

or constructive, to any subsequent purchaser or encumbrancer of said real property or any part thereof.

Sec. 2. Not to affect pending actions.—Nothing contained in this Act shall affect actions now pending or commenced within six months after the passage of this Act, in any court of this State.

Approved April 21, 1939.

CHAPTER 391—S. F. No. 1202

An act relating to savings, building and loan associations and repealing Mason's Minnesota Statutes of 1927, Sections 7748, 7749, 7749-1 to 7749-3 inclusive, 7750, 7752, 7754, 7756, 7757-1 to 7757-8 inclusive, and 7758 to 7770 inclusive, and Mason's 1938 Minn. Supp., Sections 7658-5a, 7748-1, 7748-2, 7751, 7753, 7753-1, 7755, 7757, 7758-1, and 7770-1 to 7770-3 inclusive. Be it enacted by the Legislature of the State of Minnesota:

Section 1. Savings building and loan act.—Definitions.—This act may be cited as the "Savings, Building and Loan Act," and as used herein:

a. "Savings, building and loan associations" are financial corporations under public control, authorized solely to accumulate funds to be loaned to their members upon their homes or upon other improved real estate and to otherwise carry on, in accordance with law, the business of savings, building and loan associations.

b. A local association is one that confines its field of operation to the county in which is located its principal place of business and to counties immediately contiguous thereto.

c. A state association is one that upon application to the State Securities Commission has been authorized to do business in additional counties.

d. "Association" means a savings, building and loan association subject to the provisions of this act.

e. "Capital" means the aggregate of payments made on shares by members, plus dividends credited to such shares, less redemptions and withdrawals made thereon.

f. "Combination home and business structure" means a building or buildings, including residences for not more than

4 families, which is used in part for business purposes. The residential use of such a building must be substantial and permanent, not merely transitory. The business use may predominate.

g. "Direct reduction loan" means a loan repayable in consecutive monthly installments, equal or unequal, beginning not later than 60 days after the date of the advance of the loan, sufficient to retire the debt, interest and principal, within 20 years; provided, however, that the initial loan contract shall not provide for any subsequent monthly installment of an amount larger than any previous monthly installment; and, provided further, that in the case of construction loans the first payment shall not be later than 6 months after the date of the first advance. Any such loan is an amortized loan whether interest is computed and adjusted every month or semi-annually.

h. "An unamortized real estate loan" means a real estate loan repayable within 5 years from date, with or without any amortization of principal, but with interest payable at least semi-annually.

i. "Gross income" means the sum for an accounting period of the following:

- (1) Operating income.
- (2) Real estate income.
- (3) All profits actually received during such accounting period from the sale of securities, real estate or other property.
- (4) Other non-recurring income.

j. "Home" means a dwelling or a dwelling for not more than 4 families. A property does not cease to be a home because of the incidental use of it for minor business purposes so long as the principal use of the property is for residence purposes. A home on a farm is a home.

k. "Home loan" means a real estate loan when the security is a home property.

l. "Home property" means real estate on which there is located, or will be located pursuant to a home loan, a home or a combination home and business structure.

m. "Impairment of capital" means that the assets of an association do not have an aggregate value (in the judgment of the board of directors or the Commissioner of Banks) equal

to the aggregate amount of liabilities of the association to its creditors and members and all other persons.

n. "Insured association" means an association insured by the Federal Savings and Loan Insurance Corporation created under Title IV of the National Housing Act or amendments thereto.

o. "Member" means a person owning one or more shares of stock of an association, evidenced by a share certificate or pass book issued in the name of such person, individually or jointly, or a person borrowing from an association, owning shares of stock, individually or jointly, in conjunction with a loan.

p. "Net earnings" means gross income for an accounting period less the aggregate of the following:

(1) Operating expenses.

(2) Real Estate expenses.

(3) All losses actually sustained during such accounting period from the sale of securities, real estate or other property, or such portion of such losses as shall not have been charged to reserves, pursuant to the provisions of section 24 of this act.

(4) All interest paid on borrowed money.

(5) Other non-recurring charges.

q. "Net earnings available for dividends" means net earnings for an accounting period less amounts transferred to reserve as provided in section 24 of this act.

r. "Operating expenses" means all expenses actually paid by an association during an accounting period, excluding the following:

1. Real estate expenses.

(2) Interest on borrowed money.

(3) Other non-recurring charges.

That portion of prepaid expenses not apportionable to the period may be excluded from operating expenses, in which event operating expenses for future periods shall include that portion of such prepaid expenses apportionable thereto.

s. "Operating income" means all income actually received

by an association during an accounting period, excluding the following:

- (1) Real estate income.
- (2) Other non-recurring income.

t. "Other improved real estate loan" means a real estate loan when the security is improved real estate other than home property.

u. "Withdrawal value" means the aggregate of payments by a member on a share account, plus dividends credited thereto, less withdrawals made thereon, and the total of full paid share certificates.

v. "Real estate expenses" means all expense actually paid, in connection with the ownership, maintenance and sale of real estate (other than office building or buildings) by an association during an accounting period, excluding capital expenditures and losses on the sale of real estate.

w. "Real estate income" means all income actually received by an association during an accounting period from real estate owned (other than from office building or buildings), excluding profit from sales of real estate.

x. "Real estate loan" or "mortgage loan" or "mortgage" means a loan on the security of real estate evidence by any form of instrument whereby a first lien is created upon such real estate.

y. "The regular lending area" means the county in which the home office of an association is located and the counties of the state, or adjoining states, adjoining or adjacent thereto and any additional areas within a 50-mile radius from the home office.

z. "Stock loan" means a loan on the shares of a member, without other security, in an amount not exceeding ninety per cent of the cash or withdrawal value of such shares.

Sec. 2. Department of banking shall execute laws.—The department of banking shall have charge of the execution of all laws relating to savings, building and loan associations chartered under the laws of Minnesota, and the business thereof.

Sec. 3. Commissioner of banks to appoint building and loan supervisor—Duties.—The commissioner of banks shall appoint, and at pleasure may remove, a building and loan su-

pervisor, whose duties shall be the supervision of all savings, building and loan associations in this state. The building and loan supervisor shall at all times be under the commissioner of banks and shall have such examiners and such assistant examiners assigned to him as are necessary to properly examine the associations under his supervision.

Sec. 4. Commissioner of banks to exercise supervision over building and loan associations.—The commissioner of banks shall exercise a constant supervision over the books and affairs of all such associations doing business within the state; and shall examine at least twice each year all of said associations, inspecting and verifying the assets and liabilities of each, and so far investigate the character and value of the assets of each such association as to ascertain with reasonable certainty that the values are correctly carried on its books.

He shall investigate the methods of operation and conduct of such associations and their systems of accounting, to ascertain whether such methods and systems are in accordance with law and sound business principles. He may examine or cause to be examined on oath any of the officers, directors, agents, clerks, customers, or shareholders of any such association touching the affairs and business thereof, and may, in the performance of his official duties, issue or cause to be issued by the examiners, subpoenas, and administer, or cause to be administered by the examiners, oaths; provided, that in case of any refusal to obey any subpoena issue by him or under his direction, such refusal may at once be reported to the district court of the district in which the association is located, and such court shall enforce obedience to such subpoenas in the manner provided by law for enforcing obedience to subpoenas of said court. In all matters relating to his official duties, the commissioner of banks shall have the same power possessed by courts of law to issue subpoenas and cause them to be served and enforced, and all officers, directors, and employees of such associations, and all persons having dealings with or knowledge of the affairs or methods of such associations, shall at all times afford reasonable facilities for such examinations and make such returns and reports to the commissioner of banks as he may require; attend and answer, under oath, his lawful inquiries, produce and exhibit such books, accounts, documents, and property as he may desire to inspect, and in all things aid him in the performance of his duties.

Sec. 5. Communications to be given to Board of Directors.—Each official communication from the commissioner of banks or the building and loan supervisor to an association,

relating to any examination conducted by the banking department or containing suggestions and recommendations as to the conduct of business of the association shall be submitted by the officer receiving it to the board of directors at the next meeting of said board and noted in the minutes thereof.

