

## ACT 48

H.B. NO. 1376

A Bill for an Act Relating to the Code of Financial Institutions.

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

SECTION 1. Section 412:5-305, Hawaii Revised Statutes, is amended to read as follows:

**“§412:5-305 Permitted investments.** (a) To the extent specified herein, a bank may invest its own assets in securities and obligations of:

- (1) The United States government and any agency of the United States government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States, including without limitation Federal Reserve Banks, the Government National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmers Home Administration, the Export-Import Bank, the Overseas Private Investment Corporation, the Commodity Credit Corporation, and the Small Business Administration;
- (2) United States government-sponsored agencies which are originally established or chartered by the United States government to serve public purposes specified by the Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States, including without limitation Banks for Cooperatives, Federal Agricultural Mortgage Corporation, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Financing Corporation, Resolution Funding Corporation, Student Loan Marketing Association, Tennessee Valley Authority, and the United States Postal Service; and
- (3) Quasi-United States governmental institutions including without limitation the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investment Bank, and other multilateral lending institutions or regional development institutions in which the United States Government is a shareholder or contributing member, provided that the total amount invested in obligations of any one issuer shall not exceed twenty per cent of the bank's capital and surplus.

(b) To the extent specified herein, a bank may invest its own assets in bonds, securities, or similar obligations issued by this State or any county of this State, through an appropriate agency or instrumentality.

(c) To the extent specified herein, a bank may invest its own assets in bonds or similar obligations issued by any state of the United States other than this State, the District of Columbia, or any territory or possession of the United States, by municipal governments of such states, territories or possessions or by any foreign country or political subdivision of such country; provided, that:

- (1) The bond, note, or warrant has been issued in compliance with the constitution and laws of any such government;
- (2) There has been no default in payment of either principal or interest on any of the general obligations of such government for a period of five years immediately preceding the date of the investment; and

(3) The total amount invested in such obligations of any one issuer by a bank shall not exceed twenty per cent of the bank's capital and surplus.

(d) To the extent specified herein, a bank may invest its own assets in notes, bonds, and other obligations of any corporation which at the time of the investment is incorporated under the laws of the United States or any state or territory thereof or the District of Columbia; provided, that the aggregate amount invested by a bank under this subsection and subsection (e) in any one corporation shall not exceed twenty per cent of the bank's capital and surplus.

(e) To the extent specified herein, a bank may invest its own assets in securities of an investment grade. The term "investment grade" means notes, bonds, certificates of interest or participation, beneficial interests, mortgage or receivable-related securities, and other obligations that are commonly understood to be of investment grade quality, including without limitation those securities that are rated within the four highest grades by any nationally-recognized rating service or unrated securities of similar quality as reasonably determined by the bank in its prudent banking judgment (which may be based in part upon estimates which it believes to be reliable). Investment grade does not include investments which are predominantly speculative in nature. The aggregate amount invested by a bank under this subsection and subsection (d) in any one company or other issuer shall not exceed twenty per cent of the bank's capital and surplus.

(f) To the extent specified herein, a bank may purchase, hold, convey, sell or lease real or personal property as follows:

- (1) The real property in or on which the business of the bank is carried on, including its banking offices, other space in the same property to rent as a source of income; permanent or vacation residences or recreational facilities for its officers and employees; other real property necessary to the accommodation of the bank's business, including but not limited to parking facilities, data processing centers, and real property held for future banking use where the bank in good faith expects to utilize the property as bank premises; provided, if the bank ceases to use any real property and improvements thereon for one of the foregoing purposes, it shall, within five years thereafter, sell the real property or cease to carry it or them as an asset; provided further, such property shall not without the approval of the commissioner exceed seventy-five per cent of the bank's capital and surplus;
- (2) Personal property used in or necessary to the accommodation of the bank's business, including but not limited to furniture, fixtures, equipment, vaults and safety deposit boxes. The bank's investment in furniture and fixtures shall not without the approval of the commissioner exceed twenty-five per cent of the bank's capital and surplus;
- (3) Personal property and fixtures which the bank acquires for purposes of leasing to third parties and such real property interests as shall be incidental thereto;
- (4) Such real property or tangible personal property as may come into its possession as security for loans or in the collection of debts; or as may be purchased by or conveyed to the bank in satisfaction of or on account of debts previously contracted in the course of its business, when such property was held as security by the bank; and
- (5) The seller's interest under an agreement of sale, as that term is defined in sections 501-101.5 and 502-85, including without limitation the reversionary interest in the real estate and the right to income under the agreement of sale, with or without recourse to the seller.

