person. Limitations are given in detail as to loans or discounts secured by shares or obligations of a corporation, upon investing in shares; dealings by bank or bank and trust company in own shares; the aggregate of loans to salaried officers or employees shall not exceed 10 percent of the unimpaired capital plus ten percent of the unimpaired surplus of such institution. They are empowered to invest in shares of banks engaged in foreign business.

Banks and trust companies may make loans on or invest in bonds, mortgages and judgments of record which are secured by unencumbered improved real property up to two-thirds of the actual value of such property, provided such bonds and mortgages are first liens and become due within ten years or are to be amortized in equal annual installments over a period of not to exceed fifteen years. The restrictions of this section do not apply to bonds secured by mortgages insured through the Federal Housing Administration, nor to public utility, railroad, or industrial bonds, or other securities commonly

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

known as "investment" securities, although such bonds may be secured in whole or in part by a mortgage upon real property. They may lend on or invest in judgments of record which are first liens on unencumbered real property in the State to the amount of 50 percent of the actual value of such property under the same conditions as apply to bonds secured in whole or in part by a mortgage upon real property. The aggregate of all such loans and investments shall not exceed 25 percent of the unimpaired capital and surplus or 50 percent of the total time deposits of such bank and/or trust company, at the option of the institution.

Loans by savings banks are limited to 90 days and must be secured by collateral of such securities as are legal investments for savings banks. Their loans must not exceed 90 percent of the cash market value of the collateral.

All funds, property or investments, held by a bank and trust company or trust company in a fiduciary capacity are to be kept separate from the assets of such company. Trust companies may not lend funds held in a fiduciary capacity to a director, orricer or employee, except those funds held in that capacity for such director, officer or employee.

Investments legal for savings banks are given in detail but are chiefly interest bearing bonds or obligations of the United States, Commonwealth of Pennsylvania, municipal bonds, public utility corporation bonds, and bonds secured by mortgages which are first liens on unencumbered improved real property. Specially chartered savings banks may make such additional investments as are authorized in their articles.

Banks and trust companies may own and hold such property as they occupy, or partially occupy, or intend to occupy, for the transaction of their business, which, together with furniture and equipment, shall not exceed 25

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

percent of its unimpaired capital plus 25 percent of the unimpaired surplus, except with the written approval of the department. They may also purchase such property at sales under judgments, etc., in order to protect their interests, but may not hold same over five years unless the department grants permission in writing. Dividends may be paid from undivided profits from time to time provided the payment of such dividend will leave the reserve and the capital and surplus of the bank or trust company unimpaired.

The minimum reserve required of a bank or trust company is 15 percent of its total demand deposits and demand liabilities, plus 7½ percent of its total time deposits. The minimum required of a savings bank is 7½ percent of its deposits of which the total may, and one-third shall consist of gold bullion or United States currency, kept on hand at its place of business, or an actual net balance of moneys on deposit subject to call without notice in any reserve agent. The balance of such reserve funds may consist of bonds or other interest-bearing obligations of the United States, Commonwealth of Pennsylvania or any political subdivisions thereof, to be computed at their market value. This prescribed reserve fund may be increased or decreased by the department with the approval of the Banking Board, but may not at any time be required to be more than double the amount. In the case of savings banks, this additional amount may consist of bonds or other interest-bearing obligations of the United States or the Commonwealth of Pennsylvania, etc.

Savings banks, in addition to the general corporate powers, are authorized to: receive money on deposit and pay interest thereon, but may not receive deposits repayment of which can be legally demanded in less than fourteen days. If not special provisions are made to the contrary in their by-laws, deposits are payable upon demand after sixty days notice; limit by their by-laws the amount any one person, corporation, etc., may deposit with

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

them; receive money for transmission to a foreign country, etc.; borrow money to repay the demands of depositors; make investments; lend money upon security of real or personal property and charge interest thereupon in advance; purchase, hole or convey real property for its own use; do a safe deposit business; establish branch savings banks; become a member of a Federal Reserve bank and the Federal Deposit Insurance Corporation; make application for insurance of mortgages under the National Housing Act. There are the usual restrictions as to owning and holding real estate and the cost of the property occupied, including furniture and fixtures, must not exceed 25 percent of the unimpaired surplus.

To organize a building and loan association in Pennsylvania, fifteen or more incorporators are required, no promotors fees are allowed; they must advertise their intention to organize; proof of publication, the articles, and an affidavit that all fees and expenses have been paid, and that no promotion fees have been paid, must be submitted to the Department of State; if the Department of State approves, it is to transmit same to the Department of Banking. The Department of Banking is to investigate as to whether the convenience and advantage of the public will be served and the density of the population affords reasonable promise of adequate support; whether the name is likely to mislead the public as to its character and purpose; the responsibility, character and general fitness for the business of the incorporators and direstors, etc. The Banking Department is to notify the State Department of its approval or disapproval.

In addition to the usual corporate powers, a building and loan association has power to: issue full-paid, prepaid, optional payment, direct reduction loan and installment shares; borrow money, and in the case

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of the Federal Home Loan Bank, or any other agency or instrumentality of the United States government, other than a national bank, to pledge collateral therefor; grant loans to its shareholders; make investments; become a member of the Federal Home Loan Bank, or any other corporation or agency, established by the United States, etc.; become a member of a league to protect and promote interests of buildings and loan associations; purchase, improve or lease real property for its accomodation; make application for insurance of mortgages, etc., provided by the National Housing Act; pay a maximum rate of interest on money borrowed of 6 percent; borrow up to 35 percent of the amount paid in by shareholders on shares which have not been pledged to the association as security, or for which notice of withdrawal has not been given. The maximum indebtedness permitted to an association by one person or corporation, other than the Federal Home Loan Bank or other agent of the United States Government, other than national banks, is 10 percent of the amount paid in by shareholders on account of shares which have not been pledged to the association as security for loans, etc.

They may not receive deposits. Shareholders may upon thirty days notice withdraw any shares not pledged as security.

In 1937 a building and loan board was created, to be under the Department of Banking, to consist of nine members, one of whom must be the Secretary of Banking, two to be appointed by the Governor, which two are removable at the will of the Governor and whose terms are for two years, and the other six to be appointed by the Governor from lists of nominations from the Pennsylvania Bankers Association and are not removable at the will of the Governor.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

PENNSYLVANIA

Morris Plan Companies. I have searched the Pennsylvania law for any definite reference to Morris plan companies and so far have found nothing that could be called a special section covering them. I cannot see but what they must come under the general corporation law.

Private Banks. In 1933 an act was passed prohibiting the starting of new private banks, but permitting those already established to continue in business.

In 1935 an amendment was passed requiring those private banks, which had previously been exempted, to file an application for permission to continue.

The 1933 act did not prevent private banks already in existence taking in new pardners or combining.

When I first read the amendment requiring the banks operating as private banks to file a new application I thought they were requiring them to incorporate, but going over it again very carefully I find they are merely required to file a new application for a certificate of authority.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

RHODE ISLAND

RHODE ISLAND

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

RHODE ISLAND

References: Banking Laws of Rhode Island, 1934, and 1936 Supplement, Also General Laws of R.I., 1923, Title XXIV, Chapter 267, and 1931-2 Public Laws of R.I., Chapters 1796 and 1946; also Chapter 268 of Gen. Laws, amended by Ch 2094 of January 1934 Session, and Ch 2250 of the May 1935 Session, Sec. 73.

The terms 'bank,' 'savings bank,' and 'trust company' are interpreted, except when otherwise expressly stated, to mean "any moneyed corporation incorporated under the laws of this state and authorized by the law of this state to have and exercise the powers, rights, and privileges, and be subject to the duties, restrictions and liabilities, conferred and imposed upon banks, savings banks, and trust companies, respectively, by the provisions of this title." Banks and trust companies are only two types of institutions authorized to accept demand deposits, with the possible exception of credit unions, in which case it is left to the by-laws to establish the rules for withdrawal. Savings banks accept time deposits from the general public; building and loan companies accept deposits from their shareholders or members; loan and investment companies accept payments in installments from their investors. Cooperative banks apparently are classed with building and loan companies.

The term 'building and loan associations' (domestic) includes all corporations or associations organized for the purpose of enabling their members to acquire real estate, "make improvements thereon, and remove encumbrances therefrom by the payment of money in periodical installments or principal sums, and for the accumulation of a fund to be returned to members who do not obtain advances for such purposes, when the funds of the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

corporation or association amount to a certain sum per share, or otherwise doing business in the manner of what are commonly known as building and loan associations."

A credit union is "a cooperative association formed for the purpose of promoting thrift among its members."

Private banking is not permitted.

No specific definition is given for loan and investment companies.

The only limitation placed upon branch banking is that it must be established that public convenience and advantage will be served, they must have the consent of the board of bank incorporators* (1934), and their intention must be advertised over a period of three weeks, as is required when establishing new banks. This applies to banks, trust companies, savings banks, and loan and trust companies. Loan and investment company branches come under the same restrictions.

A minimum of fifteen incorporators, all citizens and residents of Rhode Island, are required to organize a bank, savings bank or trust company. The incorporators must get from the board of bank incorporation a certificate to the effect that public convenience and advantage will be promoted thereby, and they must publish once a week for three successive weeks their intention of forming such a corporation. In the case of banks and trust companies, the incorporators must pay to the state $100, or if the capital stock is to be over $100,000, 1/10th of one percent, plus a $1.00

---

* In the May Session of 1935 the state departments were revampted. The banking supervisory authority became the division of banking and insurance under the Department of Taxation and Regulation and the "Chief" of that division takes the place of the bank commissioner. The compilation of banking laws did not note this fact, hence this review sometimes give "bank commissioner" where it probably should read "chief of the division of banking and insurance."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

fee for the certificate.

There is no minimum capital specified, but all capital stock must be paid in, in the case of banks and trust companies, before such corporation can be authorized to operate. A portion of the assets of every trust company, (other than the assets of its savings or participation departments), equal to the par value of its capital stock, is to stand pledged, or guarantee deposits of a fiduciary nature and its performance of its trusts, such depositors to have preference to all other depositors. Trust companies must deposit a prescribed type of security with the state treasurer equal to at least 20 percent of their capital stock. Every savings bank must on February 1 of each year reserve as a guaranty fund, from net profits which have accumulated during the preceding 12 months, not less than 1/8th nor more than 1/4th of one percent of the whole amount of their deposits until such fund amounts to 5 percent of the total deposits, which amount is to be maintained.

Banks and trust companies are given all incidental powers necessary to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange, coin and bullion; loaning money on personal security; accepting under its letters of credit, or other authorization, drafts or bills of exchange, etc; by receiving deposits and paying interest thereon, but deposits, exclusive of the savings or participation departments, are never to exceed 10 times the combined amount of their unimpaired and paid in capital stock and surplus. Trust companies, unless otherwsies specifically prohibited, are authorized to pay interest on public deposits. Banks and trust

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

companies are authorized to become members of a federal reserve bank.

Trust companies, in addition to the powers given to banks, have the power to: receive and hold moneys in trust or on deposit upon such terms and conditions as may be agreed upon, and to allow such interest upon same as "may be obtained or agreed upon," and to invest their capital stock and moneys in such bonds, obligations, or property, real, personal, or mixed, as they may deem prudent, subject to duties and restrictions; receive from executors, administrators, etc., monies in their hands, and to allow such rate of interest thereon as may be agreed upon; in fact, act in all regular fiduciary capacities. The total deposits on hand by a trust company, exclusive of its savings or participation departments, are never to exceed 10 times the combined amount of its "unimproved" surplus and capital stock paid in.

Savings banks are authorized to receive money on deposit and pay interest thereon and invest same as prescribed by law; receive and hold in safe keeping for its depositors without charge to them, securities to an amount not to exceed $2,000 from any one depositor, and may collect any interest or dividends due thereon, and place the same to the credit of the depositor; purchase for its depositors foreign drafts, letters of credit, etc; they may borrow money to meet withdrawals of deposits up to 10 percent of the deposits without getting the approval of the bank commissioner (after 1935 this would be the chief of the division of banking and insurance), with the approval of the chief, up to 25 percent, also to purchase bonds or other evidences of indebtedness of the United States up to 10 percent of their deposits; they may become a member of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

a federal home loan bank. Ninety days' notice is necessary before a savings bank is required to repay deposits.

Banks and trust companies may not make a loan, or acceptance or advance in excess of 20 percent of its unimpaired and paid in capital stock and surplus "the repayment of which is undertaken in whole or in part severally, but not jointly, by two or more individuals, corporations, associations, firms or other parties." They may not guarantee the repayment of loans. The total liability of one individual, firm, etc., to any bank or trust company, may not exceed 1/10th of the paid in unimpaired capital and surplus, and the total of such liabilities to such bank or trust company may not exceed 30 percent of the paid in capital and surplus, except bills of exchange or acceptances, when the latter are included the limit is 40 percent. Loans to officers or employees must first be taken up with and approved by the board of directors or finance committee; except a loan may be made to a director for not to exceed two percent of the capital and surplus if accompanied by collateral satisfactory to the president, vice-president, cashier or treasurer of such bank (not including savings banks) or trust company. Officers of savings banks may not borrow their funds. They may not accept shares of their own stock as collateral except to protect a debt previously contracted.

Regarding investments, the same regulations apply to deposits in savings banks and in savings departments or participation departments of banks or trust companies. These regulations are given in great detail. The investments authorized are chiefly in bonds or notes of the United States of any city or town in New England or New York, which have not

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

defaulted for the past ten years, and of other cities in the United States having over 30,000 population, or of any county of at least 100,000 inhabitants whose indebtedness does not exceed 3 percent of the taxable property therein, etc; or in bonds of the Dominion of Canada; in railroad bonds, notes, etc., those of public service corporations, of telephone companies; in the capital stock of any bank or trust company incorporated under the laws of the United States or of the New England States, or of the state of New York; etc, etc.: in the notes of an individual, corporation, etc., secured by collateral described in Clauses I, II, IV, V, VI, VII, whose market value is at least 20 percent in excess of the amount secured; or secured by shares of capital stock of steam railroads with limitations, or of national banks, or state banks, etc.; in loans to any depositor on their personal note not to exceed 100 percent of any such deposit; if the deposits cannot be satisfactorily invested as provided in Clauses I to X, up to 1/3 of the deposits may be invested in promissory notes or other personal securities payable within six months with at least one responsible surety or secured collateral with a market value of at least 20 percent over the amount loaned, excepting that the margin required in case of certain bank and trust company stocks, etc., etc.; in notes of gas, water, electric light, telephone, etc., companies. Such corporations may hold real estate acquired by foreclosure of a mortgage, or by purchase at sales, etc., also they may invest in real estate suitable for convenient transaction of their business.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Reports.--At the call of the chief of the division of banking and insurance, with a minimum of five times each year, banks and trust companies must make reports to the commissioner on their condition, using the form furnished by him. Detailed requirements are given for these reports. Savings banks are required to report at least twice each year at the call of the chief in the form specified by the commissioner. Loan and investment companies are also required to report a minimum of twice each year at the call of the chief. Building and loan associations are required to make an annual report on or before February 1 in the form prescribed by the chief and on blanks furnished by him, such reports to be published in the annual reports of banks and trust companies. The chief may call for other reports at the close of any calendar month at his discretion. Penalties are provided. Credit unions are required to report once a year in such form as the chief may require.

Examinations.--Banks, savings banks, and trust companies, are to be examined at least twice each year, or oftener at the discretion of the chief of the division of banking and insurance. If such corporation is connected with a national bank he is, if possible to make arrangements that his and the national bank examiners visits be simultaneous. He is also authorized to examine the directors, officers, or agents. Should it appear to the chief that there is any violation or unauthorized or unsafe practices he is to summon such corporation to appear before him, etc. The same regulations apply to loan and investment companies. Building and loan associations and credit unions are to be examined at least once a year at such time as he sees fit by the chief of the division of banking and

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

insurance.

Building and loan associations.--(Cooperative banks in the index says "See Building and Loan"). A minimum of 15 incorporators are required to organize a building and loan association. (This refers to domestic associations. I have not covered foreign.) The name must include 'savings fund,' 'building-loan,' 'cooperative savings,' or 'savings and loan.' The incorporators are to apply to the board of building and loan association incorporation for a certificate of public convenience, and must publish a notice of their intention to organize for three successive weeks. The members are the shareholders. In order to establish a branch any such association must get permission from the board of building and loan association incorporation and the same conditions must be complied with as to whether public convenience and advantage will be promoted, publication of notice., as applies to the associations themselves.

Building and loan associations may issue four classes of stock: 'Installment' - to be paid in periodical sums, maturing when the amount so paid together with the dividends equals the par value of such stock; 'prepaid' - upon which a gross sum shall be paid in advance, maturing when the amount so paid, together with the dividends, equals the par value of the stock; 'savings' - participating in the dividends, credited therewith at not less than 60 percent nor more than 90 percent of the rate of dividend apportioned and credited to installment stock, and upon which dues or installments are paid in amounts and at such time as the stockholder elects; 'full paid' - the par value paid in advance

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and upon which a definite dividend may be paid not to exceed the percent "earned by all classes or series of stock at the time said dividend is declared." At least two percent of their net profits is to be set aside each year as a guaranty fund to pay contingent losses, until such fund equals least 5 percent and not more than 15 percent of the assets of association. The guaranty fund and any other surplus funds are to be invested in any investment legal for savings banks in the state.

Building and loan associations may borrow up to 25 percent of the amount actually paid in on shares, upon the vote of the majority of the board of directors or of the executive committee. Time of such loans is limited to one year. The manner in which applications and bids for loans are to be received and acted upon is to be established by the by-laws. They may not do a banking business. Not over one-half of the amount paid in on stock in any month may be used for withdrawals without the consent of the board of directors. Terms for withdrawals are to be specified in the by-laws; however, if there are extraordinary losses, the losses must be charged against the capital already paid in and all withdrawing shares are subject to a pro rata charge of such losses.

All building and loan association loans must be secured by a note or bond secured by first mortgage on real estate and a transfer and pledge of installment shares equal in par value to the loan, or at the option of the association, provision may be made to amortize the loan by periodical installments sufficient to pay it off within 25 years. Shares without further security may be accepted as security for loans up to their

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

withdrawal value. The guaranty fund must be invested in investments legal for savings banks. Other surplus funds may be invested in loans to members. Building and loan associations may buy and own real estate under the usual restrictions - place of business and to protect its interests.

Credit Unions.--They may receive the savings of their members in payment for shares or on deposit; they may lend to their members at reasonable rates or invest the funds as provided in the law. Conditions for the withdrawal of deposits are to be stated in their by-laws. Their capital is to be unlimited in amount and the interest rate determined by their board of directors. A thorough audit is to be made by the supervisory committee before a dividend is made and 20 percent of the net income for the year shall be set apart as a guaranty fund to belong to the corporation to meet contingencies or losses. This amount may be decreased when this fund equals the amount of paid in capital. The capital, deposits, and surplus funds are to be lent to members for such purposes and upon such security and terms as the credit committee shall approve, or deposited in savings banks or trust companies, state or national, located in the state, and approved by the chief of the division. Up to 10 percent of its funds without permission of the chief and up to 1/3 with permission may be invested in securities and deposits "other than as above described" but which are legal for the investment of funds of savings banks in the state, such securities to be deposited with the treasurer of the state to guarantee the depositors' money.

Loan and investment companies.— Five or more incorporators are required to organize a loan and investment company, and a certificate of public convenience and advantage must be obtained from the division of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

banking and insurance; also the incorporators must pay to the state for the use of the state $100, or if the capital stock is to be over $100,000, 1/10th of 1 percent, plus a $1.00 fee for the certificate. At least 10 percent of the capital stock must be paid in before the corporation is authorized to transact business.

Such corporations are given general corporation powers and the power to invest their capital stock and moneys in their hands in such bonds, obligations, or property, real, personal, or mixed, as they may deem prudent; sell their secured or unsecured evidences or certificates of indebtedness and receive payment therefor in installments or otherwise, with or without interest; impose a charge of 5 cents per dollar default or fraction thereof, etc. Regulations for loans to directors are the same as for banks and trust companies.

Loan and investment companies may "lend money on obligation of any person, firm, or corporation, to buy or sell bonds, or choose in action of any person, firm or corporation to buy or sell bonds, or choose in action of any person, firm, etc. They may charge for loans, or for notes, bills of evidences of debt discounted or purchased such rate of interest as may be agreed upon, not to exceed 6 percent per annum, except on loans secured by mortgages on real estate, in which case the maximum is 8 percent. It is lawful to receive the interest in advance. They may charge $1.00 for each $50 loaned, or fraction thereof. If a loan is secured by mortgages on real estate, they may make a service charge not to exceed 5 percent of the loan.....The maximum loan permitted to one individual, corporation, etc., is $5,000, and maximum length of such loan is one year, except on security of mortgages when the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

time may be extended to 5 years. They may not make loans for which the corporation is directly or indirectly liable.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

RHODE ISLAND

Loan and investment companies. Loan and investment companies could carry deposit accounts on their books but would not be empowered to accept new deposits at the present time, according to the statutes. Chapter 268 of the Rhode Island General Laws of 1923, Section 9, gave them the power to receive deposits, provided they complied with Chapter 277 which covers reserve requirements for banks and trust companies. This part of Section 9 was repealed by Chapter 2094 of the 1934 Session Laws, with the clause added permitting them to continue to receive deposits for one year after the act takes effect (April 27, 1934), and to retain any deposits received prior to said date, but limits the amount of any deposit to $2,500 except the crediting of interest thereon.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

SOUTH CAROLINA

SOUTH CAROLINA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

SOUTH CAROLINA

References: Code of Laws of South Carolina, 1932, Vol. III, Title 38, Chapter 156, Articles 1, 2 and 3, Sections 7829-7935, pp. 718-756; 1934 Supplement, pp. 307-319; 1936 Supplement, pp. 357-370. Also Sections 6738 on p. 286 of the 1934 Supplement, and Sections 6948 of the 1932 Code.

The laws of South Carolina define "bank" as including "any person, firm or corporation engaged in the business of receiving and paying deposits of money within this State. A branch office of any such bank shall be deemed a "bank" for the purpose of this Article." Commercial banks and cash depositories may receive demand deposits. Trust companies are prohibited from receiving deposits; also industrial banks if they take advantage of the special provision in the interest regulations which comes in Chapter 142, "Money, Interest, Checks, Bills and Notes", under Title 35 on "Business Transactions and Holidays".

Private banking is not mentioned. Section 1345 in Volume I of the same (1932) Code forbids the use of the word "bank" or "banking" by any person or persons in the State in connection with any business, calling or pursuit, other than a legal incorporated banking institution". This law was passed in 1930.

In many of the sections there are special provisions applying to building and loan associations but there is no definition and no separate law covering them.

Article 2 covers trust companies and Article 3 covers "co-operative credit unions". The meaning of the Term "cooperative credit union" is

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

given as "a cooperative association formed for the purpose of promoting thrift among its members and to enable them, when in need, to obtain for productive and provident purposes moderate loans of money for short periods and at reasonable rates of interest".

Branch banking is permitted. The requirements for establishing branches are the same as for establishing new banks, with regard to location, fitness and capital. For each branch established the parent bank is required to have allocated to the branch the same amount of paid-in capital and surplus as would be required in that locality for a new bank, in addition to its required capital and surplus for its own location.

The law authorizing "cash depositories" was first passed in 1933, was amended in 1934 and again in 1935. The number that may be organized is limited to one in any given town or community. The minimum capital stock required is $2,500 paid-in in cash, and 50 percent of any capital stock paid-in in excess of $2,500 may be used for organization and operating expenses. They are authorized to receive and pay out lawful currency of the United States, deal in exchange gold and silver coin and bullion, may receive on deposit monies on such terms as may be agreed upon with the depositors, and issue certificates therefor . . . and "shall do generally the business of banking, except the investment of the deposits", which shall not be loaned except as provided in subsection 6 of the law covering such cash depositories, that is, only upon the written consent of the depositor to such borrower as the depositor shall select, for which service the depository is to make a brokerage charge. No depository may purchase any bond or other securities from any of its stockholders, officers or employees. When cash deposits become too bulky for convenient

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

or safe handling, the depository may invest any surplus amounts "exceeding ordinary business demands" in United States securities, or bonds or other obligations of the State of South Carolina, or any political subdivision thereof, or "cotton producers' notes with required documents attached, eligible for sale to the commodity credit corporation", the interest thereon to be the property of the cash depository. The total amount of any such investment or investments in other than United States securities not to exceed 25 percent of the total deposits at the time of the investment. Should withdrawals be in excess of cash on hand, withdrawing depositors are required to accept such securities at the cost price thereof as cash. Deposits may be accepted subject to call without notice. Cash depositories are to make a regular monthly charge on a fee basis for services rendered. They are subject to examination by the State banking department after which they are to publish a report of their condition in at least one newspaper either published in or in general circulation in their county.

