

CHAPTER 50

SAVINGS BANKS

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NOTE: "Commissioner" means commissioner of banks. See Sections 46.03 and 46.04.

50.01 EXPEDIENCY ASCERTAINED. To enable the commissioner of banks to determine the expediency of the organization of a savings bank, as in this chapter prescribed, he shall investigate and ascertain:

(1) Whether greater convenience of access to a savings bank will be afforded to any considerable number of depositors by opening the proposed bank;

(2) Whether the population in the vicinity of the location of the bank affords reasonable promise of adequate support therefor; and

(3) Whether the responsibility, character, and general fitness of the persons named as trustees in the certificate are such as to command the confidence of the community in the proposed bank.

[R. L. s. 3009] (7700)

50.02 REFUSAL TO ISSUE CERTIFICATE. When the commissioner of banks shall be satisfied that the establishment of the bank will not be expedient, he shall forthwith transmit to the register of deeds of the county of its proposed location his certificate that he has refused to issue a certificate of authorization for the bank, and the register of deeds shall forthwith file and record the same and refer thereto on the margin of the record of the declaration of the proposed trustees theretofore filed and recorded in his office.

[R. L. s. 3010] (7701)

50.03 BUSINESS COMMENCED WITHIN ONE YEAR; EXTENSION. If the savings bank shall not commence business within one year after the issue of its certificate of authority, it shall forfeit its corporate franchises, unless allowed further time, not exceeding one year, by an order of the commissioner of banks, reciting good cause, and transmitted by him to the register of deeds.

[R. L. s. 3011] (7702)

50.04 BONDS OF TRUSTEES. Every trustee, before entering upon his duties, shall give bond to the state in a penal sum of not less than \$5,000, with sureties approved by a judge of the district court, conditioned for the faithful discharge of his duties, and file the same for record with the register of deeds of the county, who, after record, shall transmit it to the commissioner of banks. An action may be maintained on this bond by any person aggrieved by breach of any of its conditions, upon leave granted by any such judge, for such damages as the plaintiff may be entitled to, not exceeding its amount; and like successive actions may be maintained until such amount is exhausted.

[R. L. s. 3012] (7703)

50.05 BOND OF TREASURER. Before entering upon his duties, the treasurer shall give bond to the bank in such sum, not less than \$10,000, as the board of trustees shall prescribe, for the faithful discharge of his duties, and at any time thereafter he may be required by the board to furnish additional security. The

board may also require, at any time, from any other officer, employee, or agent, such security as it deems necessary.

[R. L. s. 3013] (7704)

50.06 TRUSTEES; FIRST BOARD. The business of every such bank shall be managed by a board of not less than seven trustees. The persons named in the certificate of authorization shall constitute the first board. Each vacancy shall be filled by the board as soon as practicable, at a regular meeting thereof, except when a resolution reducing the number of trustees named in its charter to a number not less than seven shall have been incorporated into its by-laws, and a copy thereof filed with the commissioner of banks, in which case vacancies shall not be filled until the number has been reduced to that specified in this resolution. The number may be increased to any number specified in a like resolution, consented to, in writing, by the commissioner of banks.

[R. L. s. 3014] (7705)

50.07 MEETINGS; QUORUM. There shall be at least one regular meeting of the board of trustees every month for the transaction of business, and five trustees, shall constitute a quorum at any meeting.

[1907 c. 468 s. 3] (7706)

50.08 TRUSTEES TO HAVE NO INTEREST IN PROFITS; VACANCY; COMPENSATION. No trustee of any savings bank shall have any interest, direct or indirect, in its profits, or, directly or indirectly, receive any compensation or reward for his services as such, except as hereinafter provided; and no trustee or officer, directly or indirectly, for himself or as the agent or partner of others or otherwise, or in any representative or fiduciary capacity, shall borrow any of its funds or deposits, or in any manner use the same, except in current and necessary disbursements previously authorized by specific resolution of the board; nor shall he become an endorser or surety or in any manner render himself liable to it for money loaned or in any other way or respect, or without resignation become a trustee, officer, or employee of any other savings bank. Wilful violation of any of the foregoing provisions shall vacate his office, and render him thereafter ineligible to election or appointment as trustee or officer of any savings bank. Failure to attend the regular meetings of the board or to perform any other of his duties as trustee for six successive months, without having been previously excused, shall vacate his office as trustee, but such non-attendance merely shall not render him ineligible to election or appointment. Trustees acting as officers whose duties require and receive their regular and faithful attendance at the bank, and trustees appointed as a committee whose duties require and receive their actual service, may receive such compensation as a majority of the board of trustees, exclusive of the trustee to whom the compensation shall be voted, may determine.

[R. L. s. 3016] (7707)

50.09 DEPOSITS; LIMITATION OF AMOUNT. Any such savings bank shall receive all sums of money offered for deposit in amounts of not less than \$1, nor more than the maximum fixed by the bylaws, and invest the same for the use and benefit of the depositor, at such lawful rate and under such regulations as the board may prescribe, and apply the net income in payment of dividends, as hereinafter provided.

[R. L. s. 3017; 1947 c. 26 s. 1; 1957 c. 601 s. 21] (7708)

50.10 REGULATIONS. Before receiving any deposit any such savings bank shall establish reasonable and proper regulations for the conduct of its business, including the receipt, investment, and repayment of deposits, and cause the same to be kept conspicuously posted in its banking room, and its regulations shall also be printed in full in all pass-books, or other evidences of deposit furnished its customers, and the same shall be prima facie evidence of the terms and conditions of their mutual transactions.

[R. L. s. 3018; 1907 c. 468 s. 5] (7709)

50.11 SECURITIES HELD FOR SAFE-KEEPING; SAFE DEPOSIT BOXES; LIMITATION OF LIABILITY. A mutual savings bank may receive for safe-keeping for its depositors obligations of the United States or its possessions or of a state or territory of the United States, or of any political subdivision of any such state or territory, and it may provide for, and hire to, its depositors safe deposit boxes in which to keep securities and valuable papers, but the liability of a savings bank to

any person or association of persons on account of hiring such safe deposit box or boxes shall in no event exceed \$20,000.

