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## Commercial Law

Robert L. Taylor  
*University of Washington School of Law*

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recommending procedural changes to increase the efficiency of the respective departments. The county officials are empowered to use the Washington state association of elected county officials as a coordinating body through which the duties imposed by the act may be performed, harmonized or correlated.

Potentially much may be accomplished under this act in the way of eliminating duplication of facilities and functions within a county, thereby saving time and money. If more harmony can be obtained within each county in the activities of the elected officials and also among the several counties, all will benefit. In the end, whether the potential benefits will be obtained will depend upon the cooperation, interest, and zeal of the county officials. Certainly, however, the expression by the legislature of its wishes, combined with the direction to the county officials to implement such policy, is to be commended.

PHILIP A. TRAUTMAN

## COMMERCIAL LAW

**Small Loan Companies.** In 1941, the Washington legislature enacted the Uniform Small Loan Law with certain modifications.<sup>1</sup> Eighteen years later, the 1959 legislature made some important changes in the 1941 act by the enactment of chapter 212, Session Laws of 1959.

Originally limited to loans of \$500.00 or less, the maximum amount has now been increased to \$1,000.00.<sup>2</sup> The license application fee has been increased from \$50.00 to \$100.00,<sup>3</sup> and the maximum cost of examining each licensed place of business is now \$250.00 instead of \$150.00.<sup>4</sup> Protection against misleading or deceptive advertising has been extended to include television.<sup>5</sup> Licensees are still permitted to charge three percent per month on loan balances of \$300.00, or less, but the rate on balances in excess of \$300.00 and not in excess of \$500.00 is now one and one-half percent per month, and over \$500.00 it is one percent per month. As before, "in lieu of such charges a licensee may charge one dollar per month, or fraction thereof, when

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<sup>1</sup> Wash. Sess. Laws 1941, c. 208; for an excellent analysis of the 1941 act, see Shattuck, *Regulation of Small Loans in Washington*, 16 WASH. L. REV. 117, 124 (1941).

<sup>2</sup> Wash. Sess. Laws 1959, c. 212, § 1, amending RCW 31.08.020.

<sup>3</sup> Wash. Sess. Laws 1959, c. 212, § 2, amending RCW 31.08.030.

<sup>4</sup> Wash. Sess. Laws 1959, c. 212, § 3, amending RCW 31.08.130.

<sup>5</sup> Wash. Sess. Laws 1959, c. 212, § 4, amending RCW 31.08.150.

such charges computed at the said rate amount to less than one dollar.”<sup>6</sup>

Subsection 3 of amended RCW 31.08.160 is new and relates to precomputed charges, deferred charges, and defaults. It provides:

[W]hen the loan contract requires repayment in substantially equal and consecutive monthly installments of principal and charges combined, the charges may be precomputed at the monthly rate on scheduled unpaid principal balances according to the terms of the contract and added to the principal of the loan. Every payment may be applied to the combined total of principal and precomputed charge until the contract is fully paid. The acceptance or payment of charges on loans made under the provisions of this subsection shall not be deemed to constitute payment, deduction, or receipt thereof in advance nor compounding under subsection (2) above.

In case of prepayment in full before the final installment date, the portion of the precomputed charge applicable is to be rebated. Where the payment date of the unpaid installments is deferred and the contract provides for it, the licensee may collect a deferment charge. It is further provided that “in computing any default charge, or required rebate, the portion of the precomputed charge applicable to each deferred balance and installment period following the deferment period and prior to the deferred maturity shall remain the same as that applicable to such balances and periods under the original contract of loan.” When the payment of any installment is more than seven days in default, the licensee may collect a default charge, if so provided in the contract. This may not exceed “an amount equal to the portion of the precomputed charge applicable to the final installment period” and may not be collected more than once for any one default.