In 1934 an act was passed creating the "State board of bank control". This was amended in 1936. This board consists of five members one of which is to be the State treasurer who is to be chairman of the board. The other four members are to be appointed by the governor, two to be commercial bankers recommended by the State bankers association, one to be engaged in the building and loan business and recommended by the building and loan associations, and the fourth one to be in the cash depository business and recommended by their representatives. The term of office is four years. They are to have supervision over all banks and building and loan associations, etc. The secretary of State must have the board's approval before issuing any charters, including those for branches.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Charters for banks and banking institutions are issued by the Secretary of State but must first be approved by the State board of bank control. Two or more incorporators may, after a three day public notice of such intention in a local newspaper, (Sec. 7726, Business Corp. 1936 Sup.) file their "written declaration" which must contain the usual information required in applications for authority to organize banks. In the case of "continuing building and loan associations" they may give an initial amount of capital stock and an ultimate amount, and must have paid-in in cash before a charter is granted, 50 percent of the initial amount. The board is to take into consideration the fitness of the incorporators, whether the location warrants such a bank, etc., as well as whether all provisions of the law have been met. There are two sections on capital requirements, one of which (Section 7835 in the 1932 Code) gives a minimum requirement of $25,000 on up to $100,000 in towns of more than 10,000 population, and a like amount for each branch established in addition to the capital required for the parent bank, but does not mention surplus. In the 1934 Supplement, Section 7836-1, (passed in 1932) there is an additional paragraph, with no repeal of the former section, permitting the organizing of banks in towns of 5,000 or less with a minimum of $10,000, and graduated scale up to $50,000, plus a surplus paid-in equal to 25 percent of the capital, with the restrictions that only one such bank may be organized in a community of 5,000 or less and none in a community of that size where there is already a bank; and providing that no branches may be organized under that section.

In 1935 (Sections 7835-1 and 7835-2 in the 1936 Sup.) an act was passed authorizing any banking institution, with the approval of the chief bank examiner, to issue and sell its capital notes or debentures

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

which are to be subordinate to the claims of depositors and may be subordinate to claims of other creditors, but which are to be included in the capital account. This act also authorized the issue of preferred stock upon the approval of the chief bank examiner and vote of the stockholders owning a majority of the stock of the institution (vote of stockholders not required in case of a new bank which has not yet issued its common stock). Preferred stock is to be included when determining whether or not a bank has complied with the capital requirements; it is not subject to assessment and the holders thereof are not to be held individually liable for the debts of the bank or to restore impairments, etc. Banks and banking institutions may not own real estate except their banking house and such as they may acquire through foreclosure of security for loans, etc. No dividend may be paid (section 7836-1, (2) of 1936 Sup.) until a bank has increased its unimpaired surplus to an amount equal to its capital stock. Bank notes issued and in circulation by any bank may not exceed, for more than four weeks, three times the amount of gold and silver coin bullion in the possession of the bank, etc., and the officers of each such bank are required to make a weekly report to the Comptroller General of the amount of bank notes in circulation from that bank, the amount of gold and silver coin and bullion on hand, etc.

The maximum interest rate chargeable is 6 percent, except in case of written contracts not over 7 percent may be charged. A special provision is added for industrial banks whereby those which make personal loans on the monthly payment plan without collateral except endorsements, may charge 7 percent interest on the whole sum in advance, either as interest or discount, in which case they may not receive demand deposits.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"Every banking corporation may receive and pay out the lawful currency of the country, deal in exchange, gold and silver coin, bullion, uncurrent paper, public and other securities and stocks of other corporations; but no more than an amount equal to one-half of the capital stock of said bank and one-half of its deposits shall be invested in mortgages of real estate at any other time"; and may purchase, hold and sell real estate under the usual limitations and regulations. All banks may discount notes, etc., and lend money on such terms as may be agreed upon, subject to the usury laws of the State; may receive money on deposit upon such terms as may be agreed upon with the depositors . . .; they have the usual banking and corporation powers; they may accept drafts or bills of exchange . . . which grow out of transactions involving importation or exportation of goods, or the domestic shipment of goods, provided shipping documents conveying or securing title are attached. They may not accept for any one individual, company or corporation, to an amount equal to more than 10 percent of their paid-up and unimpaired capital and surplus, unless the bank is secured, and at no time to more than 50 percent, except with the permission of the bank examiner. Domestic acceptance may not amount to over 50 percent of the capital stock and surplus.

Any banking corporation or trust company with $25,000 capital paid-in may be appointed an executor, administrator, receiver, etc., and their capital stock is to be held as security for faithful performance, etc., The maximum amount loanable to any person other than an officer or director is not to be over one-tenth part of the paid-in capital and surplus, except with a two-thirds vote of the directors. They may not make a loan when such loan would increase the total loans to more than 25 per-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

cent in excess of capital, surplus and deposits, less the amount invested in real estate, bonds or other securities. This restriction does no apply to existing loans now in process of liquidation. Banks, banking institutions, and other lending agencies may make loans to persons of from $10 to $1,000 to be repaid in installments, for financing of purchases and other desirable purposes, and for such loans may make interest or discount charges of up to 7 percent in advance.

The State board of bank control is to havemade at least two examinations of all banks per year with the provision that any examination made under the authority of the United States Government may be accepted in lieu of such examination. All fiduciary corporations doing a trust business are subject to examination by the State board of bank control. All banks and trust companies are required to segregate all assets held in a fiduciary capacity. Funds held in trust are to be secured by bonds acceptable for securing of public funds.

Trust companies in existence when the act was passed (1928) are not required to conform but may elect to do so. The minimum capital requirement is $25,000 and 10 percent of the amount of the capital must be paid into the surplus fund, before a charter is granted. In granting charters to trust companies an investigation is to be made to ascertain that the capital and surplus has been paid in cash "in good faith", and that the character, responsibility and general fitness of the incorporators is such as to command the confidence and warrant the belief that the business of the proposed corporation will be efficiently and honestly conducted. Commercial banking is prohibited, but those organized under or complying with this act may accept savings deposits provided they comply with the laws governing banks.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Trust companies may be created for the following purposes: to receive money in trust and to accumulate same at such rate of interest as may be agreed upon; to receive for safe-keeping personal property and to own or control a safety vault, etc.; to act in the usual fiduciary capacities; to execute as principal or surety any bond, etc.; act as agent, attorney, guardian, transfer agent, executor, etc.; to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debt, loan money upon real or personal property and on collateral or personal security, to issue bonds, notes, certificates and/or debentures of such trust company, and to pledge its mortgages on real estate and other securities as security therefor, to an amount not exceeding 30 times the amount paid on the capital stock and surplus of the trust company and not to exceed the amount of securities pledged to secure their payment; buy, underwrite, invest in and sell all kinds of government, State, municipal and other bonds, and all kinds of negotiable and non-negotiable paper, stocks or other investment securities; to purchase, hold, manage and sell real property.

Fiduciaries may invest trust funds, when not specifically directed by will, deed, order or decree, etc., in bonds or other obligations of the United States or subdividions thereof, or in first mortgages, or first mortgage bonds on real estate, in any State, etc., or in first mortgages or first mortgage bonds of any corporation of any State, upon which no default has been made within the last five years.

The maximum loan by any trust company to any individual, partnership, corporation or body politic is:

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

15% of the capital stock and surplus in cities of 100,000 and over
20% " " " " " " " " " 10,000 to 100,000
25% " " " " " " " " " under 10,000

This restriction does not apply to investments authorized for trust funds, nor to the purchase or discount of drafts, or bills of exchange drawn in good faith, etc., nor to the holding of any securities heretofore purchased lawfully by trust companies. They may not make a loan secured by the stock of another bank or trust company if it will amke the total stock they hold of such a company as collateral exceed 15 percent of their capital stock. Loans and discounts secured by stock in any one corporation may not exceed 33-1/3 percent of the capital and surplus of the trust company making the loan. They may not make loans on the security of their own stock except to prevent loss to the trust company, nor to enable anyone to purchase their own stock unless the loan is based on other security of at least 50 percent more than the loan. Loans to a director, officer or employee are limited to 10 percent of the capital and surplus except with the consent of a majority of the directors exclusive of the borrower. This also applies to any corporation of which an officer controlling the stock of such corporation is also either an officer, director or employee of such trust company. They may not invest more than 25 percent of the amount of the capital stock and surplus in the stock of any one private corporation or of another bank or trust company. This does not apply, however, to ownership of stock in a subsidiary safe deposit company, bank, for a corporation for receiving savings deposits or issuing debentures or loaning money on real estate, or dealing in or guaranteeing the payment of real estate securities, etc.

All trust companies are required to make reports at least once a year, and oftener if required, covering items specified in the law.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Building and loan associations, subject to such regulations as the State board of bank control, cooperating with the Federal Housing Administration, are authorized to make such loans and advances of credit, etc., as are eligible for insurance pursuant to Title 1, section 2, of the National Housing Act; to make loans secured by mortgages on real property which are eligible for insurance pursuant to title 2 of the National Housing Act; they are authorized to secure insurance from the federal savings and loan insurance corporation; may sell their shares to the Home Owners' Loan Corporation, etc. They may make "direct reduction of principal loans" upon a resolution of the board of directors of such association. Under "Tax exemptions" there is a proviso that no building and loan association be allowed to make loans under the provisions authorized by law to banks . . . . . except in the usual way of lending to individuals, without discount, and showing the evidence of the indebtedness of such loans to be promissory notes or bonds and secured by mortgages on real estate, or other securities, and it also provides that they may not lend money to be used in the erection of or repairs on property located outside of the county limits in which such association is located. They are required to make weekly reports.

Credit unions are defined to mean "a cooperative association formed for the purpose of promoting thrift among its members and to enable them, when in need, to obtain for productive and provident purposes moderate loans of money for short periods and at reasonable rates of interest". They may receive the savings of their members in payment for shares or on deposit, may lend to their members at reasonable rates of interest, not to exceed 7 percent per annum, or may invest in any investment which is

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

legal for savings banks in the State of South Carolina, may receive deposits from non-members, paying the rates of interest usually allowed by savings banks of the community, and making loans to its members; may borrow from banks, trust companies, savings banks, or persons, and loan such money to its members, discount notes of its members given for loans, etc. Ten or more persons who have associated themselves by an agreement for the purpose may obtain a charter when the Secretary of State is satisfied that the proposed field of operation is favorable to the success of such cooperative credit union, and that the standing of the proposed members is such as to give assurance its affairs will be well administered according to the law. They are subject to the supervision of the bank examiner and are to be examined by him and make sworn reports at his demand. Their capital stock is to be unlimited in amount, with shares having a par value of $5.00. Each member is to pay an entrance fee of $1.00 and subscribe for not less than one share of the capital stock. Immediately before the payment of each dividend there is to be set apart as a guaranty fund twenty percent of the net income which has accumulated during the fiscal year. Such fund and the investments shall belong to the corporation and shall be held to meet contingencies or losses in its business. All entrance fees are to be added to the guaranty fund.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

SOUTH DAKOTA

SOUTH DAKOTA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

SOUTH DAKOTA

References: "State of South Dakota Laws Relating to Banks and Banking, and Trust Companies, Complete including amendments to date, January 1st, 1932" by E. A. Ruden, Sup't. of Banks and F. J. Benthin, Special Counsel; also, amendments of 1933, 1935 and 1937.

The banking laws of South Dakota provide for two types of institutions which are authorized to accept demand deposits, namely, banks and trust companies. The laws also provide for building and loan associations and credit unions, neither of which may accept demand deposits.

There is no law covering savings banks or private banks.

In the 1933 Special Session (Ch. 2, page 20) a branch banking law was enacted, defining branch banking to include any branch bank, office or any branch place of business at which deposits are received or checks paid, or money lent. It provides for branches within the State with the permission of the State Banking Commission under certain restrictions and regulations. They may operate them within the State provided they have a paid-in unimpaired capital of not less than the aggregate minimum capital required for the establishment of an equal number of banks situated in the places where such bank and its branches are located, with a minimum of $100,000. Branches may not be organized in a city of less than 3,000 where there is already a bank in operation, nor in cities of from 3,000 15,000 where there are two or more banks. In 1935, an act was passed permitting the opening of branch offices within the county in towns where

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

there are no banks (only one to a town) until such time as a regularly authorized bank is organized in the town.

Included in the 1933 act on branch banking is a provision prohibiting State or national banks, or their officers or employees, from engaging in the life insurance business.

"Banks" include "every corporation, association, firm or individual in this State whose business in whole or in part consists in the taking of deposits or buying and selling exchange", and "as thus defined each individual stockholder or member of such corporation, association or firm, except as to national banks, shall be subject to the provisions of this chapter."

"Building and loan associations" includes "corporations formed for the purpose of receiving money from its members, and loaning such funds as provided for in this chapter, Associations, Companies, Co-partnerships, Corporations and Societies transacting the business of issuing or selling bonds, debentures, shares of stock, certificates, or other papers, by whatever names said instruments may be designated, whether said instruments are issued for money paid in advance or for money to be paid in installments, but with the intent, implied or expressed, that the proceeds or accumulated installments thereof and thereon are to be withdrawable or repayable, with accumulated profits, at some future fixed, or indefinite date of maturity; provided always that this section does not include corporations engaged in any kind of banking business."

Trust companies and credit unions are not defined.

To organize a bank; a minimum of five incorporators, all residents of the State, is necessary; the certificate must be approved by the guaranty

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

fund commission and the superintendent of banks, such approval to be based on whether the applicants possess proper qualifications to engage in banking and whether the required amount of capital has been subscribed and paid in; the minimum capital permitted is $15,000; all capital must be paid in; the by-laws must be submitted to the superintendent of banks for his approval. All shares are to be sold at $10 above par, the $10 to go to the undivided profits account. There is, however, an exception made to the minimum capital requirement for corporations have been in operation for five years prior to 1915 as a bank in towns of not over 1,500 population, with a capital of $5,000 whose deposits are not over $75,000, where such corporations have made regular reports to the State banking department; such corporations to increase their capital with the increase over $75,000 of their deposits.

Banks are given the usual corporate powers, and the usual powers to carry on a banking business including receiving commercial and savings deposits under such regulations as it may establish, and loaning money on personal and real security. They may purchase, acquire, hold and convey real property for the usual reasons. Their investment in a banking office, furniture and fixtures may not be over 40% of the bank's capital and surplus. All banking institutions are authorized to make loans insured through the Federal Housing Administration and invest their funds in bonds and notes secured by mortgages insured by the Federal Housing Administration.

Banks may acquire, hold and convey real property for the usual purposes only. Their investment in a banking office, furniture and fixtures is restricted to not over 40 percent of the capital and surplus. They are required to keep on hand at least 17½ percent of their total deposits.

Interest rates, when not specified, are 6 percent. Maximum rate

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of interest is 8 percent, including loans secured by real estate mortgages.

Loans to one individual, firm or corporation are limited to not over 20 percent of the paid-up capital and surplus, loans to individual stockholders owning not over 2 percent of the stock of a borrowing corporation excepted in the aggregate loan limit to such corporation. The maximum liability allowable to the several stockholders of a bank who own individually over 2 percent of the stock of such bank is 50 percent of the paid-up capital. No officer or employee of any corporation doing a banking business may borrow the funds of such bank without the approval of all members of the board of directors to each specific loan, and no such loan may be made without ample collateral or a responsible endorser, also, such loans when made must be immediately reported to the superintendent of banks. Violation is embezzlement.

No bank may employ its money in trade or commerce, nor in stocks of any other bank or corporation, nor loan money on the security of its own stock, nor purchase such stock except to protect its investments. Any bank may become a member of the Federal Reserve System. State banks may act in a fiduciary capacity in cases where it would be lawful for national banks to do so, when they act under rules and regulations of the Department of Banking and Finance.

Dividends may be declared out of net profits only and then only when it will not impair the capital. Maximum interest payable on deposits 5 percent, except with permission of the State banking commission, and then not over 6 percent.

Double liability of stockholders is repealed sofaras banks that are members of the Federal Deposit Insurance Corporation are concerned.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

A minimum of seven incorporators are required to organize a trust company, all of whom must be residents of the State. Before a trust company may be authorized to commence business, all of its capital stock must be paid in cash and the superintendent of banks must satisfy himself as to the purpose of the corporation and that it has complied with all of the legal requirements. The minimum capital required for a trust company is $50,000. Within six months after commencing business and before undertaking any trust, such corporation must deposit with the State treasurer not less than 50 percent of the amount of its capital stock, "nor more than $100,000" in bonds and mortgages, or notes and mortgages on unencumbered real property with the State worth double the amount secured thereby, or bonds of the United States, or any State that has not defaulted on its principal or interest within 10 years, or county, township, town or school district within the State upon which there has been no default in the payment of interest or principal, which bonds or notes and mortgages shall be held by the State treasurer in trust for the security of the depositors and creditors. The income from such deposit is to be paid to the corporation making the deposit.

In addition to the usual corporate powers, trust companies are given the necessary powers to carry on a trust business, and also the usual banking powers. Included in the trust powers is a detailed statement of authority to handle trust properties, both real and personal; to loan money on real estate and collateral security, and execute and issue its notes and debentures, etc. They may purchase, hold and convey real and personal property such as is necessary for the carrying on of its business

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and to protect its investments. They are authorized to invest their capital not deposited with the State treasurer, and other money received in trust in the same type of securities as specified for the portion deposited and in addition "in such real or personal securities as it may deem proper". They may not employ their money directly or indirectly in trade or commerce, etc., nor in the stock of any other trust company or corporation, nor make any loans on the security of the shares of its own capital stock, etc.

Reports.--Banks are required to make a minimum of three reports per year at call of the superintendent of banks on form prescribed by him. Trust companies are required to do the same.

Examinations.--The superintendent of banks is required to examine each bank and trust company at least once each year.

The name of the State Banking Commission is to be substituted throughout the laws for the Depositors' Guaranty Fund Commission.

Chapter 48 of the 1933 laws provided for the substitution of the Stockholders' Liability Fund for the Depositors' Guaranty Fund. The assessment to be one-fourth of 1 percent of the average deposits for the preceding year until the sum realized therefrom equals the capital stock of such bank, to be deposited by the State Treasurer in the same manner as other State funds, or at the option of the State Banking Commission, invested in securities selected by said bank with the approval of the Commission. This fund to insure the payment of the legal liability of such stockholders. All interest received on the separate individual stockholders' liability funds of the banks to be paid to the respective banks for the benefit of their stockholders.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

A minimum of nine incorporators is required to organize a building and loan association. All such associations must have incorporated in their name one of the following terms: "Building", "Loan", "Savings", "Homesteads", and must use "Association" as the last work of their name. They are to be known as "Co-operative Building and Loan Associations". The minimum capital required is $250,000. At least 10% of the capital stock must be subscribed by the incorporators. The superintendent of banks is to make an examination of each association after the filing of their certificate of incorporation, and ascertain the motives of the "promotion", the qualifications and integrity of the officers, and whether or not the location warrants a new association. There are two types of associations, permanent and serial. Permanent associations may issue shares at any time and credit dividends thereon. Serial associations issue installment shares and credit dividends apportioned to such shares by series; no additional shares are to be issued in any series after a dividend has been credited thereto, unless the person to whom such share is issued pays the book value for such share, plus the dues payable thereon since the declaration of the dividend, with accrued interest. The capital is to consist of the accumulated dues, together with the apportioned profits of the association, and shall be accumulated by the issuance of shares in installment form, in any or all of the following forms: full paid, prepaid, pass book, juvenile or school savings, and guaranty or permanent. (A detailed description is given of the types of shares and the dividends thereon, pamphlet on "Laws relating to Building and Loan Associations" with 1927 amendments, p. 7, which is Section 11 of Ch. 66 of 1927 Laws.)

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Stockholders have the right to withdraw the amount they have paid in by giving 30 days notice of his intention, provided that at no time shall more than one-half of the funds in the treasury be applicable to the demands of withdrawing stockholders without the consent of the board of directors; except where the stock is held as security, the money may not be withdrawn.

Building and loan associations have the power to receive money and accumulate funds to be loaned to their stockholders and others; to receive money and execute certificates therefor; to borrow money for the purpose of making loans and paying withdrawals and maturities, up to 50 percent of its accumulated assets upon a two-thirds vote of its board of directors. Receiving demand deposits is specifically prohibited. All such associations may "do all things specified to obtain, continue, pay for and terminate insurance of its shares with the Federal Savings and Loan Insurance Corporation", and insurance of its mortgages with the National Housing Administration", . . . They may also become a member of a Federal Home Loan Bank, etc. Loans may be made to members on notes secured by first mortgages on real property, not to exceed 50 percent on the cash value thereof payable in shares of the association or in installments. Where the association holds the first lien on real property it may increase its loan with a second mortgage as security but the total loan on the property less the amount paid on the shares pledged must not exceed 50 percent of its value. This limitation does not apply to associations whose business is confined to the town in which they are located. Such loans by these latter associations are limited to 75 percent of the cash value of the real property. Loans may be made on the mutual plan or on the definite contract plan. Associations whose assets are not over $50,000, are

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

limited to a maximum loan on one piece of property of $5,000, with assets from $50,000 to $100,000 such loan limit is $7,500, graduated up to associations with assets over $1,000,000 which may loan 2½ percent of their assets upon one piece of property but such loans must be approved by all members of the board of directors and the maximum loan on one piece of property is $50,000. Loans may be made to nonmembers when there is a surplus in the treasury of such association, but are limited to 25 percent of such surplus. Surplus funds may be deposited in any national or State bank and may be invested in bonds or interest-bearing obligations of the United States, the State, or any organized county, civil township, or school district, including special assessment certificates which are a first lien on real property, and in such other securities as are accepted by the United States to secure government deposits in national banks, up to 25 percent of the assets of such associations. The same statutory limit applies on loans to other associations as applies to loans on property.

Building and loan associations may purchase and acquire property to protect its investments but must be sold within five years, etc. Profits and losses are to be distributed at least semi-annually after 5 percent of the net earnings has been carried to a contingent fund or surplus, until such surplus equals 5 percent of the assets of the association. Expenses are to be paid from earnings only and are not to exceed the amount received from admissions or membership fees plus 3 percent of the average assets for that year, except that if the assets are less than $50,000 they are limited to the amount of admission or membership fees plus up to $1,000.

The superintendent of banks is to examine each building and loan association at least once a year or oftener at his discretion. All such as-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

sociations are to report to the superintendent within 30 days after the close of the calendar year or oftener at his discretion.

Credit unions.-- A minimum of 7 persons are required to organize a credit union. The certificate of organization must be approved by the superintendent of banks on the basis of whether he is satisfied that "the proposed field of operation is favorable to the success of such credit union and that the standing of the proposed organizers is such as to give assurance that its affairs will be properly administered", in addition to the fact that they have complied with this law. They have the power to receive the savings of their members in payment for shares; make loans to members, "through their credit committee and on deposit in the way and manner hereinafter provided". They may invest in bonds of the United States, or of any State or municipality approved by the superintendent of banks. They may deposit their funds in State banks, trust companies, or national banks, but the funds are first to be used for loans to members with preference to the smaller loan. Membership is limited to groups having a common bond of occupation or association, or to those residing within a well-defined neighborhood, community or rural district. They are to be under the supervision of the superintendent of banks and are to make a report of their condition to him at least semi-annually in January and July on forms supplied by him. Penalty of $1.00 per day for neglect to make such reports. They are to be examined by the superintendent of banks at least annually. They may borrow up to 25 percent of their capital, surplus and reserve fund. Dividends to be paid from net earnings at the close of the fiscal year.

With the repeal of the "Depositors Guaranty Fund Commission" in

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

1933, Chapter 47 created the "State Banking Commission" with the Superintendent of banks as chairman and three other members to be appointed by the Governor, from names recommended by the State Bankers Association. This Commission is to have supervision and control over all banks and trust companies under the State laws, of the stockholders liability funds, liquidate the Depositors Guaranty Fund Commission, pass upon applications to engage in the banking business, establish branch banks, also the fitness of all officers appointed by the Board of Directors of any bank, etc., including the right to cause the superintendent to examine any bank. They are to limit the interest that may be paid on deposits to a maximum of 4 percent unless for some specific reason they may authorize 5 percent, but the rate must be uniform within a county.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

TENNESSEE

TENNESSEE

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

TENNESSEE

References: Williams Tennessee Code 1934, Vols. 3, 4 and 5, also Public Acts of 1933 and 1935.

