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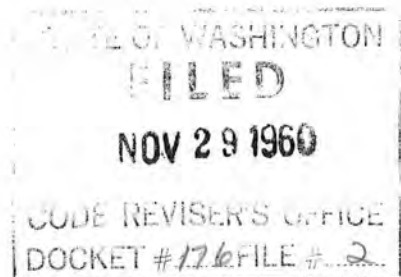
1960 REVISION  
RULES AND REGULATIONS  
for the enforcement of  
WASHINGTON SMALL LOAN ACT

Issued pursuant to RCW 31.08.230

By

DIVISION OF BANKING

Olympia, Washington



SECTION I

BOOKS, FILES, RECORDS AND ACCOUNTING

(RCW 31.03.140)

A. Each licensee shall install and maintain, in connection with the business done in each licensed office, such books, accounts and records as will lend themselves readily to inspection and audit <sup>by the Supervisor of Banking or his representatives,</sup> and shall maintain separate books and records pertaining to the business done under the provisions of the Small Loan Act in the event any other type of business is conducted in the same office by the licensee.

B. If any other business than that authorized under the Small Loan Act is conducted in the same office, the licensee shall fairly and equitably allocate all expenses for the purpose and with the result that the books relating to the licensee's business under the Act will fairly reflect the expense of conducting such business.

C. The following books, files and accounting records shall be maintained:

1. LOAN REGISTER. Every loan shall be recorded in the loan register, which shall be kept currently posted, in consecutive numerical order showing the following information:

- (a) Number of loan
- (b) Date of loan
- (c) Name of borrower
- (d) Amount of loan
- (e) Brief description of security

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Books, Files, Records and Accounting (continued)

C. (continued)

2. BORROWERS' INDIVIDUAL ACCOUNT CARDS OR LOOSELEAF

LEDGERS. A separate account record shall be maintained for each loan made to any one borrower.

Each such account record shall provide space for the proper recording of the following information:

- (a) Loan register number of loan
- (b) Date of loan
- (c) Name and address of borrower
- (d) Brief description of security, if any
- (e) Rate or rates at which charges are to be computed,  
if less than maximum
- (f) Terms of repayment
- (g) Face amount of note
- (h) If charges are precomputed:
  - Total amount of such charges
  - Amount which may be collected as a default charge
- (i) Payments received showing:
  - Date of payment
  - Amount paid on principal
  - Remaining principal balance
  - Amount paid on charges, except when charges are precomputed
  - Date to which charges are paid, except where charges are precomputed
  - The amount of default and/or deferment charges collected
- (j) Name and address of co-maker or endorser, if any
- (k) Date of final settlement of loan

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C. 2. BORROWERS' INDIVIDUAL ACCOUNT CARDS OR LOOSELEAF LEDGERS. (continued)

(l) Amount of charge for life insurance

(m) When a note has been reduced to judgment, the face of the account record must show the following:

1. Date of judgment
2. Amount of judgment
3. Court costs

Thereafter, all payments received must be applied on the judgment and properly identified.

3. Adequate files of all papers required by the Act or the Rules and Regulations in connection with all loans.
4. Acceptable records showing all cash receipts and disbursements.
5. Cards or other records of endorsers, co-makers or sureties, showing liability thereof on all loans.
6. A general ledger, which shall be posted at least once as of the close of business on a fixed date (preferably the last business day) of each month, and a trial balance taken therefrom. When the general ledger for the office is maintained elsewhere, a copy of the monthly trial balance shall be forwarded to the small loan office to arrive not later than 20 days after the month end or, in lieu of forwarding said copy, a report entitled "Monthly Verification of Loans and Contracts", showing the following information as of the end of each month:

C. 6. General Ledger (continued)

- (a) Total number and amount of precomputed loans
- (b) Reserve for unearned precomputed charges
- (c) Total number and amount of non-precomputed loans
- (d) Total number and amount of contracts outstanding
- (e) Total number and amount of all other loans,  
being loans not made under the Small Loan Act  
shall be prepared from the general ledger, signed by  
a responsible individual, and forwarded to the small  
loan office to arrive not later than 20 days after the  
month end.

D. Copies of all forms of applications, notes, statements to borrowers, receipts, mortgages, assignments, and other documents which are to be in general use by the licensee and which relate to loan transactions shall be filed with the Supervisor.

