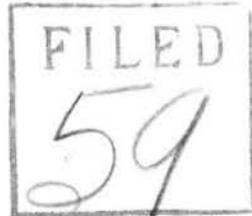


BUILDING AND LOAN ASSOCIATION: If the by-laws of the Building Loan do not prohibit a director from selling his own commodity to said association, of which he is a director, then there is no statute that prohibits him from doing so.

December 16, 1935.



Hon. J. W. McCammon, Chief Clerk  
Bureau of Building and Loan Supervision  
Jefferson City, Missouri

Dear Mr. McCammon:

This is to acknowledge your letter dated December 10, 1935, as follows:

"We will be greatly obliged if you will let us have an opinion as to whether a member of the board of directors of a building and loan association, who is the sole owner of a business, or a member who owns the majority of the stock of that business, if it is incorporated, or, who is the manager of a business or corporation, may legally sell his own merchandise or other commodity, or that of the corporation, to the association which he serves as a director?

"And, as such director, should he have a voice in the determination of reasonableness of the charges made for such merchandise?"

We have searched the Building and Loan Laws and fail to find any statutory provision prohibiting a director, "who is the sole owner of the business, or a member who owns the majority of the stock of that business, if it is incorporated, or, who is the manager of a business, corporation" from selling "his own merchandise or other commodity, or that of the corporation, to the association which he serves as a director", and if the by-laws do not prohibit a director from doing the above, then in our opinion it would be legal for a director to sell

the Building and Loan Association a commodity or merchandise under the circumstances enumerated in your letter. It is our further opinion that such sale would not be against public policy.

Section 5593, Laws of Missouri, 1935, page 201, does prohibit directors from loaning moneys of the association to themselves. Said section provides in part as follows:

"\* \* \* \*No real estate loan shall be made by an association to a director or officer or to a partnership or firm in which a director or officer is interested, or to a corporation of which a director or officer of the association is a director or officer or stockholder or upon real estate in which any director or officer has an interest as mortgagee; provided, however, that a real estate loan may be made to a director or officer upon the security of a first mortgage or deed of trust upon the single family residence or homestead of such director or officer, where such loan has first been approved in writing by a two-thirds majority of the board of directors and a copy of such written approval has been recorded in the minutes of the board of directors. \* \* \* \*"

Corpus Juris, volume 9, page 928, paragraph 16, in part reads as follows:

"\* \* \* \*Officers and directors of building and loan societies possess such powers as are granted by statute, charter, and by-laws, and such as are not inconsistent therewith and are necessary to the discharge of their several offices; \* \* \* \*"

Hon. J. W. McCammon

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December 16, 1935.

The reasonableness of the charges made for merchandise sold would be a matter for the Building and Loan Association to determine and not this department. However, if the charges were so excessive as to be a fraud against the Building and Loan Association then said Association would have recourse against said director in the courts.

Yours very truly

James L. HornBostel  
Assistant Attorney General.

APPROVED:

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JOHN W. HOFFMAN JR.  
Assistant Attorney General.

JLH:H