The laws of the State of Tennessee covering banking institutions are under one general heading, with special paragraphs applying to savings banks and trust companies. All financial institutions operating as "banks" are authorized to accept deposits from the general public, apparently both demand and savings.

The term "bank" or "banker" signifies and includes "every trust company, loan company, mortgage security company, safe deposit company, receiving money on deposit, and every individual, firm or corporation, association, or company, doing a banking, loan or discount business, and receiving money on deposit and performing functions of a bank".

Private banking is not permitted. Branch banking is restricted to the county in which the principal business is carried on, except this does not apply to branches in operation on April 6, 1925.

Building and loan associations require 30 days' notice for withdrawals and credit unions 60 days.

Applications for charters for banks require five incorporators, and a payment of $50 to cover the investigation. The superintendent of banks is to ascertain the character, responsibility and general fitness of the applicants and of the proposed officers, etc., also whether public convenience and advantage will be promoted, the adequacy of the existing banking facilities and the need of further banking capital in the locality, the prospects for growth and development of the city or town in which the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

bank is to be located, the methods and practices of existing banks and the interest rate they charge borrowers, the adequacy of the proposed capital stock when paid in and the provision for surplus. The minimum capital required is $20,000 actually paid-in, except Morris plan banks and banks already in existence. Upon a favorable vote of the shareholders owning a majority of the stock, and with the approval of superintendent of banks, banks may issue preferred stock. A minimum cash reserve of 10 percent of demand and 3 percent of time deposits must be kept on hand.

Banks may receive money on deposit, allow interest not exceeding 4 percent at the option of the bank; may discount promissory notes, bills of exchange, or other evidences of debt, buy and sell the same, deal in gold, silver, bonds, stocks or other securities generally, advance money upon a pledge, mortgage or deed of real and personal estate, and sell the same, and possess all other rights which appertain and belong to a banking institution, except the power to issue notes for currency, which power is withheld. They may do a safe deposit business, issue letters of credit, etc.; subscribe to shares of stock in joint stock land banks, become a member of a Federal Reserve bank; they may not increase their total liabilities beyond their total solvent assets, nor employ any of their moneys, goods, chattels, or effects in trade or commerce; nor hold or own more real estate then is necessary to carry on its banking business; are authorized to subscribe to stock and other obligations of the national mortgage associations organized under the National Housing Act.

Any bank chartered and organized under the laws of the State of Tennessee for the purpose of conducting and carrying on a savings, safe deposit, or banking business, having a paid-up capital of $100,000 or more, and a surplus equal to 20 percent of its capital, may be appointed to execute trusts, etc., and to act as public depositories.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Savings banks may receive deposits from the general public if not less than $1.00. They are to invest "all moneys so received in discounted paper, public bonds, or other securities within the law, and in a manner deemed most beneficial for the interest of the depositors so that the investment be pursuant to the by-laws". The interest paid for special or general deposits is not to exceed that allowed by law for banks. They may rent safety boxes, etc.

Banks may not loan on the security of their own stock, or purchase their own stock, unless necessary to prevent loss, etc. Loans to one person, firm, etc., are limited to a maximum of 15 percent of the capital, surplus and undivided profits, except they may be made up to 25 percent on condition each loan over 15 percent be submitted to and approved by the board of directors first. They may not make a loan to any officer, director, agent or employee, or firm in which such officer, director or employee owns an interest, without first obtaining the approval in writing of the board of directors, or, where the bank is not a corporation the officers, and if such loan is made, a written report must be filed "with the directory" of the financial condition of any firm in which such person is interested.

Unless specifically directed by will, deed, etc., trust funds may be invested in bonds of the State of Tennessee, of the United States, or those issued under the Federal Farm Loan Act, or loaned on the security of such bonds up to 85 percent of their face value; in bonds, notes and stock of foreign countries, with certain restrictions; in bonds of any county in Tennessee of not less than 1500 inhabitants not defaulting for the past 20 years; in municipal bonds in any State or territory of the United States having not less than 45,000 population and which have not

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

defaulted for more than 30 days within the last 25 years; in real estate bonds on real estate in Tennessee with certain restrictions; in certain railroad bonds; in public utility bonds including telephone companies, with certain restrictions; in participations, certificates or stock of any trust or corporation whose funds are all invested "according to the trust articles or by-laws, in cash and/or in securities mentioned in subdivision (f), (real estate bonds on real estate in Tennessee). There are restrictions placed on the purchase of bonds from a corporation in which the fiduciary owns 25 percent or more of the stock.

Every banking business is to be examined at least twice a year by an examiner appointed by the Superintendent and the matters to be covered are itemized. Further examinations are to be made by the Superintendent whenever "it is to the public interest". He shall also examine local agencies of foreign banks. Examinations are not to be at stated times.

All banks are to report to the Superintendent of Banks on his call at least twice each year, according to forms which may be prescribed by him. These reports are required to be published. The Superintendent may call for special reports from a particular bank if he deems it necessary for the protection of the public, etc.

Stockholders are liable to the extent they have paid-in on their stock. If any director is guilty of fraud or willful mismanagement he becomes individually liable for any loss to the bank's creditors and any stockholders assenting thereto are also liable. Stockholders may bind themselves to be liable for the par value of their stock if they so provide in the charter.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

In re building and loan associations, the minimum capital required to be subscribed is $10,000 and must be paid within 30 days after the issuance of the charter or the charter is forfeited. The Commissioner of Insurance and Banking is to investigate whether or not the minimum capital requirements have been subscribed by good and valid subscriptions and that all the provisions of the law have been met. When satisfied, he is to issue a certificate of approval addressed to the Secretary of State. The Secretary of State, after the fees for domestic corporations have been paid, issues the charter. There is a provision that the weekly "call" for payment of installments may not exceed $.50 upon each share with a par value of $100.

If the Commissioner finds, upon examination, that a building and loan association is conducting its business contrary to law, or that its business is unsafe, etc., he is to give the president and directors 30 days notice to correct such practices; if they are unable to make such correction within 30 days he is to have a meeting of the shareholders; in case they decide to continue, no shares may be withdrawn until the impairment is made good. They may affiliate with federal institutions.

Building and loan associations may lend their funds to their stockholders or members according to terms established in their by-laws, provided such loans are secured by first liens upon real estate, the loan not to exceed two-thirds of the value of the real estate. They may make additional loans on security of real estate upon which they hold the first lien, provided the total of the first and second mortgage does not exceed 66 and 2/3 percent of the appraised value. Premiums bid for loans may be secured by the same instrument as the loan and may be bid in lump sum or

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

payable in weekly or monthly installments. They may make "direct reduction loans" to members who have subscribed to one or more shares of stock, secured by first lien on real estate, payable in periodic installments sufficient to amortize the loan by payment of interest and principal in not less then five nor more than 20 years. Such associations are required to maintain a department to service such loans, investigate the moral and financial standing of applicants, and enforce contractual requirements. Service fees are to be charged on direct reduction loans only.

Withdrawals require two days' notice and no dividend accrues after such notice. Withdrawals of $100 or less are to take precedence over larger sums. Withdrawals are limited to 2/3 of the receipts for dues during the prior month except with the consent of the board of directors. Examinations are to be made at least once each year. A report of condition is to be filed with the Commissioner once each year. Twice each year, upon thirty days' notice by the Commissioner, associations are required to publish a statement of their assets and liabilities. They are under the supervision of the Commissioner of Insurance and Banking.

Re chartering of credit unions, upon the application of three residents of the State, the superintendent of banks is to furnish blank forms and the necessary information for forming any local credit union, and upon the request of eight residents to go to such locality and advise and assist such organizers. The superintendent is to decide whether the "proposed field of operation is favorable to the success of such corporation and that the standing of the incorporators is such as to give assurance that its affairs will be properly administered." The membership consists of the stockholders.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Credit unions may receive the savings of their members in payment for shares and on deposit; they may receive deposits from non-members in such way and manner as their by-laws provide; may make loans to members and loans to members come first, with preference to small loans. Loans over $50.00 must be secured. All applicants for loans must state the purpose for which the loan is to be used. Assignment of shares or endorsement of a note are acceptable security. Loans may be made to members for the necessary supplies for growing crops in installments instead of one sum, and may be repaid in whole or in part any day the office is open for business. Directors of credit unions or members of credit committees may not borrow from the Corporation or become endorsers. Credit unions may invest through their board of directors in any investment legal for savings banks, or in the stock of other credit unions not to exceed 10 percent of their capital and reserve fund; may deposit moneys in savings banks, credit unions, state banks, trust companies, and national banks; may borrow up to 50 percent of their capital, surplus and reserve fund, if permitted in their by-laws. The manner of accumulating the reserve fund is to be provided for in their by-laws. All entrance fees, transfer fees, and charges, after organization expenses are paid, are to be known as reserve income and added to the reserve fund, and 20 percent of the net income at the close of the fiscal year is to be set apart as a reserve fund. This may be changed after the reserve fund equals the paid-in capital. Dividends are to be paid from net earningsat the close of the fiscal year on paid shares.

Credit unions are to be examined by the superintendent of banks at least annually, and oftener if he sees fit. They are to make reports

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

at least semi-annually to the superintendent on blanks supplied by him, on the dates of the second and fifth calls to national banks. Members may be expelled at any regularly called meeting by a vote of two-thirds of those present. Members or non-members may withdraw their deposits by giving 60 days' notice; such withdrawals may include accrued dividends after any amounts due the corporation by such members are paid, as and when the funds become available therefor. The superintendent of banks is to organize and conduct a bureau of information regarding credit unions, and to maintain an educational campaign for the promotion and organization of credit unions.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

TEXAS

TEXAS

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

TEXAS

References: Vernon's Texas Statutes, 1936, with 1937 Amendments, Titles 16, 24 and 46.

The laws of the State of Texas provide for three types of institutions which are authorized to accept deposits, as follows:

Banks
Bank and trust companies
Savings banks

Branch banking is definitely prohibited. No new private banks may be established (apparently since 1923), and it is unlawful for any now in operation to use in their name or advertise the terms 'bank', 'Savings bank', 'banker', 'trust company', etc., or to use any other name than the name of the person or persons who are operating such firm, except this provision does not apply to any one who at the time of passage of this law are actively operating any bank, trust company, etc., under the common law declaration of trust, nor to any bank which has been in successful operation in the State but may have suspended operation prior to the act, but resumes operation within 12 months after the passage of this act (1925).

All banking corporations require five incorporators. Application is to be made to the State Banking Board. The Board is to investigate to ascertain whether or not the capital is "commensurate" with the requirements of the law, the location of the business, and that the applicants are acting "in good faith". All capital stock must be subscribed and paid in. The minimum capital required for banks of deposit and/or discount is $17,500 graduated up according to population, with a maximum allowed of

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

$10,000,000; they are authorized to conduct the business of receiving money on deposit, allowing interest thereon, and of buying and selling exchange, gold and silver coins, lending money upon real and personal property and upon collateral and personal securities at a rate of interest not exceeding that allowed by law; they may not lend more than 50 percent of their securities upon real estate nor make a loan on real estate to an amount greater than half the reasonable cash value thereof (these restrictions do not apply to mortgage loans insured by the Federal Housing Administration). Graduated restrictions are placed on the ratio of capital to deposits in both banks and bank and trust companies, beginning with not over $20,000 capital, the deposits may not exceed five times the capital, to banks with a capital of $100,000 or more. Deposits may not exceed ten times the capital, and the banking commissioner may at his discretion require them to increase their capital stock by 25 percent, and at his discretion may require still another increase in capital up to 25 percent.

The minimum capital required for bank and trust companies is $50,000 and the maximum capital permitted is $10,000,000. Before declaring a dividend, both banks and bank and trust companies are required to set aside 10 percent of the net profits for a surplus fund until same amounts to 50 percent of the capital stock. The minimum capital for savings banks is $10,000.

Double liability for stockholders was repealed in 1937.

Banks and bank and trust companies are to be examined by the banking commissioner at least twice a year, savings banks once every two years, or oftener at his discretion. Reports, and this applies also to

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

savings banks, are to be made to the Commissioner on a specified form at his call, such reports to be published in newspapers. Banks, and bank and trust companies must report their total average daily deposits to the Commissioner annually.

Bank and trust companies have the powers of banks of deposit and/or discount, and in addition they are authorized to act as fiscal or Transfer agents, receive deposits or trust moneys, securities and other personal property from any person or corporation, and lend money on real or personal securities; lease, hold, etc., any and all real property necessary in the transaction of their business or which they acquire in satisfaction of debts due them; act as trustee under any mortgage or bond issue by any municipality, etc.; act in all fiduciary capacities; purchase, invest in, guarantee and sell stocks, bills of exchange, bonds and mortgages, and other securities; they may not issue bills to circulate as money; may act as executor, etc.; all assets held in a fiduciary capacity must be segregated.

Banks or bank and trust companies may operate a savings department for which they must comply with the regulations for savings banks except where they conflict with this law. Fifteen percent of the savings department's deposits are to be kept on hand, two-thirds of which is to be kept with reserve agents approved by the Commissioner and one-third in actual cash on hand.

Any banking institution may, with the approval of the Commissioner, issue and sell its capital notes and debentures, to be subordinate to claims of depositors; they

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

may not employ their money in trade or commerce, except to sell property acquired to satisfy bad debts; they may not be liable for more than their paid in capital stock, except for moneys deposited with or collected by them, bills of exchange or drafts, etc., liabilities to stockholders, etc.; with the permission of the Commissioner they may borrow in excess of their paid in capital stock up to their unimpaired surplus; they may not loan on or purchase shares of their own capital stock unless necessary to prevent loss; may loan upon or discount paper secured by lien upon cotton and cotton seed products to same extent as is provided for national banks; no director may borrow in excess of 10 percent of the capital and surplus without the consent of a majority of the directors other than himself; no officer, director or otherwise, may be indebted in any sum whatever without the consent of the board; they may not loan directly or indirectly to the Banking Commissioner or any one concerned with the Banking Department.

Banks and bank and trust companies may invest in loans secured by real estate or other sufficient collateral, in public bonds of the United States or of the State, or any incorporated city, county, or independent school district in this State; they may not invest more than 50 percent of their capital stock and permanent surplus in their banking house and fixtures, except with written authority from the State Banking Board; they may own only such real estate as is necessary for the transaction of their business and as they may acquire in satisfaction of debts due them; they may purchase stock in the Federal Deposit Insurance Corporation.

In re <u>savings banks</u>, one-tenth of the net profits are to be

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

carried to a guarantee fund each six months before any dividends are paid, until such guarantee fund equals the capital stock. When the guarantee fund amounts to a sum equal to the capital stock, and after interest on the deposits and dividends on the capital stock have been paid, the board of directors is to set aside from the remainder of the net profits, a sum not to exceed one-fourth of one percent of the total deposits, to be known as the indemnity fund, until such fund is equal to 10 percent of the deposits, such fund to be maintained at that percentage, to meet any contingency or loss from depreciation of securities "or otherwise". The maximum dividend allowed to be paid is 10 percent on the capital stock. Interest of not less than 3 percent is to be paid on the deposits and the guarantee fund set aside before dividends may be declared. Interest is to be paid from net profits at rates to be established by the board of directors. The directors may classify the depositors according to character, amount and duration of their dealings, etc. Once every three years, if net profits, accumulated over and above the guarantee and indemnity funds, amount to 1 percent of the deposits which have remained there for the year preceding, it may be divided between such depositors. If earnings of savings departments are insufficient to pay the interest on savings deposits, it is to be paid by the bank or bank and trust company from their general funds.

Savings banks are authorized to receive, accumulate and safely keep any deposit of money from the general public, and to invest, repay same, crediting and paying interest thereon; issue certificates of deposit payable on demand or at such time as may be agreed upon; at their option to receive for safe keeping and storage any valuable articles, etc.; pur-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

chase, sell, etc., the house and lot in which it is domiciled, also such real estate as it may acquire to protect its investments. They may limit or refuse deposits at their discretion. Directors and officers of savings banks may not borrow from such bank nor be endorsers on notes. Payment of deposits is to be regulated by the board of directors and may require 60 days notice for withdrawals.

The loan and investment institutions provided for in the Texas State laws are Morris plan banks, building and loan associations, and "Credit Organizations". Morris plan banks are referred to in the law as "loan and investment companies", and may be organized in the "same manner as corporations for profit, except as otherwise provided". The minimum capital requirement for them is $25,000 and they may issue only one class of stock. They are authorized, in addition to the powers conferred by general corporation law, to lend moneys and to deduct interest therefrom in advance at not to exceed 6 percent, and to require and receive weekly or monthly installments on its certificates, etc., to sell or negotiate bonds, notes, certificates, of investment and choses in action, etc.; to charge for a loan made pursuant to this article, $1.00 for each $50.00 or fraction thereof for expenses, etc.; they may not hold at any one time obligations of any one person, firm or corporation for more than 2 and 1/2 percent of the capital and surplus of such company; may not make any loan for a period of more than one year; deposit any of its funds except by vote of a majority of its directors.

Building and loan associations are expressly prohibited from having any deposit account on their books. They are defined as "any association or corporation heretofore or hereafter formed, created or or-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ganized which is chartered under any building and loan law, and/or is principally in the business of assisting its members to buy, improve or build homes, or to remove incumbrances therefrom, and which accumulates the funds thus loaned through the issuance or sale of its own shares". The banking commissioner has full supervision and control and under the banking commissioner is a building and loan supervisor. They are to be examined annually or oftener at the discretion of the banking commissioner, and are required to file a statement of condition on January 1 in the form prescribed by the banking commissioner. Before granting a charter the banking commissioner is to make the usual investigation as to whether the required capital has been paid in, the character and fitness, etc., of the incorporators, the public convenience and necessity, taking into consideration population, etc. The minimum capital requirement is $1,000. Every such association shall be either permanent or serial in character. The permanent associations may issue shares at any time, and credit and pay dividends as earned and declared according to their by-laws. They may, when provided for in their by-laws, issue the following classes of shares: installment, thrift or optional payment shares, advance payment, accumulative or pre-paid shares, fully paid shares or income shares, juvenile shares, and reserve fund or permanent stock. They may invest their funds in loans to members, in real estate loans secured by a mortgage, etc., (description of loans and investments permitted given in great detail).

(The old code as passed in 1931 is still carried in the 1936 Revised Statutes, followed by the code and its amendments passed in 1929. However, in the annual report of the Building and Loan association supervisor the law is given in the back of the report and it gives the law as

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

passed in 1929 only, with its amendments. Article 881a-28 (1929 Code) states that "all Texas building and loan associations now or hereafter organized to do business in Texas, shall continue their corporate existence and power and be subject to the provisions of this Act in like manner as corporations which are incorporated hereunder".)

Under Title 46, entitled Credit Organizations", there are five classifications, known as "rural credit unions", "agricultural and livestock pools", "mutual loan corporations", and "farmers' cooperative society". Of these, the second, agricultural and livestock pools, are defined as "agricultural pools and livestock financing pools" which may include "corporations duly chartered, State banks and trust companies, National banks and trust companies, and co-operative associations composed of persons engaged in producing or producing and marketing staple agricultural products or livestock, or both, "and their purpose is borrowing and lending money on agricultural products or livestock, or both, for agricultural purposes, or for the raising, breeding and fattening or marketing of livestock". They are to cooperate with the Federal Reserve banks and the Federal Farm Loan banks, etc;

The third of the classifications under "Credit Organizations", "Mutual Loan Corporations", are organized "to aid their member stockholders in producing, or producing and marketing of staple agricultural products, or in acquiring, raising, breeding, fattening or marketing of livestock". Their powers are to accumulate and lend money to their member stockholders for the "purposes provided for in the Federal "Agricultural Credits Act of 1923", etc.;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The fourth classification, "Co-operative Credit Associations", and their purpose and powers are practically the same as for mutual loan corporations;

The fifth classification, "Farmers' Co-operative Society", are private and local and are in general for the same purpose and have the same powers except that they are local organizations.

The first of the classifications under "Credit Organizations", known as "Rural Credit Unions", are defined as "a co-operative association formed for the purpose of promoting thrift among its members, and to enable them, when in need, to obtain for productive and provident purposes moderate loans of money for short periods and at reasonable rates of interest". They are under the supervision of the Banking Commissioner and are authorized to receive the savings of their members in payment for shares, to lend to their members at reasonable rates of interest not to exceed 10 percent per annum, or their funds deposited in savings banks or trust companies incorporated under the laws of the State, as in national or State banks; and they may carry on such other activities "relative to the purposes of the association as its by-laws may authorize".

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

UTAH

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

UTAH

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

UTAH

References: Revised Statutes of Utah, Title 7, and Laws of Utah for 1933, 1935 and 1937

The laws of the State of Utah provide for four types of banking institutions which are authorized to receive deposits from the general public:

Commercial banks
Savings banks
Loan and trust companies
Trust companies

and also, "Cooperative banks for personal credits" (hereafter referred to as cooperative banks) which may receive deposits from members only.

The laws of the State of Utah also provide for two types of institutions for loans and investments (besides small loan companies), which do not receive deposits, as follows:

Building and loan associations
Industrial loan corporations

"Banking" is defined as "any corporation holding itself out to the public as receiving money on deposit, whether evidenced by certificate, promissory note or otherwise. . . "

"Commercial bank" is defined as "any bank organized for the purpose of receiving deposits of money subject to withdrawal upon check or other demand, and engaging in other banking activities."

"Savings bank" is defined as "any bank organized for the purpose of receiving deposits of money, either for stated periods or on special terms, and repaying same with or without interest, and engaged in other banking activities".

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"Loan and trust companies" are not defined. "Trust companies" are defined as "every commercial or savings bank which shall undertake to act as executor, administrator, guardian of estates, assignee, receiver, depositary, or trustee under appointment of any court or under authority of any law of this State, or as trustee for any purpose permitted by law, and any loan and trust company organized or doing business under chapter 4 of title 7 of the Revised Statutes of Utah, 1933, which shall receive deposits of money according to the practices of commercial or savings banks, shall be subject to the provisions of this act and hereinafter called trust companies".

"Cooperative banks for personal credits" or cooperative banks are defined as a corporation formed for the purpose of "promoting thrift among its members by affording means for saving money, by securing deposits or loans of funds upon the associated liability of its members, by furnishing advances or loans for productive purposes, by making loans of a remedial character, by promoting in a cooperative spirit the ideals of help for self-help, and by transacting a general banking business in the interests of its members."

"Building and loan associations" include "all corporations, societies, organizations, associations or persons doing a savings and loan or investment business on the building society plan, whether mutual or otherwise, and whether issuing stock or investment certificates which mature at a time fixed in advance or not."

"Industrial loan corporations" are not defined. Private banking is prohibited. Limited branch banking is allowed. Before a bank may establish one branch they must have at least $100,000 capital, and for each additional branch an additional $60,000, and the same investigation by the bank commissioner as to public convenience, etc., is required as is required

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

for establishing a new bank, and except in cities of the first class branches may not be established where either a national or State bank is already in operation unless the parent bank takes over the existing bank.

Capital requirements: For commercial and savings banks the minimum requirement is $25,000 subscribed capital, with a surplus or expense fund equal at least to 25 percent of the amount of the capital before commencing business. At least 20 percent of net profits is to be carried to surplus before paying dividends until the surplus fund equals 50 percent of the capital. The certificate of incorporation may not be issued until 50 percent of the capital and surplus have been paid in cash, the balance to be paid in installments of not less than 10 percent per month until fully paid in.

The minimum paid up capital requirement for loan and trust companies is $25,000, with a minimum of $100,000, in first class cities. The minimum requirement for trust companies is $100,000. If such companies do a banking business they must have the capital required of banks in addition. Trust companies must deposit with the State treasurer from $10,000 to $100,000, according to population.

The capital for cooperative banks is unlimited. The par value of the shares is $5.00 .

There are two types of building and loan associations, those without permanent capital and those with it. For those having permanent capital the minimum requirement is $25,000 paid up.