Except as otherwise authorized in this section any tangible personal property acquired by a bank pursuant to subsection (f)(4) shall be disposed of as soon as

practicable and shall not without the written consent of the commissioner be considered a part of the assets of the bank after the expiration of two years from the date of acquisition.

Except as otherwise authorized in this section any real property acquired by a bank pursuant to subsection (f)(4) shall be sold or exchanged for other real property by the bank within five years after title thereto has vested in it by purchase or otherwise, or within such further time as may be granted by the commissioner.

Any bank acquiring any real property in any manner other than provided by this section shall immediately, upon receiving notice from the commissioner, charge the same to profit and loss, or otherwise remove the same from assets, and when any loss impairs the capital and surplus of the bank the impairment shall be made good in the manner provided in this chapter.

(g) A bank may own or control the capital stock:

- (1) Of operating subsidiaries as set forth in this article;
- (2) Of a corporation organized and existing for the ownership of real or personal property used or which the bank in good faith expects to be used in the bank's business;
- (3) Of the Federal National Mortgage Association, the Student Loan Marketing Association, Federal Home Loan Mortgage Corporation or of any other corporation organized for substantially the same purposes; provided that this subsection shall be deemed to authorize subscription for as well as purchase of the stock;
- (4) Of small business investment companies operating under the Federal Small Business Investment Act of 1958;
- (5) Of bank service corporations, subject to the provisions of the Bank Service Corporation Act, 12 U.S.C. §§1861-1862;
- (6) Of a corporation whose stock is acquired or purchased to save a loss on a preexisting debt secured by such stock; provided, that the stock shall be sold within twelve months of the date acquired or purchased, or within such further time as may be granted by the commissioner;
- (7) Of an international banking corporation established pursuant to article 5A of this chapter or an Edge corporation or an Agreement corporation established or authorized pursuant to section 25a of the Federal Reserve Act, 12 U.S.C. §631; and
- (8) Of a captive insurance company incorporated under the laws of the United States, or any state or territory thereof, or the District of Columbia.

(h) To the extent specified herein, a bank may invest its own assets in limited partnerships formed to invest in residential properties which will qualify for the low income housing tax credit under section 42 of the Internal Revenue Code of 1986, as amended, and under chapters 235 and 241; provided that the total amount invested by a bank under this subsection in any one limited partnership shall not, without the prior approval of the Commissioner, exceed two per cent of the bank's capital and surplus and the aggregate amount invested under this subsection shall not, without the prior approval of the Commissioner, exceed five per cent of the bank's capital and surplus. In no case shall the aggregate amount invested by a bank under this subsection exceed ten per cent of the bank's capital and surplus."

SECTION 2. Section 412:6-306, Hawaii Revised Statutes, is amended to read as follows:

**"§412:6-306 Permitted investments.** (a) To the extent specified herein, a savings bank may invest its own assets in securities and obligations of:

- (1) The United States government and any agency of the United States government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States, including without limitation Federal Reserve Banks, the Government National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmers Home Administration, the Export-Import Bank, the Overseas Private Investment Corporation, the Commodity Credit Corporation, and the Small Business Administration;
- (2) United States government-sponsored agencies which are originally established or chartered by the United States government to serve public purposes specified by the Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States, including without limitation, Banks for Cooperatives, Federal Agricultural Mortgage Corporation, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Financing Corporation, Resolution Funding Corporation, Student Loan Marketing Association, Tennessee Valley Authority, and the United States Postal Service; and
- (3) Quasi-United States governmental institutions including without limitation, the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investment Bank, and other multilateral lending institutions or regional development institutions in which the United States Government is a shareholder or contributing member, provided that the total amount invested in obligations of any one issuer shall not exceed twenty per cent of the savings bank's capital and surplus.