[1923 c. 312 s. 1] (7710)

50.12 ACTION FOR DEPOSITS; LIMITATIONS. The statutes limiting the time for the commencement of actions shall have no application to actions brought by depositors, their representatives, or assigns against savings banks for deposits therein.

[R. L. s. 3020; 1974 c. 394 s. 1] (7712)

50.13 REAL ESTATE. Any such bank may purchase, hold, or convey land sold upon foreclosure of mortgages owned by it, or upon judgments or decrees in its favor, or in settlement of debts, or received in exchange as part of the consideration of real estate sold by it. Real estate so received in exchange shall not be carried on the books of the bank at a price exceeding the cost of that exchanged, less the cash payment, and all real estate so acquired shall be sold within ten years after its acquirement, unless the time is extended by the commissioner of banks on application of the board of trustees.

[R. L. s. 3021] (7713)

50.14 AUTHORIZED SECURITIES. Subdivision 1. Except as it relates to the investment of trust funds by corporate trustees or by individual trustees, the term "authorized securities" whenever used in the statutes and laws of this state shall be understood as referring to the following described securities in which the trustees of any savings bank shall invest the money deposited therein and which at the time of the purchase thereof are included in one or more of the following classes named in subdivisions 2 to 15.

Subd. 2. Class one shall be (a) the bonds or other interest bearing obligations of the United States, or in securities for the payment of which and interest thereon the faith of the government is pledged.

(b) Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in obligations of the United States government, in obligations fully guaranteed by the United States government, or in obligations of instrumentalities of the United States government such as the Federal National Mortgage Association, the Federal Home Loan Banks, the Federal Land Banks, the Federal Intermediate Credit Banks, or the Banks for Cooperatives.

(c) The bonds or other interest bearing securities of the Dominion of Canada, provided that the full faith and credit of the Dominion of Canada is pledged for the payment thereof and provided further that they are payable in United States dollars within the United States.

Subd. 3. Class two shall be the bonds or notes of any state which has not defaulted in the payment of any bonded debt within ten years prior to the making of such investment; and in the highway revenue bonds or certificates of such states payable out of irrevocably pledged special revenues to be derived from gasoline or other motor fuel taxes or motor vehicle license fees, provided that such revenues during the most recent fiscal year of such state (next preceding the date of such investment) were equal to at least one and one-quarter times the interest, principal, and sinking fund requirements of such revenue bonds or certificates during such fiscal year.

Subd. 4. Class three shall be (a) the bonds, certificates of indebtedness, or other interest bearing obligations, payable out of a levy of ad valorem taxes, of any county, city, town, or any school district, drainage district, or other district, or of any board of any municipality, or of any public authority, created pursuant to law for public purposes in Minnesota, without regard to any debt limits other than those in section 475.53.

(b) The bonds, certificates of indebtedness or other interest bearing obligations, payable out of a levy of ad valorem taxes, of any county, city, town, or school, drainage or other district, or public authority, created pursuant to law for public purposes in any state of the United States other than Minnesota, provided that the total bonded indebtedness of such county, municipality, district or authority, after deducting the amount of all sinking funds and revenue bonds or certificates, including such bonds and certificates which pledge the full faith and credit of the issuer if the net revenues applicable to the payment of such bonds or certificates

during three fiscal years immediately preceding the date of purchase shall have exceeded by at least five percent the amount required to pay principal and interest on such bonds or certificates during such period shall not exceed ten percent of its assessed valuation; and provided further that if such county, municipality, district or authority is of any state other than Iowa, Wisconsin, North Dakota, or South Dakota, it shall contain at least 3,500 inhabitants;

(c) The bonds, certificates or other interest bearing obligations, payable out of special revenues, of any county, city, town, or school, drainage, or other district, or public authority, created pursuant to law for public purposes in any state of the United States, provided,

(aa) That if such county, municipality, district or authority is of any state other than Minnesota, it shall contain at least 3,500 inhabitants; and

(bb) that such obligations shall have been issued to finance the purpose of construction of or addition to a public enterprise furnishing water, sewer, lighting, power, gas, or road facilities, from which revenue is to be derived; and

(cc) that the governing body or other legally constituted authority shall have covenanted or shall be required by law to establish and maintain rates to yield sufficient revenue for the payment of operating expenses, maintenance expenses, and principal and interest on such revenue obligations and to pledge such revenue irrevocably to said purposes; and

(dd) that at the date of investment such public enterprise shall have been in operation for at least three years; and

(ee) that during the preceding three fiscal years its annual net earnings, after payment of operating expenses and maintenance expenses, shall have been on the average at least one and one-quarter times the average annual interest, principal and sinking fund requirements on such revenue obligations during the period from the end of its most recent fiscal year to the final maturity of such obligations.

Subd. 5. Class four shall be (a) notes or bonds secured by mortgages or trust deed on unencumbered real estate, whether in fee or in a leasehold of a duration not less than ten years beyond the maturity of the loan, in any state of the United States, worth at least twice the amount loaned thereon.

(b) Notes or bonds secured by mortgages or trust deed on unencumbered real estate in clause (a) where such notes or bonds do not exceed 80 percent of the appraised value of the security for the same, provided that such notes or bonds are payable in instalments aggregating not less than five percent of the original principal per annum in addition to the interest; or, are payable on a regular amortization basis in equal instalments, including principal and interest, such instalments to be payable monthly in such amounts that the debt will be fully paid in not to exceed 30 years if the security is non-agricultural real estate, and such instalments to be payable annually or semi-annually in such amounts that the debt will be fully paid in not to exceed 25 years if the security is agricultural real estate. A construction loan shall be deemed amortized as required by this clause if the first instalment thereon shall be payable not later than 18 months after the date of the first advance in the case of residential construction or not later than 36 months after the date of the first advance in the case of nonresidential construction.

(c) Such investments shall be made only on report of a committee directed to investigate the same and report its value, according to the judgment of its members, and its report shall be preserved among the bank's records.

