

CHAPTER 51

BANKING DIVISION; SAVINGS, BUILDING AND LOAN ACT

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51.01 DEFINITIONS. Subdivision 1. **Words, terms, and phrases.** Unless the language or context clearly indicates that a different meaning is intended, the following words, terms, and phrases shall, for the purposes of this chapter, be given the meanings subjoined to them.

Subdivision 2. **Savings, building and loan associations.** "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.

Subdivision 3. **Local association.** 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.

Subdivision 4. **State association.** A "state association" is one that, upon application to the state securities commission, has been authorized to do business in additional counties.

Subdivision 5. **Association.** "Association" means a savings, building and loan association subject to the provisions of this chapter.

Subdivision 6. **Capital.** "Capital" means the aggregate of payments made on shares by members, plus dividends credited to these shares, less redemptions and withdrawals made thereon.

Subdivision 7. **Combination home and business structure.** "Combination home and business structure" means a building or buildings, including residences for not more than four families, which are 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.

Subdivision 8. **Direct reduction loan.** "Direct reduction loan" means a loan repayable in consecutive monthly instalments, 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, that the initial loan contract shall not provide for any subsequent monthly instalment of an amount larger than any previous monthly instalment; and, provided, further, that in the case of construction loans the first payment shall not be later than six months after the date of the first advance. Any such loan is an amortized loan whether interest is computed and adjusted every month or semimonthly.

Subdivision 9. Unamortized real estate loan. An "unamortized real estate loan" means a real estate loan repayable within five years from date, with or without amortization of principal, but with interest payable at least semiannually.

Subdivision 10. Gross income. "Gross income" means the sum, for the accounting period, of the following:

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

Subdivision 11. Home. "Home" means a dwelling or a dwelling for not more than four 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.

Subdivision 12. Home loan. "Home loan" means a real estate loan when the security is a home property.

Subdivision 13. Home property. "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.

Subdivision 14. Impairment of capital. "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.

Subdivision 15. Insured association. "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.

Subdivision 16. Member. "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 the person, individually or jointly, or a person borrowing from an association, owning shares of stock, individually or jointly, in connection with a loan.

Subdivision 17. Net earnings. "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 the accounting period from the sale of securities, real estate, or other property, or such portion of these losses as shall not have been charged to reserves pursuant to the provisions of section 51.24;
- (4) All interest paid on borrowed money; and
- (5) Other non-recurring charges.

Subdivision 18. Net earnings available for dividends. "Net earnings available for dividends" means net earnings for an accounting period less amounts transferred to reserve, as provided in section 51.24.

Subdivision 19. Operating expenses. "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; and
- (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 the prepaid expenses apportionable thereto.

Subdivision 20. Operating income. "Operating income" means all income actually received by an association during an accounting period, excluding the following:

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

Subdivision 21. Other improved real estate loan. "Other improved real estate loan" means a real estate loan when the security is improved real estate other than home property.

Subdivision 22. Withdrawal value. "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.

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Subdivision 23. **Real estate expenses.** "Real estate expenses" means all expenses actually paid in connection with the ownership, maintenance, and sale of real estate, other than office buildings, during an accounting period, excluding capital expenditures and losses on the sale of real estate.

Subdivision 24. **Real estate income.** "Real estate income" means all income actually received by an association, during an accounting period, from real estate owned, other than from office buildings, excluding profit from sales of real estate.

Subdivision 25. **Real estate loan, mortgage loan, or mortgage.** "Real estate loan," "mortgage loan," or "mortgage" means a loan on the security of real estate evidenced by any form of instrument whereby a first lien is created upon the real estate.

Subdivision 26. **Regular lending area.** "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.

Subdivision 27. **Stock loan.** "Stock loan" means a loan on the shares of a member, without other security, in an amount not exceeding 90 per cent of the cash or withdrawal value of the shares.

Subdivision 28. **Commissioner.** "Commissioner" means the commissioner of banking of the banking division of the department of commerce of the State of Minnesota.

[1939 c. 391 s. 1] (7770-11)

51.02 BANKING DEPARTMENT TO CONTROL. The banking division of the department of commerce shall have charge of the execution of all laws relating to the savings, building and loan associations chartered under the laws of Minnesota and the business thereof.