(b) To the extent specified herein, a savings bank may invest its own assets in bonds, securities, or similar obligations issued by this State or any county of this State, through an appropriate agency or instrumentality.

(c) To the extent specified herein, a savings bank may invest its own assets in bonds or similar obligations issued by any state of the United States other than this State, the District of Columbia, or any territory or possession of the United States, by municipal governments of such states, territories or possessions or by any foreign country or political subdivision of such country; provided, that:

- (1) The bond, note, or warrant has been issued in compliance with the constitution and laws of any such government;
- (2) There has been no default in payment of either principal or interest on any of the general obligations of such government for a period of five years immediately preceding the date of the investment; and
- (3) The total amount invested in such obligations of any one issuer by a savings bank shall not exceed twenty per cent of the savings bank's capital and surplus.

(d) To the extent specified herein, a savings bank may invest its own assets in notes, bonds, and other obligations of any corporation which at the time of the investment is incorporated under the laws of the United States or any state or territory thereof or the District of Columbia; provided, that the aggregate amount invested by a savings bank under this subsection and subsection (e) in any one corporation shall not exceed twenty per cent of the savings bank's capital and surplus.

(e) To the extent specified herein, a savings bank may invest its own assets in securities of an investment grade. The term "investment grade" means notes,

bonds, certificates of interest or participation, beneficial interest, mortgage or receivable-related securities, and other obligations that are commonly understood to be of investment grade quality, including without limitation those securities that are rated within the four highest grades by any nationally-recognized rating service or unrated securities of similar quality as reasonably determined by the savings bank in its prudent judgment, which may be based in part upon estimates which it believes to be reliable. Investment grade does not include investments which are predominantly speculative in nature. The aggregate amount invested by a savings bank under this subsection and subsection (d) in any one company or other issuer shall not exceed twenty per cent of the savings bank's capital and surplus.

(f) To the extent specified herein, a savings bank may purchase, hold, convey, sell or lease real or personal property as follows:

- (1) The real property in or on which the business of the savings bank is carried on, including its offices, other space in the same property to rent as a source of income; permanent or vacation residences or recreational facilities for its officers and employees; other real property necessary to the accommodation of the savings bank's business, including but not limited to parking facilities, data processing centers, and real property held for future use where the savings bank in good faith expects to utilize the property as its premises; provided, if the savings bank ceases to use any real property and improvements thereon for one of the foregoing purposes, it shall, within five years thereafter, sell the real property or cease to carry it or them as an asset; provided further, such property shall not, without the approval of the commissioner, exceed seventy-five per cent of the savings bank's capital and surplus;
- (2) Personal property used in or necessary to the accommodation of the savings bank's business, including but not limited to furniture, fixtures, equipment, vaults and safety deposit boxes. The savings bank's investment in furniture and fixtures shall not, without the approval of the commissioner, exceed twenty-five per cent of the savings bank's capital and surplus;
- (3) Personal and real property which the savings bank acquires for the purpose of leasing to its subsidiaries and affiliates;
- (4) Such real property or tangible personal property as may come into its possession as security for loans or in the collection of debts, or as may be purchased by or conveyed to the savings bank in satisfaction of or on account of debts previously contracted in the course of its business when such property was held as security by the savings bank; and
- (5) The seller's interest under an agreement of sale, as that term is defined in sections 501-101.5 and 502-85, including without limitation the reversionary interest in the real estate and the right to income under the agreement of sale, with or without recourse to the seller.

Except as otherwise authorized in this section any tangible personal property acquired by a savings bank pursuant to subsection (f)(4) shall be disposed of as soon as practicable and shall not without the written consent of the commissioner, be considered a part of the assets of the savings bank after the expiration of two years from the date of acquisition.

Except as otherwise authorized in this section any real property acquired by a savings bank pursuant to subsection (f)(4) shall be sold or exchanged for other real property by the savings bank within five years after title thereto has vested in it by purchase or otherwise, or within such further time as may be granted by the commissioner.

Any savings bank acquiring any real property in any manner other than provided by this section shall immediately, upon receiving notice from the commis-

sioner, charge the same to profit and loss, or otherwise remove the same from the assets, and when any loss impairs the capital and surplus of the savings bank the impairment shall be made good in the manner provided in this chapter.