(d) Notwithstanding anything to the contrary in clause (b), a mutual savings bank organized under the laws of this state may invest in notes or bonds secured by mortgages or trust deed where such notes or bonds do not exceed 95 percent of the appraised value of the security for the same. Except as modified herein, the other provisions of clause (b) shall apply.

(e) For purposes of this subdivision, real estate shall be deemed unencumbered if the only existing mortgage or lien against the real estate is a first mortgage lien in favor of the savings bank making a second mortgage loan.

Subd. 6. Class five shall be notes secured by such bonds or mortgages, as the bank under this section is authorized to invest in, but no such bond or mortgage shall be taken as collateral security for more than its par value, nor shall the aggregate amount of securities taken be less than the full amount loaned thereon, and no such loan shall be made for a longer time than one year, nor to a greater amount to any one person than three per cent of the total deposits of the bank. No such bank shall loan in the aggregate, on the security specified in this paragraph, more than one-fourth of its deposits.

Subd. 7. Class six shall be the "eligible obligations" of "qualifying railroad corporations," both as hereinafter defined.

(A) A "qualifying railroad corporation" shall be one which at the time of investment

- (1) Shall have been incorporated under the laws of the United States or of any state thereof or of the District of Columbia, and
- (2) Shall own or operate within the United States not less than 500 miles of standard gauge railroad lines exclusive of sidings, or shall have had, for its five preceding fiscal years, average gross railway operating revenues of at least \$10,000,000 annually, or shall own or operate railroad terminal property located in a city within the United States having at least 200,000 population, and
- (3) Shall not have been in default in the payment of any part of the principal or interest owing by it upon any part of its funded indebtedness, at any times during its current fiscal year and its five consecutive fiscal years immediately prior thereto, except that if the corporation shall have been reorganized in receivership or bankruptcy within such period such corporation shall not have been in such default since the effective date of reorganization, and
- (4) Shall not have fixed interest obligations in excess of 60 per cent of the total sum of (a) its fixed interest obligations, (b) obligations, if any, bearing interest on a contingent basis, (c) preferred stock, if any, at par or stated value, (d) common stock at par or stated value and (e) earned surplus, and
- (5) Shall have had net earnings (a) in its five fiscal years immediately preceding time of purchase, of an average annual amount not less than $1\frac{1}{2}$ times the fixed charges of the year immediately preceding time of purchase, and (b) in four of its five fiscal years immediately preceding time of purchase and in its fiscal year immediately preceding time of purchase, not less than the fixed charges of those respective years, except that if the corporation shall have been reorganized in receivership or bankruptcy within such period, its net earnings for each year shall have been not less than the fixed charges of the reorganized company. As used herein "net earnings" shall be defined as gross operating and nonoperating income of a railroad corporation or its predecessor corporation, minus traffic and transportation expenses, maintenance, depreciation, rent of equipment and joint facilities, and other operating expenses, and taxes excluding income and profits taxes. As used herein "fixed charges" shall be defined as interest on debt on which there is an unqualified obligation to pay interest, leased line rentals and amortization of debt discount and expense, except that if a corporation has been reorganized in receivership or bankruptcy within five years prior to time of purchase "fixed charges" shall be the fixed charges of the reorganized company.

(B) "Eligible obligations" shall be bonds, notes or other obligations which

- (1) Shall have been issued by a qualifying railroad corporation, or shall have been assumed or guaranteed as to principal and interest by a qualifying railroad corporation, and
- (2) Shall bear interest at a fixed rate, and
- (3) Shall have a definite maturity date, and
- (4) Shall be secured by either (a) a lien upon railroad lines which shall be a first lien upon at least two-thirds of the total mileage covered by such lien and upon at least 100 miles of main lines or (b) a first mortgage or lien on railroad terminal property and assumed or guaranteed as to principal and interest by two or more qualifying railroad corporations.

(C) No such bank shall invest in securities of Class Six to an amount exceeding in the aggregate 15 percent of its deposits; nor in securities of Class Six secured by lien upon railroad lines, issued, guaranteed, or assumed by any one railroad corporation to an amount exceeding two percent of its deposits; nor in securities of Class Six secured by lien upon any one railroad terminal property to an amount exceeding one percent of its deposits.

The requirements set forth herein governing investments in securities under

this subdivision shall affect only those securities acquired after the effective date of Laws 1945, Chapter 140.

Subd. 8. Class seven shall be farm loan bonds issued by any federal land bank, or by a joint stock land bank in the Federal Reserve district in which Minnesota is situated, in accordance with the provisions of an act of Congress of the United States of July 17, 1916, known and designated as "The Federal Farm Loan Act," and acts amendatory thereto; bonds and obligations of the Federal Home Loan Banks established by Act of Congress known as the Federal Home Loan Bank Act approved July 22, 1932, and acts amendatory thereto; and bonds issued by the federal land banks, federal intermediate credit banks, and the banks for cooperatives in accordance with the provisions of an act of Congress of the United States known as the Farm Credit Act of 1971, and acts amendatory thereto.

Subd. 9. Class eight shall be bankers' acceptances of the kind and character following:

a. Bankers acceptances of the kind and maturities made eligible by law for rediscount with or purchase by federal reserve banks, providing the same are accepted or endorsed by a bank, or trust company incorporated under the laws of this state; or by any bank or trust company in the United States which is a member of the federal reserve system.

b. Not more than 20 percent of the assets of any savings bank shall be invested in such acceptances. Not more than seven per cent of the aggregate amount credited to the depositors of any savings bank shall be invested in the acceptances of or deposited with a trust and banking company or with a national bank of which a trustee of such savings bank is a director.

Subd. 10. Class nine shall be railroad equipment trust obligations, comprising bonds, notes or certificates, which when issued are secured by new standard gauge rolling stock purchased or leased by any railroad incorporated in the United States or in Canada, or by the receiver or trustee of any such railroad, or by any corporation engaged in the business of leasing or furnishing railroad rolling stock, provided, that the entire issue of such obligations:

(a) Is required to be paid, in United States dollars within the United States, within 15 years from date of issue in approximately equal annual or semiannual instalments commencing not later than three years after the date of issue, and

(b) Is of an aggregate amount not exceeding 80 percent of the cost of the equipment securing such issue; but if issued originally in an amount which exceeded such 80 percent, then investment in the obligations of such issue shall nevertheless be authorized as soon as or at any time after all the unpaid obligations of such issue are reduced to or are less than 50 percent of the cost of the equipment securing such issue.