The minimum subscribed capital required of industrial loan corporations is $50,000 and at least 50 percent must be paid in in cash before the secretary of State may issue a certificate of incorporation, the balance must be paid at the rate of at least 10 percent per month until fully paid.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Organization or charter requirements: Re cooperative banks, 10 or more organizers are required to be residents of the State belonging to the "same integral group, club, institution, association, or corporation, or engaged in the same employment or vocation, or employed by the same employer, or in the same employment or business, or engaged in the business of agriculture or dairying". Such residents may "with the consent of the bank commissioner, associate themselves together" etc., to conduct a "savings bank under the provisions of Chapter 2 of Corporations". The by-laws must be approved by the bank commissioner before the corporation may do business. The bank commissioner is to satisfy himself that "the proposed field of operation is favorable to the success of such cooperative bank and that the standing of the proposed members is such as to give assurance," etc.

Examinations: Commercial banks and loan and trust companies are subject to examination by the bank commissioner or examiner at least twice each year. Savings banks, building and loan associations, industrial loan companies and small loan companies are required to be examined by the bank commissioner or examiner at least once each year; and the bank commissioner may at any time, and at least once each year, require the board of directors to examine the banking institution with particular reference to loans, discounts, and overdrafts.

Reports: Commercial banks and trust companies are required to report on the call of the bank commissioner, at least four times a year, on forms prescribed and furnished by him, such reports to be published. The bank commissioner may call for special reports from any institution under the supervision of the banking department at any time he deems it necessary.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Each year, on or before January 10 and July 10, every bank, including savings banks, is required to make a report to the bank commissioner in the form prescribed by him, showing all losses sustained, expenses and taxes paid, gross earnings and profits, losses recovered since the last report, all amounts carried to surplus and dividends paid. Cooperative banks are required to make an annual report to the bank commissioner on forms prescribed by him. Building and loan associations are required to send to the bank commissioner on or before February 1 of each year a statement of condition and operations on forms prescribed by him. Certain items, such as assets and liabilities, and others specified by the commissioner, are to be published. Other portions of the statement are to be kept confidential. The bank commissioner may call for further reports at his discretion but these reports do not have to be published.

Withdrawals: Re savings banks, time and condition of withdrawals may be prescribed either in the bylaws or by contract. Whenever calls for withdrawals are greater than the amount available, no new loans or investments may be made until the withdrawal demands have been met. Re building and loan associations, unless a shorter time is provided for by individual contract or in the bylaws, members may withdraw part or all of the moneypaid in, less fees, losses, etc., after twelve monthly payments have been made and a year has elapsed, by giving 30 days' notice.

Powers: Commercial banks and savings banks -- any commercial or savings bank may issue its capital notes or debentures, etc.; may not issue any bill, note or certificate to circulate as money; may not accept own stock as collateral or purchase it except to prevent loss; may not give preference to depositors or creditors by pledging assets, except to

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

borrow money for temporary purposes, etc., (except savings banks which may borrow only to meet immediate demands of its own depositors upon vote of a majority of its directors or executive committee; any bank may purchase, convey, etc., real estate in which to transact its business up to 50 percent of its paid in capital and surplus, with the privilege of renting unneeded office space, and they may acquire property "in satisfaction of debts", (further restrictions in detail). Any bank violating the restrictions on real estate must charge such real estate to profit and loss; any bank may purchase shares of capital stock of the Federal Deposit Insurance Corporation, and other government agencies, of any safe deposit company, of any corporation owning the banking house in which any place of businessof such bank is located, and the stock of such other corporation as shall be acquired in satisfaction of or on account of debts previously contracted in the course of its business; commercial banks shall at all times carry in cash or its equivalent an amount equal to 15 percent of the aggregate deposits and demand liabilities, and in cities of 50,000, 20 percent is required; savings banks shall at all times carry in cash or its equivalent a money reserve equal to 5 percent of its deposit liabilities; if a bank has both commercial and savings departments, it must carry both amounts.

Loan and trust companies, to the extent set forth in their articles of incorporation, shall have the power to act as assignee, agent, receiver, guardian, etc., and to execute trusts of every description not inconsistent with law; buy, sell or mortgage real estate or personal property, loan money on real estate security or otherwise, sell and assign mortgages, indorse negotiable instruments, and make, execute and deliver bonds, promissory notes and bills of exchange; receive deposits of money and pay an agreed rate of interest . . . (in which case the stockholders' liability

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

becomes the same as for banks); serve as fiduciary without bond, etc.

Cooperative banks may receive the savings of their members in payment for shares or on deposit, may lend to their members at reasonable rates or otherwise employ its funds for carrying out its purposes, or invest its funds as hereinafter provided, and may undertake such other activities relating to its purposes as are provided for in their bylaws. The rate of interest is to be determined by the board of directors.

Building and loan associations have the power to make loans to holders of share or certificate accounts on the sole security of their accounts up to 90 percent of the withdrawal value of the account; lend their funds on promissory notes secured by first liens upon homes, or homes and business property combined, up to 75 percent of the appraised value with a maximum on such loans of $20,000, etc. (in full detail); loan on real estate with first liens or mortgages, giving full protection, as security; loan its funds on or invest without limit in stock, securities, or other obligations guaranteed by the United States, any federal home loan bank, Reconstruction Finance Corporation, Federal Housing Administration, or any corporation or agency of the United States government, and in indebtedness of the State of Utah or of any other State, or any legal subdivision of the State of Utah as the bank commissioner may approve; permit members to withdraw part of all of their payments; cancel and reissue debenture certificates and shares of members, payments on which have been withdrawn, etc.; reserve money and execute shares of stock, certificates, etc., therefor; borrow money for the purpose of making loans and of paying withdrawals and maturities; permit transfer of shares, etc.; may invest in stock or certificates of, borrow from, and discount notes and mortgages to any federal home loan bank, the Reconstruction Finance Corporation, etc;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

may become a federal association; demand or checking accounts are forbidden; in case they have guaranteed or permanent capital, may invest up to 40 percent of said capital in land and the erection of buildings to provide offices for the transaction of its business. They may not lend on the security of their own stock; the aggregate amount paid in on their permanent capital stock together with surplus and reserve, except those associations without permanent capital, must equal 7 1/2 percent of any amount up to $2,000,000, and 5 percent of any amount in excess of $2,000,000, of its investment stock and investment certificate liabilities. Improper operation is to be remedied upon order of the Commissioner.

Industrial loan corporations are authorized to loan money on the personal undertaking of the borrower and other persons, or on personal security, or otherwise, and to deduct interest thereon in advance at the rate of 1 percent or less of the face of such loan, per month, and in addition, to require payment in uniform weekly, semi-monthly, or monthly installments, and to charge a fee of $2.00 or less on loans of $100 or less and "a maximum fee of two percent on loans in excess of $100 for expense in examining the character and circumstances of the borrower . ."; issue and sell certificates for the payment of money at any time, either fixed or uncertain, and to receive payments therefor in installments or otherwise, with or without interest; they may not receive deposits or "create any liability due on demand"; and may not have outstanding at any time their certificates or evidences of debt in an aggregate sum in excess of five times their paid up capital and surplus. Foreign corporations must comply, existing corporations may comply.

Loans: In commercial and savings banks the maximum loan to an individual, firm, corporation, or association is an amount equal to 15 percent

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of the paid in capital and surplus; also to officers and directors. Loans to officers and directors must be secured by at least double the amount of the loan, and then the loan must first be approved by a vote of two-thirds of the directors. The office of the official violating this regulation becomes vacant.

Loan regulations applying to industrial loan corporations are largely covered under "Powers". Loans on the security of the maker, co-maker, etc., are limited to one year. Loans to one person are restricted to a maximum of 2 percent of the paid up capital and surplus; they may not make loans on the security of their own capital stock or purchase it except to prevent losses; and they may not make loans to the directors, officers or employees of the corporation.

In re cooperative banks, the maximum loan permitted to one member is an amount equal to 15 percent of the capital and surplus after it reaches $2,000, with the maximum amount of $3,000. No loan over $500 may be made unless secured by real estate reasonably valued at twice the loan, or by corporate bonds or stocks in which trust funds may be lawfully invested.

Investments: Loan and trust companies are required to keep their capital in money on hand or on deposit in solvent banks, or invested in bonds of the United States, or of Utah, or of any county, municipality or school district thereof, or in first mortgages on real estate in Utah, the amount invested in any mortgage not to exceed 50 percent of the value of the land so mortgaged. They may own and deal in shares of other corporations.

Trust funds are not to be held longer than is necessary but are to be invested or distributed as the case may be as soon as possible. They are either to be invested according to the provisions of the trust instrument, or in those classes of securities approved by the directors of the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

trust company or a committee of directors appointed for the purpose. When acting under a court order the court is to specify investments. When trust funds are deposited in the commercial or savings departments of the company, collateral security of the first five types specified in Section 3 as acceptable in lieu of cash for the deposit with the State treasurer.

Double liability of stockholders is provided for.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

VERMONT

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

VERMONT

References: Public Laws of Vermont 1933, also Laws of Vermont 1935 and 1937, including Special Sessions of 1933, 1934, 1935 and 1936. Title 31.

The laws of the State of Vermont provide for two general types of financial institutions authorized to accept deposits from the general public, savings banks and trust companies. There are two types of savings banks, or rather there are savings banks with capital stock, and savings institutions without capital stock, or mutuals. Trust companies are usually savings and trust companies but the annual report shows two cases of trust companies not having deposit accounts and one having time deposits only.

The only other classification provided for is cooperative savings and loan associations which are authorized to accept the savings of their members but the regulation as to withdrawals seems to be up to the board of directors.

Private banking is prohibited by Title 26 (Corporations), Chapter 239, Section 5787, paragraph 1, of the Public Laws of Vermont 1933.

There is a short chapter making provision for the operation of foreign building and loan associations in the State.

Part I of Chapter 272 states that "Bank" shall refer to and include savings banks, savings institutions and savings banks and trust companies, commonly known as trust companies; "savings banks" shall refer to and include savings banks and savings institutions having no capital stock; "trust company" shall refer to and include any bank incorporated under the laws of this State having a capital stock; "trustee" shall apply to and include director, ..."

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Branch banking is permitted in towns other than that in which the main office is located. Before opening such branch or agency the corporation must petition the commissioner to hold a public hearing in the town where the proposed branch is to be opened to determine whether the establishment thereof will promote the general good of "the State", notice of such hearing to be published three weeks successively in a newspaper in the county in which the branch is proposed to be established.

Charter requirements: For a savings bank, a minimum of 15 incorporators are required, all of whom must be residents of the State. For a trust company, a minimum of 15 incorporators are required, two-thirds of which must be citizens of the State. A minimum capital of $25,000 paid in cash is required for trust companies. Before transmitting the articles of association to the secretary of State, the incorporators must first petition the commissioner to hold a public hearing in the county in which it is proposed to establish a bank or trust company, notice of said hearing to be published in a newspaper in that county for three successive weeks, to determine whether the establishment of such savings bank or trust company will promote the general good of the State, etc. A savings bank must have not less than 20 nor more than 50 members, except in case of a merger when the number may not exceed 75. The officers and trustees are elected from the members.

Cooperative savings and loan associations also require a minimum of 15 incorporators, all residents of the State, certifying that the purpose of the corporation is such as is stated in Chapter 275, that is, "to encourage industry, frugality, home building and savings among their members; the accumulation of savings, the loaning of such accumulation to their members, and the repayment to each member of his savings when they have accumulated to a certain sum, or at any time when he shall desire the same, or the association shall desire to repay the same".

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Examinations: All banks are to be examined by the commissioner or his agents semi-annually or oftener if he deems it necessary, without prior notice. One of the semi-annual examinations may be omitted if the bank's deposits are insured by the Federal Deposit Insurance Corporation. They are also subject to examination by the commissioner upon order of a court of competent jurisdiction. Cooperative savings and loan associations are subject at all times to examination by the commissioner or his agents, or at the request of three or more members of such association.

Reports: Every bank is required to report annually to the commissioner on or before July 15, giving its condition as of June 30, and must make special reports when called upon by the commissioner, on forms prescribed by the commissioner, giving such of the details listed in the law as are specified by the commissioner. The commissioner, in publishing his report is to give such part of the bank's reports as he deems advisable.

Cooperative savings and loan associations are required to make an annual report on July 1 to the commissioner in the form and containing the information specified by him, and to make such further reports as he may require.

If a bank fails to make the required report the penalty is $1,000 for each failure; for cooperative savings and loan associations $10.00 per day.

Withdrawals: For banks, regulation as to withdrawals are to be established by the board of trustees.

Powers: Section 6655 states that "A trust company shall have authority:to receive money on deposit and to act with the money deposited in accordance with the provisions of the following chapter".

Section 6656 states that "A trust company shall have authority:

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

1. "To receive money on deposit or in trust, at such rate of interest, not exceeding the legal rate, or on such terms as may be agreed upon, and to transact a general banking business;

2. "To act as executor of a will, administrator, trustee, etc. (etc. referring to usual fiduciary powers), also 3.

3. "To act as agent for the management of any property real or personal, and for the collection of rents, interest and other income;

4. "To accept deposits of public moneys;

5. "To issue letters of credit;

6. "To act as agent for the registering or transferring of certificates of stock, bonds, etc.

7. "To carry on the business of a safe-deposit company with all powers necessary or proper for that purpose."

A bank or trust company may subscribe to stock of the Federal reserve bank in its district and may, at its discretion, insure its deposits in the Federal Deposit Insurance Corporation, etc.

Authorization is given for any bank receiving time or savings deposits and deposits subject to check to amend its charter to create separate departments, and to segregate the assets according to departments. The same applies to the trust business of a bank.

Section 6871 (1937 revision) gives the "object and powers" of cooperative savings and loan associations: "To encourage industry, frugality, home building and savings among their members; the accumulation of savings, the loaning of such accumulation to their members, and the repayment to each member of his savings when they have accumulated to a certain sum, or at any time when he shall desire the same, or the association shall desire to repay the same". Associations may become members of the Federal Home Loan Bank system and, subject to such regulations as the commissioner

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of banking and insurance finds necessary, may secure insurance from the Federal Savings and Loan Insurance Corporation, and also, subject to the approval of the commissioner, may insure their mortgages through such federal agencies as may be available for such purpose. They may borrow to meet withdrawals, make real estate loans to members, or for other corporate purposes, up to 10 percent of the outstanding assets, or more with the consent of the commissioner.

Interest: Savings banks may pay 3 1/2 percent interest per year until half of the surplus fund has been accumulated. As long as the surplus fund amounts to 5 percent they may pay up to 4 percent; when the total surplus fund required is maintained, the board of trustees may fix the interest rate, except that for 1935, 1936 and 1937 the commissioner may fix the interest rate to be paid regardless of the surplus fund. The same applies to trust companies, except that the board of directors is substituted for board of trustees.

Miscellaneous on Capital: To strengthen its financial condition, a trust company may, with the consent of two-thirds of its stockholders, issue deferred income participation receipts in return for contributions to its capital, which are in a preferred class.

The capital of cooperative savings and loan associations consists of the accumulated savings of its members and shall not at any time exceed $5,000,000.

Reserves: All banks are required to have a reserve of 15 percent of their commercial deposits and 3 percent of their savings deposits, two-fifths of which must be in cash on hand and in balances payable on demand in banks which are authorized depositories in the State.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Guaranty funds: In trust companies, the trustees may from time to time set apart as a guaranty fund, such portion of the profits over and above the necessary allotments for the 10 percent surplus fund as they deem expedient, said fund to be kept separate and invested like the funds of the banks, and is to be pledged solely as security for the faithful discharge of their duties in a fiduciary capacity. This fund may be reduced, upon approval of the commissioner, to not less than 25 percent of the total amount of its fiduciary trust funds. The revenue from such fund may be applied to general bank purposes.

In cooperative savings and loan associations at each periodical distribution of profits the board of directors may reserve and carry as undistributed profits, "in the nature of a guaranty fund", any sum that in its discretion seems wise not to exceed 5 percent thereof.

Dividends: When the charter of a savings bank or trust company provides for payment out of net earnings of not to exceed a six percent dividend on preferred stock, such dividend may be paid when the capital is impaired if the assets exceed the liabilities, other than capital, by at least 10 percent of the deposit liability.

Surplus: Savings banks, before paying interest to their savings depositors, are to reserve from the net profits not less than 1/8 of 1 percent of the average amount of deposits during such period, until such fund equals 10 percent of their deposits and other liabilities except surplus. The fund to be maintained at 10 percent. However, this provision was suspended during 1935, 1936, 1937 and 1938.

Before paying a dividend to its stockholders, a trust company is to reserve from the net profits not less than 1/4 of 1 percent of the aver-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

age amount of deposits for that period, until such fund, together with the capital paid in, equals 10 percent of the deposits and other liabilities except surplus, capital stock and funds held in a fiduciary capacity. Fund to be maintained at 10 percent. However, this provision was suspended during 1935, 1936, 1937 and 1938.

Investments: Assets of banks (including both savings and trust) may be invested in first mortgages of real estate, municipal bonds, public service company bonds, telephone company bonds, bonds of Vermont and New England railroads, in bonds of other railroads, bank stocks, and may deposit its funds in banking associations or trust companies approved by the commissioner and under the supervision of the State or federal authority, in Vermont, or in the cities of New York, Boston, Chicago, Albany, Philadelphia, or Concord, New Hampshire, or in any other bank designated as a depository under the laws of the United States, etc.; and in loans described under loans. The above classes of investments are restricted in detail.

They may invest an amount equal to 6 percent of the deposits in the purchase of a suitable building for the "convenient transaction of its business", or for a site therefor and the erection of a building thereon; in real estate acquired by foreclosure of a mortgage, or purchased at sales to protect its investments; also in securities acquired in settlement of indebtedness; in bankers' acceptances, bills of exchange, etc.; in farm loan bonds; in securities of the New England Flood Corporation; in mortgage loans on unencumbered crops, etc.; in Federal Housing Administration securities; in stock of the Federal Home Loan Bank; in stock, bonds, debentures, etc. of land companies.

Trust companies may create a "trust investment account" to which may be entrusted for investment the whole or any part of its trust funds

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

which do not by terms of the trust, require a separate investment.

Cooperative savings and loan associations, in the absence of a demand for loans or in the regular course of business, may deposit funds in any bank or trust company incorporated under the laws of the State or national banking association having its principal place of business in the State, or with the Federal Home Loan Bank in the New England district; or invest in obligations of the United States, in bonds and notes of any of the New England States, or upon vote of two-thirds of the directors and with the consent of the commissioner in notes of other associations incorporated under the provision of this chapter with first mortgages as collateral.

Loans: Loans to officers or trustees of a savings bank are prohibited. Loans to officers, directors or employees of a trust company may not be made except with the written consent of a majority of the directors, with a maximum loan equal to 5 percent of the capital stock paid in, but this does not apply to the discount of bona fide bills of exchange drawn against existing values, and the discount of commercial or business paper actually owned by such director, officer or employee to an amount not exceeding $10,000, or to a loan upon the pledge of any of the securities which are legal investments up to the same amount.

Banks and trust companies may make loans either for a period of six months or payable in not more than twenty-four monthly installments, up to one-third of the amount of the assets of the bank, of the following classes:

On notes bearing as makers, endorsers or co-makers the signatures of at least two persons, each of whom, in the judgment of the directors, is financially responsible for the amount of the loan;

Obligations in the form of drafts or bills of exchange drawn in good faith against actually existing values, or arising out of the discount

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of commercial or business paper actually owned by the person, etc., negotiating the same, also those drawn in good faith against actually existing values secured by goods or commodities in process of shipment and bearing the endorsement of a responsible person;

Note of a corporation in the State with one or more substantial sureties resident in the State, or approved collateral at not more than 80 percent of the market value;

Note of a responsible borrower with the pledge as collateral of certain specified classes;

Commercial paper, endorsed by banks "in which the law allows deposits on call to be made", to mature in not more than ninety days, and the amount of such paper endorsed by any one bank not to exceed, if a trust company, the capital, and in case of a savings bank the amount of the surplus which is in excess of 5 percent of the deposits and other liabilities except surplus.

Note of a responsible borrower as long as the aggregate amount of such loans does not exceed, in the case of a trust company, the average amount of the commercial deposits for the six months next preceding, or in the case of a mutual savings bank 50 percent of the surplus, or in case of a trust company having no commercial deposits the capital and surplus of such trust company;

Note secured in whole or in part by guarantee, or in any other manner, by any corporation organized under the general corporation laws of Vermont, such loans not to exceed in the aggregate 25 percent of the capital and surplus and undivided profits of a trust company, or 25 percent of the surplus and undivided profits of a mutual savings bank.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Cooperative savings and loan associations or building and loan associations are authorized to make "direct reduction loans" upon the security of first mortgages on real estate without requiring the pledge of shares in the association as additional collateral, such loans to be payable in monthly installments sufficient to retire the debt, interest and principal, within twenty years, etc. It is further provided that such association is authorized to pay taxes, assessments, insurance premiums, and other similar charges for the protection of its interest in the property on which it has loans, all such payments to be added to the unpaid balance of the loan. Such associations may require the assignment of life insurance to the association as additional collateral for loans on real estate.

The above is a new provision passed in 1937. The other loan provision is that at each monthly meeting, "immediately following the receipt of dues and interest, the board of directors shall offer to members of the association desiring to borrow, all accumulations applicable to that purpose". Such loans are to be made in sums of $200 or a multiple thereof, or fractional parts thereof. Members are to bid for loans, the member bidding the highest premium to be entitled to the loan upon giving proper security, such premium not to exceed $2,000. A member may not borrow more than the matured value of shares held by him. Interest on such loans not to exceed 6 percent.

Vermont has a detailed "Securities Act" enacted in 1929.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

VIRGINIA

VIRGINIA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

VIRGINIA

Reference: Virginia Code of 1936, Annotated, Title 37. (No changes in the 1936-37 Session).

The laws of the State of Virginia provide for three types of banks which are authorized to accept demand deposits from the general public:

Banks of deposit and discount
Savings banks
Trust companies.

There are three types of institutions which are for loan and investment purposes and do not accept demand deposits:

Industrial loan associations
Building and loan associations, and
Credit unions.

Private banks are prohibited.

Branches: Branches are permitted, at the discretion of the State Corporation Commission, as follows: Banks having a paid-up and unimpaired capital and surplus of $50,000 or more may have branches within the limits of the town in which the parent bank is located; branches may be established in other cities having a population of not less than 50,000; and in case of a merger in the same or adjoining counties, or of banks not more than twenty-five miles from the parent bank, the parent bank may operate the merged bank as a branch.

Building and loan associations may, with the approval of the State Corporation Commission, establish branch offices.

Definitions and requirements for organization: The Code states

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

that the word "bank" includes banks of deposit and discount, savings banks, savings societies, savings institutions and trust companies, and any other corporations now chartered to receive deposits or to do any banking business, and all persons, firms and associations receiving deposits, or doing any banking business, and that the act applies to all chartered banks or any branch of a corporation chartered to do a banking or trust business other than banks organized under the laws of the United States. It further states that "The powers, privileges, duties and restrictions conferred and imposed upon any bank existing and doing business under the laws of this State are hereby abridged, enlarged or modified, as each particular case may require, to conform to the provisions of this act". It is not to be construed, however, to change or affect any privilege granted by charter to any bank incorporated before June 15, 1910, nor to affect the legality of any investment or transaction previously made, nor to apply to any bank chartered under the laws of the State but having no place of business in the State. No person, persons or corporation, except those corporations already chartered and doing business in the State, or those chartered under this act, may do a trust or banking business in the State, except those chartered under United States laws.

Banks and banking institutions may be incorporated under the general corporation laws of the State subject to the restrictions of the banking code. The general corporation law requires three incorporators. Savings banks, however, require five members of the board of directors to begin with (as a minimum). All banks must have a minimum subscribed capital of $50,000 with a minimum of $25,000 paid in before commencing busi-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

iness, the balance to be paid in ten monthly installments. Trust companies must have a minimum capital of $50,000 all paid in before commencing business.

Industrial loan associations are required to have a minimum paid in capital of $30,000. Building and loan associations must have 5 percent of their required capital paid in before commencing business.

Before issuing a certificate of authority, the State Corporation Commission, through its chief examiner of banks, or one of his assistants, shall ascertain that all of the provisions of the law have been complied with, the required amount of capital stock subscribed and paid in cash, the oaths of the directors taken and filed, and whether in his opinion there is public need for banking facilities or additional banking facilities in the community where it is proposed to establish a bank, to ascertain the moral fitness, financial responsibility and business qualifications of those named as officers and directors, and anything else deemed pertinent. The bank must, within ten days after the receipt of this certificate, publish it in some newspaper in the county or city where such bank is located, once a week for two successive weeks, or if there is no newspaper in that location, in the one nearest them.