- (g) A savings bank may own or control the capital stock:
  - (1) Of operating subsidiaries as set forth in this article;
  - (2) Of a corporation organized and existing for the ownership of real or personal property used or which the savings bank in good faith expects to be used in the savings bank's business;
  - (3) Of the Federal National Mortgage Association, the Student Loan Marketing Association, Federal Home Loan Mortgage Corporation or of any other corporation organized for substantially the same purposes; provided that this subsection shall be deemed to authorize subscription for as well as purchase of the stock;
  - (4) Of small business investment companies operating under the Federal Small Business Investment Act of 1958;
  - (5) Of service corporations as set forth in this article;
  - (6) Of a corporation whose stock is acquired or purchased to save a loss on a preexisting debt secured by such stock; provided, that the stock shall be sold within twelve months of the date acquired or purchased, or within such further time as may be granted by the commissioner; and
  - (7) Of a captive insurance or association captive insurance company incorporated under the laws of the United States, or any state or territory thereof or the District of Columbia.

(h) To the extent specified herein, a savings bank may invest its own assets in limited partnerships formed to invest in residential properties which will qualify for the low income housing tax credit under section 42 of the Internal Revenue Code of 1986, as amended, and under chapters 235 and 241; provided that the total amount invested by a savings bank under this subsection in any one limited partnership shall not, without the prior approval of the Commissioner, exceed two per cent of the savings bank's capital and surplus and the aggregate amount invested under this subsection shall not, without the prior approval of the Commissioner, exceed five per cent of the savings bank's capital and surplus. In no case shall the aggregate amount invested by a savings bank under this subsection exceed ten per cent of the savings bank's capital and surplus."

SECTION 3. Section 412:7-306, Hawaii Revised Statutes, is amended to read as follows:

**"§412:7-306 Permitted investments.** (a) To the extent specified herein, a savings and loan association may invest its own assets in securities and obligations of:

- (1) The United States government and any agency of the United States government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States, including without limitation Federal Reserve Banks, the Government National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmers Home Administration, the Export-Import Bank, the Overseas Private Investment Corporation, the Commodity Credit Corporation, and the Small Business Administration;
- (2) United States government-sponsored agencies which are originally established or chartered by the United States government to serve public purposes specified by the Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States,

including without limitation, Banks for Cooperatives, Federal Agricultural Mortgage Corporation, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Financing Corporation, Resolution Funding Corporation, Student Loan Marketing Association, Tennessee Valley Authority, and the United States Postal Service; and

- (3) Quasi-United States governmental institutions including without limitation, the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investment Bank, and other multilateral lending institutions or regional development institutions in which the United States Government is a shareholder or contributing member, provided that the total amount invested in obligations of any one issuer shall not exceed twenty per cent of the savings and loan association's capital and surplus.

(b) To the extent specified herein, a savings and loan association may invest its own assets in bonds, securities, or similar obligations issued by this State or any county of this State, through an appropriate agency or instrumentality.

(c) To the extent specified herein, a savings and loan association may invest its own assets in bonds or similar obligations issued by any state of the United States other than this State, the District of Columbia, or any territory or possession of the United States, by municipal governments of such states, territories or possessions or by any foreign country or political subdivision of such country; provided, that:

- (1) The bond, note, or warrant has been issued in compliance with the constitution and laws of any such government;
- (2) There has been no default in payment of either principal or interest on any of the general obligations of such government for a period of five years immediately preceding the date of the investment; and
- (3) The total amount invested in such obligations of any one issuer by a savings and loan association shall not exceed twenty per cent of the savings and loan association's capital and surplus.

(d) To the extent specified herein, a savings and loan association may invest its own assets in notes, bonds, and other obligations of any corporation which at the time of the investment is incorporated under the laws of the United States or any state or territory thereof or the District of Columbia; provided, that the aggregate amount invested by a savings and loan association under this subsection and subsection (e) in any one corporation shall not exceed twenty per cent of the savings and loan association's capital and surplus.