Subd. 11. Class ten shall be the bonds of any corporation which at the time of such investment is incorporated under the laws of the United States or any state thereof, or the District of Columbia, and transacting the business of supplying electrical energy, or artificial gas, or natural gas purchased from another corporation and supplied in substitution for or in mixture with artificial gas, for light, heat, power and other purposes, or transacting any or all of such business, provided that at least 75 percent of the gross operating revenues of any such corporation are derived from such business and that not more than 15 percent of the gross operating revenues are derived from any one kind of business other than supplying electricity or gas or electricity and gas, and provided further that such corporation, if operating outside of Minnesota, is subject to regulation by a public service commission or public utility commissioner or other similar regulatory body duly established by the laws of the United States or the states or state in which such corporation operates, subject to the following conditions:

(a) Such corporation shall have all franchises necessary to operate in the territory in which at least 75 percent of its gross income is earned, which franchises either shall be indeterminate permits or agreements with, or subject to the jurisdiction of, a public service commission or other duly constituted regulatory body, or shall extend at least five years beyond the maturity of such bonds, and such corporation shall file with the commissioner of banks or make public each year a statement and a report giving the income account covering the previous fiscal year and the balance sheet showing in reasonable detail the assets and liabilities at the end of such fiscal year.

(b) The book value of the outstanding capital stock of such corporation shall at the time of such investment be equal to at least two-thirds of its total funded debt.

(c) Such corporation shall have been in existence for a period of not less than eight fiscal years and at no time within such period of eight fiscal years next preceding the date of such investment shall said corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed or guaranteed, but the period of life of the corporation, together with the period of life of any predecessor corporation or corporations from which a substantial portion of its property was acquired by consolidation, merger, purchase, or as a successor corporation, shall be considered together in determining the required period.

(d) For a period of five fiscal years next preceding the date of such investment the net earnings of such corporation shall have been each year not less than twice the annual interest charges on its total funded debt applicable to that period, and for such period the gross operating revenues of any such corporation shall have averaged per year not less than \$1,000,000.

(e) In determining the qualifications of any bond under this subdivision where a corporation shall have acquired its property or any substantial portion thereof within five years immediately preceding the date of such investment by consolidation, merger, purchase or as a successor corporation, the gross operating revenues, net earnings and interest charges of the predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of paragraph (d) have been complied with.

(f) The gross operating revenues and expenses of a corporation for the purpose of this subdivision shall be respectively the total amount earned from the operation of, and the total expense of maintaining and operating, all property owned and operated or leased and operated by such corporation, as determined by the system of accounts prescribed by the public service commission or public utility commission or other similar regulatory body having jurisdiction in the matter. The gross operating revenues and expenses, as defined above, of subsidiary companies must be included, provided that all the mortgage bonds and a controlling interest in stock or stocks of such subsidiary companies are pledged as part security for the mortgage debt of the principal corporation.

(g) The net earnings of a corporation for the purpose of this subdivision shall be the balance obtained by deducting from its gross operating revenues its operating and maintenance expenses, taxes other than federal and state income taxes, rentals, depreciation and provision for renewals and retirements of the physical assets of the corporation, and by adding to said balance its income from securities and miscellaneous sources, but not, however, to exceed 15 percent of said balance. The term "funded debt" shall be construed to mean all interest-bearing debt excepting therefrom unsecured obligations maturing within one year of date of issue.

(h) Such bonds must be part of an original issue of not less than \$1,000,000 and must be mortgage bonds secured by a first or refunding mortgage secured by property owned and operated by the corporation issuing or assuming them, or must be underlying mortgage bonds secured by property owned and operated by the corporation issuing or assuming them, provided that such bonds are to be refunded by a junior mortgage providing for their retirement and provided further that the bonds under such junior mortgage comply with the requirements of this subdivision and that such underlying mortgage either is a closed mortgage or remains open solely for the issuance of additional bonds which are to be pledged under such junior mortgage. The aggregate principal amount of bonds secured by such first or refunding mortgage plus the principal amount of all the underlying outstanding bonds shall not exceed 60 percent of the value of the physical property owned as shown by the books of the corporation and subject to the lien of such mortgage or mortgages securing the total mortgage debt, provided that if a refunding mortgage, it must provide for the retirement on or before the date of their maturity of all bonds secured by prior liens on the property. No such savings bank shall loan upon or invest in bonds of such public utility companies in an amount exceeding in the aggregate ten per cent of its deposits and surplus, nor exceeding five per cent thereof in the bonds of any one public utility company.

Subd. 12. Class eleven shall be the bonds of any corporation which at the time of such investment is incorporated under the laws of the United States or any state

thereof, or the District of Columbia, and authorized to engage, and engaging, in the business of furnishing telephone service in the United States, provided that such corporation is subject to regulation by the Interstate Commerce Commission or a public service commission or public utility commission or other similar federal or state regulatory body duly established by the laws of the United States or the states or state in which such corporation operates, subject to the following conditions:

(a) Such corporation shall have been in existence for a period of not less than eight fiscal years and at no time within such period of eight fiscal years next preceding the date of such investment shall said corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness direct, assumed or guaranteed, but the period of life of the corporation, together with the period of life of any predecessor corporation or corporations from which a substantial portion of its property was acquired by consolidation, merger, purchase or as a successor corporation, shall be considered together in determining the required period; and such corporation shall file with the commissioner of banks or make public in each year a statement and a report giving the income account covering the previous fiscal year and the balance sheet showing in reasonable detail the assets and liabilities at the end of such fiscal year.

(b) The book value of the outstanding capital stock of such corporation shall at the time of such investment be equal to at least two-thirds of its total funded debt.