Sec. 6. Incorporation of building and loan associations.—Seven or more persons may incorporate to form a savings, building and loan association. Such persons shall subscribe and acknowledge articles of incorporation specifying:

(a) The name, the field of operation, the principal place of transacting business. Such name shall distinguish it from other corporations and must include therein the words "savings and loan" or "building and loan", or a combination of these words and end with the word "association", provided that if at any time it is authorized to do business in added territory it shall include in the name the words "a state association" in all advertising or literature.

(b) The period of its duration, which may be perpetual.

(c) The name, occupation and address of each incorporator, and the number of shares of capital subscribed for by him.

(d) In what board its management shall be vested, the date of the annual meeting at which it shall be elected, the names and addresses of those composing the board until the first election and the amount of capital stock subscribed or paid in by each, all of whom shall be residents of the field of operation.

(e) How the capital is to be paid in, and the par value of each share.

(f) The highest amount of indebtedness or liability to which the association shall at any time be subjected.

Such articles may also contain any other lawful provisions defining and regulating the powers of business of the association, its directors, officers, members or shareholders.

Sec. 7. To execute application.—The incorporators of any such association proposed to be organized under the laws of this state shall execute and acknowledge an application in writing in the form prescribed by the State Securities Commission and shall file the same in its office, requesting a certificate authorizing the proposed association to transact business at the place, and in the name stated in said application.

Sec. 8. State Securities Commission to pass on applica-

tion.—The application of the association shall be submitted to and considered by the State Securities Commission in accordance with provisions of Mason's Minnesota Statutes of 1927, Sections 3997 to 4000 inclusive. After receiving the certificate of authorization from the commissioner of banks the articles of incorporation shall be filed with the Secretary of State, who shall record the same and certify that fact thereon. Such certificate and articles shall be filed for record with the register of deeds of the county of the principal place of business as specified in the certificate.

Every articles of incorporation shall be published in a qualified newspaper in the county of such principal place of business, for two successive days in a daily, or for two successive weeks in a weekly newspaper.

After recording and publication, the articles of incorporation shall be filed with the commissioner of banks together with proof of publication.

Savings, building and loan associations shall be exempt from payment of the filing fee provided by law for payment to the state treasurer before filing any articles of incorporation, renewal or amendment.

Sec. 9. Purposes of association.—Savings, building and loan associations may be formed for the accumulation of funds to be loaned to their members to be secured as hereinafter provided; and hereafter no such association shall be organized or operated for any such real or nominal purposes otherwise than as herein prescribed. Until otherwise provided by law all existing financial corporations conducting the business of savings and building and loan associations at the time of this act taking effect shall continue to exercise and enjoy all powers and privileges possessed by them under respective articles of incorporation and the laws applicable thereto then in force not inconsistent with the provisions of this act, and shall remain subject to all duties and liabilities to which they were then subject.

Sec. 10. May amend articles and by-laws.—The articles of incorporation of any association now or hereafter organized under the laws of this state may be amended so as to change its corporate name, or so as to change the par value of its shares, or in respect to any other matter which original articles of such association might lawfully have contained, by the adoption of a resolution specifying the proposed amendment, at a regular meeting or at a special meeting called for that

expressly stated purpose, by a majority vote of the shareholders of the association attending the meeting in person or by proxy. Such resolution shall be embraced in a certificate duly executed by its president and secretary, or other presiding or recording officers, under its corporate seal, and approved, filed, recorded and published in the manner prescribed for the execution, approval, filing, recording and publishing of like original articles, provided however if such amendment be made for the purpose of changing the principal place of the business of such association said certificate shall be published, filed and recorded in the office of the register of deeds of the county of such principal place of business immediately prior to such amendment, and shall also be recorded and published in the county where the business is to be carried on after the amendment.

Sec. 11. May not remove office without approval of commissioner of banks.—Without the prior approval of the commissioner of banks no association operating under this act shall move its office from its immediate vicinity.

Sec. 12. Must commence business within six months from date of incorporation.—Any association which shall not commence business within 6 months after the date upon which its corporate existence shall have begun, shall forfeit its corporate existence, unless the commissioner of banks before the expiration of such 6 months' period shall have approved the extension of time within which it may commence business, upon a written application stating the reasons for such delay. No such extension shall be granted after the lapse of such 6 months' period. Upon such forfeiture all action taken in connection with the incorporation thereof shall become void. Amounts paid on accounts, less expenditures authorized by law, shall be returned pro rata to the respective investors.

Sec. 13. By-laws—Contents.—The by-laws of every association:

a. shall state the principal place of business where the association is located.

b. shall provide the date and the place of the regular annual meeting of members; the notice, if any, to be given; the manner of calling special meetings, and the notice to be given; and the number of members necessary to constitute a quorum.

c. shall provide for meetings of the board of directors, which meetings shall be held not less frequently than once a month; the place of such meetings; the quorum necessary to

conduct a meeting, and for the resignation and removal of directors.

d. shall prescribe the number of directors, their duties and powers, their term of office and how vacancies are to be filled.

e. may provide for an executive committee which shall have the powers of the board of directors between meetings of the board of directors, and shall provide for the time and place of meetings of the executive committee and the quorum necessary.

f. shall provide that the board of directors at their annual meeting, which shall be held within 10 days after the annual meeting of the members (1) from their own number shall elect a president, one or more vice presidents, a secretary, and a treasurer, and (2) may elect such additional officers as the board of directors may from time to time determine, and (3) may designate an attorney, provided the offices of secretary and treasurer may be held by the same person.

g. shall state the voting rights of members and the vote necessary to decide an issue.

h. shall prescribe the duties and power of the officers, how vacancies are to be filled, and terms of office.

i. shall prescribe the method whereby written instruments shall be executed, and what officers shall be authorized to sign checks.

j. shall prescribe the method of making loans, the filing of applications, closing of loans, terms of loans, loan expense, insurance on loans, building loans, and may prescribe the maximum loan limit which shall be a fixed percentage of the appraised valuation of the property.

k. shall prescribe the manner in which share certificates shall be signed and delivered; provided that the by-laws shall provide that such share certificates shall be manually signed by an officer or employee of the association designated by the board of directors.

l. shall prescribe how shares may be withdrawn and how shares may be transferred from one person to another.

m. shall set forth the corporate seal of the association, which shall be 2 concentric circles between which shall be the name of the association. The year of incorporation and

the name of the state shall, and an emblem may, appear in the center.

n. shall provide for the depositing of the association's funds and shall provide that the board of directors shall name a bank or banks as depository.

o. may provide for the sale or cancellation of delinquent share interests.

p. may contain such other provisions as are not unlawful or inconsistent herewith.

q. may be amended at any time by a majority vote of the members of the association present at an annual or special meeting called for that purpose, the notice of such meeting stating what sections are to be amended. No such amendment to the by-laws shall be effective unless and until the commissioner of banks has given his written approval to such amendment. The members may, at any regular or special meeting called for that purpose, adopt or abolish any or all of the bonus plans provided in section 23 of this act without the approval of the commissioner of banks.

Sec. 14. Rights and privileges of members.—The rights, privileges and powers, and the duties and liabilities of members of an association shall be as fixed by the by-laws and this act. An annual meeting of the members of each association shall be held in the month of December or January, as fixed in the by-laws of such association. Every association shall prepare and publish semi-annually in the months of January and July in a newspaper of general circulation, published in the English language, in the county in which such association is located, and shall deliver to each member upon application therefor, a statement of its financial condition for the previous 6 months' period, in the form prescribed or approved by the commissioner of banks.