(e) To the extent specified herein, a savings and loan association may invest its own assets in securities of an investment grade. The term "investment grade" means notes, bonds, certificates of interest or participation, beneficial interests, mortgage or receivable-related securities, and other obligations that are commonly understood to be of investment grade quality, including without limitation those securities that are rated within the four highest grades by any nationally-recognized rating service or unrated securities of similar quality as reasonably determined by the savings and loan association in its prudent judgment, which may be based in part upon estimates which it believes to be reliable. Investment grade does not include investments which are predominantly speculative in nature. The aggregate amount invested by a savings and loan association under this subsection and subsection (d) in any one company or other issuer shall not exceed twenty per cent of the savings and loan association's capital and surplus.

(f) To the extent specified herein, a savings and loan association may purchase, hold, convey, sell or lease real or personal property as follows:

- (1) The real property in or on which the business of the savings and loan association is carried on, including its offices, other space in the same property to rent as a source of income; permanent or vacation residences or recreational facilities for its officers and employees; other real property necessary to the accommodation of the savings and loan association's business, including but not limited to parking facilities, data processing centers, and real property held for future use where the savings and loan association in good faith expects to utilize the property as its premises; provided, if the savings and loan association ceases to use any real property and improvements thereon for one of the foregoing purposes, it shall, within five years thereafter, sell the real property or cease to carry it or them as an asset; provided further, such property shall not, without the approval of the commissioner, exceed seventy-five per cent of the savings and loan association's capital and surplus;
- (2) Personal property used in or necessary to the accommodation of the savings and loan association's business, including but not limited to furniture, fixtures, equipment, vaults and safety deposit boxes. The savings and loan association's investment in furniture and fixtures shall not, without the approval of the commissioner, exceed twenty-five per cent of the savings and loan association's capital and surplus;
- (3) Personal and real property which the savings and loan association acquires for the purpose of leasing to its subsidiaries and affiliates;
- (4) Such real property or tangible personal property as may come into its possession as security for loans or in the collection of debts, or as may be purchased by or conveyed to the savings and loan association in satisfaction of or on account of debts previously contracted in the course of its business when such property was held as security by the savings and loan association; and
- (5) The seller's interest under an agreement of sale, as that term is defined in sections 501-101.5 and 502-85, including without limitation the reversionary interest in the real estate and the right to income under the agreement of sale, with or without recourse to the seller.

Except as otherwise authorized in this section any tangible personal property acquired by a savings and loan association pursuant to subsection (f)(4) shall be disposed of as soon as practicable and shall not, without the written consent of the commissioner, be considered a part of the assets of the savings and loan association after the expiration of two years from the date of acquisition.

Except as otherwise authorized in this section any real property acquired by a savings and loan association pursuant to subsection (f)(4) shall be sold or exchanged for other real property by the savings and loan association within five years after title thereto has vested in it by purchase or otherwise, or within such further time as may be granted by the commissioner.

Any savings and loan association acquiring any real property in any manner other than provided by this section shall immediately, upon receiving notice from the commissioner, charge the same to profit and loss, or otherwise remove the same from assets, and when any loss impairs the capital and surplus of the savings and loan association the impairment shall be made good in the manner provided in this chapter.

- (g) A savings and loan association may own or control the capital stock:
  - (1) Of operating subsidiaries as set forth in this article;
  - (2) Of a corporation organized and existing for the ownership of real or personal property used or which the savings and loan association in



good faith expects to be used in the savings and loan association's business;

- (3) Of the Federal National Mortgage Association, the Student Loan Marketing Association, Federal Home Loan Mortgage Corporation or of any other corporation organized for substantially the same purposes; provided that this subsection shall be deemed to authorize subscription for as well as purchase of the stock;
- (4) Of small business investment companies operating under the Federal Small Business Investment Act of 1958;
- (5) Of service corporations as set forth in this article;
- (6) Of a corporation whose stock is acquired or purchased to save a loss on a preexisting debt secured by such stock; provided, that the stock shall be sold within twelve months of the date acquired or purchased, or within such further time as may be granted by the commissioner; and
- (7) Of a captive insurance or association captive insurance company incorporated under the laws of the United States, or any state or territory thereof or [[the]] District of Columbia.