(c) For a period of five fiscal years next preceding the date of such investment the net earnings of such corporation shall have been each year not less than twice the annual interest charges on its total funded debt applicable to that period, and for such period, the gross operating revenues of any such corporation shall have averaged per year not less than \$5,000,000.

(d) In determining the qualifications of any bond under this subdivision where a corporation shall have acquired its property or any substantial portion thereof within five years immediately preceding the date of such investment by consolidation, merger, purchase or as a successor corporation, the gross operating revenues, net earnings and interest charges of the predecessor or constituent corporations shall be consolidated and adjusted so as to ascertain whether the requirements of paragraph (c) have been complied with.

(e) The gross operating revenues and expenses of a corporation for the purpose of this subdivision shall be respectively the total amount earned from the operation of, and the total expense of maintaining and operating, all property owned and operated or leased and operated by such corporation, as determined by the system of accounts prescribed by the Interstate Commerce Commission or the public service commission or public utility commission or other similar federal or state regulatory body having jurisdiction in the matter.

(f) The net earnings of a corporation for the purpose of this subdivision shall be the balance obtained by deducting from its gross operating revenues its operating and maintenance expenses, taxes, other than federal and state income taxes, rentals, depreciation and provision, for renewals and retirements of the physical assets of the corporation, and by adding to said balance its income from securities and miscellaneous sources, but not, however, to exceed 15 percent of said balance. The term "funded debt" shall be construed to mean all interest-bearing debt excepting therefrom unsecured obligations maturing within one year of date of issue.

(g) Such bonds must be a part of an original issue or of a subsequent series of bonds of the aggregate amount of not less than \$5,000,000, both the original issue and the subsequent series being protected by the same mortgage provisions, and must be secured by a first or refunding mortgage, and the aggregate principal amount of bonds secured by such first or refunding mortgage plus the principal amount of all the underlying outstanding bonds shall not exceed 60 percent of the value of the property, real and personal, owned absolutely as shown by the books of the corporation and subject to the lien of such mortgage, provided that if a refunding mortgage, it must provide for the retirement of all bonds secured by prior liens on the property. Not more than 33⅓ percent of the property constituting the specific security for such bonds may consist of stock or unsecured obligations of affiliated or other telephone companies, or both. No such savings banks shall loan upon or invest in bonds of such telephone companies in an amount ex-

ceeding in the aggregate 10 percent of its deposits and surplus, nor exceeding 5 percent thereof in the bonds of any one telephone company.

Subd. 13. Class twelve shall be (a) bonds and obligations of the Federal Home Loan Banks established by Act of Congress known as the Federal Home Loan Bank Act, approved July 23, 1932, and Acts amendatory thereto, and in bonds and obligations of the Home Owners' Loan Corporation established by Act of Congress known as the Home Owners' Loan Act of 1933, and Acts amendatory thereto.

(b) Certificates of deposits of any bank or trust company, however organized, the deposits of which are insured in whole or in part by the Federal Deposit Insurance Corporation, to the extent that such certificates of deposit are fully insured.

(c) Loans secured by its own passbooks or other evidences of indebtedness.

(d) Shares, accounts, or certificates of any savings, or building and loan association, however organized, the accounts of which are insured in whole or in part by the federal savings and loan insurance corporation, to the extent that such shares, accounts, or certificates are fully insured.

Subd. 14. (a) The district court, upon petition of a trustee under a will or other instrument may, if the trust does not otherwise provide, authorize the trustee to invest the income or principal of the trust fund in policies of life or endowment insurance or annuity contracts issued by a life insurance company duly authorized to transact business in the state, on the life of any beneficiary of the trust or on the life of any person in whose life such beneficiary has an insurable interest.

(b) The probate court, upon the application of a guardian, may authorize him to invest income or principal of the estate of his ward in policies of life or endowment insurance or annuity contracts, issued by a life insurance company duly authorized to transact business in the state, on the life of the ward or on the life of a person in whose life the ward has an insurable interest.

Subd. 15. Class thirteen shall be obligations payable in United States dollars issued or fully guaranteed by international bank for reconstruction and development.

Subd. 16. Class fourteen shall be obligations payable in United States dollars issued or fully guaranteed by the Asian Development Bank.

Subd. 17. Class fifteen shall be obligations payable in United States dollars issued or fully guaranteed by the Inter-American Development Bank.

[*R L s 3022; 1907 c 468 s 7, 8; 1913 c 124 s 1; 1913 c 506 s 1; 1917 c 88 s 1; 1919 c 181 s 1; 1923 c 421 s 1; 1927 c 368 s 1; 1927 c 422 s 1; 1931 c 296 s 1; 1933 c 256 s 1, 2; 1933 c 307 s 1; 1933 c 368 s 1; Ex1934 c 50 s 1; 1939 c 105 s 1; 1939 c 141 s 1; 1939 c 409 s 1; 1941 c 380 s 1-3; 1943 c 197 s 1; 1943 c 635 s 6; 1945 c 140 s 1; 1951 c 344 s 1; 1953 c 261 s 1; 1953 c 496 s 1; 1957 c 601 s 22; 1959 c 88 s 15; 1959 c 601 s 1; 1961 c 298 s 5, 6; 1963 c 153 s 10; 1965 c 46 s 2; 1965 c 315 s 1; 1969 c 51 s 1; 1973 c 123 art 5 s 7; 1973 c 426 s 1; 1973 c 497 s 2; 1974 c 27 s 1; 1974 c 64 s 1-3*] (7714)

50.145 AUTHORIZED INVESTMENTS. Any mutual savings bank subject to the supervision of the commissioner of banks of the state of Minnesota shall in addition to other investments authorized by law have the power to purchase and hold as investments such bonds and securities as are legal investments for state banks and trust companies in Minnesota, but subject however to any limitation in such power that may be imposed by the commissioner of banks, and the total amount of the investments made by any bank pursuant to this section and held at any one time shall not exceed 20 percent of the deposit liability of such bank, and not to exceed three-fourths of one percent of the deposit liability of such bank may be invested pursuant hereto in the securities or obligations of any one obligor.

