

FORM OF ORDER AND TRANSMITTAL BY AGENCY HAVING SINGLE HEAD

State of Washington

DIVISION OF BANKING, DEPARTMENT OF GENERAL ADMINISTRATION

(agency name)

Administrative Order No. 61

(1) I, L. O. Malmberg, Acting Supervisor, director of the Division of Banking

do promulgate and adopt at Olympia, Washington (place)

the annexed rules relating to:

Banks and trust companies, amending section WAC 50-12-050 relating to limitations on loans made by banks and trust companies to their officers.

(2) ALTERNATIVE A. Use only for Adoption of Permanent Rules.

This action is taken pursuant to Notice No. filed with the code reviser on. These rules shall take effect: [] thirty days after they are filed with the code reviser pursuant to RCW 34.04.040(2). [] at a later date, such date being.

(2) ALTERNATIVE B. Use only for Adoption of Emergency Rules.

I, L. O. Malmberg, find that an emergency exists and that this order 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 public interest. A statement of the facts constituting the emergency is:

RCW 30.12.060 as amended by section 6 chapter 305 Laws of 1985 became effective on July 28, 1985. These regulations implement the amendments of chapter 305 by prescribing limits for loans made to any one officer and by interpreting the scope of the statute as amended. These emergency regulations are necessary to implement the amended statute in effect.

These rules are therefore adopted as emergency rules to take effect upon filing with the code reviser.

(3) Pursuant to the requirements of RCW 34.04.026 that "every agency shall incorporate the most specific, but in no case omit all, of the following language alternatives when adopting or amending rules" fill in statement (a), (b), or (c) as appropriate:

[X] (a) This rule is promulgated pursuant to RCW 30.12.060 and is intended to administratively implement that statute.

[] (b) This rule is promulgated pursuant to RCW which directs that the

(agency) has authority to implement the provisions of (name of act or RCW citation)

[] (c) This rule is promulgated under the general rule-making authority of the (agency)

as authorized in RCW

(4) The undersigned hereby declares that the agency has complied with the provisions of the Open Public Meetings Act (chapter 42.30 RCW), the Administrative Procedure Act (chapter 34.04 RCW) and the State Register Act (chapter 34.08 RCW) in the adoption of these rules.

(5) This order, after being first recorded in the order register of this agency, is herewith transmitted to the Code Reviser for filing pursuant to chapter 34.04 RCW and chapter 1-12 WAC.

APPROVED AND ADOPTED July 20 1985

STATE OF WASHINGTON FILED

JUL 30 1985

By L. O. MALMBERG, Acting Supervisor Division of Banking Title

CODE REVISER'S OFFICE WSR 85-16-030

AMENDATORY SECTION (Amending Order 58, filed 1/13/84)

WAC 50-12-050 LIMITING LOANS TO OFFICERS. ((With the specific prior approval by resolution of its board of directors as required by law, a bank may make the following loans to any of its officers:

(1) -- A loan, -- to any of its officers if, at the time the loan is made:

(a) -- It is secured -- by -- a -- first -- lien -- on -- a -- dwelling -- which -- is -- expected -- after -- the -- making -- of -- the -- loan, -- to -- be -- owned -- by -- the -- officer -- and -- used -- by -- him -- as -- his -- residence; -- and

(b) -- No other loan made by the bank to the officer under authority of this subparagraph is outstanding;

(2) -- In -- addition -- to -- (1) -- above, -- a -- bank -- may -- make -- extensions -- of -- credit -- to -- any -- officer -- of -- a -- bank -- to -- finance -- the -- education -- of -- the -- children -- of -- the -- officer; -- and

(3) -- A -- bank, -- in -- addition -- to -- loans -- made -- pursuant -- to -- subparagraphs (1) and (2) above, may make extensions of credit to its officers not exceeding the greater of \$25,000.00 or three percent of the bank's capital, surplus, and undivided profits. -- In -- no -- case -- shall -- the -- extension -- of -- credit -- to -- an -- officer -- under -- this -- paragraph -- exceed -- the -- aggregate amount of \$100,000.00, or the total liability to the bank by the officer exceed the limit prescribed by RCW 30.04.110, whichever is less.))

(1) A bank or trust company may make the following loans to any of its officers:

(a) A loan secured by a first lien on a dwelling if at the time the loan is made:

(i) The dwelling secured is expected to be both owned by the officer and used by him as his residence after the loan is made; and

(ii) No other such loan made by the bank or trust company to the officer under the authority of (a) of this subsection is outstanding;

(b) A loan to finance the education of an officers' children; and

(c) Any other secured or unsecured loan including a line of credit which, at the time the loan is made, is not in excess of the greater of \$25,000 or 2.5% of capital and unimpaired surplus as defined in RCW 30.12.060 (2), but in no event for an amount greater than \$100,000.

(2) A bank or trust company shall not make a loan under subsection (1) of this section to an officer which, at the time the loan is made, exceeds the greater of \$25,000 or 5% of capital and unimpaired surplus as defined in RCW 30.12.060 (2) unless a resolution authorizing a loan for a greater amount is adopted by a vote of a majority of the board of directors of the bank or trust company prior to the making of such loan, and the vote and resolution is entered in the corporate minutes.

(3) In no case shall the total liability of an officer to a bank or trust company under subsection (1) of this section exceed either \$500,000, unless approved in advance for a greater amount by a majority of the board of directors prior to the making of any loan in excess of this amount, or the limit prescribed by RCW 30.04.110, whichever is less. When computing the total outstanding liability of an officer of a bank or trust company belonging to an affiliated group of two or more corporations, all loans to the officer from the affiliated corporations shall be aggregated, including but not limited to loans from:

(a) The bank or trust company's parent bank holding company; or

(b) Any other corporation held by the bank or trust company's parent bank holding company; or

(c) A subsidiary of the bank or trust company; or

(d) A subsidiary of any other corporation if such corporation is held by the bank or trust company's parent bank holding company.

(4) Any loan to an officer of a bank that does not require specific prior approval by a majority of the board of directors by resolution or otherwise pursuant to subsections (2) and (3) of this section shall be promptly reported to the board of directors and duly reflected in the minutes of the next regular board meeting.

(5) For purposes of this section, the words "loan" and "loans" shall mean all extensions of credit by the bank or trust company

including but not limited to the purchase, discount, or acquisition,
as security or otherwise, of any debt or obligation of any officer
owed to any other person.