[1939 c. 391 s. 2] (7770-12)

51.03 SUPERVISOR. The commissioner shall appoint, and at pleasure may remove, a building and loan supervisor, 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 and shall have such examiners and assistant examiners assigned to him as are necessary to properly examine the associations under his supervision.

[1939 c. 391 s. 3] (7770-13)

51.04 COMMISSIONER TO SUPERVISE. The commissioner shall exercise a constant supervision over the books and affairs of all associations doing business within the state; and examine, at least twice each year, all associations, inspecting and verifying the assets and liabilities of each, and so far investigate the character and value of the assets of each 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 associations and their systems of accounting to ascertain whether these 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 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 issued by him or under his direction, the refusal may at once be reported to the district court of the district in which the association is located, and this court shall enforce obedience to these subpoenas in the manner provided by law for enforcing obedience to subpoenas of the court. In all matters relating to his official duties, the commissioner 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 associations, and all persons having dealings with or knowledge of the affairs or methods of associations shall, at all times, afford reasonable facilities for these examinations, and make such returns and reports to the commissioner 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.

[1939 c. 391 s. 4] (7770-14)

51.05 OFFICIAL COMMUNICATIONS REFERRED TO DIRECTORS. Each official communication from the commissioner 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 the board, and noted in the minutes thereof.

[1939 c. 391 s. 5] (7770-15)

51.06 INCORPORATION PROCEDURE. Seven or more persons may incorporate to form a savings, building and loan association. These persons shall subscribe and acknowledge articles of incorporation specifying:

(1) The name, the field of operation, the principal place of transacting business, which 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;

(2) The period of its duration, which may be perpetual;

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

(4) 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;

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

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

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

[1939 c. 391 s. 6] (7770-16)

51.07 APPLICATION, FORM, EXECUTION. The incorporators of any 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 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 the application.

[1939 c. 391 s. 7] (7770-17)

51.08 SECURITIES COMMISSION TO PASS ON APPLICATION. The application of the association shall be submitted to and considered by the state securities commission, in accordance with provisions of sections 45.04 to 45.08. After receiving the certificate of authorization from the commissioner, the articles of incorporation shall be filed with the secretary of state, who shall record the same and certify that fact thereon. The certificate and the 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 the 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, 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.

[1939 c. 391 s. 8] (7770-18)

51.09 PURPOSES. 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 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 loan and building and loan associations at the time of this chapter taking effect shall continue to exercise and enjoy all powers and privileges possessed by them under their respective articles of incorporation and the laws applicable thereto then in force not inconsistent with the provisions of this chapter, and shall remain subject to all duties and liabilities to which they were then subject.

[1939 c. 391 s. 9] (7770-19)

51.10 AMENDMENTS TO ARTICLES. 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 the original articles of the 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. This resolution shall be embraced in a certificate duly executed by its president and secretary, or other presiding and 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, that if the amendment is made for the purpose of changing the principal place of business of the association, the certificate shall be published, filed, and recorded in the office of the register of deeds of the county of the principal place of business immediately prior to the amendment, and also recorded and published in the county where the business is to be carried on after the amendment.

[1939 c. 391 s. 10] (7770-20)

51.11 CONSENT OF COMMISSIONER TO MOVE. Without the prior approval of the commissioner, no association operating under this chapter shall move its office from its immediate vicinity.

[1939 c. 391 s. 11] (7770-21)

51.12 BUSINESS, WHEN TO COMMENCE. Any association which shall not commence business within six months after the date from which its corporate existence shall have begun, shall forfeit its corporate existence, unless the commissioner, before the expiration of the six months' period, shall have approved the extension of time within which it may commence business, upon a written application stating the reason for the delay. No extension shall be granted after the lapse of the six months' period. Upon this 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.

