

ACT 120

H. B. NO. 2114-70

A Bill for an Act Relating to the Savings and Loan Associations.

ACT 120

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. Chapter 407, Hawaii Revised Statutes, is amended by adding a new section to read as follows:

“Sec. . Service Corporations. (a) General service corporations. Subject to the provisions of this section, an association may, if permitted by the terms of its charter, invest in the capital stock, obligations, or other securities of any service corporation organized under the laws of this State if:

- (1) The entire capital stock of such service corporation is available for purchase by, and only by, any and all savings and loan associations in this State, and the capital stock is owned by more than one savings and loan association;
- (2) Not more than 25 percent of the outstanding capital stock of such service corporation is, or may be, owned by any savings and loan association;
- (3) Every eligible savings and loan association is permitted to own an equal amount of the capital stock of such service corporation, or on such uniform basis as may be fixed by such corporation, each such association is permitted to own an amount of capital stock that is a stated percentage of its assets or saving capital at the time of any purchase by it of such stock, but capital stock outstanding on December 31, 1968, may be disregarded in determining compliance with this requirement; and
- (4) Substantially all of the activities of such service corporation consist of originating, purchasing, selling and servicing loans upon real estate and participating interests therein, and/or clerical, bookkeeping, accounting, statistical, or similar functions performed primarily for savings and loan associations, plus such other activities the bank examiner may approve.

(b) Approved service corporations. A savings and loan association may form a service corporation or invest in the capital stock, obligations or other securities of a service corporation other than as set forth in paragraph (a) of this section only with the prior specific approval of the bank examiner. Each application for approval to invest in a service corporation pursuant to this paragraph (b) shall contain a statement setting forth the need for such corporation, the services to be performed by the corporation, the names of all institutions participating in the formation of the corporation, the amount of capital stock investment by each such institution, and such other information as the bank examiner may require.

(c) Limitations. A savings and loan association may make any investment under this section if its aggregate outstanding investment in the capital stock, obligations, or other securities of service corporation would not thereupon exceed 1 percent of the association's assets. For the purposes of this section, the term “aggregate outstanding investment” means the sum of amounts

paid for the acquisition of capital stock or securities and amounts invested in obligations of service corporations less amounts received from the sale of capital stock or securities of service corporations and amounts paid to the savings and loan association to retire obligations of service corporations.

(d) Examination. No savings and loan association may invest in the capital stock, obligations, or other securities of any service corporation unless there has been obtained a written agreement with the bank examiner by such service corporation that:

- (1) In the case of a service corporation described in paragraph (a) of this section, such corporation will permit and pay the cost of such examination of the corporation by the bank examiner as the bank examiner from time to time deems necessary to determine the propriety of any investment by a savings and loan association under this section; and
- (2) In the case of a service corporation approved by the bank examiner under paragraph (b) of this section, such corporation will permit and pay the cost of such examination and/or audit by the bank examiner as the bank examiner may from time to time deem necessary.

(e) Disposal of investment. Whenever a service corporation engages in an activity which is not permissible under this section for a service corporation in which a savings and loan association may invest, a savings and loan association having an investment in such service corporation shall dispose of such investment promptly unless, within 90 days following notice to such investing savings and loan association, the impermissible activity is discontinued."

SECTION 2. Chapter 407, Hawaii Revised Statutes, is further amended by adding a new section to read as follows:

"Section . Educational Loans. Any savings and loan association is authorized to invest in loans, obligations, and advances of credit (all of which are hereinafter referred to in this section as "loans") made for the payment of expenses of college or university education, or expenses of vocational education, but no savings and loan association shall make any investment in loans under this section if the principal amount of its investment in such loans, exclusive of any investment which is or which at the time of its making was otherwise authorized, would thereupon exceed five (5) percent of its assets. Such loan may be secured, partly secured, or unsecured, and the association may require a co-maker or co-makers, insurance, guaranty under a governmental student loan guarantee plan or other protection against contingencies. The borrower shall certify to the association that the proceeds of the loan are to be used by a student solely for the payment of expenses of college or university education, or expenses of vocational education. For the purpose of this section the term "college or university education" means education at an institution which provides an educational program for which it awards a bachelor's or higher degree, or provides not less than a two year program which is acceptable for full credit toward a degree, and the term "vocational education" means any course of study or training designed to increase the ability of a person to obtain or advance in employment of any kind."

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SECTION 3. Rules and regulations may be promulgated by the bank examiner in order to effectuate the purposes of this Act.

SECTION 4. This Act shall take effect upon its approval.
(Approved June 19, 1970.)