"Building and loan associations" apply to and include every corporation organized primarily to enable its members or shareholders by payments in periodical installments or principal sums to acquire real estate, make improvements thereon, and to remove encumbrances therefrom, and for the accumulation of savings to be returned to members or shareholders who do not obtain advances for such purposes, when the savings of such members

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

amount to a certain sum per share. They may operate under the permanent plan, or the serial plan or the optional payment plan, or the combined features of these plans. All building and loan associations doing business in the State come under the Virginia State law. It requires five persons to incorporate a building and loan association. Before issuing a certificate of authority to commence business the commissioner of insurance and banking is to determine whether in his opinion there is public need for such building and loan facilities in the community, whether the officers and directors are of satisfactory moral fitness, financial responsibility and business ability, and that other pertinent circumstances are satisfactory.

"Industrial loan associations" may be formed under the provisions of Chapter 147 (General Corporation Provisions) and they have all the general corporation powers, except as otherwise provided for in the law covering industrial loan associations. There may be no "mutual" industrial loan associations. They must have at least five directors. The State Corporation Commission is required to make the same investigations before granting certificates as are required for banks.

Credit unions may be incorporated by any eight persons, residents of the State, by executing and filing a certificate as provided for in Chapter 148 (General Corporation requirements) except as provided in the law covering credit unions, for the purpose of accumulating and investing the savings of its members, making loans to members for provident purposes, and "generally conducting a credit union as hereinafter provided". When the by-laws have been filed with and approved by the chief bank ex-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

aminer, the minimum amount of capital stock subscribed for, and all the requirements complied with, the State Corporation Commission shall issue a certificate of authority.

Powers: Banks, in addition to their general corporate powers, have "all such incidental powers as shall be necessary to carry on the business of banking, by discounting and negotiating bills of exchange, promissory notes, drafts and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion; by loaning money on real and personal security, or collateral; by guaranteeing the payment of bonds, bills, notes and other obligations, having not more than six months to run; by rediscounting paper; and in purchasing and selling bonds". Savings banks may issue certificates of deposit. No bank may acquire or own its own stock except when done to protect itself against loss, nor shall any bank invest any of its funds in shares of common stock, or its equivalent, of any other corporation except such stock as national banks may purchase for their own account, nor in any notes or other obligations secured by real estate which would not be consistent with the restrictions on real estate loans, except to protect itself against loss. They may own stock of a building corporation which owns the premises in which they are housed in accordance with the restrictions in this law governing same. They may also own stock of an agricultural credit corporation organized under the laws of Virginia provided the total amount of such stock shall not exceed 20 percent of the stock of such bank actually paid in and unimpaired plus the amount of its unimpaired surplus fund.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

State banks may become members of the Federal Reserve System and may be insured under the Federal Deposit Insurance Corporation, etc. Savings banks, savings and loan associations or building and loan associations may become members of any Federal home loan bank.

Banks and trust companies must show all sums borrowed on its books at all times, and all sums borrowed must be upon resolution of its board of directors and under rules and regulations prescribed by the chief examiner of banks.

Banks and trust companies may issue letters of credit and make acceptances.

No bank hereafter (1928) may be granted in its charter the right to do the business of an industrial loan association, and no industrial loan association may do a banking business.

Trust companies are subject to all the general "duties and restrictions" and shall have the general banking powers provided by the statutes of the State, both of deposit and discount and savings banks. If regulations are made for withdrawing deposits other than on demand, such regulations must be printed in the pass books and copies posted in two accessible places in the office of such bank or trust company.

All banks authorized to do a trust business and all trust companies "heretofore or hereafter chartered", in addition to their banking powers, are authorized to act in all regular fiduciary capacities, including acting as "agent for any person, corporation, municipality or State for the collection or disbursement of interest, or income or principal of securities". A trust department must be established to handle trust matters as segregated from the other banking activities, and the trust funds segregated.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

All building and loan associations have the right to lend to their shareholders or to other persons money accumulated from time to time; to purchase land or erect houses and sell, lease or mortgage same at their pleasure to or for the benefit of their shareholders; acquire, hold, convey and encumber any property, real or personal, acquired by them in due course of business; accept personal security, mortgages, deeds of trust, or pledge its shares to secure payment of loans and purchase money for any property sold. They may accept bonds of the Home Owners' Loan Corporation in exchange for home mortgages and other obligations and liens secured by real estate. They may fix the premiums or bonus at which they will loan money to their shareholders.

Direct reduction loans may be made by such associations upon resolution of the board of directors.

They are authorized to take any necessary action to have indebtedness secured by mortgages and deeds of trust insured by the Federal Housing Administration; may subscribe to stock and participate in any reserve or rediscount banks created under any act of Congress or of the State of Virginia with the consent of the State Corporation Commission; may establish rules governing withdrawals.

All such associations are required to have at least two-thirds of the amount of its loans and investments, not including loans made upon credits on its own shares, secured by recorded liens upon real estate which are first liens, except for taxes, continued violation of which rule is cause for the revoking of their license. They are also required to set aside, for protection against losses, a reserve fund of not less

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

than 3 percent and not more than 10 percent, of their total resources, and for the purpose of building up such reserve fund shall annually or semi-annually set aside a sum equal to not less than 2 percent nor more than 10 percent of the annual net earnings for every year that the reserve carried is less than the minimum reserve herein provided. They may also hold in their fund of undivided profits such sum as the board of directors may from time to time deem necessary up to 6 percent of the total resources after deducting the current dividends, but this proviso does not apply to associations whose maximum authorized capital does not exceed $50,000. Reserves and undivided profit funds are to be invested in the same manner as provided for other funds of the associations. Except as otherwise provided, all such associations have the right to invest a sum not to exceed four times the aggregate of its reserve and undivided profits in bonds or securities of the United States, of the State of Virginia, and of the political subdivisions of the State of Virginia.

Such associations are authorized to join the Federal Home Loan Bank System.

Three or more mutual building and loan associations may unite to establish a corporation with not less than nine directors, with a minimum required capital of $25,000 paid in cash before commencing business. Such corporations, in addition to the usual corporate restrictions and powers, are subject to the regulations and powers of this chapter and in addition are authorized to issue, sell and redeem their bonds, notes and other securities, secured by bonds, first mortgages and deeds of trust made to its member associations and deposited as hereinafter provided;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

to act as receiver for any insolvent or otherwise liquidating building and loan association in the State; to receive money, securities or property from its stockholders and from other associations, corporation and persons with whom it has contracts in installments and otherwise; to enter into contract with such association for withdrawal of such money or property; to lend money to building and loan associations upon the security of their promissory notes secured by the deposit of collateral; to invest its capital, surplus and other funds except as herein stated, only in bonds or notes of its borrowing members, . ., or in such other securities as are authorized for the investment of trust funds; to make loans to member associations, subject to the limitations set forth, on the notes or bonds of such associations, to deposit said bonds or notes together with the collateral pledged with the treasurer of the Commonwealth; to issue its direct obligations at such interest rates as may be obtainable, not to exceed 6 percent per year, and only upon security of bonds deposited with the treasurer of the Commonwealth to an amount equal to $100 for each $80 of securities sold by the corporation, etc.

Such corporations may not do a general deposit business; may not invest more than 25 percent of its surplus in real estate occupied, or to be occupied by it for office purposes without the written approval of the commissioner of insurance and banking; may not incur indebtedness upon notes and bonds in excess of twenty times the amount of its capital and surplus; and may not make loans to any of its member associations in excess of twenty times the amount of stock held by such association or in excess of 80 percent of the value of the notes or bonds secured by first mortgages or deeds of trust pledged as collateral as herein provided. They shall accumulate and maintain from profits a surplus by carrying

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

thereto annually not less than 25 percent of net earnings until such guaranty fund is equal to not less than 15 percent and not more than 50 percent of its outstanding stock.

Industrial loan associations, in addition to the general corporate powers, are authorized to lend money to any person, firm or corporation, to be repaid in periodical installments, secured by the obligation of such person, firm or corporation, or by any other security, subject to the limitations and restrictions hereinafter set forth. No loans shall be made for a longer period than ten years. The maximum aggregate loan to one person, firm or corporation is 20 percent of the paid in capital stock and surplus. They may charge the legal rate of interest on the entire loan in advance, plus a fee not exceeding 2 percent for investigation.

Industrial loan associations may sell certificates of investment or similar obligations upon either the fully paid or partial payment system, paying thereon the rate of interest prescribed in its certificate of incorporation or its by-laws.

Corporations already chartered (1928) but not as industrial loan associations, having a capital of $25,000 paid in, may operate under this act by so notifying the chief bank examiner and becoming subject to the terms and provisions thereof.

Credit unions may receive the savings of their members in payment for shares or on deposit, may make loans to their members, or undertake such other activities relating to the purpose of the corporation as their charters or by-laws may authorize, not inconsistent with the act. They may receive deposits of non-members subject to such terms as the by-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

laws provide. The rates of interest charged on loans may not exceed 1 1/2 percent per month on unpaid balances. If so provided in its by-laws, a credit union may rediscount or borrow money but the aggregate amount of rediscounts and borrowings shall not exceed the "sum total of the capital, surplus and reserve funds of such borrowing credit union". The funds of a credit union may be lent to members, deposited in other credit unions chartered by the State, in State banks or trust companies, or in national banks operating in the State, or invested in any investment which is legal for savings banks in the State. Not over 10 percent of the capital stock and reserve fund may be invested in the stock of other credit unions. Security (endorsement of a note or assignment of shares is acceptable security) must be taken for loans of over $50.00. Loans may be made to members in fixed monthly installments to purchase necessary supplies for growing crops. Loans may be made to members only. Deposits may be withdrawn by filing a written notice thereof. At the close of each fiscal year 20 percent of the net income of the corporation is to be set aside as a reserve fund, and when this fund equals the amount of the capital, the percentage set aside may be reduced upon vote of the board of directors. Dividends may be declared at the close of a fiscal year from net earnings.

Investments: The amount invested in its bank building, furniture and fixtures is restricted to not over 50 percent of its paid in capital stock and net surplus. Should the surplus become diminished later, the bank may not pay over 6 percent dividends until its capital and surplus are restored to twice the value of its bank building, etc. This

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

does not apply to existing investments which were valid when made. Banks may acquire real estate for the above purpose and also to protect its investments, at judgment sales, etc.

Funds of savings banks may be invested in or loaned on any stocks or real security, or be used in purchasing or discounting bonds, bills, etc., except that no security other than bonds or certificates of debt of this State, of the United States or of corporations, shall be purchased for less than the full value thereof with "all interest due thereon". The rate of discount or interest is not to exceed 1/2 of 1 percent for thirty days.

Funds received or held in the trust department of a bank or trust company may not be used by the bank through deposit in its savings or commercial department unless the bank or trust company has first delivered to the trust department collateral security of sepcified classes which is owned by the bank or trust company and is at all times equal at least in market value to the amount of trust funds so used. No trust company or bank doing a trust business may buy any property from itself for a trust, or from an officer or employee of such bank or trust company.

When the instrument creating the trust does not specify the character or class of investments to be made, and does not expressly invest in the officers or directors of the bank or trust company discretionary power in investments, such funds are to be invested according to the regulations governing investments by individual fiduciaries as given under Chapter 221, Section 5431, which are listed in great detail.

Loans: The total of loans to an individual, corporation, association, etc., is limited to not over 15 percent of the capital and perm-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

anent surplus of such bank, except this does not include bills of exchange or drafts against actually existing values, obligations arising out of discount of commercial paper actually owned by the borrower, or obligation drawn in good faith against actually existing values, bankers acceptances, etc., etc.

Loans to officers, directors or employees must be approved by a majority of the board of directors and must be secured by good collateral, endorsement or other ample security.

Loans on real estate are not to exceed 50 percent of the appraised value of the real estate, unless the loan is not for over fifteen years and is secured by an amortized mortgage, deed of trust, etc., and then not to exceed 60 percent of the appraised value. The aggregate amount of such loans may not exceed the capital and unimpaired surplus, or 60 percent of its time and savings deposits. This does not prevent the renewal of loans previously made (1936) which at the time made conformed to the law provided they are reduced as soon as possible to conform to the law, etc.

Interest: Banks and trust companies may not pay over 4 percent interest on deposits, savings or otherwise, nor more than the maximum rate authorized to be paid by member banks of the Federal Reserve System.

Dividends and surplus: May be paid from the net profits after all expenses and losses have been paid and a surplus fund equal to 10 percent of the capital stock, exclusive of preferred stock issued to the Reconstruction Finance Corporation. First, capital must be paid in full; after the surplus fund equals 10 percent of the capital the bank is to continue to set aside at least 10 percent of the net profits to the surplus fund until it equals 20 percent of the capital.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Reports: All banks included in the definition of "Banks" are required to make statements of their financial condition at the time of the call on national banks by the Comptroller of the Currency, and also at such other times as the State Corporation Commission may deem necessary. They are required to publish these statements in condensed form.

Building and loan associations are required to make a statement on the 30th day of June each year to the State Corporation Commission on forms furnished by the Commission, showing the total amount received during the preceding year for shares of stock.

Industrial loan associations may be required by the State Corporation Commission to make statements at the discretion of the Commission.

Credit unions are required to make a report of condition to the department of banking of the State Corporation Commission on the date of the second and fifth call on State banks, and such further reports as the State Corporation Commission or chief bank examiner may deem necessary.

Examinations: Each and every bank is to be examined by the State Corporation Commission or their representative, at least once a year and at such other times as they may deem necessary. The Commission is also empowered to make or cause to be made such examination of the affiliates of each bank as is necessary to determine the financial condition of the bank. The Commission shall also make a special examination of a bank upon the written application of the board of directors or a majority of the stockholders, or when necessary in the judgment of the Commission.

Building and loan associations are to be examined by the Commissioner of Insurance and Banking not less than twice each year, and oftener at his discretion.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Industrial loan associations are to be examined by the chief bank examiner at least once each year or oftener at his discretion.

Credit unions are to be examined at least once a year, "but the chief bank examiner may, in his discretion, order other examinations".

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

WASHINGTON

WASHINGTON

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

WASHINGTON

References: Remington's Revised Statutes of Washington, Vol. 5 and Laws of Washington, 1937. Titles 18, 21 and Chapters 3 and 9 of 25.

The laws of the State of Washington provide for two types of financial institutions which are authorized to accept demand deposits from the general public, that is:

Commercial banks
Trust companies;

and for the mutual savings banks which are authorized to accept time deposits from the general public.

The Washington State laws provide for three types of loan and investment institutions:

Building and loan associations
Industrial loan companies
Credit unions.

Building and loan associations may accept deposits from their members to be repaid according to the by-laws of the institution.

Private banking is prohibited.

"Banking" includes the "soliciting, receiving or accepting of money or its equivalent on deposit as a regular business". The term "commercial bank" includes "any bank other than one exclusively engaged in accepting deposits for savings accounts".

"Trust company" means any corporation organized under the laws of this State engaged in trust business.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"Savings bank" includes any bank whose deposits are limited exclusively to savings accounts, and "the department of any bank or trust company that accepts, or offers to accept, deposits for savings accounts in accordance with the provisions of this act relative to segregated savings". A "Savings account" is one which, by its regulations accepted by the depositor at the time he opened the account, requires that a pass-book, certificate or other similar form of receipt must be presented to the bank whenever a deposit or withdrawal is made, and where the depositor at any time may be required to give notice of an intended withdrawal before such withdrawal is made.

The term "person" as used in this act, unless a different meaning appears from the context, includes a "firm, association, partnership or corporation, or the plurual thereof, whether resident, nonresident, citizen or not".

"Building and loan" or "savings and loan associations" are not defined.

"Industrial loan companies" are corporations "which make a business of loaning money repayable in installments and simultaneously with the loan transaction issue to the borrower their own written evidences of debt".

"Credit unions" are cooperative societies "incorporated for the twofold purpose of promoting thrift among their members and creating a source of credit for them at legitimate rates of interest for provident, productive and educational purposes".

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Branch banking: With the approval of the supervisor of banking, a bank or trust company having a paid in capital of $200,000 or more may establish branches within the limits of the county in which its principal place of business is located, and banks and trust companies having a paid in capital of $500,000 or more may establish branches in any city or town within the State, provided such bank or trust company has paid in capital equal to the required minimum for the locality in which a branch is to be established, in addition to the minimum required for the location of its principal place of business, and provided there is no previously established bank or trust company, State or national, other than the one which is being taken over by such bank or trust company.

Charter or organization requirements: To organize a bank or trust company requires five or more persons, citizens of the United States. A bank is required to have a minimum paid in capital of

$ 25,000 in cities of less than 5,000 population
50,000 in cities of from 5,000 to 25,000 population
100,000 in cities of from 25,000 to 100,000 population
150,000 in cities of over 100,000 population

except that a bank may be organized outside the "central business district of a city of over 25,000, as defined by the supervisor of banking, with a minimum capital of $50,000, such bank not to receive in deposits more than ten times its capital and surplus.

Trust companies are required to have

$ 50,000 in cities of less than 25,000 population
100,000 in cities of from 25,000 to 100,000 population
200,000 in cities of more than 100,000 population

and in addition are required to have paid in an amount equal to 10 percent of their paid in capital stock as an undivided profit or expense fund.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

The articles of incorporation of banks and trust companies are to be submitted to the supervisor of banking for his examination. He is to ascertain whether the character, responsibility and general fitness of the incorporators are such as to "command confidence and warrant the belief that the business of the bank will be honestly and efficiently conducted", whether the resources in the neighborhood and surrounding country afford the promise of adequate support for the proposed bank or trust company, and whether it is being formed for the legitimate objects covered by the act.

To organize a mutual savings bank requires from nine to thirty persons, all citizens of the United States, at least four-fifths of whom must be residents of the State, and two-thirds residents of the county where the bank is to be located. Among other things, the articles of incorporation must contain the sums each incorporator will contribute in cash to the initial guaranty fund, the aggregate to be a minimum of $5,000, and to the expense fund, the aggregate amount of which must be at least $5,000, and the pledge that they will contribute further amounts, if necessary, to take care of the expenses until such time as the earnings are adequate to take care of them; and a declaration that each incorporator will accept responsibility and faithfully discharge the duties of a trustee of the savings bank, that the members of the board of trustees (made up of incorporators) are all residents of the State, that no one of them has been adjudged a bankrupt, or taken the benefit of any insolvency law, or made a general assignment for the benefit of creditors, nor had a judgment recovered against him to remain unsatisfied or unsecured on appeal for a period of more than three months, and they may not be a trust officer or employee of any other savings bank, nor be a trustee

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"solely by reason of his holding public office". Notice of intention to organize such a mutual savings bank, in addition to being filed in the usual way, must be published in a newspaper designated by the bank commissioner once a week for four successive weeks, and at least fifteen days prior to submitting the incorporation certificate to the bank commissioner for examination, notice must be served by mail upon each savings bank doing business in the city or town named in the certificate.

To organize a building and loan association, or savings and loan association requires ten or more persons, citizens of the United States, of full age, a minimum of $10,000 in paid up shares, par value, and if the population is 100,000 or more the minimum paid up shares shall be $20,000; the number of directors is to be not less than seven nor more than fifteen; if upon investigation the supervisor of savings and loan associations finds that the required amount has been subscribed and paid in cash, that the organizers have the proper qualifications, and if public necessity and/or convenience will be promoted by the organization of such a business, he shall approve the articles of incorporation, and issue a certificate of authority to begin business.

The authority of the supervisor of banking must obtained before an industrial loan company can be organized. It requires five or more persons, citizens of the United States, a capital stock of not less than $50,000 in cities of 100,000 population or less, in cities from 100,000 to 200,000 population, not less than $100,000, and in cities of over 200,000 population not less than $200,000, with at least 25 percent paid in cash and the balance to be paid in monthly installments of not

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

less than 1/12 of the balance until paid. The supervisor of banking, upon receipt of the articles of incorporation and proposed bylaws, complying with the requirements, is to ascertain "whether the character, responsibility and general fitness of the persons named in such articles are such as to command confidence and warrant belief that the business of the proposed industrial loan company will be honestly and efficiently conducted in accordance with the intent and purpose of this act, whether the resources in the neighborhood of such place and in the surrounding country afford a reasonable promise of adequate support for the proposed company", etc.

To organize a credit union requires seven or more persons residents of the State. When the articles of incorporation, complying with the law, together with copies of the proposed bylaws, are filed with the (law still gives "director of efficiency" which has been abolished), he shall ascertain whether the "responsibility, character and general fitness of the persons named in such articles are such as to command confidence and warrant the belief that the purpose of the proposed credit union will be honestly and efficiently conducted in accordance with the purpose of this act," etc.

Other capital requirements: Mutual savings banks may keep on hand an available fund of not to exceed 20 percent of the aggregate amount credited to its depositors, to be deposited in banks or trust companies in the State of Washington or certain other specified locations to the extent of not over 25 percent of the paid up capital and surplus of the bank in

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

which it is being deposited, and not over 5 percent of the amount credited to its depositors may be deposited in any bank or trust company in which a trustee of the savings bank is a director.

The guarantee fund is to be gradually accumulated from maintained by net earnings at 10 percent of the amount due depositors. Not less than 5 percent of the net earnings for a given period, or an amount which will not reduce the dividends to depositors below 3 1/2 percent, to be set aside for the guarantee fund when it is below 10 percent of the amount due depositors. Amounts advanced for the guarantee fund and for the expense fund by trustees to be returned to them from net earnings, etc. When the guarantee fund is equal to 10 percent of the amount due depositors, the minimum dividend to depositors is to be 4 percent and maximum 6 percent. When the undivided profits plus the guarantee fund amount to more than 25 percent of the amount due depositors, the trustees shall at least once in three years, declare an extra dividend to the depositors.

Powers: In addition to the ordinary corporate powers, banks are authorized to discount and negotiate promissory notes, drafts, bills of exchange and other evidences of debt, to receive deposits of money and commercial paper, to lend money on real or personal security, to buy and sell bullion, coins and bills of exchange; to "take and receive as bailee for hire upon terms and conditions to be prescribed by the corporation, for safekeeping and storage, jewelry, plate, etc. . . . and to rent vaults, safes, boxes, etc. . . .; if located in a city of not over 5,000 inhabitants, to act as insurance agent; to accept drafts or bills of exchange, etc., etc. The stock of a bank or trust company "shall not rep-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

resent stock of any corporation engaged in the business of selling securities to the public". Foreign banking and trust companies may loan money on mortgage securities, and sell exchange, coin, bullion or securities in the State, provided they sign an agreement not to do a banking or trust business, and comply with the laws of the State governing the operation of foreign corporations in the State. Foreign banks having branches already in operation in the State in 1917 and in full compliance with the requirements of the State, and which have a capital for the branch equal to that required to organize a State bank in that location, may continue in business subject to all the regulations and supervision of the State.

Banks and trust companies may invest in real estate for the "convenient transaction of their business, including with its offices other apartments in the building to be rented as a source of income, up to 30 percent of its capital, surplus and undivided profits. Otherwise the usual restrictions apply. A clause is added providing for the acquiring of such property by trust companies as they receive in connection with a trust.

Trust companies are given all the powers possessed by banks and in addition, are authorized to act as fiscal or transfer agent of the United States, any State, etc.; to transfer, register, etc., certificates of stock, etc.; act as trustee under any mortgage or bonds issued by any municipality, body politic, corporation, etc.; to receive and manage any sinking fund of any corporation; act as receiver or trustee of estates, and generally to act in the usual fiduciary capacities; to purchase, invest in

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and sell promissory notes, bills of exchange, bonds, debentures and mortgages, and when moneys are borrowed or received for investment, the bonds or obligations of the company may be given therefore, but no trust company issuing such bonds may engage in the business of banking or receiving of either savings or commercial deposits, etc.

Banks and trust companies may not make loans on, or discount, or be the purchaser of their own stock, nor of that of any other bank, trust company or national bank, except to prevent loss, etc.

Directors, officers and employees of banks or trust companies may not receive any other remuneration from such corporations other than reasonable compensation for services rendered and the same interest or dividend on stock held as is paid to any other stockholder.

Banks or trust companies may borrow for temporary purposes not to exceed the amount of their paid up capital and surplus and may pledge their assets therefor up to one and one-half times the amount borrowed, except they may become liable for more than this amount on account of moneys deposited with or collected by the bank or trust company, bills of exchange, etc.

It is provided that whenever the supervisor of banking shall so notify the board of directors of a bank or trust company, with the consent of the holders of two-thirds of the stock, they are to levy an assessment on the stock of such corporation, and if the same is not paid within twenty days after notice is received, such stock will be subject to forfeiture.