[1939 c. 391 s. 12] (7770-22)

51.13 BY-LAWS. The by-laws of every association:

- (1) Shall state the principal place of business where the association is located;
- (2) 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;
- (3) Shall provide for meetings of the board of directors, which meetings shall be held not less frequently than once a month; the place of these meetings; the quorum necessary to conduct a meeting, and for the resignation and removal of directors;
- (4) Shall prescribe the number of directors, their duties and powers, their term of office, and how vacancies are to be filled;
- (5) 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;
- (6) Shall provide that the board of directors, at their annual meeting, which shall be held within ten 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 that the offices of secretary and treasurer may be held by the same person;
- (7) Shall state the voting rights of members and the vote necessary to decide an issue;
- (8) Shall prescribe the duties and powers of the officers, how vacancies are to be filled, and terms of office;
- (9) Shall prescribe the method whereby written instruments shall be executed, and what officers shall be authorized to sign checks;
- (10) 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;

(11) Shall prescribe the manner in which share certificates shall be signed and delivered; provided, that the by-laws shall provide that these share certificates shall be manually signed by an officer or employee of the association designated by the board of directors;

(12) Shall prescribe how shares may be withdrawn and how shares may be transferred from one person to another;

(13) Shall set forth the corporate seal of the association, which shall be two 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;

(14) 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;

(15) May provide for the sale or cancelation of delinquent share interests;

(16) May contain such other provisions as are not unlawful or inconsistent herewith; and

(17) 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 the meeting stating what sections are to be amended; no amendment to the by-laws shall be effective unless and until the commissioner has given his written approval to the 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 51.23 without the approval of the commissioner.

[1939 c. 391 s. 13] (7770-23)

51.14 MEMBERS, RIGHTS, PRIVILEGES, POWERS, AND DUTIES. 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 chapter. 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 the association. Every association shall prepare and publish semiannually, in the months of January and July, in a newspaper of general circulation, published in the English language, in the county in which the association is located, and deliver to each member, upon application therefor, a statement of its financial condition for the previous six months' period, in the form prescribed or approved by the commissioner.

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 one 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 six 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 one 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.

[1939 c. 391 s. 14] (7770-24)

51.15 OFFICERS, POWERS, DUTIES, AND LIABILITIES. 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 chapter. The business of the association shall be managed by a board of directors of not less than five, 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 \$100.00 withdrawal value of the accumulated capital stock of the association, and where total assets exceed \$300,000, at least \$500.00 withdrawal value of the accumulated capital stock of the association; provided, that a director shall qualify as to share ownership if he and another own at least double these 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 the ineligibility continues for 30 days or more; provided, no action of the board of directors shall be invalidated through the participation of the director in such action. At the first annual meeting, or at any annual meeting thereafter, the directors may be divided into three classes of as nearly equal number 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, one year thereafter; and of the third class, two 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, 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 the 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 the vacancy exists. When, under the provisions hereof, the number of directors is changed and vacancies caused by the change are filled, the directors so elected shall be classified in accordance with the provisions hereof, so that each of the three classes shall always contain as nearly equal numbers as possible. The existence of the vacancy does not require the calling of a special meeting of members, unless there shall be a written request for the 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 the vacancy exists; provided, that not more than one-third of the board may be filled by the directors in any one year.

[1939 c. 391 s. 15] (7770-25)

51.16 OFFICERS' AND EMPLOYEES' BONDS. All directors, officers, and employees of an association having control of or access to moneys or securities of the 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 the agent. These agents shall be required to make settlement with the association at least monthly. The amounts and form of these bonds and the sufficiency of the surety thereon shall be approved by the board of directors and by the commissioner. In lieu of individual bonds, a blanket bond, protecting

the association from loss through any such act or acts on the part of any officer, director, or employee, may be obtained upon the approval of the commissioner.

[1939 c. 391 s. 16] (7770-26)

51.17 BOOKS AND ACCOUNTS. Every association shall open and keep such books and accounts and observe such accounting principles and practices as the commissioner 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 \$10.00 for every day of such neglect or refusal; provided, that existing books of account shall be considered compliance herewith until such time as the commissioner may otherwise direct.

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

No association by any system of accounting or any device of bookkeeping shall, 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 the assets. The commissioner, after a determination of value, may order that assets in the aggregate, to the extent that the assets have depreciated in value, be charged off, or that special reserves equal to this 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 the association on account of this 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 appraisal shall be submitted, in writing, to the board of directors and 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.

[1939 c. 391 s. 17] (7770-27)

51.18 ANNUAL AUDIT; REPORT FILED, PUBLISHED. 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 semiannually 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 semiannual period. One copy thereof shall be transmitted to the commissioner. 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 immediately filed with the commissioner.