All shareholders of record and all borrowers from the association shall be members thereof. Any person, including an adult individual, male or female, single or married, a partnership, association, guardian, trustee and corporation, may be a borrower from the association, provided such person has full legal power to contract for the payment of the loan under the laws of this state. In the determination of all questions requiring action by the members, each shareholder shall be permitted to cast 1 vote for each share or fraction thereof of the withdrawal value of his share account, except only one vote may be cast for each share of stock or fraction

thereof owned jointly, and except that an association may in its by-laws limit or determine the number of votes to be cast by each shareholder. Voting may be by proxy, provided the proxy instrument authorizing the proxy to vote shall have been executed in writing by the member within 6 months prior thereto. A majority of all votes cast at any meeting of members shall determine any question, except voluntary liquidation. The members who shall be entitled to vote at any meeting of the members shall be those owning share accounts of record and borrowing members of record at the end of the calendar month next preceding the date of the meeting of members, except those who have ceased to be members. The number of votes of each member shall be determined either by the withdrawal value of his share account, or if a borrower, the number of shares owned on such record date. The association shall not directly or indirectly charge any membership, admission, withdrawal, or any other fee or sum of money in excess of 1 per cent of the par value of each share for the privilege of becoming, remaining, or ceasing to be a member of the association, in addition to reasonable charges upon the making of a loan. The association shall not charge any member any sum of money by way of fine or penalty for any cause except that a reasonable charge may be made against borrowers for defaults or prepayments on loans.

Sec. 15. Rights and privileges of officers and directors.—The rights, privileges and powers, and the duties and liabilities of all directors and officers of an association are to be as fixed by its by-laws and this act. The business of the association shall be managed by a board of directors of not less than 5 nor more than 15 as determined and elected by ballot from among the members by a majority of the votes of the members present and voting at a meeting called for that purpose. Each director of an association whose total assets are less than \$300,000 shall actually own in his own name at least \$100 withdrawal value of the accumulated capital stock of the association, and where total assets exceed \$300,000 at least \$500 withdrawal value of the accumulated capital stock of the association, provided, however, that a director shall qualify as to share ownership if he and another own at least double the said amounts jointly. A director shall cease to be a director when he ceases to be a member, or when the withdrawal value of all shares of the association owned by him jointly or individually aggregate less than the minimum required to be eligible for election as a director, and his office shall automatically become vacant if such ineligibility continues for 30 days or more, provided, no action of the board of directors shall

be invalidated through the participation of such director in such action. At the first annual meeting, or at any annual meeting thereafter, the directors may be divided into 3 classes of as nearly equal numbers as possible. If the so-called "stagger" method is used, the term of office of directors of the first class shall expire at the annual meeting next ensuing the first election; of the second class, 1 year thereafter; and of the third class, 2 years thereafter; and at each annual election thereafter directors shall be chosen for a full term of three years to succeed those whose terms expire, provided, however, that if the "stagger" method is not adopted, the term of office of directors or manner of filling vacancies shall be determined in accordance with the articles of incorporation or by-laws of the association. The number of directors within the limits hereinabove specified may be subsequently increased only by vote of the shareholders. If the shareholders fail to elect a director to fill each vacancy created by any such increase, the directors may fill such vacancy by electing a director to serve until the next annual meeting of the members, at which time a director shall be elected to fill the vacancy for the unexpired term for the class of director in which such vacancy exists. Whenever under the provisions hereof the number of directors is changed and vacancies caused by such change are filled, the directors so elected shall be classified in accordance with the provisions hereof, so that each of the 3 classes shall always contain as nearly equal numbers as possible. The existence of such vacancy, however, does not require the calling of a special meeting of members, unless there shall be a written request for such meeting by members holding of record at least ten per cent of the capital of the association. Any vacancy among the directors, not so filled by the members, may be filled by a majority vote of the remaining directors, though less than a quorum, by electing a director to serve until the next annual meeting of the members, at which time a director shall be elected to fill the vacancy for the unexpired term for the class of director in which such vacancy exists, provided, however, that not more than one-third of the board may be filled by the directors in any one year.

Sec. 16. Bonds for officers and employees.—All directors, officers and employees of an association having control of or access to moneys or securities of such association shall, before entering upon the performance of any of their duties, execute their bonds with adequate corporate surety payable to the association as an indemnity for any pecuniary loss the association may sustain of money or other property by or

through any fraud, dishonesty, forgery or alteration, larceny, theft, embezzlement, robbery, burglary, hold-up, wrongful or unlawful abstraction, misapplication, misplacement, destruction or misappropriation, or any dishonest or criminal act or omission, or infidelity to duty of or by any such director, officer, employee or agent. Associations which employ collection agents, who for any reason are not covered by a bond as hereinabove required, shall provide for the bonding of each such agent in an amount equal to at least twice the average monthly collections of such agent. Such agents shall be required to make settlement with the association at least monthly. The amounts and form of such bonds and the sufficiency of the surety thereon shall be approved by the board of directors and by the commissioner of banks. In lieu of individual bonds, a blanket bond, protecting the association from loss through any such act or acts on the part of any such officer, director or employee may be obtained upon the approval of the commissioner of banks.

Sec. 17. Records and accounts.—Every association shall open and keep such books and accounts and observe such accounting principles and practices as the commissioner of banks may prescribe or approve, for the purpose of keeping accurate and convenient records of its transactions, and every association refusing or neglecting to so do shall forfeit ten dollars for every day of such neglect or refusal, providing that existing books of account shall be considered compliance herewith until such time as the commissioner of banks may otherwise direct.

Every association shall close its books at the close of business on June 30 and December 31 of each year, which dates are termed in this act "semi-annual closing dates."

No association by any system of accounting or any device of bookkeeping shall either directly or indirectly, enter any of its assets upon its books in the name of any other person, partnership, association, or corporation, or under any title or designation that is not truly descriptive of such assets. The commissioner after a determination of value may order that assets in the aggregate to the extent that such assets have depreciated in value, be charged off, or that a special reserve or reserves equal to such depreciation in value be set up by transfers from undivided profits. The bonds or other interest-bearing obligations purchased by an association shall not be carried on its books at more than the actual cost thereof. An association shall not carry any real estate on its books at a sum in excess of the total amount invested by such association on

account of such real estate, including advances, costs and improvements but excluding accrued but uncollected interest. No cost of repairs or cost of restoration of property may be added to the real estate account, except such expenditures as represent permanent improvements.

Every association shall appraise each parcel of real estate at the time of acquisition thereof. The commissioner may require the appraisal of real estate securing loans which are delinquent more than six months. The report of each such appraisal shall be submitted in writing to the board of directors and shall be kept in the records of the association.

Every association shall maintain membership records, which shall show the number of each share certificate issued, the name and address of the member to whom issued, whether the member is a shareholder or a borrowing shareholder, the date of issuance thereof, the name and address of each transferee of each membership certificate, and the date of transfer.

Sec. 18. To audit books annually.—The board of directors or president shall appoint at least once a year from its members an auditing committee, or in lieu thereof, a certified public accountant, who shall examine the financial condition of the association at least semi-annually and make a written report thereof in duplicate, which shall be verified by the president and secretary, and attested by two directors stating in detail assets and liabilities at the close of the preceding semi-annual period. One copy thereof shall be transmitted to the commissioner of banks. The other copy shall be spread upon the minutes of the board and a condensed statement thereof published once by the association in a newspaper of the municipality or county in which is located its principal place of business and proof thereof filed immediately with the commissioner of banks.

Sec. 19. Notices of annual or special meeting.—At least fourteen days prior to any annual meeting and at least seven days prior to any special meeting of shareholders or members, mailed or published notice shall be given to each member, specifying the time, place and purpose thereof; also a notice of any amendment to articles or by-laws, or any resolution or proposition on which action is to be taken.

Sec. 20. Capital.—The capital of an association shall be unlimited and shall consist of the aggregate of payments on share accounts by its members, plus dividends credited to such accounts, less redemptions and withdrawals made thereon. At least \$10,000 of its capital shall be subscribed and paid in

before such association shall commence business, and the paid in capital shall never be less than \$10,000.