[*1947 c 78 s 1; 1959 c 88 s 16*]

50.146 AUTHORIZED INVESTMENTS; CORPORATIONS. Subdivision 1. In addition to other investments authorized by law, a mutual savings bank may invest in the following:

(a) The preferred stocks of any corporation organized under the laws of the United States or of any state, except banks, bank holding companies and trust companies, provided the net earnings of such corporation available for its fixed charges for five fiscal years next preceding the date of investment shall have averaged per year not less than one and one-half times the sum of its annual fixed interest charges, if any, its annual maximum contingent interest, if any, and its annual preferred divi-

dend requirements; and during either of the last two years of such period, such net earnings shall have been not less than one and one-half times the sum of its fixed interest charges, if any, contingent interest, if any, and preferred dividend requirements for such year.

(b) The common stocks of any corporation organized under the laws of the United States or of any state, except banks, bank holding companies and trust companies, provided such stocks are registered on a national securities exchange, and such corporation shall have earned and paid cash dividends on its common stocks in each year for a period of ten fiscal years next preceding the date of investment.

(c) The stocks and bonds, notes, debentures or any other obligation of any corporation organized under the laws of the United States or of any state, except the stock of banks, bank holding companies and trust companies located in the Ninth Federal Reserve District, provided such investment shall be made with such prudence, discretion, and intelligence as will protect the safety of the principal of such investment as well as the income to be derived therefrom.

Subd. 2. No investment shall be made by a mutual savings bank pursuant to subdivision 1 in any corporation if the total amounts so invested by it exceeds an amount equal to 15 percent of its assets, or if the total investment in any one corporation exceeds (1) in amount, one-half of one percent of the assets of the savings bank, or (2) in number of shares, one percent of the total issued and outstanding shares of stock of such corporation, or if the total investment pursuant to the provisions of paragraph (c) of subdivision 1 exceeds an amount equal to three percent of the assets of the savings bank, nor shall any investment be made in any corporation with assets of less than ten million dollars.

Subd. 3. Investments made pursuant to subdivision 1 shall be limited to mutual savings banks organized under the laws of this state.

[1959 c 120 s 1-3; 1965 c 46 s 1; 1969 c 51 s 2, 3]

50.147 AUTHORIZED INVESTMENTS; STUDENT LOANS. In addition to other investments authorized by law, a savings bank organized under the laws of this state may make student loans. Such loans may be secured or unsecured, and the lender may require a comaker or guaranty under a governmental student loan guarantee plan, or both. The borrower shall certify to the lender that the proceeds of the loan are to be used by a student solely for the payment of expenses of college, university or vocational education.

[1969 c 658 s 1]

50.148 AUTHORIZED INVESTMENTS; MOBILE HOME LOANS. In addition to other investments authorized by law, a savings bank organized and operated pursuant to this chapter, may make loans upon the security of mobile homes, and any equipment installed or to be installed therein, in an amount not exceeding \$10,000 repayable in installments, and may make a charge for such loan computed at a rate not exceeding six percent per annum upon the total amount of the loan from the date thereof until the stated maturity date of the final installment thereof, which shall not exceed 12 years and 32 days from the date of the loan, notwithstanding that such loan is required to be repaid in installments or that the loan is secured by mortgage, pledge, or other collateral. If the charge so computed shall be less than \$5, the amount so charged may nevertheless be \$5. Any charge authorized by this section may be included in the principal amount of the note or other instrument evidencing said loan and the aggregate amount thereof be payable in installments. The authority granted by this section shall not extend to either the purchase of or investment in installment sales contracts secured by or constituting first liens upon mobile homes nor to loans which finance the acquisition of inventory by a mobile home dealer. The provisions of sections 48.154 to 48.157, shall apply to all mobile home loans made pursuant to the authority granted by this section.

[1973 c 426 s 2]

50.15 INVESTMENT OF FUNDS. The board of any such savings bank shall promptly invest all deposits except so much, not exceeding 15 percent, as may be required for the current necessary disbursements, which it shall retain or deposit in solvent authorized banking institutions in Minnesota or in the cities of New York, Chicago, Boston, Philadelphia, Los Angeles, San Francisco, or St. Louis, or in loans payable on demand upon any of the first two classes of authorized securities to the extent only of 90 percent of their cash market value, but never exceeding par; upon condition always that in case of depreciation below that proportion it shall be imme-

diately restored by additional security of the same classes or at once repaid. Meanwhile so much thereof as cannot be judiciously so invested and is not deemed necessary to be kept on hand shall be deposited daily in one or more solvent banks or trust companies. In case of the insolvency thereof, their indebtedness, if any, to a savings bank shall be preferred to that of every other creditor except the United States and this state. When deemed necessary the bank may borrow such funds as may be required for such current necessary disbursements or the demands of its depositors, and may pledge collateral therefor.

[1925 c. 180] (7715)

50.153 [Repealed, 1969 c 51 s 4]

50.155 PURCHASE OF CERTAIN MORTGAGE LOANS. Savings banks and mutual savings banks that are subject to the supervision of the commissioner of banks are authorized to make or purchase loans secured by real estate mortgage the payment of which is guaranteed in whole or in part by the United States or any instrumentality thereof under the Servicemen's Readjustment Act of 1944 and amendments thereof provided that the unguaranteed portion of such loan does not exceed 70 percent of the appraised value of the security.

[1945 c 236 s 1]

50.157 LIMITED TRUSTEESHIP. A savings bank shall have the power to act as trustee or custodian within the contemplation of the federal self-employed individuals tax retirement act of 1962, as amended. The trustee or custodian may accept such trust funds provided such funds are invested only in savings accounts or deposits in such bank or in obligations or securities issued by such bank. All funds held in such fiduciary capacity may be commingled for appropriate purposes of investment, but individual records shall be maintained by the fiduciary for each participant and shall show in proper detail all transactions engaged in under authority of this section.

[1973 c 426 s 3]

50.16 PROHIBITED DEALINGS. Except as otherwise provided in this chapter, any savings bank shall not, directly or indirectly, deal in any kind of property or engage in any other business not essential to the transaction of its own, and no officer or director thereof, except as his duties as such officer may require, shall, directly or indirectly, engage in lending or collecting money or protesting commercial paper, or buying, selling, or exchanging any kind of property in or about its bank.