[1939 c. 391 s. 18] (7770-28)

51.19 ANNUAL AND SPECIAL MEETINGS, NOTICE. At least 14 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.

[1939 c. 391 s. 19] (7770-29)

51.20 CAPITAL; TYPES OF SHARES. 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 these accounts, less redemptions and withdrawals made thereon. At least \$10,000 of its capital shall be subscribed and paid in before the 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:

(1) 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;

(2) Instalment shares, on which payments shall be paid as may be fixed by the board of directors;

(3) 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; and

(4) Loan stock, when the by-laws provide that a loan is an advance on shares of stock, these 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 instalment shares or on optional payment shares, together with dividends credited thereon, equal the full par value of shares in the association, these instalment 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 the optional or instalment 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 these shares, this 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 instalment 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 chapter. The withdrawal value of each share account held by a member shall be the aggregate of payments upon the 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 instalments on their share accounts. Dividends shall be declared in accordance with the provisions of this chapter. 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 \$5.00 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 chapter.

[1939 c. 391 s. 20] (7770-30)

51.21 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 chapter, and evidencing the withdrawal value of the share account. A separate certificate for a share account, in form prescribed in this chapter, 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

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the association waive, in writing, its statutory lien, in whole or in part, in favor of a pledge.

[1939 c. 391 s. 21] (7770-31)

51.22 FORM OF CERTIFICATES. The following form of certificate, or some other form approved by the commissioner, evidencing ownership of a full paid 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:

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 day of, 19.....
..... Association.

.....
President.

.....
Secretary.

(Corporate Seal)

The following form of certificate, or some other form approved by the commissioner, evidencing ownership of an instalment 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:

INSTALMENT SHARE CERTIFICATE

No. Shares
Par Value \$..... per share.

This certifies that..... has subscribed for and made the initial payment upon instalment 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. Certificate 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 day of, 19.....
..... Association.

.....
President.

.....
Secretary.

(Corporate Seal)

The following form of certificate, or some other form approved by the commissioner, 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:

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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 day of, 19.....

..... Association

.....
 President.

.....
 Secretary.

(Corporate Seal)

[1939 c. 391 s. 22] (7770-32)

51.23 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 three copies thereof, certified by the secretary, to be filed with the commissioner.

"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 the 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 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 payment, 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 this period no application has been made for withdrawal of any part of the share account, the bonus shall be payable on the date on which the withdrawal value of the share account shall equal or exceed 100 times the agreed monthly payment. The bonus rate on the short-term share account shall be one-half of one per cent per annum, and the amount of the bonus shall be determined as follows: Divide the dollar amount of each semiannual dividend declared on the share account by a figure equal to twice the annual rate of per cent of the semiannual 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 the share account shall equal or exceed 200 times the agreed monthly payment. The bonus rate of the long-term share account shall be one per cent per annum, and the amount of the bonus shall be determined as follows: Divide the dollar amount of each semiannual dividend declared on such share account by a figure equal to the annual rate of per cent of such semiannual 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 semiannual 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 one-half of one 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 one per cent per annum.

[1939 c. 391 s. 23] (7770-33)

51.24 RESERVE TO BE CREATED. Every association shall accumulate a fund, to be known as a contingent or reserve fund, by setting aside each semiannual accounting period at least two per cent of its net earnings until the fund shall ultimately be equal to at least five per cent of its accumulated capital, or at least 50 per cent 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 that reserve equals or exceeds the amount required herein. This 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 the 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.

[1939 c. 391 s. 24] (7770-34)

51.25 NET EARNINGS, HOW DISPOSED OF. On each semiannual 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 these 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 the 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 cent of the total amount of all money actually loaned to members on real estate mortgages and contracts for deed at the time of making the 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 \$40,000, but the annual operating expenses of any such association shall not exceed \$1,000.

Expenses met by service fees, including membership, shall not be considered as operating costs subject to the limitation of expenses herein provided.

[1939 c. 391 s. 25] (7770-35)

51.26 DIVIDENDS. As of June 30 and December 31, each year, the board of directors shall declare a dividend payable as of the date the dividend is declared. No dividends shall be declared except dividends payable on the dividend dates unless permission is first obtained from the commissioner. 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 \$5.00 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 this determination date, received by the association on or before the determination date, shall receive dividends as if made on the first of the month during which the payment was made.