The statement to be furnished to the borrower by the licensee shall include the amount of any precomputed charge and a copy of paragraphs (a) and (b) of subsection (3) of RCW 31.08.160, which relate to the portion of the precomputed charge applicable to any monthly installment and to the prepayment of the loan contract. Where the charges have been precomputed it is not necessary to itemize the receipt and no receipt is required in case payment is made by check or money order and the full amount of same is applied to the loan. In case of a default or deferment charge, a receipt must be given showing what amount has been applied to the loan and what amount to the default or deferment charge. Payments in advance, when charges

<sup>6</sup> Wash. Sess. Laws 1959, c. 212, § 5, amending RCW 31.08.160.

have been precomputed, must amount to one or more full scheduled installments. Before a loan is made a financial statement must be obtained, signed by the borrower, which shall include a statement "that the borrower recognizes the penalties and defenses resulting from giving false statement of financial condition" and it has to be acknowledged in writing by both the licensee and the borrower.<sup>7</sup>

A new section provides that the final maturity date of a contract shall not be "more than twenty-five and one-half months from the date of making such contract."<sup>8</sup>

A section covering both property and life insurance has been added.<sup>9</sup> A borrower may be required to insure tangible property offered as security for a loan of \$300.00 or more, the amount of insurance required not to exceed the reasonable value of the property insured or the amount of the loan. The borrower has the option of obtaining such property insurance for an amount greater than the amount of the loan or for a longer term. But the licensee may not require the borrower to purchase the insurance from such licensee or from any employee, affiliate or associate of the licensee, or from any agent, broker or insurance company designated by the licensee.<sup>10</sup> The licensee may insure the life of one borrower (and not more than one where there are multiple obligors) for the amount of the unpaid principal balance outstanding and may charge the borrower "not more than sixty cents per hundred dollars per year computed on the original principal amount of the loan." Such charge may be deducted from the principal of the loan when the loan is made. In case of death of the insured obligor during the term of the loan contract, such life insurance must pay the principal balance of the loan outstanding on the day of his death, without any exception or reservation. Where the loan is prepaid a portion of this life insurance charge must be rebated. The statement which the licensee is required to give to the borrower<sup>11</sup> shall disclose the cost and type of any insurance procured by a borrower through the licensee, and a copy of the policy or certificate or evidence thereof must be delivered to the borrower. No gain or advantage to the licensee from the sale of insurance shall be considered as additional interest, consideration or charges in connection with the loan.

<sup>7</sup> Wash. Sess. Laws 1959, c. 212, § 6, amending RCW 31.08.170.

<sup>8</sup> Wash. Sess. Laws 1959, c. 212, § 10.

<sup>9</sup> Wash. Sess. Laws 1959, c. 212, § 11.

<sup>10</sup> The effect of this provision is similar to Wash. Sess. Laws 1957, c. 193, § 20, which was an addition to the Washington Insurance Code.

<sup>11</sup> See RCW 31.08.170.

**Mutual Savings Banks.** Chapter 41, Session Laws of 1959, has made several noteworthy changes as to mutual savings banks. Perhaps the most significant is the increase in the maximum amount of deposits permitted any depositor in the same capacity from \$10,000.00 to \$15,000.00.<sup>1</sup> As before, this amount may be increased by the crediting of dividends or interest or by the consolidation of savings banks having common depositors. The following eight categories of deposits in a different capacity are now enumerated:

- (1) Deposits in the name of the depositor and another or others in joint form with right of survivorship. . . .
- (2) Deposits in the name of the depositor as trustee for another under a voluntary and revocable trust. . . .
- (3) Deposits in the name of the depositor and another in joint form with right of survivorship as trustee for another under a voluntary and revocable trust. . . .
- (4) Deposits in the name of, or on behalf of, a partnership or other form of multiple ownership enterprise.
- (5) Deposits in the name of a corporation, society, or unincorporated association.
- (6) Deposits maintained by a person, society, or corporation as administrator, executor, guardian, or trustee under a will or trust agreement.
- (7) Deposits designated as community property of a marital community, whether in the name of either or both members of the community.
- (8) Deposits designated as separate property of the depositor.<sup>2</sup>

