

TRANSMITTAL OF RULES ADOPTED

FROM: DIVISION OF BANKING-DEPARTMENT OF GENERAL ADMINISTRATION  
(Name of Agency)

TO: CODE REVISER  
LEGISLATIVE BLDG (Southwest Corner, Ground Floor)  
Olympia 98501

The enclosed Permanent rules  , being order No. 5  
Emergency rules

relating to (Name of rules or description of subject matter)

The criteria for chartering industrial loan companies and regulations governing their general operations.

(ALTERNATIVE A. Use only for adoption of permanent rules)

pursuant to Notice No. 2418 ① filed with the code reviser on 9/25/1969 ② were regularly adopted as permanent rules of this agency at Olympia, Wash. on 12/3/1969 and are herewith filed in the office of the code reviser pursuant to chapter 34.04 RCW. The effective date of such rules shall be \_\_\_\_\_ ③

(ALTERNATIVE B. Use only for adoption of emergency rules)

pursuant to its finding that the immediate adoption of these rules is necessary for the preservation of the public health, safety, or general welfare and that observance of the requirements of notice and opportunity to present views on the proposed action would be contrary to the public interest, were regularly adopted as emergency rules of this agency at \_\_\_\_\_ on \_\_\_\_\_ and are herewith filed in the office of the code reviser pursuant to chapter 34.04 RCW.

Dated this 4th day of December 1969.

STATE OF WASHINGTON  
**FILED**  
DEC 4 1969  
CODE REVISER'S OFFICE  
KET #2681 FILE # 111

DIVISION OF BANKING, DEPT. OF GENERAL ADMINISTRATION (AGENCY)

*G. W. Mutschler*  
By G. W. MUTSCHLER  
Assistant Supervisor

Title of Division of Banking

- ① NOTICE NUMBER AS APPEARS ON THE COPY OF NOTICE RETURNED TO YOU BY REVISER'S OFFICE (IF PROCEEDINGS WERE CONTINUED, USE NO. OF LAST NOTICE)
- ② STAMPED DATE AS APPEARS ON THE COPY OF NOTICE RETURNED TO YOU BY REVISER'S OFFICE (IF PROCEEDINGS WERE CONTINUED, USE DATE OF LAST NOTICE)
- ③ UNLESS A LATER DATE IS SPECIFIED IN THIS ORDER OR IS PRESCRIBED IN ANOTHER STATUTE, RULES ARE EFFECTIVE 30 DAYS AFTER FILING: RCW 34.04.040. LEAVE THIS SPACE BLANK EXCEPT IN SUCH SPECIAL CASES.

STATE OF WASHINGTON  
DEPARTMENT OF GENERAL ADMINISTRATION  
DIVISION OF BANKING

ADMINISTRATIVE ORDER NO. 5

(1) I, FRANK COOPER, Supervisor of Banking of the State of Washington, by virtue of the authority vested in me under chapter 30.04 RCW, after filing Notice No. 2418 with the Code Reviser, notifying the press in accordance with RCW 42.32.010, and also notifying interested persons, held a meeting open to the public on December 3, 1969, as required by chapter 34.04 RCW and RCW 42.32.010, to promulgate and adopt regulations for industrial loan companies, as organized and governed under Title 31.04 RCW, as permanent rules of this agency.

After considering written evidence submitted prior to the hearing and upon receiving oral evidence at the hearing, I hereby promulgate and adopt the annexed regulations.

(2) This order, after first being recorded in the order registry of this agency, shall be forwarded to the Code Reviser for filing pursuant to chapter 34.04 RCW, and chapter 1-12 WAC.

APPROVED AND ADOPTED, on December 3, 1969.

By: 

FRANK COOPER  
Supervisor of Banking  
Department of General Administration

AMD

WAC 50-20-010 BOOKS AND RECORDS. (1) The company shall maintain a borrower's individual account card file, income and expense accounts, and have a general ledger readily available, and such other books and records as will enable the Supervisor to determine whether such company is complying with the provisions of this act and with the rules and regulations of the Supervisor with the result that these books and accounts will fairly reflect the condition of the company independent of other business conducted in the office.

(2) For a period of not less than two years after the making of the final entry upon its books with respect to any such transaction the company shall preserve the records of original and final entry upon all loans made and upon all transactions pertinent to the sale and issuance of investment certificates.

(3) If the company operates branches, there shall be kept in each branch office such books, accounts and records as will enable the Supervisor to determine whether such company is complying with the provisions of this act and with the rules and regulations of the Supervisor.

(4) The original application for a loan and all original papers relating thereto, including the note, any instrument held as collateral security, security agreement, salary assignment, etc., shall be available for inspection by the Supervisor, or any duly authorized representative. All real estate mortgage loans shall be supported by an appraisal from a qualified appraiser, disclosing all pertinent information, including a detailed schedule of all prior liens.

(5) No licensee shall take any instruments in which blanks are not filled in completely before the proceeds of the loan are delivered.

(6) Fees collected in advance to be subsequently disbursed by the company for recording and releasing collateral instruments or for other similar purposes shall be credited to a suspense account supported by a detailed record of the borrower's name and the respective amount of such fees.

AMD

WAC 50-20-020 THE NOTE. (1) Specimen forms of the written instrument or note evidencing any loan under this act shall be filed with the Supervisor of Banking.