[1939 c. 391 s. 26] (7770-36)

51.27 WITHDRAWALS. The holder of unpledged shares may withdraw a part or all of the value thereof upon 30 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 this notice. This notice of withdrawal shall not make the shareholder a creditor of the association, but his status shall be and remain that of a shareholder. This shareholder, until paid, shall be entitled to dividends upon the sum requested to be withdrawn, to the extent of 75 per cent of the rate declared and credited upon other shares of the same class. The association shall use at least 50 per cent of its monthly receipts, which shall not include money borrowed, for the purpose of paying withdrawals, but not over 50 per cent of its monthly receipts shall be so used, unless otherwise determined by resolution of the board of directors. When 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, the 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 25 per cent of the amount of his application for withdrawal, but in no case less than \$200.00, nor more than \$1,000, on account, if the funds are available, as hereinafter set forth, or if the amount of his application is for less than \$200.00, 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 this payment, the application shall be transferred at once to the bottom of the withdrawal list, and no further payments shall be made to this applicant, except as hereinafter set forth, until the 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 chapter; and the withdrawal lists as then existing in each association shall be liquidated from that date, as provided in this chapter. 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 \$100.00; and may further, in its discretion, pay the sum of not more than \$100.00 per month to any applicant on the withdrawal list; provided, that these payments of \$100.00 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. When the total of applications for withdrawal exceeds 60 per cent of the accumulated capital of any association, the commissioner, 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 the association be paid on a pro rata basis, from time to time, to all persons appearing on the withdrawal list of the association; this 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.

[1939 c. 391 s. 27] (7770-37)

51.28 RETIREMENT OF 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 these shares are paid the full value thereof, less all lawful obligations.

[1939 c. 391 s. 28] (7770-38)

51.29 SHARES, TO WHOM ISSUED. 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 chapter shall not be construed as granting additional power or authority to any administrator, executor, guardian, trustee, or other fiduciary. Any 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 the fiduciary, without regard to any notice to the contrary, so long as the fiduciary is living. The payment or delivery to any fiduciary, or a receipt or acquittance signed by a fiduciary, to whom any such payment, or any such delivery of rights is made, shall be a valid and sufficient release and discharge of an association for the payment or delivery so made. When 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 withdrawal value of the 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 beneficiaries of the trust. The payment or delivery to any beneficiaries, or a receipt or acquittance signed by any beneficiary 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.

[1939 c. 391 s. 29] (7770-39)

51.30 PURCHASE OF SHARES 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 the 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 the minor shall have delivered a certificate of his appointment.

[1939 c. 391 s. 30] (7770-40)

51.31 LIMITATION ON FINANCIAL STATEMENTS. 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.

[1939 c. 391 s. 31] (7770-41)

51.32 LOST OR STOLEN 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 the share certificate has not been pledged or assigned, in whole or in part, the association shall issue a share certificate, marked on the face thereof a duplicate, in the name of the holder of record, evidencing his share balance in the association; provided, that the board of directors may, in its discretion, require the 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 the duplicate share certificate.

[1939 c. 391 s. 32] (7770-42)

51.33 PROHIBITION. No association shall issue, sell, negotiate, or advertise for sale any investment certificate 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.

[1939 c. 391 s. 33] (7770-43)

51.34 GRANT AND LIMITATION OF POWERS. Every association incorporated pursuant to or operating under the provisions of this chapter shall have all the powers enumerated, authorized, and permitted by this chapter, 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:

- (1) To sue and be sued, complain and defend, in any court;
- (2) 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;
- (3) To have a corporate seal, which may be affixed by imprint, facsimile or otherwise;
- (4) To appoint officers, agents, and employees as its business shall require, and allow them suitable compensation;
- (5) To adopt and amend by-laws as provided in this chapter;
- (6) To accept savings and investments as payments on accounts, as provided in this chapter, but this shall apply only to cases where one association assumes the share liabilities of another and sufficient assets are transferred to cover these liabilities;
- (7) 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.)
- (8) 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 \$50,000, to make any mortgage loan exceeding \$5,000; if its assets exceed \$50,000, but do not exceed \$100,000, it shall be unlawful for it to make any mortgage loan exceeding \$7,500; if its assets exceed \$100,000, but do not exceed \$200,000, it shall be unlawful for it to make any mortgage loan exceeding \$10,000; if its assets exceed \$200,000, but do not exceed \$500,000, it shall be unlawful for it to make any mortgage loan exceeding \$20,000; if its assets exceed \$500,000, but do not exceed \$1,000,000, it shall be unlawful for it to make any mortgage loan exceeding \$30,000; if its assets exceed \$1,000,000, but do not exceed \$3,000,000, it shall be unlawful for it to make any mortgage loan exceeding \$50,000; if its assets exceed \$3,000,000, 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 these 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;
- (9) To invest in securities as follows:
 - (a) 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;
 - (b) Without limit in obligations of federal home loan banks and in obligations of the federal savings and loan insurance corporations; and
 - (c) In stock of a federal home loan bank of which it is eligible to be a member;
- (10) 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:
 - (a) 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 this real estate an amount representing the cost of land