The following types of shares may be issued in the discretion of the board of directors:

(a) Full paid shares, when the full par value thereof is paid at the time of issuance, or when the full par value of other types of shares has been paid in thereon, including credited dividends.

(b) Installment shares, on which payments shall be paid as may be fixed by the board of directors.

(c) Optional payment shares, on which, after the first payment has been made, the shareholder may pay any amount at any time desired, subject to such limitations as may be fixed by the board of directors.

(d) Loan stock, when the by-laws provide that a loan is an advance on shares of stock, such shares and the payments thereon shall constitute capital the same as any other shares until such time as the payments are actually withdrawn and applied in reduction of the loan as provided by the contract.

When payments on installment shares or on optional payment shares, together with dividends credited thereon, equal the full par value of shares in the association, such installment or optional payment shares shall be exchangeable for certificates representing full paid shares, at the option of the holder thereof, without costs; provided that transfer to full paid stock shall not be made until such optional or installment share certificate or pass book has been surrendered and full paid certificates issued therefor as herein provided. When payments on shares, or the dividends credited thereon, exceed the par value of such shares, such excess shall not constitute a common creditor liability of the association, but shall be deemed for the purchase of other like shares. Any holder of installment shares or optional payment shares may at any time pay the difference between the amount paid in thereon, including credited dividends, and the full par value of shares in the association and shall, thereupon, be entitled to a certificate representing full paid shares.

The capital shall be accumulated only by payments by members and earnings on shares as provided in this act. The withdrawal value of each share account held by a member shall be the aggregate of payments upon such share account, plus dividends credited thereon, less redemption and withdrawals

made. Except as limited by the board of directors from time to time, a member may make payments on share accounts in such amounts and at such times as he may elect. Shares may be issued for cash, or property in which the association is authorized to invest, and, in the absence of fraud in the transaction, the value of the property taken in payment therefor, as determined by the board of directors, shall be conclusive. The members of an association shall not be responsible for any losses which its capital shall not be sufficient to satisfy, and the share accounts shall not be subject to assessment, nor shall the shareholders be liable for any unpaid installments on their share accounts. Dividends shall be declared in accordance with the provisions of this act. No association shall prefer one of its share accounts over any other share account as to the right to participate in dividends as to time or amount, provided, the by-laws may provide that on share accounts of five dollars or less dividends need not be paid. No preference between shareholders shall be created with respect to the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up of an association. No association shall have power to contract with respect to the capital or participations in the capital in a manner inconsistent with the provisions of this act.

Sec. 21. Share accounts.—Each share account shall be represented by the share account of each shareholder on the books of the association and each shareholder shall receive a pass book containing a share certificate in the form prescribed in this act, and evidencing the withdrawal value of the share account. A separate certificate for a share account, in form prescribed in this act, may be issued in lieu of a pass book, entitled "Shares Certificate." Share accounts may be purchased and held absolutely by, or in trust for, any person, including an adult or minor individual, male or female, single or married, a partnership, association, and corporation. Share accounts shall be transferable only upon the books of the association and upon proper application by the transferee and the acceptance of the transferee as a member upon terms approved by the board of directors. The association may treat a shareholder of record on the books of the association as the owner for all purposes without being affected by any notice to the contrary, unless the association waive in writing its statutory lien in whole or in part in favor of a pledge.

Sec. 22. Share certificates—Form.—The following form of certificate, or some other form approved by the commissioner of banks, evidencing ownership of a full paid share ac-

count is hereby prescribed for use by all associations and shall be issued to each such shareholder, which shall be identified by number and bear the date of issuance:

FULL-PAID SHARE CERTIFICATE

No. Shares
Par Value \$ Per Share

This certifies that ... has paid the full par value of \$... per share for ... Full-Paid Shares, and is a member of the undersigned. This certificate is issued and by the acceptance hereof is held subject to all provisions of the laws of the State of Minnesota, the articles of incorporation and by-laws of the undersigned, and is transferable on the books of the undersigned by the holder hereof, in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. The undersigned may treat the holder of record hereof as the owner for all purposes, without being affected by any notice to the contrary, until this certificate is transferred on the books of the undersigned. Certificates will not be transferred unless and until the transferee has made proper application for membership in, and has been accepted as a member of the undersigned.

WITNESS the seal of the undersigned and the signatures of its duly authorized officers, this the ... day of ..., 19....

..... Association
President Secretary
(Corporate Seal)

The following form of certificate, or some other form approved by the commissioner of banks, evidencing ownership of an installment share account is hereby prescribed for use by all associations and shall be issued to each such shareholder, which shall be identified by number and bear the date of issuance:

INSTALLMENT SHARE CERTIFICATE

No. Shares
Par Value \$ Per Share

This certifies that ... has subscribed for and made the initial payment upon ... Installment Shares, and is a member of the undersigned. This certificate is issued and by the acceptance hereof is held sub-

ject to all provisions of the laws of the State of Minnesota, the articles of incorporation and by-laws of the undersigned, and is transferable on the books of the undersigned, by the holder hereof, in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. The undersigned may treat the holder of record hereof as the owner for all purposes, without being affected by any notice to the contrary, until this certificate is transferred on the books of the undersigned. Certificates will not be transferred unless and until the transferee has made proper application for membership in, and has been accepted as a member of the undersigned.

WITNESS the seal of the undersigned and the signatures of its duly authorized officers, this theday of, 19.....

.....Association

 President Secretary
 (Corporate Seal)

The following form of certificate, or some other form approved by the commissioner of banks, evidencing ownership of an optional payment share account is hereby prescribed for use by all associations and shall be issued to each such shareholder, which shall be identified by number and bear the date of issuance:

OPTIONAL PAYMENT SHARE CERTIFICATE

No.Shares
 Par Value \$..... Per Share

This certifies that
 has subscribed for and made the initial payment upon
 Optional Payment Shares, and is a member of the undersigned. This certificate is issued and by the acceptance hereof is held subject to all provisions of the laws of the State of Minnesota, the articles of incorporation and by-laws of the undersigned, and is transferable on the books of the undersigned by the holder hereof, in person or by duly authorized attorney, upon surrender of this certificate properly endorsed. The undersigned may treat the holder of record hereof as the owner for all purposes, without being affected by any notice to the contrary, until this certificate is transferred on the books of the undersigned. Certificates will not be transferred unless and until the transferee has made proper application for membership in, and has been accepted as a member of the undersigned.

WITNESS the seal of the undersigned and the signatures of its duly authorized officers, this the day of, 19.....

..... Association

.....
 President Secretary
 (Corporate Seal)

Sec. 23. Cash bonuses.—In order to stimulate systematic thrift and to provide regular funds for the financing of homes, the members at a regular or special meeting may adopt the short-term bonus or the long-term bonus, or both the short-term and long-term bonus, prescribed below. The members may adopt the short-term bonus plan by adopting the following resolution and causing 3 copies thereof, certified by the secretary, to be filed with the commissioner of banks:

“RESOLVED, That effective on the next succeeding dividend date, the association shall be obligated to pay a cash bonus on the short-term bonus plan prescribed in the Savings, Building and Loan Act.”

The members may adopt the long-term bonus plan by adopting the following resolution:

“RESOLVED, That effective on the next succeeding dividend date, the association shall be obligated to pay a cash bonus on the long-term bonus plan prescribed in the Savings, Building and Loan Act.”

The members may adopt both the short-term and long-term bonus plans by adopting the following resolution:

“RESOLVED, That effective on the next succeeding dividend date, the association shall be obligated to pay a cash bonus on both the short-term bonus plan and the long-term bonus plan prescribed in the Savings, Building and Loan Act.”

Upon the filing with the commissioner of banks of the required certified copies of any such resolution, the association is authorized to proceed to put such bonus plan into effect on the next succeeding dividend date.