[R. L. s. 3024] (7716)

50.161 INSTALLMENT LOANS; INTEREST IN ADVANCE. Any savings bank organized and operated pursuant to chapter 50 may make a consumer loan to any natural person in an amount not exceeding \$5,000 repayable in installments, and may make a charge for such loan computed at a rate not exceeding six percent per annum upon the total amount of the loan from the date thereof until the stated maturity date of the final installment thereof, which shall not exceed five years and 32 days from the date of the loan, notwithstanding that such loan is required to be repaid in installments or that the loan is secured by mortgage, pledge, or other collateral or by a deposit account opened concurrently with the making of the loan and assigned as collateral security therefor, which deposit account may evidence deposits made or required to be made periodically, with or without interest, throughout the term of said loan. If the charge so computed shall be less than \$5, the amount so charged may nevertheless be \$5. Any charge authorized by sections 50.161 to 50.165 may be included in the principal amount of the note or other instrument evidencing said loan and the aggregate amount thereof be payable in installments.

[1973 c 126 s 1]

50.162 PREPAYMENT; REFUND; LIMITATION. The borrower may repay the entire balance of such a loan at any time, and upon such prepayment the borrower shall be entitled to a refund, computed at the rate which the original charge was computed, upon the amount so prepaid from the date of such prepayment to the stated maturity date of the final installment; provided, that in any event the lender may retain at least \$5 of the original charge.

[1973 c 126 s 2]

50.163 ALLOWABLE ADDITIONAL CHARGES. No charge other than those provided for in sections 50.161 and 50.162 shall be made directly or indirectly for any such loan except that there may be charged to the borrower:

(a) In case of default, to collect a delinquency and collection charge on each installment in arrears for a period of not less than ten days in an amount not in excess of five percent of the unpaid amount of each installment or \$5, whichever is less. A delinquency charge may be collected only once on an installment however long it remains in default. No delinquency charge may be collected on an installment which is paid in full within 10 days after its scheduled installment due date even though an earlier maturing installment or a delinquency charge on an earlier installment may not have been paid in full. For purposes of this paragraph payments are applied first to current installments and then to delinquent installments;

(b) Any lawful fees paid or to be paid by the lender for any abstract or to any public officer for filing, recording, or releasing in any public office or for acknowledging any instrument securing the loan;

(c) Any lawful premium or charge for insurance protecting the lender against the risk of loss from not filing or recording a security agreement or financing statement and in lieu of filing thereof. Such premium or charge shall not exceed the actual premium or charge made by the insurance company to the lender and in no event in excess of the costs if the document were actually filed, recorded, or released in any public office;

(d) The premium on any life, property or other insurance taken as security for the loan; provided, that the borrower may himself, at his own cost, procure and deposit with the lender any such insurance if written by a responsible company. Such premium may be included as part of the loan.

[1973 c 126 s 3]

50.164 LOAN DUE ON DEFAULT. Nothing in sections 50.161 to 50.165 shall prohibit the lender from declaring the whole of such loan immediately due and payable upon default if the loan agreement shall so provide.

[1973 c 126 s 4]

50.165 COPY OF NOTE TO BORROWER. At the time of making an installment loan under the provisions of sections 50.161 to 50.165, the borrower shall be furnished a copy of the note that he signed and also a copy or statement of all charges made by the bank on such loan.

[1973 c 126 s 5]

50.17 DEPOSITS, DIVIDENDS, INTEREST, BONUS, BENEFITS. Subdivision 1. Every deposit and all dividends credited thereto shall be repaid, after demand, in such manner, at such times, and after such previous notice as the board of trustees shall prescribe, but the savings bank shall not be required to pay a greater dividend than four percent per annum. Depositors shall receive, as nearly as may be, all the profits after deducting necessary expenses, and setting aside annually such sum as the board deems expedient, for a surplus fund for the security of its depositors, and to meet contingencies, until this fund shall amount to 15 percent of its deposits. No interest shall be allowed on any money for a longer time than the same is actually on deposit; except that deposits made not later than the tenth business day of the month commencing any semiannual or quarterly interest period, or the tenth business day of any other month, or withdrawn within the last three business days of the month ending a quarterly or semiannual interest period, may be treated as on deposit for the entire period or month in which it was so deposited or withdrawn. No dividend shall be declared, credited, or paid unless authorized by yeas and nays vote of the board duly entered upon its minutes, and when any dividend in excess of that earned and on hand shall be declared or credited, the trustees voting therefor shall be jointly and severally liable to the bank for the excess. The board of every such bank whose surplus amounts to 15 percent of its deposits shall, at least once in three years, divide proportionately the excess among its depositors as an extra dividend, and for that purpose may classify them according to character, amount and duration of dealings, and so regulate the dividend that each of the same class shall receive the same ratable proportion.

Subd. 2. Every such savings bank may also enter into agreements with depositors designed to promote systematic thrift by providing for regular deposits over agreed periods of time and in connection with any such plan to provide thrift incentive may classify depositors generally according to character, amount, regularity or duration of deposits or type of agreement, and may agree to pay and provide for different rates of interest, bonuses and benefits based on any such

classification. All depositors of the same class shall be entitled to receive interest, bonuses and benefits of substantially the same value. When it shall appear to the commissioner from an examination made by him, or otherwise, that the classification of depositors as to character, amount, regularity or duration of deposits or type of agreement and the different rates of interest, bonuses and benefits based on any such classification are not in the best interests of the bank and its depositors, he may by written order direct that changes be made and thereafter such changes shall be incorporated in any agreements entered into by the bank.

[R L s 3025; 1907 c 468 s 9; 1951 c 411 s 1; 1953 c 82 s 1; 1957 c 601 s 23] (7717)

50.18 METHOD OF DETERMINING SURPLUS. In determining the per cent of surplus held by any such bank, its interest paying stock, notes, and bonds shall be estimated at their market value; notes and bonds having not more than six months' unpaid interest at their face, and real estate not above cost. As to stocks, bonds, and notes having more than six months accrued and unpaid interest, and all other investments not herein enumerated, their value shall be determined by the commissioner of banks, who may change their valuation from time to time.