Mutual savings banks have the power to receive deposits, invest same in property and securities prescribed in the law, declare dividends, and all such incidental powers as are necessary to carry on the business

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of a savings bank; to issue transferable certificates showing the amounts contributed by any incorporator or trustee to the guaranty or expense fund of such bank; purchase, hold and convey real property under the usual condition, the building and grounds not to cost more than 25 percent of the amount of the guaranty fund, except with the approval of the State examiner, and the plans and estimates to be submitted to the examiner for approval before such purchase is made; to pay depositors (see withdrawals), according to the regulations of the law and rules adopted by their own board, and subject to such conditions, by draft; to borrow money in an emergency for the purpose of repaying depositors, and to pledge or hypothecate securities as collateral for loans so obtained; to collect or protest promissory notes or bills of exchange owned by such bank or held by it as collateral, etc.; to sell gold or silver received in the course of business; to act as insurance agent for the purpose of writing fire insurance on property in which the bank has an insurable interest which property is located in the same city or in the immediate contiguous suburbs; to let vaults, safes, boxes, etc.; they may borrow only with the written approval of the State examiner (bank commissioner) and after a resolution adopted by a majority of the board of trustees; they may not make a certificate of deposit due upon demand or upon any fixed day; may deposit their monies only in institutions approved by the banking supervisor and by the board of trustees; maximum aggregate deposit, including accrued dividends, acceptable from one depositor, $7,500, which maximum may be further limited by any bank. They may not have demand accounts. Up to six months notice may be required for withdrawals, or less according to regulations adopted by the bank provided such regulations are duly posted, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

There are detailed restrictions for trustees and provisions for their removal. Also the supervisor of banking may cause the removal of any trustee, officer or employee of a savings bank for dishonesty, recklessness or incompetentcy. There is also a provision for pensions for employees of savings banks.

If a mutual savings bank continues "unsafe and unsound practices" for 30 days after notice from the supervisor of banking, the supervisor may take possession of such bank.

Building and loan associations may buy, sell, lease and deal in real property with the usual restrictions, and with the further restriction upon investment in the purchase and improvement of real estate for its place of business to 5 percent of its assets; (this restriction does not affect transactions made prior to the passage of this law (1933)); in bonds and treasury certificates of the United States; in general obligation bonds and warrants of the State of Washington or any other State in the United States, or of any county, or of any county or city having a population of over 100,000 which have not defaulted in interest or principal of any general obligations within the last ten years, etc.; in first mortgages "on fee estate on improved real property in the State of Washington"; capital stock or bonds of a federal home loan bank; and in the capital stock, notes, bonds, debentures and/or other obligations of any national mortgage association, "or similar credit institution". Semi-annually five percent of the net profits are to be placed in the "contingent fund". When the contingent fund and undivided profits exceed 15 percent of the assets of the association, the surplus is to be

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

distributed to the members as dividends. No association may pay more than 5 percent per year dividend until the contingent fund equals 5 percent of the total par value of all outstanding shares. The maximum amount of expense which may be incurred by an association having over $500,000 in assets is 2 percent of that amount, with assets of under $500,000 and over $50,000, 2 1/2 percent, and if the assets are not over $50,000, the maximum for expenses is $1,000. Shares may not be withdrawn until after three months from date of issuance.

Industrial loan companies have the power to loan money on personal security and otherwise, and to deduct interest therefor in advance at the rate of 8 percent per annum or less; to require the borrower to purchase and pledge as security for the loan and investment certificate not to exceed one-fifth more than the loan on which the borrower is to pay weekly, semi-monthly or monthly installments "with an allowance of not less than 3 percent interest on such installments if paid on or before the date due" and to make a delinquency charge, etc.; to make a charge for such loans of $100.00 or over; to sell or negotiate "written evidences of debt for the payment of money at any time, and to receive payments therefor in installments or otherwise with not to exceed 6 percent interest per annum; receiving demand deposits is expressly forbidden. Corporations with a paid-up capital of $500,000 or more may, with the approval of the supervisor of banking, establish branches. Such corporations may not make a loan on the security of makers comakers, etc., for more than one year to a person, firm, etc., not a resident of the same county, nor hold at any one time the primary obligations of any person, firm or corporation for more than 2 percent of the paid-up capital and surplus of such in-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

dustrial loan company"; hold at any one time obligations of persons, etc., secured by one class of security, aggregating more than one-third of the total resources of such industrial loan company; make any loan on the security of its own capital stock or be the purchaser thereof, etc.; invest any of its funds except as authorized therein or as legal investments for commercial banks; make any loans to officers, directors or employees; have outstanding at any one time its investment certificates or other evidences of debt in the aggregate in excess of five times the aggregate amount of its paid-up capital and surplus, exclusive of investment certificates hypothecated with the corporation issuing them; may not exact a surrender charge on investment certificates; may not deposit any of its funds with any other moneyed corporations other than those designated as depositories by a vote of a majority of the directors, or executive committee; may not make any loan secured by real estate, including all prior liens; may not have outstanding investment certificates in the name of any person, firm or corporation for more than one percent of its paid up capital and surplus; nor pledge or hypothecate any of its securities to any creditor except to borrow and rediscount not to exceed in the aggregate the amount of its paid up capital and surplus, pledging for amounts borrowed not more than 1 1/2 time the amount borrowed and for amounts rediscounted not to exceed one-half of the amount rediscounted. Such corporations shallmaintain a cash reserve equal to 5 percent of its outstanding investment certificates, exclusive of those hypothecated with the corporation issuing them. They may purchase and hold real estate under the usual rules, except that the amount that may be invested in its place of business may not exceed 25

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

percent of its paid-up capital, surplus and undivided profits. Before dividends may be declared, an amount equal to 1 percent of the total outstanding loans and discounts must be set aside to cover losses, and not less than 10 percent of the dividend declared is to be placed in the surplus fund until such fund equals 25 percent of the capital stock.

Credit unions may receive the savings of their members in payment for shares or on deposit, or may lend to its members at reasonable rates, or invest its funds (not loaned to members or deposited in national or State banks or trust companies), in any bonds or securities or other investments which are at the time legal investments for savings and loan associations in the State, except first mortgage real estate loans, or in the shares of other credit unions or savings and loan associations organized under the laws of the State. They may not carry on a banking business, or accept any demand, commercial or checking accounts, nor issue any demand certificates of deposit. At least 5 percent of the total assets of a credit union are to be carried on hand or as balances due from banks and trust companies, or invested in bonds or notes of the United States, or of any State, or subdivision thereof, which are legal investments for savings and loan associations. No more loans may be made when the above ratio falls below five percent until such ratio is reestablished. All investments other than loans must have the approval of the board of directors. Before any dividend may be paid, not less than 20 percent of the net income for any given period must be set aside for the guaranty fund until such fund equals 15 percent of the assets of the credit union, and said fund is to be maintained at 15 percent. All en-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

trance fees (not to exceed $.25 per member) are to be added to the guaranty fund. Dividends may not exceed 8 percent, but surplus earnings may be distributed to the borrowers as a "patronage dividend in proportion to the interest paid by them".

Loans: Loans by banks and trust companies to any one individual, firm or corporation (if not from the savings department) may not exceed 10 percent of the capital and surplus of such bank or trust company. Discount of bills of exchange drawn in good faith, etc., is not to be included in the above. Loans secured by collateral have an "ascertained market value of at least 15 percent more than the amount secured, are not included in the above restriction. Loans in excess of this amount must be reduced within one year by at least 20 percent of the excess, by at least an additional 30 percent of the excess in two years, and within three years such excess must be eliminated entirely. No loans may be made to officers or employees of the corporation. No loans may be made to directors unless authorized by a resolution of a majority of the members of the board at a meeting at which the borrowing director is not present, and such loans when made must be immediately reported to the banking supervisor. Loans to a director may not exceed in the aggregate 5 percent of the aggregate capital and surplus of the bank or trust company unless approved by the supervisor of banking, including his endorsements, etc. Any banks having made loans in excess of this restriction prior to this law (1933) must within three years have entirely eliminated this excess. If unsafe and improvident loans are being made, the banking supervisor may require a bank or trust com-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

pany to submit all such proposed loans to him for his approval before they are made, etc.

Building and loan associations may employ their funds in making first mortgage loans, substantially all of which are to be to members, for which there are detailed regulations; may lend their funds upon their own debentures and those of another association in the State, or to its members, or upon the security of their own shares up to 75 percent of the withdrawal value. No loans may be made to officers, directors or employees. Two percent of the total assets of the association is the maximum loanable on the security of one property or to one person, if the loan is over $5,000. There is no limitation upon federal insured bonds. Such associations may not make loans to or purchase property of any nature from public officials such as the supervisor, examiner, attorney, etc., or their employees.

Credit unions may make personal loans to members secured by the note of the borrower, and loans secured by second mortgages of real estate situated in the State. Preference is to be given to personal loans. Personal loans unsecured except by the note (unendorsed) of the borrower are limited to $50.00; those secured by endorsement of one or more responsible people, or by the "joint and several" note of two or more members with satisfactory collateral security, are limited to $300.00; if secured by the note of the borrower with two or more responsible endorsors thereon, or with the "joint and several" note of three or more members, secured by satisfactory collateral, to $1,000; and so

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

on up to $2,000; also, they may loan up to the value of the shares and deposits of the borrower in a credit union if secured by the note of the borrower and the assignment of said shares and deposits, to the extent of 5 percent of the assets of the credit union or $2,000. "The aggregate of all loans secured by mortgages on real estate outstanding, together with the loan to be secured by second mortgage, shall not exceed sixty percent of the value of the property mortgaged, as determined by the credit committee, and all delinquent taxes and assessments must be paid, and all such loans must be amortized by weekly or monthly payments which payments shall be at the rate of not less than 10 percent per annum of the principal".

Investments: Trust funds may be invested only in the manner specified in the law, which covers United States bonds or other obligations of the United States, or of any State thereof; or of the Dominion of Canada or any of its provinces they are payable in the United States and in gold coin of the United States or its equivalent; in bonds or other obligations of any county, city, or school district, or port district of the State of Washington or of any other State provided they are acceptable by the United States as security; in water system bonds of any first or second class city in Washington with restrictions; railroads and railroad equipment bonds and mortgages with detailed restrictions; mortgage bonds of telephone and utility corporations with restrictions; real estate mortgages, with restrictions.

Mutual savings banks may invest their funds only as specified,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

which includes bonds or obligations of the United States, or of the Dominion of Canada, or of the State of Washington, or of any other State of the United States upon which there is no default; in bonds of any city, town, county school district, port district, or other municipal corporation, or in water revenue or sewer bonds upon certain conditions; or in bonds of any incorporated city having a population of over 3,000 inhabitants, or of any county or school district in one of the States adjoining the State of Washington provided the indebtedness (except a county) comes within a set limitation; or in the bonds of any county, incorporated city, or school district of any such city in the United States, provided such county, city or school district has a population of not less than 45,000 inhabitants with certain restrictions, and of counties, cities and towns of not less than 150,000 with other restrictions; in water revenue bonds of any incorporated city in the United States provided the population is not less than 45,000 and the entire revenue of the city's water system, less maintenance and operating costs, is pledged for the payment of interest and principal; in bonds of any port district, water district, sanitary district, sewer district, tunnel district, bridge district, flood control district, park district or highway district in the United States, which has a population of not less than 150,000, etc.; in railroad and railroad equipment obligations with detailed restrictions; not to exceed 15 percent of its funds in the bonds of any local improvement district (except grading only) of any city or town of the State with certain restrictions; not to exceed 5 percent of its funds in bonds of any irrigation, diking, drainage or

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

diking and drainage improvement district of the State with restrictions; in bonds of corporations supplying electrical energy, gas, water, etc., incorporated under United States laws, or laws of any State or the District of Columbia, with detailed restrictions; in utility mortgage bonds with detailed restrictions; up to 20 percent of its funds in bankers' acceptances and bills of exchange with detailed restrictions; promissory notes with restrictions; up to 70 percent of its funds in loans secured by first mortgages subject to detailed restrictions; in loans secured by first mortgages on leasehold estates with detailed restrictions; and in real estate as given under powers of mutual savings banks.

Reports: All banks and trust companies are required to make at least three reports each year to the bank commissioner at his call according to forms prescribed by him, the dates to coincide with the call of the Comptroller of the Currency upon national banks, and such further reports as are called for by the bank commissioner. Reports to be published in condensed form as prescribed by the commissioner.

Mutual savings banks are required to make the same reports as other banks and trust companies.

Building and loan associations are required to file with the supervisor such reports as he may call for on blanks to be furnished by him, which reports must be published at least semi-annually.

All industrial loan corporations are required to file a report with the supervisor of banking on or before January 10 and July 10 of each year according to forms prescribed by him, and such further reports as he may call for.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

All credit unions are required within 20 days after the first business day in January and July of each year to make a report to their supervisory authority in such form as he may prescribe.

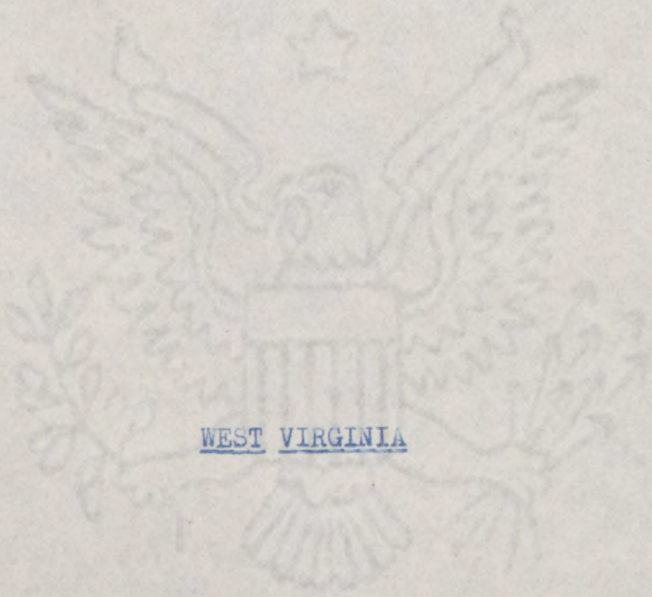
Examinations: The supervisor of banking or his deputy, is required to examine each bank and trust company, including mutual savings banks, at least once each year, and oftener if necessary, but may accept in lieu thereof examinations required by the Federal Reserve Act or for members of the Federal Deposit Insurance Corporation.

The supervisor of savings and loan associations, or his authorized examiners, are required to examine each association at least once a year without previous notice.

Industrial loan corporations are to be examined at least once each year without previous notice by the supervisor of banking or his deputy.

Credit unions are to be examined at least once each year by the supervisory authority.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis



WEST VIRGINIA

WEST VIRGINIA

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

WEST VIRGINIA

Reference: West Virginia Code of 1937, Chapter 31, Articles 4, 6, 7, 8, 10 and 11. Pp. 1074-1147.

The laws of the State of West Virginia provide for two types of financial institutions which are authorized to accept demand deposits from the public, banks and banks which do a trust business, covered by Article 4 on "banking institutions". There is no separate code for savings banks. Credit unions are authorized to accept deposits from their members.

In addition to the above the law provides for three kinds of institutions which do a loan and investment business:

Building and loan associations (and savings and loan)
Industrial loan companies (covers the old building and loan associations as organized under the old law)
Savings and loan association of the State of West Virginia.

Private banking is definitely prohibited, also branch banking.

"Banking institution" includes every company chartered under this chapter and authorized to do a banking business in the State as defined under "Powers" of banks, and under "Trust powers", all such institutions are required to have as part of their name the words "bank", "banking company", "banking association", "savings bank" or "trust company", and no other corporations or persons (except national) may have such words as part of their name, etc.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"Building and loan associations" are defined as "Corporations organized in this State for the purpose of encouraging industry, frugality, home-building, and saving among their members, and for the purpose of assisting their members to accumulate and invest their savings by accumulating a fund from periodic payments on their stock or otherwise to be loaned among their members and to other persons". General corporation laws of the State, not inconsistent with this article apply.

"Industrial loan company" is defined as "any corporation formed under the provisions of this article (7) and any corporation heretofore formed with the approval of the commissioner of banking of this State under the laws governing the formation of building and loan associations whose plan of operation is as herein provided."

"Credit union" and "The savings and loan association of the State of West Virginia" are not defined.

Organization and capital requirements: All charters of all banking institutions must first be approved by the commissioner of banking. The minimum capital requirement for banks is $25,000 paid in. A minimum reserve is required of 10 percent of all demand deposits and 5 percent of time deposits (all banking institutions).

The minimum capital required for trust companies is $100,000.

All building and loan associations or savings and loan associations to be or already organized must be mutuals to operate as building and loan associations. A minimum of nine residents of the State are

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

required to organize an association. Members are those to whom the shares have been issued or transferred, and payments upon shares are to be termed "dues". Associations to be "permanent in character". The by-laws, which include regulations as to kind of shares to be issued, amount of payments, interest, dividends, etc., must be approved by the commissioner of banking before an association may commence to transact business.

Industrial loan companies are required to have a minimum of $25,000 capital, at least 50 percent of which must be paid in before a company may be authorized to commence business. Not less than thirteen persons are required to organize an industrial loan company, all citizens of the State. The voting power and control of such corporations is to be vested in one class of stock only. The commissioner of banking is to satisfy himself that all requirements of the law have been complied with before issuing a certificate of authority to commence business.

A minimum of eight persons may form a credit union, all residents of the State and having "a common bond of occupation or association". The secretary of State is to determine whether the "articles of agreement" conform to the provisions in the law, and whether or not the organization of such a credit union will benefit the organizers of it and be consistent with the "purposes of this article", but before he issues a charter the articles of agreement and the by-laws must have the written approval of the commissioner of banking who is to make an examination to determine whether or not the conditions have been complied with and if he should have any reason to believe that the organizers have

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

any other purpose than the "legitimate objects contemplated in this article" he can refuse the charter. The commissioner is to have prepared an approved form of incorporation agreement and by-laws to guide the incorporators.

All banking institutions in the State, except national organizations, and including industrial loan companies and building and loan associations are under the supervision of the department of banking and Article 8 of the chapter on banking applies to all institutions under the direction of the department of banking, headed by the commissioner of banking. The article states "If a corporation, subject to the supervision of the commissioner of banking shall, after notice, refuse to comply with any reasonable requirement of said officer, he shall have the right to revoke the certificate of authority of such corporation to transact business in the State of West Virginia", etc.

The Savings and Loan Association of the State of West Virginia: A minimum of 11 building and loan association, savings and loan associations, title guaranty companies, fire insurance companies, life insurance companies, mutual savings banks, and other institutions making loans for a period of six years or longer are authorized to create a savings and loan association of the State of West Virginia, and to subscribe for stock therein. The secretary of State is to issue the charter after the commissioner of banking has approved their application for a charter, also, the proposed constitution and by-laws are to be submitted to the commissioner for his approval. The constitution and by-laws are, among other things, to determine the fees that may be charged its mem-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

bers, the sums of money or dues to be paid upon shares, crediting and paying of dividends, loans and investments and the conditions under which loans may be made, fines, interest, premiums, etc. Each member association has the right to subscribe to the capital stock of the Savings and Loan Association of the State of West Virginia in an amount not less than one percent of its total investment in real estate loans in West Virginia. Membership is to continue until the right to withdraw has been given by the board of directors. The board is to prescribe the conditions and time of payment of subscription to capital stock. No subscriber may have more than one representative on the board of directors, the board to be made up of not less than seven nor more than eleven members, two of whom are not to be stockholders of any subscribing associations, company, etc., and who shall be of the opposite political faith and are to be appointed by the governor, the others to be elected by the stockholders.

Powers: All State banking institutions have all the necessary powers to carry on a banking business, including the right to buy or discount promissory notes, and bonds, negotiate drafts, bills of exchange and other evidences of indebtedness, borrow money, receive deposits on such terms and conditions as its officers may prescribe, buy and sell exchange, bank notes, bullion or coin, loan money on personal or other security, rent safety deposit boxes and receive on deposit for safe keeping jewelry, plate, stocks, bonds and personal property of "whatsoever description"; accept drafts for payment at a future date; issue letters of credit; may acquire, own, dispose of, etc., real estate which shall

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in no case be carried on its books at a value greater than the actual cost, necessary for the convenient transaction of its business, which investment hereafter (1929) shall not exceed 65 percent of the amount of its capital stock and surplus, except with the written consent of the commissioner of banking, or such as is mortgaged to it as security for debts in its favor, or such as it shall acquire in protecting its investments. They are further limited in their investment in furniture and fixtures, whether installed in a building owned by such institution or in leased quarters, to not more than 20 percent of its capital and surplus. Banking institutions may, with the approval of the banking commissioner, and without the action of its stockholders, sell its capital notes or debentures which shall be subordinate to claims of depositors and may be subordinate to the claims of other creditors. Banks may borrow to maintain their required reserve or meet any emergency but may not pledge or hypothecate for money borrowed more than two dollars of its assets for each one dollar borrowed.

Banking institutions authorized to engage in the business of a trust company have the power to act as trustee, guardian, executor, etc.; to act as registrar or transfer agent for any corporation in registering and transferring of their stocks, bonds, etc.; deal in stocks and bonds; purchase, sell, take charge of and receive rents of any real estate for other persons or corporations; act as trustee or agent in any collateral trust, etc.; and act in gneral in any fiduciary capacity. Banks doing a trust business are required to keep trust funds and accounts entirely

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

separate from the other business of the bank. Stockholders are liable for their stock plus an amount equal to same.

Building and loan associations incorporated under Chapter 31, Article 6, are authorized to issue shares and collect dues thereon, charge interest or premium in excess of the legal rate if the by-laws so provide, if so provided in its by-laws to borrow money upon a majority vote of the board of directors and issue its evidence of debt therefor; and make loans to its shareholders which will be covered under "Loans". Most of their regulations are to be established in their constitution and by-laws.

Industrial loan companies are authorized to lend money to any person, firm or corporation, secured by the obligation of such person, firm or corporation, or otherwise, and to receive and require uniform periodical installments on its evidences or certificates of indebtedness, "or classes of stock (other than its controlling and voting class of stock) purchased by the borrower simultaneously with such loan transaction", etc.; sell its secured or unsecured evidences or certificates of indebtedness or classes of stock other than its controlling and voting class of stock, and to receive thereon payment in installments or otherwise, with or without an allowance of interest, etc.; buy and sell bonds or choses in action of any person, firm or corporation; impose a charge of five cents for each default in payment of one dollar, or fraction thereof, etc.; charge for loans such rate of interest as may be agreed upon not to exceed the lawful rate, and receive same in advance; to charge for a loan $1.00 for each $50.00 or fraction thereof, for expenses;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

purchase, hold and convey such real estate as is necessary for the convenient transaction of its business not to exceed 25 percent of its paid in capital stock and surplus, or such real estate as it acquires in protecting its investments. Such companies may not have outstanding at any time its evidence of indebtedness, class of stock other than its controlling and voting stock, or other evidences of debt, in an aggregate sum in excess of ten times the aggregate of its paid up capital stock and surplus, exclusive of indebtedness or classes of stock hypothecated with the corporation issuing them; may not deposit any of its funds with any other moneyed corporation than those designated as such depository by a vote of the majority of the board of directors; may not pledge or hypothecate any of its securities to any creditor, except they may rediscount or borrow money from any source in addition to selling its evidences of indebtedness and its classes of stock other than its voting stock not to exceed the sum total of its capital; surplus and reserve funds, and the security so pledged therefor may not exceed two times the amount borrowed; and they may not pay any fees, bonuses, etc., to any person, firm or corporation for the privilege of using any plan of operation, scheme or device for the organization or carrying on of business under this article, or the name, trade-mark or copyright to be so used, etc. They are to maintain a cash reserve equal to 5 percent of their issued and outstanding evidences or certificates of indebtedness and classes of stock other than their voting and controlling stock, exclusive of those hypothecated with the corporation issuing them. The board of directors may at any time

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

declare dividends out of net accrued cash earnings payable upon the controlling and voting stock, but not until after the payment of all fixed amounts agreed to be paid upon other classes of stock and the interest upon evidences of indebtedness.