If, after the adoption of the bonus plan, a member desiring a short-term bonus shall agree to make regular monthly payments of any specified amount on a share account until the withdrawal value thereof shall equal 100 times the agreed monthly payment, and if the agreed monthly payments shall be made each and every month thereafter until the withdrawal value thereof shall equal 100 times the agreed monthly pay-

ment, without a delay of more than 60 days in the payment of any monthly payment, without any prepayment of more than 12 months, and if during such period no application has been made for withdrawal of any part of such share account, the bonus shall be payable on the date on which the withdrawal value of such share account shall equal or exceed 100 times the agreed monthly payment. The bonus rate on such short-term share account shall be $\frac{1}{2}$ of 1 per cent per annum and the amount of the bonus shall be determined as follows: Divide the dollar amount of each semi-annual dividend declared on such share account by a figure equal to twice the annual rate of per cent of such semi-annual dividend declared. The amount of the bonus is the sum of the quotients obtained.

If, after the adoption of the bonus plan, a member desiring a long-term bonus shall agree to make regular monthly payments of any specified amount on a share account until the withdrawal value thereof shall equal 200 times the agreed monthly payment, and if the agreed monthly payments shall be made each and every month thereafter until the withdrawal value thereof shall equal 200 times the agreed monthly payment, without a delay of more than 60 days in the payment of any monthly payment, and without any prepayment of more than 12 months, and if during such period no application has been made for the withdrawal of any part of such share account, the bonus shall be payable on the date on which the withdrawal value of such share account shall equal or exceed 200 times the agreed monthly payment. The bonus rate of such long-term share account shall be 1 per cent per annum and the amount of the bonus shall be determined as follows: Divide the dollar amount of each semi-annual dividend declared on such share account by a figure equal to the annual rate of per cent of such semi-annual dividend declared. The amount of the bonus is the sum of the quotients obtained.

The members at a regular or special meeting may abolish the bonus plan or plans as to share accounts opened after the date of such action.

Simultaneous with the declaration of each semi-annual dividend after the adoption of a bonus plan or plans, the board of directors shall transfer out of net earnings to an account designated "Bonus Reserve" an amount which, together with existing credits to the bonus reserve, is sufficient to pay the bonus on all share accounts then entitled to participation in the bonus reserve in accordance with the provisions of this section. The board of directors may transfer any excess in the bonus reserve to the undivided profits account.

The association which has become obligated as provided in this section to pay a cash bonus may advertise the short-term bonus plan and may refer to the bonus rate on such short-term bonus plan as being a bonus of $\frac{1}{2}$ of 1 per cent per annum; and may advertise the long-term bonus plan and may refer to the bonus rate on such long-term plan as being a bonus of 1 per cent per annum.

Sec. 24. Contingent or reserve fund to be accumulated.—Every association shall accumulate a fund to be known as a contingent or reserve fund by setting aside each semi-annual accounting period at least two per cent of its net earnings until the fund shall ultimately be equal to at least five per centum of its accumulated capital or to at least fifty per centum of the book value of all real estate owned by it, whichever amount is the greater or in the case of an insured association the reserve required by the Federal Savings and Loan Insurance Corporation may be considered as meeting the requirements of this section provided such reserve equals or exceeds the amount required herein. Such fund shall not be available for the payment of current expenses so long as the association has undivided profits. It shall not be available for the payment of dividends; but any association may charge against such fund any losses upon investments, whether resulting from depreciation or otherwise, without encroaching upon its undivided profits or its net earnings until the contingent or reserve fund is exhausted.

Sec. 25. Disposition of net earnings.—On each semi-annual closing date, after payment or provision for all expenses and appropriate transfers to reserves, the remainder of net earnings for the half calendar year shall be credited to the undivided profits account.

Every association shall first deduct from gross earnings its operating costs for the same period, if such earnings are sufficient; if not, the balance of the expenses above the earnings shall be carried on the records of the association as "expenses paid", and thereafter deducted from the earliest available net profits. Any remaining balance shall be charged to an account called "permanent expenses" and in the event of voluntary or involuntary liquidation shall be paid by the proportionate deduction from the value of the shares upon the books of the association. The remainder shall be deemed the true book value of said stock. All operating costs shall be paid from its earnings, and no deductions shall be made from stock payments directly or indirectly, save as herein provided. The total of all expenses, whether disbursed or incurred, shall not

exceed annually two and one-half per centum of the total amount of all money actually loaned to members on real estate mortgages and contracts for deed at the time of making such deduction, including the dividends duly declared and credited thereon on stock, provided that this limitation shall not apply to associations whose accumulated capital is less than forty thousand dollars, but the annual operating expenses of any such association shall not exceed one thousand dollars. Expenses met by service fees, including membership, shall not be considered as operating costs subject to the limitation of expenses herein provided.

Sec. 26. Dividends.—As of June 30 and December 31 in each year, the board of directors shall declare a dividend payable as of the date said dividend is declared. No dividends shall be declared except dividends payable on said dividend dates unless permission is first obtained from the commissioner of banks. Payments of net earnings to shareholders are dividends and shall not be referred to as interest. Dividends shall be credited to share accounts on the books of the association on the dividend payment date and shall be known as stock dividends unless a shareholder shall have requested and the board of directors shall have agreed to pay dividends on all or part of any share account in cash. Dividends payable in cash shall be paid within 30 days from the date declared. All shareholders shall participate equally in dividends pro rata to the withdrawal value of their respective share accounts; provided that if the by-laws so provide no association shall be required to pay or credit dividends on share accounts of \$5 or less. Except as above provided, dividends shall be declared on the withdrawal value of each share account at the beginning of the dividend period, plus payments thereon made during the dividend period (less amounts withdrawn, which for dividend purposes shall be deducted from the latest previous payments thereon) computed at the dividend rate for the time invested, determined as provided below. The date of investment shall be the date of the actual receipt by the association of a payment on a share account, except that the board of directors may fix a date, which shall not be later than the fifteenth of the month, for determining the date of payment. Payments on share accounts, affected by such determination date, received by the association on or before such determination date, shall receive dividends as if made on the first of the month during which such payment was made.

Sec. 27. Withdrawals—Notice.—The holder of unpledged shares may withdraw a part or all of the value thereof upon

thirty days' written notice of his intention so to do given to and duly filed with the secretary of the association at any time, but the board of directors may waive such notice. Such notice of withdrawal shall not, however, make such shareholder a creditor of the association but his status shall be and remain that of a shareholder. Such shareholder, until paid, shall be entitled to dividends upon the sum requested to be withdrawn, to the extent of seventy-five per cent of the rate declared and credited upon other shares of the same class. The association shall use at least fifty per cent of its monthly receipts, which shall not include money borrowed, for the purpose of paying withdrawals, but not over fifty per cent of its monthly receipts shall be so used, unless otherwise determined by resolution of the board of directors. Whenever the proportion of receipts applicable to the demands of withdrawing members is not sufficient to pay all such demands within 60 days from the date of application for withdrawal, such application shall be paid out of funds available as hereinafter set forth and shall be liquidated as follows: The applicant first on the list will receive twenty-five per cent of the amount of his application for withdrawal, but in no case less than two hundred dollars, nor more than one thousand dollars, on account, if the funds are available as hereinafter set forth, or if the amount of his application is for less than two hundred dollars, and funds to pay the same are available as hereinafter set forth, his application shall be liquidated in full. For any balance remaining due to the applicant after the aforesaid payment, the application shall be transferred at once to the bottom of the withdrawal list, and no further payments shall be made to said applicant, except as hereinafter set forth, until the said applicant's name has again found its way to the head of the withdrawal list. The second applicant shall be treated in exactly the same manner, and so on. All new applicants shall be placed at the bottom of the list, immediately upon the filing of their respective applications. This method of paying withdrawals shall become obligatory upon all associations upon the passage of this act; and the withdrawal lists as then existing in each association shall be liquidated from that date as provided in this act. In addition to the above, out of the remainder of its monthly receipts the association may use its discretion in meeting on demand at all times all applications for withdrawal by members whose entire interest in the association amounts to less than one hundred dollars; and may further, in its discretion, pay the sum of not more than one hundred dollars per month to any applicant on the withdrawal list; provided that such payments of one hundred dollars per

month shall be made only when emergent circumstances justify the same and only after a thorough investigation of each application has been made. The board of directors shall have full authority to prescribe such rules as may in its discretion be suitable to prevent shareholders from making any simulated or purported transfer of shares in order to expedite their withdrawals, and all rules thus made shall be binding on the members of the association. Whenever the total of applications for withdrawal exceeds sixty per cent of the accumulated capital of any association, the commissioner of banks, if he believes that the condition of the association justifies such an order, may direct that the payment of withdrawals as above provided be discontinued, and that thereafter all withdrawals from said association be paid on a pro rata basis, from time to time, to all persons appearing on the withdrawal list of said association. Said distribution to be made to all persons actually on the withdrawal list on a date not less than ten days previous to the day on which the pro rata distribution checks are issued.