[R. L. s. 3026] (7718)

50.19 ANNUAL REPORT; ASSETS. On or before February first, each year, the trustees of any savings bank shall cause to be made a thorough examination of all its books, vouchers, and other papers and of its assets, liabilities, and affairs generally by an experienced and competent accountant, and make a written report upon the form prescribed by the commissioner of banks, showing accurately its condition at the close of the preceding calendar year and specifying, as to that year, the amounts and particulars following:

(1) The amount loaned upon notes secured by mortgages, with the names of the states or localities in which the mortgaged premises are located and the amounts paid on the principal of mortgage notes, and the amount of mortgages, if any, which have been foreclosed;

(2) The cost, par value, and estimated market value of all bond investments, stated separately, and the amount of principal on bonds received by payment, redemption, sale, or otherwise;

(3) The amount of all loans upon pledge of securities, with a statement of the nature and amount of these securities and the amount paid upon the principal of the loans;

(4) The amount of the notes and of the bonds upon which interest was in default at the close of the preceding calendar year;

(5) The amount invested in real estate, giving the description and the cost of each tract;

(6) The amount of cash on hand and on deposit in banks or trust companies, giving the name of each, and the amount of each depositor; and

(7) Such other information as the commissioner of banks may require.

[R. L. s. 3027; 1907 c. 468 s. 10] (7719)

50.20 REPORT TO SHOW LIABILITIES. This report shall also state all its liabilities on the morning of January first, and show:

(1) The amount due the depositors, including any dividend to be credited to them for the half-year ending on that day; and

(2) All other debts or claims against it which are or may be a charge upon its assets.

It shall also state the amount deposited during the previous year and the amounts withdrawn during the same period; the whole amount of interest or profits received or earned and the amount of dividends or interest credited to depositors; the number of accounts opened or reopened; the number of accounts closed during the year; and the number of open accounts at the end of the year; and such other information as may be required by the commissioner of banks.

[R. L. s. 3028] (7720)

50.21 VERIFICATION OF REPORT. The report shall be verified by the oath of the two principal officers of the institution and the statement of assets shall be verified by the oath of at least two of the trustees and of the person who made the examination; and any wilful false swearing in regard to these reports shall be deemed perjury and be punishable accordingly.

[R. L. s. 3029] (7721)

50.22 PROCEEDINGS UPON VIOLATION. When it shall appear to the commissioner of banks, from an examination made by him or otherwise, that any such corporation has violated the law, or is conducting its business in an unsafe or unauthorized manner, he shall, by written order, direct such methods to be discontinued and that its business be conducted in conformity with law. If any such corporation refuses or neglects to comply with this order, or to make any report required by law or by the commissioner of banks, or if it shall appear to the commissioner of banks that it is unsafe or inexpedient for any such corporation to continue to transact business, he shall report the facts to the attorney general, who shall take such action thereon as the case requires. This action may be for the removal of one or more of the trustees of the corporation, the transfer of its corporate powers to other persons, its merger and consolidation with another like corporation willing to accept the trust, or such other appropriate action as the facts may require; and the court may grant any such relief in the interests of justice and, to protect the rights of the parties, may, from time to time, revoke or modify its orders made in the matter.

[R. L. s. 3030] (7722)

50.23 CHANGE OF NAME. When a resolution shall be adopted by the trustees of the bank expressing their purpose to change its name, they shall cause notice of this purpose, containing the present and proposed names, to be published in the manner provided for publication of notice of intention to organize. On completion of this publication, the trustees shall make application to the commissioner of banks to change the name of the bank, as specified in the resolution and publication, accompanied by proof of the adoption of the resolution and publication of notice. If this change be approved by the commissioner of banks, he shall authorize and direct the same by an order under his hand and seal, and designate a day, not more than 30 days from its date, when the change shall take effect. He shall execute the order in triplicate, one to be filed with the register of deeds of the county where the bank is situated, one delivered to the bank, and the other filed in his office. From the date named in this order, the bank shall be known and designated by its new name, and under this name shall have the same rights and powers and be subject to the same liabilities as before the change.

[R. L. s. 3031] (7723)

50.24 EXISTING BANKS CONFORMED; EXCEPTIONS. The powers, privileges, and duties conferred and imposed on any savings corporation heretofore organized by its charter or act of incorporation, are hereby abridged, enlarged, or modified, as each case may require, so that each such charter or act shall be conformed to the provisions hereof; and every such savings corporation shall possess the powers and privileges, and be subject to the duties, liabilities, and restrictions herein prescribed; but investments heretofore lawfully made shall be unaffected by this section, if the same be conformed to the provisions of this chapter as rapidly as may be, in the ordinary course of business, without loss or embarrassment to the bank and its patrons; provided, that savings banks organized and existing prior to the passage of Laws 1879, Chapter 109, may continue under the laws then in force applicable thereto and amendatory thereof until they reorganize hereunder, unaffected by any provision in Revised Laws 1905, repealing the same, expressly or by implication.

[R. L. s. 3032] (7724)

50.25 BANKS ORGANIZED UNDER LAWS 1867; CAPITAL STOCK; AMENDMENT OF ARTICLES. Any corporation which was incorporated and organized

under Laws 1867 for the purpose of doing a savings bank business, may have capital stock of \$100 per share, par value; provided, this capital shall be at least the sum of \$25,000, in a municipality having a population of not over 3,000; at least \$50,000 in one over 3,000 and not over 10,000; at least \$75,000 in one over 10,000 and not over 20,000; at least \$100,000 in one over 20,000 and not over 100,000, and at least \$200,000 in one over 100,000, and may amend its articles or certificate of incorporation so as to provide for this capital stock by adopting a resolution specifying the proposed amendment at a regular meeting or a special meeting called for that expressly stated purpose by a majority vote of its entire board of directors, trustees, or other managers, and by causing this resolution to 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 now prescribed for the execution, approval, filing, recording, and publishing of a like original certificate.

[1911 c. 332 s. 1] (7725)