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and improvements not exceeding five per cent of its net assets; and it may invest in this real estate a larger sum with the approval of the commissioner;

(b) Real estate acquired by the association in exchange for real estate owned by the association;

(c) Real estate acquired by the association in connection with salvaging the value of property owned by the association;

(11) To repurchase and redeem share accounts in accordance with the provisions of this chapter;

(12) To pay a bonus to members in accordance with the provisions of this chapter, and no other bonus;

(13) To dissolve, merge, or reorganize in the manner provided in this chapter; and

(14) 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 two 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; and

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

[1939 c. 391 s. 34] (7770-44)

51.35 DEALING IN REAL ESTATE PROHIBITED. No 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. In transactions involving the purchase by a shareholder of improved real estate for home purposes, or for the construction of a home, a savings, building and loan association, organized under the laws of this state, or of the United States of America, may, when authorized by its by-laws, acquire the title thereof, and it may give to the shareholder a contract to convey the same as upon a sale thereof and, upon default in the conditions of the contract, the association may terminate the interest of the shareholder pursuant to law.

[1939 c. 391 s. 35; 1941 c. 165 s. 1] (7770-45)

51.36 FIELD OF OPERATION LIMITED. 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 sections 45.04 to 45.08, the notice of hearing provided for therein shall be inserted in a newspaper published at the county seat of each and every county included in the application. If the commission finds, on the hearing, that there is a reasonable public demand for these 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.

[1939 c. 391 s. 36] (7770-46)

51.37 PROHIBITION AGAINST PERCENTAGE OPERATIONS. 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, in consideration of the payment by such person or corporation of the expenses of the association, either in whole or in part. The extent of this chapter is that associations shall pay their actual expenses within the limitations imposed by law, directly to their creditors, and not through the medium of third parties; but this chapter 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.

[1939 c. 391 s. 37] (7770-47)

51.38 MAY BECOME MEMBERS OF FEDERAL HOME LOAN BANK. 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; provided, that the aggregate amount of the indebtedness so incurred by the association, which shall be outstanding at any time, shall not exceed 50 per cent of the then total capital of the association; to assign, pledge, and hypothecate its bonds, mortgages, or other assets; and to repledge with this agency the shares of stock in the association which any owner thereof may have pledged as collateral security, without obtaining the consent thereunto of the owner, as security for the repayment of the indebtedness so created by the association and as evidenced by its note or other evidence of indebtedness given for the 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.

[1939 c. 391 s. 38] (7770-48)

51.39 POWERS AND PURPOSES. Pursuant to such regulations as the commissioner finds to be necessary and proper, and subject to his supervision, the associations are authorized:

(1) 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; and

(2) 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 of 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 (1) and (2). These associations may invest in notes or bonds secured by mortgages or trust deed insured pursuant to paragraph (2) above, and in securities issued by national mortgage associations.

[1939 c. 391 s. 39] (7770-49)

51.40 MAY OBTAIN FEDERAL INSURANCE. In accordance with such regulations as the commissioner may deem necessary and proper, any 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.

[1939 c. 391 s. 40] (7770-50)

51.41 MAY CONVERT INTO FEDERAL SAVINGS AND LOAN ASSOCIATION. Any association, organized and existing under and by virtue of the laws of this state, is hereby authorized and empowered, by majority vote of its outstanding capital stock, according to the book value thereof, present, 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 known as the home owners' loan act of 1933.