Sec. 28. Retirement of unpledged shares.—The board of directors of any association may retire all unpledged shares of stock in the manner prescribed in its by-laws, and the holders of such shares are paid the full value thereof less all lawful obligations.

Sec. 29. Who may hold certificates.—An association may issue share certificates in the name of any administrator, executor, guardian, trustee or other fiduciary, in trust for a named beneficiary or beneficiaries, provided that this act shall not be construed as granting additional power or authority to any administrator, executor, guardian, trustee or other fiduciary. Any such fiduciary shall have power to vote as a member as though the share certificate were held absolutely, to make payments upon and to withdraw any such account, in whole or in part. The withdrawal value of any such account, and dividends thereon, or other rights relating thereto, may be paid or delivered, in whole or in part, to such fiduciary, without regard to any notice to the contrary so long as such fiduciary is living. The payment or delivery to any such fiduciary or a receipt or acquittance signed by any such fiduciary, to whom any such payment, or any such delivery of rights is made, shall be a valid and sufficient release the discharge of an association for the payment or delivery so made. Whenever a person holding an account in a fiduciary capacity dies and no written notice of the revocation or termination of the trust relationship shall have been given to an association, the with-

drawal value of such account, and dividends thereon, or other rights relating thereto, may, at the option of an association, be paid or delivered, in whole or in part, to the beneficiary or beneficiaries of such trust. The payment or delivery to any such beneficiary or beneficiaries, or a receipt or acquittance signed by any such beneficiary or beneficiaries for any such payment or delivery, shall be a valid and sufficient release and discharge of an association for the payment or delivery so made.

Sec. 30. Shares purchased for minors.—Any shares purchased from an association by or in the name of a minor shall be held for the exclusive right and benefit of such minor, free from the control or lien of all other persons, except creditors, and, together with dividends thereon, shall be paid to him, and his receipt or acquittance in any form shall be sufficient release and discharge of the association for share withdrawal or cancellation on maturity, until a guardian appointed in this state for such minor shall have delivered a certificate of his appointment.

Sec. 31. Advertisement of capital stock.—No association shall advertise as its capital any amount other or greater than the amount of actual paid-in capital at the time of the advertisement.

Sec. 32. Lost, stolen or destroyed certificates.—Upon the filing with an association by a member of record, or his legal representatives, of an affidavit to the effect that the share certificate evidencing his membership in the association has been lost, stolen or destroyed, and that such share certificate has not been pledged or assigned, in whole or in part, such association shall issue a share certificate, marked on the face thereof a duplicate, in the name of such holder of record, evidencing his share balance in the association; provided, however, that the board of directors may in its discretion require such member or his legal representative to furnish a bond to the association in an amount sufficient to indemnify it against any loss which might result from the issuance of such duplicate share certificate.

Sec. 33. Not to issue investment certificates or receive deposits.—No association shall issue, sell, negotiate or advertise for sale, any investment certificate or certificates of indebtedness or receive deposits. No association shall agree to pay a guaranteed rate of interest or fixed amount in dividends upon any share accounts issued by it.

Sec. 34. Grant and limit of powers.—Every association incorporated pursuant to or operating under the provisions of this act shall have all the powers enumerated, authorized and permitted by this act, and such other rights, privileges and powers as may be incidental to or necessary for the accomplishment of the objects and purposes of the association. Every association shall have the following powers:

(a) To sue and be sued, complain and defend, in any court.

(b) To purchase, hold and convey real and personal estate consistent with its objects and powers, and to mortgage, pledge or lease any real or personal estate; and to take property by gift, devise or bequest.

(c) To have a corporate seal, which may be affixed by imprint, facsimile or otherwise.

(d) To appoint officers, agents and employees as its business shall require, and allow them suitable compensation.

(e) To adopt and amend by-laws as provided in this act.

(f) To accept savings and investments as payments on accounts as provided in this act, but this shall apply only to cases where one association assumes the share liabilities of another and sufficient assets are transferred to cover such liabilities.

(g) To make loans to members on the sole security of share accounts. No such loan shall exceed 90 per cent of the withdrawal value of the share accounts owned or otherwise pledged by the borrower. No such loan shall be made when an association has applications for withdrawal which have been on file more than 60 days and not reached for payments.

(h) To make direct reduction or unamortized home loans of any amount and secured by home property, subject to the following limitation: It shall be unlawful for an association, the assets of which do not exceed fifty thousand dollars to make any mortgage loan exceeding five thousand dollars; if its assets exceed fifty thousand dollars but do not exceed one hundred thousand dollars, it shall be unlawful for it to make any mortgage loan exceeding seven thousand five hundred dollars; if its assets exceed one hundred thousand dollars, but do not exceed two hundred thousand dollars, it shall be unlawful for it to make any mortgage loan exceeding ten thousand dollars; if its assets exceed two hundred thousand dollars but do not

exceed five hundred thousand dollars, it shall be unlawful for it to make any mortgage loan exceeding twenty thousand dollars; if its assets exceed five hundred thousand dollars but do not exceed one million dollars, it shall be unlawful for it to make any mortgage loan exceeding thirty thousand dollars; if its assets exceed one million dollars, but do not exceed three million dollars, it shall be unlawful for it to make any mortgage loan exceeding fifty thousand dollars; if its assets exceed three million dollars, it shall be unlawful for it to make any mortgage loan exceeding two and one-half per cent of its total assets. It shall be unlawful for any association to make any loan on vacant lands or on vacant lots unless such lands or lots are to be improved or are included with other improved real estate. All real estate loans shall be subject to the limitation which may be fixed in the by-laws which shall be a fixed percentage of the valuation of the property.

(i) To invest in securities as follows:

(1) Without limit in obligations of or guaranteed as to principal and interest by the United States or this state, or in obligations of political subdivisions of this state.

(2) Without limit in obligations of Federal home loan banks and in obligations of the Federal Savings and Loan Insurance Corporation.

(3) In stock of a Federal home loan bank of which it is eligible to be a member.

(j) Without restriction upon the general powers of the association, provided title to all real estate shall be taken and held in the name of the association and such title shall immediately be recorded in accordance with law, to invest in:

(1) Real estate whereon there is or may be erected a building or buildings for the transaction of the business of the association, from portions of which, not required for its own use, a revenue may be derived by rentals or otherwise. An association may invest in such real estate an amount representing the cost of land and improvements not exceeding five per cent of its net assets. It may, however, invest in such real estate a larger sum with the approval of the commissioner of banks.

(2) Real estate acquired by the association in exchange for real estate owned by the association.

(3) Real estate acquired by the association in connection

with salvaging the value of property owned by the association.

(k) To repurchase and redeem share accounts in accordance with the provisions of this act.

(l) To pay a bonus to members in accordance with the provisions of this act and no other bonus.

(m) To dissolve, merge or reorganize in the manner provided in this act.

(n) To borrow money not in excess of 50 per cent of its paid in capital.

In furtherance and not in limitation of the powers hereinbefore conferred the board of directors is expressly authorized:

(1) By resolution approved by a majority of the entire board of directors to appoint and remove members of an executive committee, composed of the president and 2 or more additional directors, which committee shall have and exercise the powers of the board of directors when it is not in session.