Credit unions have the power to receive the savings of their members either as payments on shares or as deposits, make loans to members for provident or productive purposes, make loans to any cooperative society or other organization having membership in the credit union; to deposit its funds in State and national banks, and to invest in any investment legal for savings banks, also to borrow money and rediscount up to 20 percent of the sum total of its capital, surplus and reserve funds. They may rediscount in the open market notes, drafts and bills of exchange, executed for the purpose of this article, having a maturity not to exceed six months, and endorsed by a national bank, a State bank or trust company, the total of which rediscounts may not exceed the paid-in capital and surplus, but is not to be considered borrowing. At the close of each fiscal year 10 percent of the net income is to be set aside as a reserve fund. This amount may be increased upon recommendation of the board of directors, or, after it equals the capital, may be decreased. Also, all entrance fees, transfer fees and charges, after organization expenses are paid, are to be placed in the reserve fund.

The Savings and Loan Association of the State of West Virginia is authorized to borrow money from any federal agency or others by note and by issuance of bonds, payment upon which is not to be guaranteed by

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

the State of West Virginia. Before issuing such bonds, collateral consisting of loans made upon real estate within the State equal to at least 125 percent of the bonds issued must be deposited with the State auditor. The association may represent individuals, companies, associations or corporations loaning money and making collections thereof upon real estate within the State, act as agent for the sale of real estate and the issuance of insurance for its members, and may own real estate taken in foreclosure in the regular course of business. Members of the Association may not foreclose trust deeds on real property held by them as security for loans without the permission of the board of directors of the Association. The Association is restricted in its loans to its shareholders on property acquired by them by foreclosure to not more than 60 percent of the amount invested in such property; members may borrow from the Association on loans and mortgages owned by them up to 65 percent of the appraised value of the note or the amount loaned, whichever is lower. Borrowing members agree to resell to former owners or their heirs, property acquired from them through foreclosure for the exact amount due said member, including interest at 6 percent, taxes, costs and repairs, provided such property has not previously been sold to a third party. The Association is to set aside a reserve equal to 50 percent of the value of the outstanding bonds that are payable in five years, before dividends may be paid. Their bonds are legal investments for fiduciaries, banks, etc., without a court order. Further regulations as to fees, amounts to be paid on

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

shares, loans and investments, number and qualification of the board of directors, etc., are to be covered in their constitution and by-laws.

Loans: Loans to one individual, firm or corporation (the banks' investment in the stock of a borrowing corporation to be included in the total loan) to be not over 10 percent of the unimpaired capital stock, debentures and surplus fund of such bank, except that loans already made before the enactment of this law (193) may be extended, refunded or renewed up to 20 percent for periods expiring not later than December 31, 1938, with the approval of the board of directors. However, notes or drafts secured by shipping documents, warehouse receipts, etc., covering readily marketable non-perishable staples, if fully insured, are considered money borrowed but the limit is 25 percent rather than 10 percent if, etc. This restriction does not apply to the obligations of the United States, or of any State or political subdivisions thereof, etc., or of the Federal Farm Loan Bank, Home Owners' Loan Corporation, etc. Indebtedness to a banking institution in excess of the prescribed maximum, outstanding at the date this law takes effect, shall not be renewed past the extended period, etc. They may not loan on the security of its own stock except to prevent loss upon its previous investments. Banks, savings banks, trust companies, building and loan associations, industrial loan companies, and insurance companies may make loans on property eligible for Federal Housing insurance.

Building and loan associations are authorized to invest their funds in loans to their shareholders secured by a bond or other obliga-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

tion and mortgage or deed of trust on real estate, accompanied by a pledge to the association of shares having a matured or par value to at least equal the amount of the loan, up to 10 percent of the paid in capital stock, contingent or reserve funds and undivided profits of the association. Personal property may be accepted in addition to the real estate security. If an association has funds in excess of the amount needed for loans to its members, it may make loans to nonmembers secured by first mortgage or deed of trust on improved real estate in the State up to 65 percent of the cash value thereof, also in loans to other domestic building and loan associations.

Industrial loan companies may not make loans for a longer period than two years, except with the express authority of the board of directors. They may not loan to any one person, firm or corporation, equal in the aggregate to more than 20 percent of the paid-up capital and surplus of such company. Their loans secured by real estate may not in the aggregate be over one-third the amount of their paid up capital and surplus. They may not make loans on the security of their own capital stock except to prevent loss.

Loans by credit unions are covered under powers, also by the Savings and Loan Association of the State of West Virginia.

Investments: In addition to the authority for investments given under "Powers", banking institutions are authorized to subscribe to stock of a Federal Reserve bank, etc. Securities purchased by a banking institution are to be entered upon the books at their actual

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

cost but may be carried thereafter at market value, etc. Notes or bonds secured by mortgages insured by the Federal Housing Administrator, also debentures issued by the administrator, also securities of national mortgage associations are a lawful investment for executors, guardians, trustees, banks, savings banks, trust companies, building and loan associations, industrial loan companies, etc.

Building and loan associations may invest their funds, in addition to making loans to members or shareholders, in real property in a building suitable for the convenient transaction of their business and the land on which such building is located, portions of which building not needed for its business may be rented. Such investment must not exceed 10 percent of its assets. They may also acquire property in satisfaction of debts, etc. Funds in excess of those needed for loans to members may be invested in bonds or interest-bearing obligations of the United States, or the District of Columbia, or of the State of West Virginia, or of any county, district, school district or other political subdivision in the State, also in such securities as now are or hereafter may be accepted by the United States to secure government deposits in national banks, or approved by the State commissioner of banking.

The investment of funds of industrial loan companies has already been covered under "Powers".

Credit unions' capital deposits, undivided profits and reserve funds may be invested by loaning them to members, depositing them in a

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

State banking institution, or in national banks in the State, or in any investment which is legal for savings banks in West Virginia.

There is nothing further on investments for the Savings and Loan Association of the State of West Virginia.

Examinations: All banking institutions, industrial loan companies and building and loan associations organized under the laws of the State, and excluding national institutions, are to be examined at least twice a year by the banking commissioner. He may also call for special reports and make special examinations at the expense of the corporation examined. All credit unions are to be examined by the commissioner at least annually, except that if their assets are less than $25,000 he may accept the audit of a certified public accountant in lieu of such examination. The Savings and Loan Association of the State of West Virginia is under the supervision of the commissioner of banking.

Reports: All banking institutions are required to make at least four reports annually to the commissioner of banking containing such information and in the form prescribed by him, the dates to coincide as nearly as possible with those of the calls of the Comptroller of the Currency on national institutions. Such reports to be published in a local newspaper, etc. From those institutions which are members of the Federal Reserve System he may accept the reports required by the Federal Reserve System.

Industrial loan companies, building and loan associations, and "every other corporation by law placed under the supervision of the department of banking and not covered in the next following section (bank-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ing institutions), engaged in business in this State" is required at least twice a year at the call of the commissioner to make reports to him in such form as he shall prescribe, such reports to be published in a local newspaper.

Credit unions are to report at least twice a year, on or before January 1 and July 1, on blanks supplied by the commissioner.

Interest: A banking institution may charge, in addition to the legal rate of interest, a reasonable amount to cover the expense incurred in procuring reports and information re loans, titles, etc. Credit unions may charge not to exceed 1 1/2 percent per month computed on the unpaid balance. A great deal of the regulation of interest is left to constitutions and by-laws. The Savings and Loan Association of the State of West Virginia is not to charge over 6 percent interest.

Dividends: The directors of any banking institution may declare dividends, quarterly, semi-annually, or annually, but before a dividend may be paid they must carry at least one-tenth of the net profits to surplus until the surplus amounts to 20 percent of the capital stock

Building and loan associations are to determine their gross earnings at least every six months, from which costs and expenses of conducting the business are to be deducted. A portion of the net earnings, to be determined by the board of directors, may be placed in the contingent reserve for the payment of losses and expenses, and a further portion be transferred as a dividend to all shareholders in proportion to the value of their shares of stock. Holders of full paid

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

shares are to receive their dividends in cash and the holders of shares of installment stock not fully paid for are to have their dividends credited.

Credit unions may, at the close of the fiscal year, declare a dividend upon net earnings.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

WISCONSIN

WISCONSIN

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

WISCONSIN

Reference: Wisconsin Statutes, 1937, Chapters 220-223, 215 and 186

The laws of the State of Wisconsin provide for only one type of financial institution which is authorized to receive demand deposits (other than national institutions) known as State banks, with the exception of land mortgage associations which are covered at the end of this summary, and two which are authorized to accept time deposits, trust companies and mutual savings banks, which are restricted from accepting demand deposits.

In addition, there are authorized three types of loan and investment institutions: Building and loan associations, credit unions, and investment companies; and in connection with the building and loan associations, building and loan finance corporations are provided for.

Branch banks are prohibited, also private banks.

"Banking" is defined as "the soliciting, receiving or accepting of money or its equivalent on deposit as a regular business by any person, co-partnership, association or corporation", "whether such deposit is made subject to check or is evidenced by a certificate of deposit, a pass book, a note, a receipt, or other writing, provided that nothing herein shall apply to or include money left with an agent, pending investment in real estate or securities for or on account of his principal. Provided, however, that if money so left with an agent for investment shall not be kept

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

in a separate trust fund or if the agent receiving such money shall mingle same with his own property, whether with or without the consent of the principal, or shall make an agreement to pay any certain rate of interest thereon or any agreement to pay interest thereon "other than to account for the actual income derived therefrom while pending investment, the person receiving such money shall be deemed to be in the banking business".

The term "bank" covers any incorporated banking institution incorporated under the laws of this State as they existed prior to the passage of this chapter (1931).

"Mutual savings bank" means "any corporation organized pursuant to the provisions of the act for the organization of savings banks and savings societies, as such act existed prior to the passage of this chapter, or to such corporations as shall hereafter incorporate as mutual savings banks under this chapter."

"A corporation for the purpose of raising money to be loaned among its members shall be known as a building and loan association".

"Credit union" means "a corporation formed under the provisions of this chapter (186) for the purpose of promoting thrift among its members and loaning its funds to them for provident purposes. The capital of such corporation shall be unlimited in amount".

Organization and capital requirements: State Banks - Not less than seven nor more than twenty persons, citizens of Wisconsin, may make application to the banking commission to form a State bank upon which a hearing is to be held. Notice of such application to form such bank must

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

be published once a week for four successive weeks in a local newspaper, unless the bank to be organized is to replace, absorb or consolidate one or more existing banks. Before issuing a certificate of authority to organize, the banking commission is to ascertain whether the character, responsibility and general fitness of the persons named in such application are such as to command confidence and to warrant the belief that the business of the proposed corporation will be honestly and efficiently conducted in accordance with the intent and purpose of this chapter (221); whether public convience and advantage will be promoted by allowing such bank to organize; and it shall also investigate the character and experience of the proposed officers, the adequacy of existing banking facilities, and the need of further banking capital; the outlook for the growth and development of the city, town or village in which such bank is to be located, and the surrounding territory from which patronage would be drawn; the methods and banking practices of the existing bank or banks; the interest rate which they charge to borrowers; the character of the service which they render to the community, and the prospects for the success of the proposed bank if efficiently managed. The minimum capital required for banks hereafter organized (193) is $30,000 and on up according to population. Articles of incorporation must be filed within 60 days after receiving the authority to organize. Within 90 days after the filing of the articles of incorporation, 20 percent of the subscribed capital stock must be paid in. Within six months after the filing of the articles of incorporation an organizing bank must have provided itself with suitable quarters, adopted by-laws approved by the banking commission, and acquired the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

proper books, forms, equipment, etc., and its stock subscriptions fully paid, whereupon the commission may issue its authority to commence business. Any State bank, mutual savings bank, or trust company may, upon securing the approval of the banking commission and the banking review board, sell its capital notes or debentures of one or more classes, etc., but before they may be retired or paid by the bank any existing deficiency of the bank's capital must be paid in cash so that the sound capital assets shall at least equal the capital stock of the bank. Such capital notes or debentures are not subject to any assessment, nor the holders thereof liable for any debts, etc., of the bank. They may, with the approval of the banking commission, provided their outstanding capital stock is equal to the minimum required for their location, and if authorized in their articles of incorporation as originally executed, or as amended, with a vote of two thirds of the voting stock, issue preferred stock of one or more classes the par value of which must be paid in before it is valid. Preferred stock is not subject to assessment nor the holders held individually liable for the debts of the bank, etc.

Every bank must keep at all times at least 12 percent of its total deposits on hand, and those authorized as reserve banks must keep 20 percent.

Before a dividend may be declared from net profits, at least 10 percent of the net profits must be carried to the surplus fund until such fund equals 50 percent of the capital stock. Thereafter when the surplus fund is depleted, not more than 50 percent of its net earnings may be used for dividends until the surplus fund has been restored. Should the daily

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

average of aggregate deposits for one year be less than ten times its unimpaired capital and surplus, such bank may be exempt, with the approval of the banking commission, from the requirements of "this section" (221.37 Surplus fund).

Trust companies - The same organization requirements apply to trust companies, except the minimum capital required is $50,000 and in cities of 100,000 population $100,000, with a maximum of $5,000,000. Before commencing business a trust company must deposit with the State treasurer not less than 50 percent of its capital stock up to $100,000, in cash or specified securities, to be held in trust as security for the faithful performance of its trusts, the trust company to receive the interest, dividends or other income from such deposit. The reserve required is the same as for banks. All provisions, requirements and liabilities apply to trust companies as are specified for banks, except the restrictions of loans, and as other-wise specified under trust company powers.

Savings banks - Not less than nine nor more than fifty persons, residents of the United States, and three-fourths of whom are residents of the county in which the proposed savings bank is to be located, may associate themselves together to organize a savings bank. The "organization agreement" must include a declaration that each incorporator will accept the responsibilities and faithfully discharge the duties of a trustee of a savings bank, and not more than one officer may be an officer of any bank or trust company, and no stockholder of a bank may be treasurer of any mutual savings bank. Before a savings bank may hereafter be authorized to

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

do business, its incorporators must create a guaranty fund, for protection of its depositors against losses upon its investments, of at least $5,000, and must agree to make further contributions if necessary up to an amount to be established by approval of the banking commission; also, they must contribute an expense fund of $5,000, and more if necessary, to take care of the operating and organization expenses until such time as the earnings will take care of them. Before making any semi-annual dividend, savings banks are to set aside from the net profits an amount equal to not less than 1/4 of 1 percent, nor more than 1 percent of the total deposits for the guaranty fund until such fund equals 10 percent of the deposits and the fund is to be maintained at 10 percent. The original contribution to both the expense fund and guaranty fund by the incorporators or trustees is to be returned to them with interest at 6 percent not compounded from the guaranty fund created from earnings whenever it can be done without reducing the fund to below 5 percent of the amount due depositors. When the incorporators have executed their organization agreement, the trustees have qualified as such, and the initial guaranty and expense funds have been contributed and the trustees have agreed to make the necessary further contributions, the banking commission issues the authority to commence business. These requirements do not apply to applications filed before January 1, 1933. Banks may elect members at each annual meeting, any citizen of the county being eligible, but a member failing to attend the annual meeting for two successive years is deemed the equivalent of a resignation, etc. All officers of a mutual savings bank handling the funds thereof must be bonded.

Building and loan associations - Number required to organize to

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

be not less than fifty adult members and 500 installment shares. In cities of between 10,000 and 100,000 inhabitants, not less than 100 initial members and 1,000 installment shares are required, and in any city of over 100,000 inhabitants, not less than 200 initial members with 2,500 installment shares are required; and in cities of 400,000 and over inhabitants, not less than 300 intitial members are required with 6,000 installment shares. The membership fee and first month's dues are to be collected and deposited in a bank before any such association shall be granted a charter or may begin business. Applicants must show the need of an addition association in the locality in which they intend to locate. An official copy of the application, containing the required information and date set by the banking commission for the hearing, must be published once each week for four successive weeks in a local newspaper, and copies are sent by the commission to all associations doing business within a radius of two miles of the proposed location. The articles of incorporation and by-laws have to be submitted to the banking commission for their approval, and when this approval is received the building and loan supervisor may issue the certificate of incorporation. The banking commission has discretionary powers over the issuance of articles of incorporation, taking into consideration whether the by-laws and articles of incorporation are satisfactory, the character, responsibility and general fitness of the incorporators, and the location of the proposed association with reference to other established associations whether the location is such as to assure its success; "or other good and sufficent reasons" for such refusal. No branches may be established.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Investment associations: "No person, copartnership, association or corporation, whether local or foreign, heretofore or hereafter organized doing business as a so-called investment, loan, benefit, cooperative, home, trust or guarantee company, for the licensing, control and management of which there is no law now in force in this State, and which such person, copartnership, association or corporation, shall solicit payments to be made to himself or itself either in a lump sum, or periodically, or on the installment plan, issuing therefor so-called bonds, shares, coupons, certificates of membership or other evidences of obligation or agreement, or pretended agreement to return to the holder or owners thereof money or anything of value at some future date, shall solicit or transact any business in this State unless such person, copartnership, association or corporation, shall have first complied with all the provisions prescribed in chapter 215 of the statutes (building and loan associations) required of foreign building and loan associations authorized to do business in this State". All provisions of chapter 215 regarding supervision, control and conditions upon which foreign building and loan associations are permitted to do business in this State are imposed upon persons, copartnerships, etc., described above.

Five or more persons may form a corporation to be known as an investment company with a minimum capital stock of $150,000. The incorporators are to submit a certificate of organization to the banking commission which is to investigate as to "whether the character, responsibility and general fitness of the persons named are such as to command confidence, and to warrant the belief that the business of the investment company will be honestly and efficiently conducted in accordance with the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

intent and purpose of this section, and whether public convenience and advantage will be promoted by allowing such investment company to qualify under this section". If the results are satisfactory the commission is to approve the certificate but the company may not commence business until $100,000 has been deposited with the State treasurer in trust for the benefit and security of all its creditors, until the obligations of such company have been performed. The company is to receive any income which accrues from any securities in this deposit, the type of security acceptable being specified.

Credit unions - Seven or more citizens of the State may organize a credit union by filing with the commissioner of banking articles of association in duplicate, covering the name, etc., location and purpose of the organization, the par value of its shares, and the names, residence and occupations of the incorporators, and paying a fee of five dollars to the commissioner; also, a verified copy of their by-laws has to be filed and approved.

Powers: State banks (Sec. 221.04) - They have the usual corporate and banking powers, including the receiving of commercial and savings deposits, and they are restricted from establishing any branch bank or branch office. They are authorized to do a safety deposit business, to have membership in a federal reserve bank and national credit corporation, to secure the benefits of the Federal Banking Act of 1933, etc., to invest not to exceed 10 percent of their paid in capital stock in the stock of one or more banks or corporations chartered under United States laws, and principally engaged in "internationl or foreign banking or banking in a dependency or insular possession of the United States,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

etc.; and they are given trust powers provided they first comply with all the requirements imposed by law upon trust company banks, including making the deposit required of trust companies with the State treasurer and having the minimum amount of capital required of national banks to do a trust business. The term "capital" as used in this State includes capital stock, preferred stock, and the outstanding capital notes and debentures, exclusive of Class "B". They are authorized, with the approval of the banking commission, and in case of capital notes and debentures of the banking review board, issue and sell capital notes or debentures, also preferred stock with restrictions. They may not hold or be the purchaser of their own capital stock except to prevent loss. They may purchase, hold and convey real estate under the usual conditions, with a maximum investment in its place of business, including furniture and fixtures, of 50 percent of its capital and surplus; or they may invest it in the stock of a bank building corporation up to 35 percent of their capital and surplus, in which case they may not invest more than 14 percent in furniture and fixtures.

Trust company banks - In addition to the usual corporate powers, they have the power to receive, hold, convey, etc., any property, real or personal, which may be committed or conveyed to them with their consent, etc., and to administer and discharge the duties of such trust, etc.; to act generally as agent or attorney for the management of estates, transaction of business, collection of rents, notes, etc., etc.; may loan money on unemcumbered real estate in the State of Wisconsin and States immediately adjoining Wisconsin (Illinois, Michigan, Iowa and Minnesota); and upon securities other than personal notes or commercial

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

paper secured solely thereby; may receive time deposits and issue its notes, certificates, etc., therefor payable not earlier than 30 days from date of deposit; may not receive deposits subject to draft or check, or payable upon demand, or issue bills to circulate as money, or deal in bank exchange. Time deposits are to be held or invested separate from other funds or property held by the corporation and in case of insolvency such funds and investments made therefrom are to be primarily liable for the payment of such deposits. They may do a safety deposit business; and may lease, purchase, hold and convey such land as may be necessary to carry on its business, as well as such real or personal estate as it may deem necessary in the enforcement of claims, etc. All trust accounts are to be kept separate. No branches may be established. Existing trust companies may continue in business under the provisions of this chapter by the adoption by unanimous vote of all its stockholders accepting the provisions of this chapter, or may surrender their charter and reorganize.

Mutual savings banks - They may not issue any bill or promissory note to circulate as currency. The maximum deposit acceptable from any one individual, firm, etc., is $5,000, and any mutual savings bank may further limit the amount of deposit acceptable. They may require 90 days notice for withdrawals. The same law as to purchase and sale of real estate by banks applies except that the limit is $10,000 except with approval of the banking commission. Section 222.21 on "General powers and liabilities" states that they have the usual corporate powers and that certain sections of Chapter 220 apply, which sections refer to supervisory authority of the banking commission and banking review board;

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

they also state that Sections 221.045 and 221.046, which define "capital" and "capital stock" and give authority to issue their capital notes and debentures, and adds, "and subsection (3) of section 221.04" (relates to membership in Federal Reserve Bank and Federal Deposit Insurance Corporation) "relating to fees, reports, examinations, liquidations, powers, liabilities and forfeitures, so far as the same may be applicable, except as herein provided", from which it is assumed they meant to apply the regulations in Chapter 221 for banks with reference to fees, examinations, reports, etc., although those sections are not mentioned.

In addition to the above, mutual savings banks may borrow money in an emergency for the purpose of repaying depositors; may subscribe for stock in the Federal Home Loan Bank and become a member thereof, etc.; and when so authorized by the banking commission, may act as executor, administrator, etc., in which case they must execute a surety bond in the amount approved by the court exercising jurisdiction of the trust.

Building and loan associations - Have authority to issue stock to members, assess and collect from members fees, dues, fines, interest premiums, and other charges; permit or force members to withdraw all or part of their stock; make loans to members; all upon such terms as may be provided in the by-laws; with the approval of the commission to borrow money for temporary purposes; exercise all such powers as are necessary and proper to enable them to carry out the purposes of their organization; to acquire only such real estate as may be necessary for the protection of its securities, claims, etc.; with the approval of the commission to become a member, etc., of any federal finance or credit corpor-

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

ation . .; with the approval of the commission, borrow money from the Federal Home Loan Bank; to become a member of a national mortgage company, make loans to its members, etc.; invest its funds in stock, bonds, etc., of the building and loan finance corporation and borrow money from such corporation.

In addition to the general corporation powers, a building and loan finance corporation has power to borrow money up to 20 times the amount of its capital stock; issue, sell, etc., unsecured notes, secured notes, bonds and debentures, etc.; to loan money to its member associations on their secured or unsecured notes up to 20 times the amount of its stock held by such borrowing member associations, for a period of not over 10 years, and not to exceed 2/5ths of the assets of such member association . . . . . They deal with member associations and not with the public.

The law provides for the organization of the Wisconsin Building and Loan Guarantee Corporation, with the approval of the banking commission, by the Secretary of State, the State Treasurer and 10 or more local building and loan associations the aggregate resources of which shall be not less than $5,000,000, for the purpose of guaranteeing and protecting the investments of building and loan members in the stock of these associations which are members of the corporation. This corporation is to accumulate a guarantee fund, through the sale of its stock and the accumulation of its profits, equal to two percent of the total stock liability of its member associations.

Investment companies, in addition to the usual corporate powers,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

are authorized to receive payments either in a lump sum or in installments, and issue therefor their certificates, contracts, etc. All such monies are to be held and invested separate from their other funds and investments. They do not have the power to accept money or its equivalent on deposit as a regular business. They may act as trustee for any person, firm or corporation in the acceptance of any mortgage, deed of trust or other instrument securing the payment of any bond, note or other instrument. They are subject to the supervision of the banking commission.

The powers given under credit unions are with reference to loans and investments, and to borrow money up to 25 percent of their assets for 90 days which time may be extended under certain conditions. The by-laws are to cover capital stock and the conditions under which shares are to be paid for and withdrawn, and the banking commission is to prescribe rules and regulations under which the credit unions are to operate. It is also the duty of the commission to promote the establishment of and cooperate with credit unions, and in connection therewith are to appoint an advisory committee. Dividends are to be paid either quarterly, semi-annually or annually, but before a dividend is paid from net earnings, 20 percent of the net income is to be placed in a guaranty fund until said guaranty fund reaches an amount equal to 10 percent of the total assets. The guaranty fund is to be maintained at 10 percent. The law provides for the organization of a credit union finance corporation in much the same manner as the building and loan finance corporation and under the same supervision of the banking commission. The credit union finance corporation may not do a deposit business and it deals with credit unions rather than with the members

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

thereof.