E. Every licensee shall maintain a separate permanent record of all loans in litigation, so entitled, including all loans assigned, sold or transferred for the purpose of suit, which record shall contain the following:

1. Loan number, original amount of loan, and unpaid balance.
2. Nature of security foreclosed, attached, to be recovered, or otherwise repossessed.
3. Name of owner of such property, if not the property of the borrower.
4. Date and terms of settlement of account, if prior to obtaining judgment, or if after judgment obtained, all items included in collection after suit is instituted.

SECTION II

LOANS

RCW 31.08.140, 160 and 280

A. Each loan made shall have its proper consecutive number and all instruments taken in connection with any loan must bear the respective loan number. All such instruments and papers required by the Act to be retained by the licensee shall be filed so as to be readily available for inspection at any time, and shall be retained for a period of two years after date of final entry.

B. All loan contracts shall provide for substantially equal payments, and such payments shall be due not less frequently than once in each month, beginning not later than 45 days from date of note.

C. No licensee shall make loans for a period in excess of 25½ months.

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SECTION III

COMPUTATION OF CHARGES

RCW 31.08.160

A. Licensees shall adopt a fixed method of computing charges on fractional balances and shall either compute ~~interest~~ <sup>charges</sup> on the actual fractional dollar which may be contained in any balance or disregard the fraction entirely. Under no circumstances shall charges be computed on "even dollar" balances in excess of the amount actually due upon the loan.

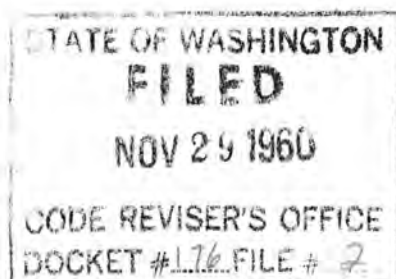
B. Rebate of precomputed charges.

1. When the loan is prepaid in full, a rebate of the precomputed charge must be made either by the method prescribed by RCW 31.08.160 (b) of the Small Loan Act or by recomputing ~~interest~~ <sup>charges</sup> on actual unpaid balances for the actual time outstanding.
2. If prepayment in full occurs before the first installment date the rebate must be made as of the exact day of prepayment. In addition to the standard rebate as of the first installment, an additional rebate of 1/30th of the portion of the precomputed charge applicable to a first installment period of one month shall be made for each day from the date of such prepayment to the first scheduled installment date. Provided, however, the full amount of the precomputed charges may be rebated and ~~interest~~ <sup>charges</sup> recomputed on the unpaid principal balance for the actual time such balance was outstanding.

B. Rebate of precomputed charges. (continued)

3. When prepayment in full occurs on an installment date the rebate must be made as of that installment date. When an installment date precedes the prepayment date by 15 days or less, the rebate shall be made as of such preceding installment date. When an installment date precedes the prepayment date by 16 days or more, the rebate shall be made as of the first installment date following such prepayment (except during the first installment period).
4. When the contract is renewed or refinanced before maturity, or judgment is obtained before maturity, the same rebate is required as for prepayment in full.

C. When a loan is not precomputed the installment date is considered to be the date of the loan.





- D. Splitting loans with resulting higher rate of charge prohibited.

For the purpose of RCW 31.08.160(4) "licensee" shall include two or more licensees who are, directly or indirectly owned or controlled by the same group or have common management.

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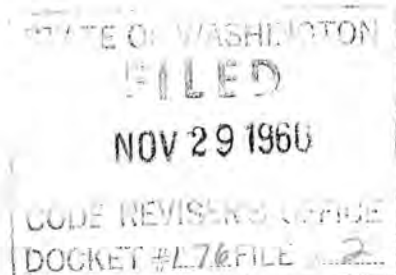
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SECTION IV

STATEMENT TO BORROWER  
RCW 31.08.170

A. Every licensee shall:

1. Deliver to the borrower at the time the loan is made, a statement of the loan as provided in RCW 31.08.170(1) of the Act and shall retain a copy of said statement which shall bear an acknowledgment by the borrower that he has received the original thereof.
2. Procure a receipt from the borrower for the proceeds of the loan. (Statement of loan, acknowledgment by borrower and receipt for proceeds of loan, for convenience, may be incorporated in one instrument.)
3. All of the above instruments shall be retained by the licensee for a period of not less than two years after recorded date of cancellation of the note.



SECTION V

ADVERTISING  
RCW 31.08.150

A. No licensee 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: "Licensed under the Washington Small Loan Act" or "Under State Regulation," or both: PROVIDED, that when either such phrase is employed, it shall be used in conjunction only with the business of making small loans under the Act.