(2) By resolution, to appoint such other committees as may be deemed necessary and to fix their duties.

(3) To compensate directors as may be provided in the by-laws.

(4) To fix the salaries or other compensation of officers and employees from time to time, and to delegate to any officers the power to fix the salaries or other compensation of employees. No officer shall be prevented from receiving a salary for his services as such officer by reason of the fact that he is also a director.

(5) To extend leniency and indulgence to borrowing members who are in distress, and generally to compromise and settle any debts and claims but any such leniency shall not affect the contractual relation unless duly executed by the parties by a written agreement.

(6) To limit from time to time the amounts which may be accepted by the association as payments on share accounts.

(7) To reject any application for membership.

(8) To exercise any and all the powers of the association not expressly reserved by the articles of incorporation to the members.

Sec. 35. Not to deal in real estate.—No such association shall engage in the business of buying and selling or dealing in real estate, but it may secure obligations due to it and the payment of its loans by taking real estate mortgages. It may purchase at any sheriff's, judicial or other sale, public or private, any real estate upon which it has a mortgage, judgment or other lien, or in which it has any interest. It may acquire title to any real estate on which it holds any lien, in full or part satisfaction thereof, and may sell, convey, hold, lease or mortgage the same. Also in transactions involving the purchase by a shareholder of improved real estate for home purposes, or for the construction of a home, it may when authorized by its by-laws acquire the title thereof, and it may give to such shareholder a contract to convey the same as upon a sale thereof and upon default in the conditions of such contract, the association may terminate the interest of such shareholder pursuant to law.

Sec. 36. Limit of territory.—Every local association by provision in its articles of incorporation or by-laws, shall confine its field of operation exclusively to the county of its principal place of business and those immediately contiguous thereto and any additional area within a 50-mile radius from the home office, and upon failure so to do shall, without any other act or proceedings, forfeit all corporate rights and franchises, except to close its affairs; provided, that any association now or hereafter incorporated, may enlarge its territory by making application to the State Securities Commission in accordance with the provisions of Mason's Minnesota Statutes of 1927, Sections 3997 to 4000, inclusive, the notice of hearing provided for in said sections shall be inserted in a newspaper published at the county seat of each and every county included in such application. If the commission finds on hearing that there is a reasonable public demand for such services, and the commission is satisfied that the association will be safely and properly managed in its enlarged territory the application may be approved; otherwise the application shall be denied in whole or in part.

Sec. 37. Not to fix percentage of incomes.—No association now or hereafter organized under the laws of this state shall hereafter be permitted to pay or agree to pay to any person or corporation an agreed percentage of its share payments or other assets, or make any payment whatsoever, in consideration of the payment by such person or corporation of the expenses of such association either in whole or in part. The intent of this Act is that associations shall pay their actual ex-

penses within the limitations imposed by law, directly to their creditors, and not through the medium of third parties; but this act shall not apply to existing contracts or to payments made or to be made pursuant thereto. No association may hereafter make any operating or management contract, nor shall existing contracts be extended, renewed or transferred.

Sec. 38. May become members of Federal Home Loan Banks.—Any association is hereby empowered and authorized to become a member of, or stockholder in the Federal Home Loan Bank of the district thereof of which this state is a part, or of an adjoining district if convenience shall so require, or other financial corporations, associations or agencies now or hereafter created by Act of Congress, and to that end to purchase stock in or securities of or deposit money therewith, and to comply with any other conditions of membership or credit; to borrow money therefrom upon such rates of interest, not exceeding the contract rate of interest in this state, and upon such terms and conditions as may be agreed upon for the purpose of making loans, paying withdrawals, paying maturities, paying debts, and for any other purpose not inconsistent with the objects of the association; and provided further that the aggregate amount of the indebtedness, so incurred by such association, which shall be outstanding at any time shall not exceed fifty per centum of the then total capital of the association; to assign, pledge, and hypothecate its bonds, mortgages or other assets, and to repledge with such agency the shares of stock in such association which any owner thereof may have pledged as collateral security, without obtaining the consent thereunto of such owner, as security for the repayment of the indebtedness so created by such association and as evidenced by its note or other evidence of indebtedness given for such borrowed money, and to do any and all things which shall or may be necessary or convenient in order to comply with and to obtain the benefits of the provisions of any Act of Congress creating such bank, corporation, association or agency.

Sec. 39. Purposes of association.—Pursuant to such regulations as the commissioner of banks finds to be necessary and proper, and subject to his supervision, such associations are authorized:

(a) To make such loans and advances of credit and purchases of obligations representing loans and advances of credit as are insured by the Federal Housing Administrator, and to obtain such insurance:

(b) To make such loans secured by mortgages on real property which the Federal Housing Administrator has insured or made a commitment to insure and to obtain such insurance.

No law in this state prescribing the nature, amount or form of security or requiring security upon which loans or advances of credit may be made, or prescribing or limiting interest rates upon loans or advances of credit, or prescribing or limiting the period for which loans or advances of credit may be made shall be deemed to apply to loans, advances of credit or purchases made pursuant to the foregoing paragraphs (a) and (b). Such associations may invest in notes or bonds secured by mortgages or trust deed insured pursuant to paragraph (b) above, and in securities issued by National Mortgage Associations.

Sec. 40. May insure shares.—In accordance with such regulations as the commissioner of banks may deem necessary and proper, any such association is hereby authorized and empowered to do all things necessary to obtain, continue, pay for and terminate insurance of its shares with the Federal Savings and Loan Insurance Corporation.

Sec. 41. May convert into a Federal Savings & Loan Association.—Any such association organized and existing under and by virtue of the laws of the State of Minnesota is hereby authorized and empowered, by majority vote of its outstanding capital stock, according to the book value thereof present either in person or by proxy at any meeting of its shareholders duly called for that purpose, to convert itself into a Federal Savings and Loan Association as provided in that certain Act of Congress of the United States known as the "Home Owners' Loan Act of 1933."

Sec. 42. Federal Associations may convert into State Associations.—Any federal savings and loan association may convert itself into a savings, building and loan association under the laws of the State of Minnesota upon the majority vote of its outstanding capital stock according to the book value thereof present either in person or by proxy at a legal meeting called to consider such action pursuant to the laws of the State of Minnesota and such rules and regulations as the commissioner of banks finds necessary and proper.

Sec. 43. Real estate loans.—Real estate loans may be made as authorized by this act, or upon any other loan plan approved by the commissioner of banks. No real estate loan

shall be made until a qualified person selected by the board of directors shall have submitted a signed appraisal of the real estate securing such loan, and until approved by the board of directors or a committee authorized by the board. Payments on real estate loans shall be applied first to the payment of interest on the unpaid balance of the loan; next to payment of any insurance premiums, taxes, assessments or other advances paid by the association according to its by-laws or the said mortgage; the remainder to the reduction of the loan or as payments on loan stock where loans are amortized on the semi-annual basis; provided that if the loan is in default in any manner, payments may be applied by the mortgagee in any manner approved by the commissioner. Every such loan shall be evidenced by a non-negotiable note or bond for the amount of the loan and shall be accompanied by a transfer and pledge of the shares of stock of the borrower to the association. The shares so pledged shall be held as collateral security for the performance of the conditions of said note or bond and mortgage, provided that the shares, without other security, may be accepted in the discretion of the directors as security for loans to an amount not exceeding ninety per cent of their cash or withdrawal value as herein provided. Any such association may provide by contract with its borrower that loans shall be fully paid at a definite period upon receipt of the specified number of payments. No officer or director shall directly or indirectly use the funds of the association except in regular association business transactions and all loans to directors, officers or agents shall be acted upon in the absence of the applicant and approved by the unanimous vote of the directors. The note or bond shall specify the amount, rate of interest, terms of repayment, and may contain all other terms of the loan contract. Every real estate loan shall be secured by a mortgage or other instrument constituting a first lien or the full equivalent thereof, upon the real estate securing the loan, according to any lawful or well recognized practice, which is best suited to the transaction. Such mortgage shall provide specifically for full protection to the association with respect to usual insurance risks, taxes, assessments, other governmental levies, maintenance and repairs. It may provide for an assignment of rents, which assignment shall be valid. Every such mortgage or other instrument shall create, and preserve to the association, a first lien, which shall equally secure the original loan and each and every subsequent advance and loan in any amount and for any purpose by the association to such borrower. No subsequent loan to such borrower by any other person shall es-