(h) To the extent specified herein, a savings and loan association may invest its own assets in limited partnerships formed to invest in residential properties which will qualify for the low income housing tax credit under section 42 of the Internal Revenue Code of 1986, as amended, and under chapters 235 and 241; provided that the total amount invested by a savings and loan association under this subsection in any one limited partnership shall not, without the prior approval of the Commissioner, exceed two per cent of the savings and loan association's capital and surplus and the aggregate amount invested under this subsection shall not, without the prior approval of the Commissioner, exceed five per cent of the savings and loan association's capital and surplus. In no case shall the aggregate amount invested by a savings and loan association under this subsection exceed ten per cent of the savings association's capital and surplus.'

SECTION 4. Section 412:9-409, Hawaii Revised Statutes, is amended to read as follows:

**“§412:9-409 Permitted investments.** (a) To the extent specified herein, a depository financial services loan company may invest its own assets in securities and obligations of:

- (1) The United States government and any agency of the United States government whose debt obligations are fully and explicitly guaranteed as to the timely payment of principal and interest by the full faith and credit of the United States, including without limitation Federal Reserve Banks, the Government National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmers Home Administration, the Export-Import Bank, the Overseas Private Investment Corporation, the Commodity Credit Corporation, and the Small Business Administration;
- (2) United States government-sponsored agencies which are originally established or chartered by the United States government to serve public purposes specified by the Congress but whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States, including without limitation Banks for Cooperatives, Federal Agricultural Mortgage Corporation, Federal Farm Credit Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Financing Corporation, Resolution Funding Corporation,

Student Loan Marketing Association, Tennessee Valley Authority and the United States Postal Service; and

- (3) Quasi-United States governmental institutions, including without limitation the International Bank for Reconstruction and Development (World Bank), the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investment Bank, and other multilateral lending institutions in which the United States Government is a shareholder or contributing member, provided that the total amount invested in any one issuer shall not exceed twenty per cent of the depository financial services loan company's capital and surplus.

(b) To the extent specified herein, a depository financial services loan company may invest its own assets in bonds, securities, or similar obligations issued by this State or any county of this State, through an appropriate agency or instrumentality.

(c) To the extent specified herein, a depository financial services loan company may invest its own assets in bonds or similar obligations issued by any state of the United States other than this State, the District of Columbia, or any territory or possession of the United States, by municipal governments of such states, territories or possessions, or by any foreign country or political subdivision of such country; provided, that:

- (1) The bond, note, or warrant has been issued in compliance with the constitution and laws of any such government;
- (2) There has been no default in payment of either principal or interest on any of the general obligations of such government for a period of five years immediately preceding the date of the investment; and
- (3) The total amount invested in such obligations of any one issuer by a depository financial services loan company shall not exceed twenty per cent of the depository financial services loan company's capital and surplus.

(d) To the extent specified herein, a depository financial services loan company may invest its own assets in notes, bonds, and other obligations of any corporation which at the time of the investment is incorporated under the laws of the United States or any state or territory thereof or the District of Columbia; provided, that the aggregate amount invested by a depository financial services loan company under this subsection and subsections (e) and (g)(3) in any one corporation shall not exceed twenty per cent of the depository financial services loan company's capital and surplus.

(e) To the extent specified herein, a depository financial services loan company may invest its own assets in securities of an investment grade. The term "investment grade" means notes, bonds, certificates of interest or participation, beneficial interests, mortgage or receivable-related securities, and other obligations that are commonly understood to be of investment grade quality, including without limitation those securities that are rated within the four highest grades by any nationally-recognized rating service or unrated securities of similar quality as reasonably determined by the depository financial services loan company in its prudent judgment (which may be based in part upon estimates which it believes to be reliable). Investment grade does not include investments which are predominantly speculative in nature. The aggregate amount invested by a depository financial services loan company under this subsection and subsections (d) and (g)(3) in any one company or other issuer shall not exceed twenty per cent of the depository financial services loan company's capital and surplus. Subject to the approval of the commissioner, the twenty per cent limitation shall not apply to investment grade securities secured entirely by mortgage loans originated by the depository financial

services loan company. In approving any transaction under this section, the commissioner may impose any conditions to ensure the safety and soundness of the institution.