[1939 c. 391 s. 41] (7770-51)

51.42 FEDERAL MAY CONVERT INTO STATE ASSOCIATION. Any federal savings and loan association may convert itself into a savings, building and loan association under the laws of this state, upon the majority vote of its outstanding capital stock, according to the book value thereof, present, in person or by proxy, at a legal meeting called to consider such action, pursuant to the laws of this state and such rules and regulations as the commissioner finds necessary and proper.

[1939 c. 391 s. 42] (7770-52)

51.43 REAL ESTATE LOANS. Real estate loans may be made as authorized by this chapter, or upon any other loan plan approved by the commissioner. 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 the 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 the payment of any insurance premiums, taxes, assessments, or other advances paid by the association according to its by-laws or the mortgage; the remainder to the reduction of the loan or as payments on loan stock where loans are amortized on the semiannual basis; provided, that if the loan is in default in any manner, payments may be applied by the mortgagee in the manner provided by the commissioner. Every loan shall be evidenced by a non-negotiable note or bond for the amount of the loan, and 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 the 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 90 per cent of their cash or withdrawal value, as herein provided. Any 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. This 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 the borrower. No subsequent loan to the borrower by any other person shall establish an intervening lien, which shall disturb the first lien of the association as security for every advance and loan made to the borrower. All these 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 these payments shall be added to the unpaid balance of the loan and 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 1/12th of the estimated annual taxes, assessments, insurance premiums, and other charges upon the real estate securing a loan, or any of these charges, so as to enable the association to pay these charges as they become due from the funds so received. The amount of these monthly charges may be increased or decreased so as to provide reasonably for the payment of the estimated annual taxes, assess-

ments, 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 the 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 the real estate loan.

[1939 c. 391 s. 43] (7770-53)

51.44 LIEN ON MEMBERS' SHARE ACCOUNTS. 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 these 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.

[1939 c. 391 s. 44] (7770-54)

51.45 EXPENSE OF LOAN PAID BY BORROWER. 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, abstract 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. These 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 the services, or paid directly by the borrower. In lieu of these initial charges to cover these expenses and costs, an association may make a reasonable charge, part or all of which may be retained by the association which renders the service, or part or all of which may be paid to others who render these 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 the borrower has paid, or obligated himself to pay, to the association, or to any other person, in connection with the loan. A copy of this statement shall be retained in the records of the association.

[1939 c. 391 s. 45] (7770-55)

51.46 CONSOLIDATION OF ASSOCIATIONS. Any association, including an association in process of liquidation, may, with the consent and approval of the commissioner, 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.

[1939 c. 391 s. 46] (7770-56)

51.47 ASSOCIATION MAY VOLUNTARILY LIQUIDATE. Any 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, voluntarily go into liquidation. Before this liquidation shall be carried out, notice of this action of the shareholders and of the approval of the commissioner, if granted, shall be mailed to each shareholder at his last recorded

address, and published at least once in a qualified legal newspaper published at the principal place of business of the association, or, if there be no legal 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 may direct. Subject to the approval and under the direction of the commissioner, this liquidation shall be carried out and the affairs of the association 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, and upon like notice, as hereinbefore provided, any association, whether taken over by the commissioner 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.

[1939 c. 391 s. 47] (7770-57)

51.48 MONEY BORROWED TO FACILITATE LIQUIDATION. The commissioner, for the benefit of any association which is in process of liquidation by the 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 the association, whether real, personal, or mixed, and whether or not this property is subject to a prior mortgage, pledge, or hypothecation. These 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 the association, or its merger or consolidation with another association, or the sale of all of its assets.

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

[1939 c. 391 s. 48] (7770-58)

51.49 INSOLVENT ASSOCIATIONS LIQUIDATED. Insolvent associations shall be liquidated under and pursuant to the statutes relating to the liquidation of insolvent banks.

[1939 c. 391 s. 49] (7770-59)

51.50 EXPENSE OF EXAMINATION PAID BY ASSOCIATION. Each association shall pay into the state treasury, for each authorized regular or special examination made at any time by the commissioner of the association, a fee to be determined as follows: For each examination, a minimum fee of \$25.00, plus an amount equal to two cents for each \$1,000 of assets in excess of \$15,000.

This 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, and, if not so paid, shall bear interest at the rate of six per cent per annum.

[1939 c. 391 s. 50] (7770-60)

51.51 CITATION. This chapter may be cited as the savings, building and loan act.

[1939 c. 391 s. 1] (7770-11)