

Chapter 4

TIME DEPOSITS

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Bkg 4.01 Rate of interest. A state bank or trust company bank, or mutual savings bank except as provided in section Bkg 4.02, shall not pay interest or a dividend on any time or savings deposits, whether certificates of deposit or book savings deposits, at a rate in excess of 2% per annum.

Bkg 4.02 Dividend rate—mutual savings bank. On application of any mutual savings bank for authority to pay a higher dividend rate than 2% the commissioner of banks with the approval of the banking review board may increase the maximum rate of dividend it will permit the applicant bank to pay provided the commissioner is satisfied that such mutual savings bank's assets, surplus, guaranty fund, liquid position, and earning power, and other considerations justify the payment of such higher rate.

Bkg 4.03 Maturity date of certificates. A state bank or trust company bank shall not issue any certificate of deposit the maturity date of which is more than three years after the date of issuance.

Bkg 4.04 Accrual of interest. When a certificate of deposit is drawn for a period of more than 12 months the interest payable thereon shall be accrued at the end of the first and each successive year, which interest accrued shall be reflected on the general books of the bank as a liability until such time as the liability so incurred is discharged by actual payment of the interest to the depositor.

Bkg 4.05 Accrual of interest at graduated rate. When a certificate of deposit is drawn for a period of more than 12 months and when a graduated rate of interest is provided for by the certificate based upon the length of time the certificate is held before demand for payment is made by the depositor, the bank shall accrue the interest payable thereon at the end of the first and each successive year at the highest rate provided for by the certificate and shall reflect such interest accrued on the general books of the bank as a liability until such time as the liability so incurred is discharged by actual payment of the interest earned under the terms of the certificate to the depositor either at the maturity of the certificate or when the certificate is paid prior to maturity. Interest so accrued but not earned at the date of payment of the certificate shall be adjusted by credit to an appropriate account.

4.01 Am. Dec. 1956

Bkg 4.06 When notice of withdrawal required. When a certificate of deposit is drawn on an optional maturity basis, which shall not exceed the 3 year maximum period established in section Bkg. 4.03 such certificate shall provide that the depositor shall give the bank not less than 90 days written notice of intent to withdraw when withdrawal is requested prior to the final maturity date of the certificate, and no such certificate of deposit shall be paid by the bank before the final maturity date except such required notice has been given and the specified period has expired, and except as provided in section Bkg. 4.07 (2). When the depositor has filed the aforesaid notice of intent to withdraw and when the specified period has expired, such certificate shall be deemed a demand deposit and no interest may be paid for any period subsequent to the expiration of such notice.

Bkg 4.07 Payment prior to maturity. (1) A state bank or trust company bank shall not pay any certificate of deposit, which is payable only on a specified date, before such specified date, except as provided in subsection (2).

(2) A state bank or trust company bank may make a loan to a depositor upon the security of his certificate of deposit provided that the rate of interest on such loan shall not be less than 2% per annum in excess of the rate of interest on the certificate. In the event that an emergency has arisen where it is necessary that a depositor secure a definite amount of money, and a loan to the depositor upon security of his certificate of deposit, upon terms satisfactory to the bank and depositor, cannot be arranged, and where the depositor signs a written statement stating that he is in need of money represented by such deposit before the maturity or before expiration of the specified period of notice of intent to withdraw thereof, stating the definite amount needed and describing fully the circumstances constituting the emergency, such deposit may be paid before maturity or before expiration of the specified period of notice of intent to withdraw to the extent required to meet such need, but the depositor shall forfeit accrued and unpaid interest for a period of not less than 3 months on the amount withdrawn. When a portion of a certificate of deposit is paid before maturity or before expiration of the specified period of notice of intent to withdraw as permitted only under the above mentioned circumstances the certificate shall be cancelled and a new certificate shall be issued for the unpaid portion of the deposit with the same terms, rate, date, and maturity as the original deposit.

Bkg 4.08 Interest after maturity prohibited. A state bank or trust company bank shall not pay interest on any certificate of deposit after the maturity date thereof, except if such a certificate is renewed within 10 days after maturity, the renewal certificate may draw interest from the maturity date of the matured certificate. Where a time certificate is renewed within 10 days after maturity, the renewal certificate may be dated back to the maturity date of the matured certificate.