A mutual savings bank may now provide in its bylaws for making payments of dividends or interest, payable on any deposit, without the production of the passbook, if the depositor so requests. The bank may also in its discretion pay the balance of an account of a deceased person to the surviving spouse, next of kin, funeral director, or other creditor who may appear to be entitled to it, provided the savings account balance is not more than \$1,000.00 and no executor or administrator has been appointed for the deceased's estate. This provision was formerly applicable to balances of \$500.00 or less.<sup>3</sup>

There have been several changes with regard to mutual savings bank investments. The maximum amount which mutual savings banks may lend on real estate generally has been increased from sixty percent of the value of the real estate, including improvements, to two-thirds of the value. In the case of single family occupancy detached dwellings occupied by the owners thereof, the loan maximum is seventy-five percent of the first twenty thousand dollars of value, and fifty percent

<sup>1</sup> In 1915, the maximum amount was \$3,000.00. This was increased to \$5,000.00 in 1921, to \$7,500.00 in 1929, and to \$10,000.00 in 1949.

<sup>2</sup> Wash. Sess. Laws 1959, c. 41, § 2, amending RCW 32.12.010.

<sup>3</sup> Wash. Sess. Laws 1959, c. 41, § 3, amending RCW 32.12.020.

of the remainder of value. Formerly the limit was eighty percent of the first ten thousand dollars of value and fifty percent of the remainder.<sup>4</sup> The total amount which a mutual savings bank can invest in real estate contracts and mortgages upon real estate has been decreased from seventy-five percent to seventy percent of its funds.<sup>5</sup> A new section provides that "a mutual savings bank may invest its funds in bonds or other interest-bearing obligations of corporations not otherwise eligible for investment by the savings bank which are prudent investments for such bank in the opinion of its board of trustees or of a committee thereof whose action is ratified by such board at its regular meeting next following such investment." Such investment may not exceed "fifty percent of the total of its guaranty fund, undivided profits, and unallocated reserves, or five percent of its deposits, whichever is less."<sup>6</sup>

ROBERT L. TAYLOR

### CONSTITUTIONAL LAW

**Constitutional Law—Seizure and Destruction of Obscene Materials.** The 1959 Washington legislature enacted in substance New York's book-burning statute,<sup>1</sup> which was held constitutional by the United States Supreme Court on June 24, 1957, in *Kingsley Books, Inc. v. Brown*.<sup>2</sup>

The Washington statute<sup>3</sup> allows the prosecuting attorney, on behalf of the state, to maintain an action for an injunction to prevent the sale, acquisition, distribution, or possession with intent to sell or distribute, of any writing, record, image or picture, which is obscene, lewd, lascivious, filthy or indecent, or which contains an article or instrument of indecent use or purports to be for indecent use or purpose. The defendant is entitled to jury trial "within a reasonable time after joinder of issue" and to judgment within two days after conclusion of the trial. No injunction or restraining order is to be issued prior to the conclusion of the trial. If the injunction issues, it is to contain direction to the sheriff for seizure and destruction of the material. The act expressly declares that it does not apply to certain specified libraries and museums.

There are three principal differences between the Washington statute

<sup>4</sup> Wash. Sess. Laws 1959, c. 41, § 4, amending RCW 32.20.250.

<sup>5</sup> Wash. Sess. Laws 1959, c. 41, § 5, amending RCW 32.20.270.

<sup>6</sup> Wash. Sess. Laws 1959, c. 41, § 6.

<sup>1</sup> NEW YORK CODE OF CRIMINAL PROCEDURE § 22-a.

<sup>2</sup> 354 U.S. 436 (1957).

<sup>3</sup> The statute, here paraphrased, is chapter 105, Session Laws of 1959.