Loans: Loans by State banks to one individual, firm or corporation, made after the effective date of this subsection, (1935?), may not aggregate over 20 percent of the capital stock and surplus of the bank, or 15 percent of the capital and surplus, except in case of a municipal corporation, the maximum is 25 percent of the capital and surplus; except when secured by warehouse receipts complying with certain requirements, "and in the form of notes secured by not less than a like amount of bonds or notes of the United States issued since April 24, 1917, or certificates of indebtedness of the United States, shall be subject to a limitation of 30 percent in addition to the limitation hereinbefore stated", and the discount of bills of exchange drawn in good faith . . . is not included. The renewal of an existing loan without increasing the amount is not considered a new loan. Banks with a combined capital and surplus of more than $25,000 may not make or renew loans of $500 or more without securing a sworn financial statement unless the loan is secured by collateral in excess of the loan; banks having capital and surplus of $25,000 or less, not over 2 percent of its combined capital and surplus.

No bank or mutual savings bank may loan more than $1,000 to any director, officer or employee unless the loan has been approved by resolution of the board of directors, or the entire loans to such director, officer or employee be secured to their full amount by endorsements or collateral security. The endorsement of any director is not sufficient security for a loan to another director.

No bank may lend more than 50 percent of its aggregate capital,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

surplus and deposits on real estate security of any kind without authorization by a two-thirds vote of its directors, and then only on real estate in Wisconsin and adjoining States.

Savings banks - Loans on real estate may not exceed 60 percent of the value thereof and such real estate must be in Wisconsin or Illinois, Michigan, Iowa or Minnesota.

Trust companies - May not loan their funds, trust or otherwise, to any salaried officer or employee. They may loan money on unencumbered real estate in Wisconsin and immediately adjoining States, and upon securities other than personal notes or commercial paper with personal security only.

Building and loan associations - May make loans to members upon terms and conditions as provided in the by-laws. Unless otherwise provided, in the by-laws, the money available is to be loaned to the highest bidder, the interest rate to be fixed in the by-laws, etc. Their loans are to be secured by real estate subject to detailed restrictions and conditions except in emergencies.

Investment companies - May lend their funds on four types of securities consisting largely of United States, State, or subdivisions thereof, securities, mortgages with restrictions, and "certificates, securities, contracts or other choses in actions evidenced by writing issued by it, any such loan not to exceed 75 percent of the investment company's liability to the holder of any such certificate, security, contract or other chose in action evidenced by writing".

Credit unions - "The capital and surplus funds of the corporation shall be lent to the members for such purposes and upon such security

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and terms as the credit committee shall approve". "No loan shall be made unless the credit committee is satisfied that it promises to benefit the borrower, nor unless it has received the unanimous approval of those members of said committee who were present . . .", but the applicant may appeal to the board of directors. An interest charge of 1 percent per month on the unpaid balance is not to be held usurious.

Investments: Mutual savings banks may invest up to one-half of their deposits in bonds of the United States or of the State, or authorized bonds of any incorporated city, village, town, county or school district in the States, or fist mortgage bonds of any railroad company with restrictions, or in farm loan bonds issued by the Federal Land Bank in that district, or in interest-bearing notes of any building and loan association, or in bonds of the Home Owners' Loan Corporation, or of the Federal Farm Mortgage Corporation. They may not invest their deposits in the stock of any corporation, nor in any mortgage on real estate except that which lies in the States of Wisconsin, Illinois, Michigan, Iowa and Minnesota.

There is a separate chapter on investment of turst funds (320), which gives the eligible securities which are principally interest-bearing bonds or obligations of the United States, the various States or towns, counties, etc., thereof, certificates of deposit in banks members of the Federal Deposit Insurance Corporation, evidences of indebtedness of a municipally owned public utility created pursuant to the constitution of the State, in the stock of any building and loan, of the State of Wisconsin,

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

and, with the approval of the banking commission, make first mortgages to members on real estate, and purchase other securities than those hereinbefore specified.

Examinations: The banking commission or their representative, is to examine each bank, trust company, and mutual savings bank, except national banks, doing business in the State, at least once each year, except that in lieu of this examination they may accept an examination by the Federal Deposit Insurance Corporation; and they are to examine banks, etc., upon request of the Board of Directors. Also, the board of directors of each bank is to appoint an examining committee from its members or stockholders to examine the affairs of the institution at least once every six months.

Building and loan associations are to be examined at least once each year by the commission. Special examinations are to be made upon written request of five or more members, "they guaranteeing the expense of same".

Investment companies are to be examined by the commission at least once each year and oftener if they deem necessary.

Credit unions - The banking commission is "to employ one or more competent persons for the organization and examination of credit unions who shall be under the direction and control of the banking commission".

Reports: Every bank shall make to the banking commission not less than three reports each year at such times and according to the forms which it shall prescribe and furnish. The commission has the power to call for special reports at its discretion. The reports must be published.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Each mutual savings bank is required to elect annually not less than two auditors who are not directors, managers, or trustees of the corporation, who are to examine its affairs and render a sworn statement containing specified information, annually, a copy of which is to be sent to the banking commission.

All building and loan associations are required on December 31, each year to make a full and detailed report of the business done the preceding year and of its condition in such form as the commission may prescribe, and a copy of this report must be mailed to each member. Except for the mailing of a copy to each member, the same applies to investment companies.

Interest: No bank may charge more than the legal rate of interest except that it may receive this interest in advance.

- - - - -

NOTE: Any domestic corporation, investment trust, or other form of trust which owns or holds a majority of the stock of any State bank or trust company is deemed to be in the banking business and so subject to the supervision of the State banking department.

- - - - -

Chapter 225 covers "Land Mortgage Associations" which are corporations organized under the provisions of the chapter for the purpose of making loans upon improved or partially improved agricultural lands within the State.

A minimum of fifteen "adult resident freeholders of the State"

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

may associate to establish such a company with a minimum capital stock of $20,000.

Such associations are governed by a board of trustees, elected first by the incorporators and later by the stockholders, for a term of three years, the board to elect a committee on loans and an auditing committee whose duty it is to annually inspect the securities, cash and accounts of the corporation, and "shall at all times supervise the acts of its board of trustees and officers", and a copy of the report of this committee is to be sent to the bank commissioner.

They have the power to make loans (the conditions to be approved by the commissioner of banking if the security is to be used as the basis of a bond issue), and to accept as security for such loans a first mortgage upon improved or partially improved agricultural lands within the State, up to 65 percent of the value of such real estate; and to purchase first mortgages heretofore or hereafter issued against Wisconsin agricultural lands from persons or firms resident in the State or corporations organized under the laws of the State engaged in the settlement or colonization of Wisconsin lands and to whom such mortgages were issued, if, after investigation, the plan of settlement or colonization is approved by the commissioner of agriculture as beneficial to the settler or colonist, and if the lands against which such mortgages are issued are found by the commissioner to be in fact agricultural lands suitable for agricultural purposes, or from banks or trust companies organized under the laws of this State, or of the United States, etc. Each such mortgage to be payable on the amortization plan maturing in not less than twenty years.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

"The request for an investigation leading to such a purchase of mortgages from persons, firms or corporations engaged in the settlement or colonization of Wisconsin lands, shall be accompanied by a deposit, the amount of such deposit to be determined by the commissioner of agriculture". They also have power to issue bonds secured by the pledge of the mortgage so taken or purchased and to pledge the notes and mortgages so taken or purchased, etc.

Section 225.14 is headed "Banking law applicable". Section 221.04 of the statutes (general banking powers, including authority to receive demand and time deposits) shall be applicable to the land and mortgage associations organized hereunder, except that . . . enumerated in "said section denominated "sixth", sixth having reference to trust powers.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

WYOMING

WYOMING

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

BANKING AND CREDIT INSTITUTIONS AUTHORIZED BY LAW

WYOMING

References: Wyoming Revised Code 1931, Chapters 10 (Articles 1-4), and 17; Session Laws of 1933, 1935 and 1937.

The laws of the State of Wyoming provide for three types of financial institutions which may accept demand deposits from the general public: State banks, loan and trust companies, and trust companies. They provide for one type of financial institution which may accept savings deposits, but there is no set limitation on length of notice to be given for withdrawals.

The only type of loan and investment institutions provided for, which do not do a banking business, is building and loan associations.

There is no reference to either private banking or the establishment of branches, except that no less than five persons may organize a bank and all banks must comply with the code, and the articles of association must state the "place where its office is to be located and its operations carried on".

"State bank" is defined as "every bank, banker or corporation in this State doing a banking business under the provisions of this chapter", and the chapter applies to every individual, firm or corporation doing a banking business, and whether incorporated or not they are declared to be State banks and subject to the provisions of the chapter.

Domestic "building and loan associations" are defined as 'any association organized within the State for the purpose of accumulating

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

funds from its members, shareholders, or savings certificate holders, to be loaned to its members, or others, and any association, company, corporation, or syndicate that sells savings certificates payable by installment, are considered domestic building and loan associations.

Organization requirements and charters: A minimum of five persons is required to organize a bank, savings bank, and loan and trust company. The term of existence is limited to 50 years. The State examiner is to determine the "adequacy of the capital structure proposed, the general character and ability of the incorporators, and the convenience and needs of the community to be served by the proposed company, and whether or not its proposed corporate powers are consistent with the purpose and requirements of the banking laws of this State". The granting of charters is left to the discretion of the State examiner. The minimum capital stock of each bank, banking association, or loan and trust company, must be $25,000 in towns of less than 4,000 inhabitants, $50,000 in towns of from 4,000 to 6,000, and $100,000 in cities of over 6,000 inhabitants. Fifty percent of such capital stock must be paid in before any business may be transacted, and the balance paid in in accordance with their by-laws except that it must all be paid in within six months after they commence business. They are also required to have a paid up surplus fund equal to at least 10 percent of the legally authorized capital of the bank, and "undivided profits in sufficient amount for the expense of operation the first 90 days of such operation, said amount to be determined by the State examiner". Holders of preferred stock of banks or trust companies are not liable for any debts of the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

institution nor to restore impaired capital after July 1, 1937, provided they publish the required notice to that effect.

The minimum capital stock required of savings banks is $25,000, without any qualifications as to number of inhabitants. Fifty percent of their capital must be paid in before commencing business and the balances within six months. They are required to keep on hand or on deposit a reserve of at least 10 percent of their savings deposits.

Loan and trust companies are subject to the same organization requirements as State banks. Section 10-103, which covers the organization requirements for banks except for capital requirements, applies to the organization of trust companies. There is nothing on capital requirements for trust companies unless the "and loan and trust companies" in 10-104 on capital requirements for banks means to include trust companies. They are required to keep a reserve of at least 20 percent of their liabilities to depositors.

Building and loan associations (applies to organization formed after 1927 Law was passed) - A minimum of five persons are required to organize a building and loan association, and a minimum subscribed capital stock of $25,000 matured value, with at least $3,000 actually paid in. The articles of incorporation and by-laws must be submitted to the State examiner for his approval, after which he is to determine whether the character, responsibility and general fitness of the persons named in the articles of incorporation are such as to command confidence and warrant the belief that the business of the association will be honestly and efficiently conducted in accordance with the intent and purpose of this

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

article , and if satisfied he is to issue the certificate. Membership fees of not over $3.00 per share may be charged. The capital of these associations is the actual amount of funds accumulated to the credit of the shareholders. Associations may be permanent or serial in character, according to their by-laws. Permanent associations may issue shares at any time and credit dividends to the accounts of its members. Serical associations may issue shares in series and dividends equally upon each share issued in its respective series. No new association may issue preferred stock. Any association may issue the following classes of shares: Installment, savings, prepaid upon which one payment is made, which will, with the dividends when credited, mature it to its par value, and fully paid shares. The par value of shares is to be $100.00.

Permanent plan building and loan associations (law of 1923) were incorporated under Section 28-101 (on private corporations) and may continue to operate under the old requirements. This plan called for a minimum of three persons to organize an association, with at least five percent of the authorized capital subscribed before commencing business. The par value of shares could not exceed $200 and the shares were to be paid in regular, equal and periodical payments, or by payment of a gross sum in advance. Stock known as fully paid or paid up stock bears a fixed rate of interest or dividend, to be determined by the board of directors from time to time and is redeemable after one year upon such notice as is determined by the by-laws. "Permanent reserve fund stock" is issued upon the majority vote of the board of directors but the amount of such stock

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

must be specified in the by-laws and in the pass-books. "Such stock shall guarantee to all other classes of stock in such association such rate of interest or dividend as may be determined by the board of directors, and also the expenses of the associations, and shall be entitled to such dividends as provided by the by-laws, or as the board of directors may determine. Such permanent reserve fund stock shall not be subject to withdrawal and shall not be redeemable until all the claims of the holders of all other classes of stock in the association and the claims of all creditors shall have been first fully paid and satisfied."

Associations (savings) charterd under the old code for "domestic associations" and in operation before the passage of the 1927 code may continue to operate under the old requirements. It required not less than seven persons to organize these associations and they came under the regulations and restrictions of the laws governing corporations except where otherwise provided. The provisions for capital stock are much the same as those for the permanent plan except that it was not withdrawable until after three years, etc.

Powers: All banking associations, in addition to the usual corporate powers, are authorized to loan money on real estate and personal securities, buy, sell, and discount bills of exchange, notes and all other written evidences of debt; receive notes, buy and sell gold and silver coin and bullion, collect and pay over money and transact all other business appertaining to banking, subject to the provisions and restrictions of the law. They are required to maintain a reserve of at least 20 percent of their liabilities to depositors in cash in their

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

vaults or on deposit subject to call with national or State banks approved by the State examiner as reserve agents, but public deposits are not included in their liabilities when secured by lawful negotiable securities, and members of the Federal Reserve System are not subject to the State requirement. They may not accept drafts or bills of exchange or issue letters of credit for any one person, firm or company to an amount equal to more than 20 percent of its paid-up and unimpaired capital and surplus, unless the bank is secured by either attached documents or some other actual security. A bank may not buy, hold or own its own capital stock except to prevent losses. The double liability law for stockholders is repealed. They may become members of the Federal Reserve and of the Federal Deposit Insurance Corporation, etc. They may purchase, hold and convey real estate for the usual reasons only with the maximum investment in its bank office building and grounds of not over 50 percent of its paid in capital and surplus. At any regular meeting, they may declare a dividend from net profits only, after carrying 50 percent of the net profits to surplus until the surplus fund is equal to the paid-in capital.

Savings associations - under the head of "Business and objects" the law states "The general business and object of such savings associations shall be to receive on deposit such sums of money as may from time to time be offered therefor by tradesmen, clerks, mechanics, laborers, miners, servants and others, and to invest the same for the use, interest and advantage of the depositors as prescribed in this chapter. They may not possess or exercise any banking powers except those expressly conferred by the law relating to savings banks. They may receive on deposit

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

all sums of money which may be offered for the purpose of investing and such deposits are to be returned under rules and regulations and at such times as the board of directors shall prescribe, which rules and regulations must be printed or written in each pass book. The directors are also to regulate the rate of interest to be paid on the deposits. The directors are not to receive any salary.

Loan and trust companies - In addition to the usual corporate powers, they have the power to buy, sell and discount bills of exchange, notes and all other evidences of debt, receive notes, buy and sell gold and silver coins and bullion, receive deposits and pay out the same either upon order or check, accept and execute any trust which may be "created by instruments in writing"; "such instruments may appoint such association trustee for any lawful purpose and to act as such trustee in all matters embraced in such trust, to take and receive from any individual or corporation, for safe-keeping and storage, gold and silver plate, jewelry, stocks, securities, and other valuable property, except money, and may have power to collect coupons, interest and dividends on said above described securities, and to rent out the use of safes and other receptacles on the premises, upon such terms and for such compensation as may be agreed upon". They may lease, hold and convey all such real and personal estate as may be necessary in its business and such as they may deem necessary to acquire in collection of or enforcement of any claims, etc.

Trust companies - In addition to the usual corporate powers, they have authority to carry on the general business of banking, savings bank or loan and trust business; may receive savings deposits with the

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

provision that the company may require at least 30 days notice for withdrawals; may act in the usual fiduciary capacities; may act as agent or attorney for the transaction of business, management of estates, collection of rents, etc.; may purchase, hold and convey such land as may be necessary to carry on its business, and execute any trust committed to it, as well as such real or personal estate as may be necessary in the enforcement of any claims, etc.; its trust accounts must be kept separate from the other boods and accounts; they must at all times hold in its own keeping or on deposit subject to call at least 10 percent of its savings deposits. No part of the capital, deposits, investments or loans may be divided among the shareholders until the depositors have been paid in full. The stock of their own company may be taken as collateral for loans. They do a safety deposit business.

Building and loan associations - Dividends are to be paid from net earnings. The 1927 code takes precedence over the old codes and modifies them wherever they are inconsistent with it. "For every loan made, except from one association to another, a note or bond specifying the amount loaned and the rate of interest and premium to be paid thereon, secured by first mortgage on improved real estate shall be taken, upon which security no loan shall be made that shall exceed 65 percent of its conservative value." At their discretion, the directors may make loans upon the security of the shares in the association up to 90 percent of their withdrawal value, and upon bonds of the United States and the State of Wyoming. They may also invest in or loan upon bonds of the United

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

States and the State of Wyoming, and in those classes of bonds and warrants of the counties, school districts, and other municipalities, etc., as are approved by the State examiner. They may acquire, hold, encumber and convey such real estate and personal property as is necessary for the transaction of their business or to protect their securities, but not otherwise. Their investment in real estate for the convenient transaction of their business may not exceed 10 percent of their assets. Shares may not be withdrawn until after three months and then only at the option of the association, but may be withdrawn upon 30 days notice any time after 18 months from the date of issuance.

Building and loan associations, permanent plan - In addition to the general powers of private corporations, they are authorized, subject to terms and conditions in their articles of incorporation and by-laws, to issue stock to their members, assess and collect reasonable membership fees, withdrawal fees, dues, premiums and fines; permit their members to withdraw any or all of their stock deposits upon equitable terms; hold and convey such real estate and personal property as is necessary for the transaction of their business, and is mortgaged to them in good faith as security for debts, such as shall be conveyed to them in satisfaction of debts previously contracted, etc.; may make loans to their members upon ample real estate or personal property security, unencumbered except by their own prior loans, or upon the stock of such association to the extent of its withdrawal value; may make annual, or semi-annual distribution of their earnings, and "do all other things that may be necessary to effect its purposes and conduct its authorized business.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Stockholders may make withdrawals after 36 monthly payments have been made by giving 30 days notice, except that at no time may more than one-half of the funds in the treasury be applicable, to withdrawals without the consent of the board of directors.

Domestic associations (old code) - "The moneys paid to the association shall be disposed of at each stated meeting of the trustees in the following manner: First, in payment of any expenses, ...; second, in payment of the balance due on account of any loans previously made by the association; third, in payment of matured stock; fourth, in payment of stock withdrawn; fifth, "and the balance, if more than the par value of one share, shall be offered for loan in open meeting", and the stockholder making the highest bid is to be given preference . . . . "If there be no bidders, the money on hand may be awarded by lot to the holders of unpledged stock in such manner as the by-laws shall provide", and if provided in the by-laws, may be made to others than members at not less than the legal rate of interest, in sums not to exceed $5,000, and in case of real estate security for loans to non-members, the real estate must be worth at least double the amount of the loan. Bonds or other personal property may notbe accepted as security for loans to non-members without the unanimous consent of the trustees, etc.

Loans: Any State bank may loan not to exceed, in the aggregate, 25 percent of its capital, surplus and commercial deposits, upon notes secured by first mortgages on real estate up to 50 percent of the value of such real estate, except mortgages or liens taken to secure a debt previously contracted are not subject to the restriction of 50 percent

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

of the value except when insured by the Federal Housing Administration. No State bank may loan a sum exceeding 20 percent of the paid in capital and surplus to one individual, firm or corporation, such loans not to include the discount of bills of exchange, etc. They may not loan their funds to any of their officers, directors or employees, or to any firms in which their officers, directors or employees are interested, except with the approval of a majority of the board of directors. All directors of State banks permitting excessive loans or loans in a dishonest manner are to be held personally liable for all resulting damages, etc.

Savings banks - No officer of a savings bank may borrow its funds or be surety for a borrower.

Trust companies - See Investments.

Building and loan associations - See Powers. Loans may be made to members only, and are to be evidenced by a promissory note, secured by mortgage or trust deed on real estate or personal property. Loans may be made upon the stock of the company after one year, not to exceed 90 percent of the withdrawal value, without other security.

Banks, savings banks, trust companies, loan and trust companies and building and loan associations may make such loans as are secured by real property of leasehold as may obtain insurance through the Federal Housing Administration.

Investments: Every bank or trust company operating a savings department must keep their savings accounts separate, and may invest 90 percent of such deposits in the bonds of the State, or of the United States, or in Farm Loan bonds issued by any Federal Land Bank or Stock

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Land Bank organized under the "Federal Farm Loan Act", and in the bonds of any city, county, town or school district legally authorized to issue such bonds, or loan same upon notes or bonds secured by a mortgage or trust deed upon unencumbered real estate, or chattels worth at least double the loan. They may not invest their assets in the capital stock of any other corporation, except that of a Federal Reserve bank, except to prevent loss, etc.

Savings associations - Their board of directors may invest 80 percent of the deposits made with them in the bonds of the State, or of the United States, or in Farm Loan bonds of any Federal Land Bank, Joint Stock Land Bank, etc., or in the bonds of any city, county, town or school district in the State legally authorized to issue said bonds, or loan the same upon notes or bonds secured by mortgage or deed of trust on unencumbered real estate or chattels worth at least double the amount loaned; and the remainder may be deposited temporarily in any national or State bank in the State, but not more than $25,000 may be deposited in any one bank.

Loan and trust companies - Their board of directors may invest the capital and such money as they may receive from other persons or associations for investment, in good securities. It is lawful for them to invest such funds in bonds and mortgages on unencumbered real estate and chattel property worth at least double the amount loaned, and also, in any warrants and bonds of the State, or any other State or territory of the United States, or in Federal Farm Loan Bonds of any Federal Land Bank or Joint Stock Land Bank, or in the bonds and warrants of any county, city, town or school district of the State legally authorized to issue such

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

bonds and warrants.

Notes, bonds and other obligations secured by mortgage or trust deed, insured pursuant to Title II of the National Housing Act, are a legal investment for trust funds.

Trust companies - "Such corporations may loan not to exceed 80 percent of their deposits in the bonds of this State, or in the bonds of the United States, or in the bonds of any city, county, town, irrigation or drainage district bonds or school district bonds in the State legally authorized to issue said bonds, or loan the same upon notes or bonds secured by collateral security or by mortgage or trust deed upon unemcumbered real estate or chattels worth at least double the amount loaned and from the remainder of said deposits temporary deposits may be made in any national banks, or in any of the banks of this State, which may be incorporated under the general banking laws.

Building and loan associations - See Powers.

Examinations: Every bank coming under the provisions of Chapter 10 is to be examined at least twice each year by the State examiner or his representatives, without previous notice, or at his discretion. The same applies to trust companies. The State examiner may accept Federal Deposit Insurance Corporation examinations in lieu of those required bf him by the State.

Building and loan associations - State examiner is to examine all building and loan associations at least annually. This does not apply to foreign associations examined by their own supervisory authorities, except when the State examiner deems it necessary to do so.

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis

Reports: Every State bank shall on or before January 15 each year report to the State examiner their earnings and dividends for the year proceeding, etc. The State examiner is to call on each bank under his supervision for not less than three reports each year according to forms prescribed by him, on dates coinciding with the calls of the Comptroller of the Currency.

The regulations applying to State banks apply also, to trust companies and loan and trust companies.

Building and loan associations - All such associations are required to file a statement of condition, giving specified information and in the form prescribed by the State examiner, on July 1 each year, except that those operating on the serial plan, whose year does not end June 30, are required only to file a statement on their assets and liabilities on July 1, but must file the complete statement at the end of their fiscal year.

Interest: Savings associations are required to pay not less than 3 percent per annum before they may receive any "pay or salary, emolument or profit".

Digitized for FRASER
https://fraser.stlouisfed.org
Federal Reserve Bank of St. Louis