establish an intervening lien, which shall disturb the first lien of such association as security for every advance and loan made to such borrower. All such mortgages shall be recorded in accordance with the law of this state. An association may pay taxes, assessments, insurance premiums and other similar charges for the protection of its real estate loans. All such payments shall be added to the unpaid balance of the loan and shall be equally secured by the first lien on the property. An association may require the borrower to pay monthly in advance in addition to interest or interest and principal payment, the equivalent of one-twelfth of the estimated annual taxes, assessments, insurance premiums and other charges upon the real estate securing a loan, or any of such charges, so as to enable the association to pay such charges as they become due from the funds so received. The amount of such monthly charges may be increased or decreased so as to provide reasonably for the payment of the estimated annual taxes, assessments, insurance premiums and other charges. Every association shall keep a record of the status of taxes, assessments, insurance premiums and other charges on all real estate securing its loans and on all real and other property owned by it.

Any association, by agreement with the debtor, may modify the terms of any real estate loan so that such loan shall be an amortized loan, and incident thereto may credit on the debt the withdrawal value of mortgage loan shares or accounts pledged as security for such real estate loan.

Sec. 44. Loans to members.—To secure loans to members an association shall have a lien, without further agreement or pledge, upon all share accounts owned by the borrower. Upon default upon any loan, the association may, after proper notice to, or consent of, the borrower, cancel on its books all or any share accounts owned by the borrower and apply the value of such share accounts in payment on account of the loan. An association may waive its lien in whole or in part by a writing. Any association may take the pledge of a share account or share accounts of the association owned by a member other than the borrower as additional security for any loan secured by a share account or by a share account and real estate, or as additional security for any real estate loan.

Sec. 45. Expenses of loans.—Every association may require borrowing members to pay all reasonable expenses incurred in connection with the making, closing, disbursing, extending, readjusting or renewing of real estate loans, including appraisal, attorneys', recording and registration fees, ab-

stract expense, title examination, credit report, survey, drawing of papers, loan closing costs, and taxes imposed upon or in connection with the making and recording of any mortgage. Every association may also require borrowing members to pay the cost of all other necessary and incidental services rendered by the association or by others in connection with real estate loans, including the cost of services of inspectors, engineers and architects. Such reasonable initial charges may be collected by the association from the borrower and paid to any persons, including any director, officer, or employee of the association, rendering such services, or paid directly by the borrower. In lieu of such initial charges to cover such expenses and costs, an association may make a reasonable charge, part or all of which may be retained by the association which renders such service, or part or all of which may be paid to others who render such services. No director, officer, or employee of an association shall receive any fee or other compensation of any kind in connection with procuring any loan for an association, except for services actually rendered as above provided. No loan shall be made when the borrower is required to pay to the association or to another person in connection with the loan any unreasonable or unlawful charges or fees. The association shall ascertain the total amount paid by each borrower to it and to every other person for any reason in connection with the making of a loan, and shall on request of borrower furnish a loan settlement statement to each borrower upon the closing of the loan, indicating in detail the charges and fees such borrower has paid or obligated himself to pay to the association or to any other person in connection with such loan. A copy of such statement shall be retained in the records of the association.

Sec. 46. May consolidate with other associations.—Any such association, including an association in process of liquidation, may, with the consent and approval of the commissioner of banks, consolidate with or be taken over by any other association upon such terms as may be authorized by the respective boards of directors after being authorized so to do by a majority vote of their respective shareholders present at any regular or special meeting

Sec. 47. May liquidate associations.—Any such association by a vote of three-fourths of its outstanding capital stock, according to the book value thereof, at any regular meeting of its shareholders or at any special meeting called for that purpose, of which regular or special meeting at least

ten days' written notice specifying the matter to be considered under this section shall have been mailed to each shareholder at his last recorded address, may, with the approval of the commissioner of banks, voluntarily go into liquidation. Before such liquidation shall be carried out, notice of such action to the shareholders and of the approval of the commissioner, if granted, shall be mailed to each shareholder at his last recorded address, and shall be published at least once in a qualified legal newspaper published at the principal place of business of the association, or, if there be no such newspaper there published, then in the newspaper so qualified having the nearest place of publication in the same county and such other notice shall be given as the commissioner of banks may direct. Subject to the approval and under the direction of the commissioner, such liquidation shall be carried out and the affairs of such association shall be closed up according to any lawful plan which the association may adopt, as nearly as may be in accordance with its original plans and objects. By like vote of its capital stock, with the approval of the commissioner of banks, and upon like notice, as hereinbefore provided, any such association, whether taken over by the commissioner of banks or not, may partially liquidate and in connection therewith may reduce its outstanding capital stock, or may retire a portion thereof, or may change the form and terms thereof, all according to such lawful plan as the association may adopt, subject to the approval and under the direction of the commissioner. All acts done and proceedings taken by any association in accordance with the provisions of this section shall be binding upon all the shareholders of the association, whether they voted to authorize the same or not.

Sec. 48. Commissioner of Banks may make loans.—The commissioner of banks, for the benefit of any association which is in process of liquidation by said commissioner, is authorized to borrow money and to issue evidence of indebtedness therefor and to secure the repayment of the same by the mortgage, pledge, transfer in trust or hypothecation of any or all of the property of such association, whether real, personal or mixed, and whether or not such property is subject to a prior mortgage, pledge or hypothecation. Such loans may be obtained for the purpose of facilitating liquidation, protecting or preserving the assets in his charge, expediting the making of distributions and payment of dividends to shareholders and other creditors, providing for the expenses of administration and liquidation and aiding in the reopening or reorganization of such association, or its merger or con-

solidation with another such association, or the sale of all of its assets.

The commissioner of banks shall be under no personal obligation to repay any such loans so made and shall have power to take any and all action necessary or proper to consummate such loan and to provide for the repayment thereof.

Sec. 49. Insolvent associations.— Insolvent associations shall be liquidated under and pursuant to the statutes relating to the liquidation of insolvent banks.

Sec. 50. Shall pay expenses of examination.—Each such association shall pay into the state treasury for each authorized regular or special examination made at any time by the commissioner of banks of such association a fee to be determined as follows: For each examination a minimum fee of \$25 plus an amount equal to 2 cents for each \$1,000 of assets in excess of \$15,000.

Said fee shall be paid by the association examined within 20 days after a statement of the amount thereof shall have been rendered the association examined by the commissioner of banks, and if not so paid shall bear interest at the rate of six per cent per annum.

Sec. 51. Laws repealed.—Mason's Minnesota Statutes of 1927, Sections 7748, 7749, 7749-1, 7749-2, 7749-3, 7750, 7752, 7754, 7756, 7757-1, 7757-2, 7757-3, 7757-4, 7757-5, 7757-6, 7757-7, 7757-8, 7758, 7759, 7760, 7761, 7762, 7763, 7764, 7765, 7766, 7767, 7768, 7769, and 7770, and Mason's 1938 Minn. Supp., Sections 7658-5a, 7748-1, 7748-2, 7751, 7753, 7753-1, 7755, 7757, 7758-1, 7770-1, 7770-2, and 7770-3, and all other pacts and parts of acts inconsistent herewith are hereby repealed.

Sec. 52. Provisions severable.—If any provision of this act shall be held invalid the remainder of this act and the application thereof shall not be affected thereby.

Approved April 21, 1939.

CHAPTER 392—S. F. No. 1389

An act to amend Mason's 1927 Minnesota Statutes, Section 2547, relating to the width and clearance of bridges over railroads.