(f) To the extent specified herein, a depository financial services loan company may purchase, hold, convey, sell or lease real or personal property as follows:

- (1) The real property in or on which the business of the depository financial services loan company is carried on, other space in the same property to rent as a source of income; permanent or vacation residences or recreational facilities for its officers and employees; other real property necessary to the accommodation of the depository financial services loan company's business, including but not limited to parking facilities, data processing centers, and real property held for future use where the depository financial services loan company in good faith expects to utilize the property as depository financial services loan company premises; provided, if the depository financial services loan company ceases to use any real property and improvements thereon for one of the foregoing purposes, it shall, within five years thereafter, sell the real property or cease to carry it or them as an asset; provided further, such property shall not without the approval of the commissioner exceed seventy-five per cent of the depository financial services loan company's capital and surplus;
- (2) Personal property used in or necessary to the accommodation of the depository financial services loan company's business, including but not limited to furniture, fixtures, equipment, vaults and safety deposit boxes. The depository financial services loan company's investment in furniture and fixtures shall not without the approval of the commissioner exceed twenty-five per cent of the depository financial services loan company's capital and surplus;
- (3) Personal property and fixtures which the depository financial services loan company acquires for purposes of leasing to third parties and such real property interests as shall be incidental thereto;
- (4) Such real property or tangible personal property as may come into its possession as security for loans or in the collection of debts; or as may be purchased by or conveyed to the depository financial services loan company in satisfaction of or on account of debts previously contracted in the course of its business, when such property was held as security by the depository financial services loan company; and
- (5) The seller's interest under an agreement of sale, as that term is defined in sections 501-101.5 and 502-85, including without limitation the reversionary interest in the real property and the right to income under the agreement of sale, with or without recourse to the seller.

Except as otherwise authorized in this section any tangible personal property coming into the possession of any depository financial services loan company pursuant to [[]subsection (f)(4)][] shall be disposed of as soon as practicable and shall not, without the written consent of the commissioner, be considered a part of the assets of the depository financial services loan company after the expiration of two years from the date of acquisition.

Except as otherwise authorized in this section any real property acquired by a depository financial services loan company pursuant to [[]subsection (f)(4)][] shall be sold or exchanged for other real property by the depository financial services loan company within five years after title thereto has vested in it by purchase or otherwise, or within such further time as may be extended by the commissioner.

Any depository financial services loan company acquiring any real property in any manner other than provided by this section shall immediately, upon receiving notice from the commissioner, charge the same to profit and loss, or otherwise remove the same from the assets, and when any loss impairs the capital and surplus of the depository financial services loan company the impairment shall be made good in the manner provided in this chapter.

(g) To the extent specified herein, a depository financial services loan company may invest its own assets in capital stock of:

- (1) Service corporations as set forth in this article;
- (2) A corporation whose stock is acquired or purchased to save a loss on a preexisting debt secured by such stock; provided, that the stock shall be sold within twelve months of the date acquired or purchased, or within such further time as may be granted by the commissioner;
- (3) Companies listed on the New York or American stock exchanges or on National Association of Securities Dealers Automated Quotations; provided that the aggregate amount invested by a depository financial services loan company under this paragraph and subsections (d) and (e) in any one corporation shall not exceed twenty per cent of the depository financial services loan company's capital and surplus.

(h) To the extent specified herein, a depository financial services loan company may invest its own assets in limited partnerships formed to invest in residential properties which will qualify for the low income housing tax credit under section 42 of the Internal Revenue Code of 1986, as amended, and under chapters 235 and 241; provided that the total amount invested by a depository financial services loan company under this subsection in any one limited partnership shall not, without the prior approval of the Commissioner, exceed two per cent of the depository financial services loan company's capital and surplus and the aggregate amount invested under this subsection shall not, without the prior approval of the Commissioner, exceed five per cent of the depository financial services loan company's capital and surplus. In no case shall the aggregate amount invested by a depository financial services loan company under this subsection exceed ten per cent of the depository financial services loan company's capital and surplus."

SECTION 5. Statutory material to be repealed is bracketed. New statutory material is underscored.

SECTION 6. This Act shall take effect upon its approval.

(Approved April 25, 1995.)