(2) The written instrument or note shall carry on the face thereof the following:

- (a) The number and date of the loan.
- (b) Total amount to be repaid.
- (c) The manner in which it is to be repaid.
- (d) Adequate description of any collateral security deposited with the company.
- (e) Maturity date.
- (f) The rate of interest to be collected after original maturity date.
- (g) No note or other evidence of debt shall be written for a term longer than two years from date of the note.

AMD

WAC 50-20-040 CONTENTS OF STATEMENT TO BORROWER.

(1) The company shall deliver to the borrower at the time any loan is made, a statement which shall disclose in clear and distinct terms the following information:

- (a) The name and address of the industrial loan company.
- (b) The name and address of the borrower.
- (c) The number and date of the loan.
- (d) The total amount of the loan.
- (e) List of statutory deductions from the face amount of the note:
  - (i) Interest-discount, rate and amount.
  - (ii) Investigation fee.
  - (iii) Filing and releasing fee.
- (f) Date of maturity of the loan.
- (g) Rate of interest after original maturity date.
- (h) Description of the security, if any, including adequate description of the investment certificate.
- (i) Agreement to permit payment in full before maturity. Refund of unearned interest shall be made in accordance with WAC 50-20-050, paragraph (5).
- (j) Amount and date of installment investment certificate.
- (k) The terms of payment of the investment certificate, showing due dates and amount of installments.
- (l) Penalty for payments which are delinquent one week or more.
- (m) Service fees, if any.
- (n) Any other requirements imposed by Regulation Z. (Titles I and V of Consumer Credit Protection Act, P.L. 90-321, 82 Stat. 146 1/5 U.S.C. 1601-1665.)
- (2) Sufficient information must be maintained in the companies' files to show compliance with state and federal law.

AMD

WAC 50-20-050 RESTRICTIONS AS TO CHARGES. (1) No company shall charge the borrower for notarial fees.

(2) No industrial loan company shall require the purchasing of property insurance from the company or any employee, affiliate, or associate of the company or from any agent, broker, or insurance company designated by the company as a condition precedent to the making of a loan nor shall any company decline existing insurance which meets or exceeds the standards set forth in this section.

A company may insure the life of one borrower, but only one of them, if there are two or more obligors, for the unpaid principal balance scheduled to be outstanding.

If the loan contract is prepaid in full by cash, a new loan, renewal, refinancing, or otherwise, a portion of the credit life and/or accident and health insurance charge shall be rebated according to the method established under paragraph (5) of this section.

(3) No company shall make any charge for the filing, recording or releasing of mortgages or other instruments or for transferring title certificates to automobiles unless such charges are or are in fact to be paid out by the company to the proper officials for such filing, recording, transferring or releasing thereof.

(4) In the event a company makes a new loan where any part of the proceeds are used to pay the amount due it on an existing loan within four months from date of the existing loan, no charge for investigation fee shall be permitted.

(5) Any note which is prepaid in full by cash, a new loan, refinancing, or otherwise before the final due date,

the unearned portion of the interest shall be refunded using the sum of the digits method commonly known as the "Rule of 78's". In computing any required rebate, any prepayment made on or before the fifteenth day following the scheduled payment date on the investment certificate shall be deemed to have been made on the payment date preceding such prepayment.

AMD

WAC 50-20-060 ADVERTISING. (1) All advertising, printed or spoken, shall be truthful in statement and implication and shall not be of such a nature as may reasonably be construed to be misleading or deceptive.

(2) All advertising that mentions rates and/or amounts or periods of repayment shall fairly and accurately state the full and correct amount of such rates and periodic payments.

(3) The company shall keep a file of all circulars, form letters, pamphlets, booklets, radio broadcasts, newspaper advertisements and all other types of advertising for a period of not less than two years, which shall be available for examination by the Supervisor or his duly authorized representative.

(4) No company shall advertise the giving or give directly or indirectly to borrowers premiums of merchandise, food, or other articles of value in connection with any loan transactions.

(5) No company shall give directly or indirectly to any borrower an allowance of cash, any premiums of merchandise or other consideration for the procuring of, referring to or sending to the company any applicants for loans.

(6) No company in any of its advertising or upon any of its forms, instruments or stationery shall use any phrase or expression referring to its authority or supervision by the state, or any department thereof, or the Supervisor of Banking except the following: "Authorized under Industrial Loan Act" or "Under State Regulation" or both.

(7) All advertising must conform to Federal Reserve Board Regulation Z.

AMD

WAC 50-20-070 OTHER BUSINESS IN SAME OFFICE. (1) No company will be permitted to conduct its business within an office room or place of business in which other business is solicited or engaged in, or in association or conjunction therewith, if the Supervisor of Banking shall find, after five days' written notice, and after a hearing, that the other business has concealed or facilitated evasion of the Industrial Loan Company Act. If the Supervisor so finds, he shall order such company in writing to desist from such conduct.

(2) No company shall transact such business or make any loan provided for or by this act under any other name or at any other place of business than that named in the certificate of authority or in locations where branches have been established. This is not intended to prohibit loans by mail.

(3) No company shall change its place of business to another location unless and until authority for such change shall have been granted by the Supervisor of Banking.

(4) No borrower may be simultaneously indebted to two

or more firms, the ownership of which firms is substantially the same, which are regulated under the industrial loan act, the small loan act, or other similar act, or which engage in the nonregulated lending business. The intended purpose of this regulation is to prohibit an industrial loan company, through the use of the corporate veil, from either directly or indirectly engaging in and receiving the benefits of a business which is not authorized an industrial loan company under the terms of the industrial loan act.