WEST VIRGINIA LEGISLATURE
REGULAR SESSION, 1937

ENROLLED

HOUSE BILL No. 35

(By Mr. [Handwritten Name])

PASSED March 4, 1937

In Effect [Handwritten Text] Passage
AN ACT to amend and reenact section eighteen, article eight, chapter thirty-one of the code of West Virginia, one thousand nine hundred thirty-one, as amended and reenacted by chapter six, acts of the Legislature of West Virginia, first extraordinary session, one thousand nine hundred thirty-three, and as last amended and reenacted by chapter fourteen, acts of the Legislature of West Virginia, regular session, one thousand nine hundred thirty-five, relating to limitations on loans by banking institutions and to the valuation of securities purchased by them.

Be it enacted by the Legislature of West Virginia:

Section 18. Limitation on Loans; Authorization of Loans to Officers and Employees of Banks and Banking Depart-
ment; Valuation of Securities. The total liabilities to any
banking institution of any person, firm or corporation, for
money borrowed by note, bond, certificate of indebtedness or
other device, including in the liabilities of the firm the lia-
bilities of the several members thereof, including in the lia-
bilities of any corporation an investment by such banking
institution in the stock of such corporation, shall at no time
exceed ten per cent of the unimpaired capital stock, including
debentures and surplus fund of such banking institution:

Provided, however, That such liabilities to a banking institu-
tion in excess of the maximum herein provided, outstanding
at the date this act takes effect, but not exceeding twenty per
cent of the unimpaired capital stock, including debentures
and surplus funds of such banking institution, may be re-
newed, refunded, or extended for periods expiring not later
than December thirty-one, one thousand nine hundred thirty-
eight, if the board of directors of such banking institution
shall have satisfied themselves that such extension, renewal,
or refunding is in the best interests of the bank, and that the
said debtor has made reasonable effort to reduce his obliga-
tion, these findings to be evidenced by resolution of the board
of directors spread upon the minute book of the bank; after which time such limit shall be reduced so that it will not exceed ten per cent of such unimpaired capital stock, debentures and surplus fund of such banking institution. But the discount of commercial or business paper actually owned by the person, firm or corporation negotiating the same shall not be considered as money borrowed within the limitation of this section; and the obligations of any person, firm or corporation, in the form of notes or drafts secured by shipping documents, warehouse receipts or other such documents transferring or securing titles covering readily marketable, nonperishable staples when such property is fully covered by insurance, if it is customary to insure such staples, shall be considered money borrowed within the meaning of this section, but shall be subject to the exception that with respect thereto the limitation of ten per cent of the unimpaired capital stock, including debentures and surplus fund, to which reference has herebefore been made, may be increased to twenty-five per cent when the market value of such staples securing such obligations is not at any time less than one hundred fifteen
per cent of the face amount of such obligations, and may be increased up to fifty per cent of such unimpaired capital stock, including debentures and surplus fund, with a corresponding increase in market value of such staples securing such obligation up to not less than one hundred forty per cent of the face amount of such additional obligation, but this exception shall not apply to obligations of any one person, firm or corporation arising from the same transaction or secured upon the identical staples for more than ten months. This section shall not apply to the obligations of the United States or general obligations of any state or of political subdivisions thereof, bonds or obligations issued under the authority of the West Virginia bridge commission or the state road commission, commonly known as bridge revenue bonds, or obligations issued under authority of the federal farm loan act, as amended, or issued by the Federal Home Loan Bank, or the Home Owners’ Loan Corporation. Neither shall this section apply to the obligations of a corporation owning the building in which the banking institution is located, when such banking institution has an unimpaired capital and surplus of not less than one million
dollars, or when approved in writing by the commissioner of banking. Nothing herein shall be construed to forbid the sale upon credit of a bank building owned by a banking institution at the time this act takes effect.

Indebtedness to a banking institution in excess of the maximum prescribed in this section, outstanding at the date this act takes effect, shall not be renewed, refunded or otherwise extended for a period longer than the limitation provided by this section. If such indebtedness has not been collected on or before May first, one thousand nine hundred thirty-nine, and if said institution is not then diligently and to the satisfaction of the commissioner of banking of the state of West Virginia proceeding to collect the same, the said commissioner of banking may require the said banking institution to charge said indebtedness to profit and loss, or he may make such other requirements of such institution with respect to such indebtedness as he shall deem just under the circumstances, and any officer of the bank who shall refuse to comply with such order or direction of said commissioner of banking shall be guilty of a misdemeanor and shall
be punishable under the provisions of section thirty-nine of this article.

No officer, director, clerk, or other employee of any banking institution nor the commissioner of banking nor any employee of the department of banking shall borrow, directly or indirectly, from a banking institution with which he is connected or which is subject to his examination, any sum of money except upon the written approval of a majority of the board of directors or discount committee of such institution made part of the permanent records of said institution or embodied in a resolution adopted by a majority of such board of directors, exclusive of the officer or employee to whom the loan is made.

If any officer, clerk, or other employee of any bank shall own or control a majority of the stock of any corporation or have a controlling interest in any partnership, a loan to such corporation or partnership shall for the purpose of this section constitute a loan to such officer, clerk, or other employee.

Securities purchased by a banking institution shall be entered upon the books of the bank at actual cost, but may be carried thereafter at market value. For the purpose of calculating the undivided profits applicable to the payment
of dividends, securities shall not be estimated at a valuation exceeding their present cost as determined by amortization; that is, by deducting from the cost of a security purchased at a premium, and charging to profit and loss a sum sufficient to bring it to par at maturity.
The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman Senate Committee

Chairman House Committee

Originated in the House of Delegates

Takes effect upon passage.

Clerk of the Senate

Clerk of the House of Delegates

President of the Senate

Speaker House of Delegates

The within............................................, 1937.

Governor.

Filed in the office of the Secretary of State of West Virginia.

Wm. S. O'Brien.
Secretary of State