

# VIRGINIA ACTS OF ASSEMBLY -- 1994 SESSION

## CHAPTER 330

*An Act to amend and reenact § 6.1-194.136 of the Code of Virginia, relating to general investment authority of state savings banks.*

[H 293]

Approved April 5, 1994

**Be it enacted by the General Assembly of Virginia:**

**1. That § 6.1-194.136 of the Code of Virginia is amended and reenacted as follows:**

§ 6.1-194.136. General investment authority.

The assets of a state savings bank may be invested only in the following ways:

1. In real and personal property necessary for the conduct of its business and in real estate to be held for its future accommodation. Such savings bank may invest in an office building or buildings and appurtenances for the transaction of such savings bank's business, or for the transaction of such business and for rental. No such investment may be made without the prior approval of the Commissioner if the total amount of the investment exceeds the aggregate amount of the savings bank's unimpaired capital funds.

2. In stock and other securities or obligations of a service corporation or corporations. Such service corporation or corporations may charge and collect such finance charges, fees and interest rates as are authorized to state savings banks, and shall be subject to state and local taxation in the same manner as are state savings banks. Unless specifically authorized by the Commissioner, a state savings bank shall not invest more than ten percent, in the aggregate, of its assets in a service corporation or corporations. Such service corporation or corporations, directly or indirectly, may engage in providing real estate brokerage services for property owned by a savings bank owning capital stock in the service corporation, by the service corporation, or by a joint venture in which the service corporation is a participant, but no such service corporation or corporations, state savings bank or holding company which has control, as control is defined in § 6.1-381, over a state savings bank may engage directly or indirectly in providing real estate brokerage services for property owned by third parties. Nothing in this subdivision shall prohibit a state savings bank or its affiliates or a holding company that has control over a state savings bank from engaging in third party real estate brokerage in any state, territory or district, other than the Commonwealth, that permits such activities by its state chartered savings institutions, or their affiliates or holding companies.

3. In obligations which are fully guaranteed as to principal and interest by the United States or the Commonwealth; in stock or obligations of any Federal Home Loan Bank or Banks; in stock or obligations of the Federal Deposit Insurance Corporation; in stock or obligations of Federal Reserve Banks; in obligations of, or issued by, any other state, territory or possession of the United States or political subdivision thereof, so long as such obligations continue to hold one of the four highest national investment grade ratings; in obligations of, or issued by, any city, town, county, district or other municipal corporation or political subdivision of the Commonwealth, or any public instrumentality or public authority created by act of the General Assembly, so long as such obligations continue to hold one of the four highest national investment grade ratings; in stock, obligations or other instruments of the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, or any successor or successors thereto; in obligations of, or guaranteed as to principal and interest by, the Dominion of Canada or any province thereof, provided that the principal and interest of any such obligations are payable in United States funds; in demand, time, or savings deposits, shares or accounts, or other obligations of any financial institution the accounts of which are insured by a federal agency; or in bankers' acceptances and commercial paper which are eligible for purchase by Federal Reserve Banks.

4. In loans to individuals for personal, family or household purposes and loans reasonably incident thereto, to include loans to dealers in consumer goods for purposes of financing inventory and floor planning. Such loans may be evidenced by installment consumer paper which is transferred to the savings bank by an endorser or guarantor, provided that such paper shall carry a full or limited endorsement or guarantee of the person, partnership, association or corporation transferring the same and the savings bank shall have a certificate of a responsible officer designated by its board for that purpose stating that the responsibility of the maker of such obligation has been evaluated and the savings bank is relying primarily upon such maker for the payment of such obligation.

5. In loans secured by savings accounts of the savings bank.

6. In loans secured by real estate.

7. A savings bank may issue credit cards, extend credit in connection therewith and otherwise engage in or participate in credit card operations.

8. In unsecured single payment loans to individuals with a maturity of not more than twelve months.

9. In personal property, which term as used herein shall include fixtures acquired upon the specific request of and for lease to a customer, subject to the following limitations:

- a. The rentals receivable by the savings bank under the initial lease of any item of personal property shall at least equal the cost to the savings bank of such item of personal property;
- b. The savings bank shall have a certificate of a responsible officer designated by its board for that purpose stating that the responsibility of the lessee has been evaluated and approved by such officer; and
- c. Upon the expiration of any lease, whether by virtue of the lease agreement or by virtue of the retaking of possession by the savings bank, such personal property shall be relet, sold or otherwise disposed of, or charged off within one year from the time of expiration of such lease.

10. In secured or unsecured credit to cover payment of checks, drafts or other fund transfer orders in excess of the available balance of an account on which they are drawn, provided that such extensions of credit must be paid off within thirty days after the extension of credit is made. The thirty-day limitation on repayment shall apply only to inadvertent overdrafts by the account owner and shall not apply to extensions of credit, agreed upon in writing, whereby the borrower is permitted to access the line of credit by check, draft or other fund transfer order.

11. In secured or unsecured loans for commercial, corporate, business or agricultural purposes. Unless specifically authorized by the Commission, a state savings bank shall not invest more than ~~ten~~ *twenty* percent of its assets in loans for commercial, corporate, business or agricultural purposes. The percentage-of-assets limitations provided by the preceding sentence shall not apply to overdraft loans, commercial real estate loans, loans to a service corporation the stock of which is owned by the savings bank, or loans to dealers in consumer goods for inventory or floor planning financing. A state savings bank shall not invest more than twenty percent of its assets in loans the primary security for which is nonresidential real estate.

12. A state savings bank may issue commercial and standby letters of credit in conformance with the Uniform Commercial Code (§ 8.1-101 et seq.) or the Uniform Customs and Practice for Documentary Credits and may pledge collateral to secure its obligations thereunder, subject to the following requirements:

- a. Each letter of credit shall conspicuously state that it is a letter of credit;
- b. The issuer's undertaking shall contain a specified expiration date or be for a definite term, and shall be limited in amount;
- c. The issuer's obligation to pay shall be solely dependent upon the presentation of conforming documents as specified in the letter of credit, and not upon the factual performance or nonperformance by the parties to the underlying transaction; and
- d. The account party shall have an unqualified obligation to reimburse the issuer for payments made under the letter of credit.

13. In commercial paper rated in the highest or second highest categories as of the date of purchase, as shown by the most recently published rating by at least two nationally recognized investment rating services; in corporate debt securities, including corporate debt securities convertible into stock, that may be sold with reasonable promptness at a price that corresponds reasonably to their fair market value, and that are rated in at least the third highest category by a nationally recognized investment rating service in its most recently published ratings before the date of purchase of the security; and in shares in open-end management investment companies.

14. A state savings bank may invest in any other obligations, instruments or investments which are specifically approved by the Commissioner.

15. A state savings bank shall conform to the loans-to-one-borrower limitations contained in § 6.1-61.

16. A state savings bank shall have the same powers, and shall be subject to the same limitations, as provided for state associations by §§ 6.1-194.5 and 6.1-194.62.