B. 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.

In determining whether any particular advertising matter violates the provisions or intent of RCW 31.08.150 the Supervisor will give consideration to general arrangement of copy and to whether, from statements made, the inference or impression may reasonably be drawn that such statements or representations are inaccurate, deceptive or misleading.

It shall be considered misleading:

- (1) To use phrases such as "lowest costs," "lowest rates," "quickest service," "legal rates," "no red tape," "easy payments," "repayment in easy installments."
- (2) To advertise "new reduced rates" or "a new type of service" or any such similar comparative expression unless such statement is in fact accurate with respect to the business of the licensee so advertising and unless such advertise-

B. (2) continued

ment clearly indicates that such new plan refers specifically to a change in the particular licensee's plan of operation, and which change must be of more than minor importance with respect to the business of the licensee. Any such advertisement shall not be used for a period longer than sixty days after such plan has been put into effect.

C. Licensees shall not use blind loan advertisements such as using only telephone numbers or newspaper box addresses. Every advertisement shall clearly indicate the identity of the licensee.

D. Licensees shall not advertise that in the event of sickness or disability or other contingency, payment will be extended without also stating that charges continue during the period of extension, if such is the fact.

E. No licensee shall distribute, or cause to be distributed, handbills or similar advertising matter except in the office of the licensee or through the mails.

F. No licensee shall solicit business by means of "Credit Cards," "Letters of Credit," or other similar devices which indicate that a holder has an established credit standing with a licensee unless such holder has made a bona fide application to the licensee and credit has actually been established.

G. No licensee shall, by any representation or device, either directly or indirectly, offer to any persons anything of value by means of which they will be encouraged to become borrowers or for

Section V Advertising (continued)

G. (continued) recommending, referring, or inducing applicants to apply for or secure loans from any such licensee.

Note: The distribution of articles of trivial value for general good will advertising, in the ordinary course of business, will not be deemed to be in violation of this prohibition.

H. When examples or tables of periodic payments under a flat payment plan are advertised, they shall include all charges to the borrower as well as principal. If principal payments only are advertised, a clear statement of the rate of charge or the total amount of charge shall be included. In all such advertising the total number and frequency of payments must be specified. No advertising shall include average repayments or average cost of a loan.

~~I. Copy of all permanent signs and window displays that include any material other than the name of the licensee shall be submitted to the Supervisor for approval before they are placed in use.~~

I. Each licensee shall retain for a period of one year from date of use, with date of use indicated thereon, information disclosing the medium through which any advertisement was disseminated, identical copies of all advertising material published, distributed, broadcast or televised, available for inspection by ~~representatives~~ <sup>Supervisor</sup> of the ~~Division~~ at any time.

J. All form letters sent to former or present customers soliciting additional loans shall be considered advertising and copies of all such material shall be retained for inspection by ~~representatives of the Division~~ <sup>Supervisor</sup> at any time, ~~the same as all other advertising material.~~

SECTION VI

INSURANCE

A. No licensee shall write or sell insurance on the life of a borrower where such insurance is a condition to the granting of a loan and where said licensee shall have any interest in the commission earned in writing such insurance.

B. No insurance shall be required in connection with any loan made under the Small Loan Act, except as and to the extent authorized by Section 31.08.<sup>175</sup>~~299~~ of the Small Loan Act.

C. If a borrower procures any insurance by or through a licensee, the licensee shall cause to be delivered <sup>to the borrower</sup> within 30 days from date of loan a copy of the policy, certificate, or other evidence thereof which may be incorporated in the statement required by RCW 31.08.170.

D. Each licensee shall maintain at each licensed office a specimen copy of any master or blanket policy in lieu of which a certificate or other evidence thereof has been delivered to borrowers under the provisions of RCW 31.08.<sup>175(3)</sup>~~299(3)~~.

E. Rebates on life insurance charges.

1. When a loan is prepaid in full by cash, a new loan, renewal, ~~or~~ refinancing or otherwise, a portion of such life insurance charge shall be rebated in accordance with paragraphs (a) and (b) of subsection (3) of RCW 31.08.160 and Section III of these regulations, regardless of the amount of such rebate.

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SECTION VII

OTHER

A. Each licensee shall maintain a permanent file for all official communications from the office of the Supervisor of Banking and for copies of correspondence and reports addressed to the Supervisor of Banking.

B. Each person who is to make loans under this Act shall be familiar with the law and the rules and regulations relating to the business. No office shall be in charge of any person who does not have a thorough understanding of the provisions of the Small Loan Act and of these rules and regulations.

C. The place of business designated in the license shall be open during customary hours to receive payments from borrowers, and such hours shall be posted on the office door.

