

BUILDING AND LOAN:

Association may not purchase stock
in another association.

February 24, 1940

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58

Honorable J. W. McCammon, Supervisor
Bureau of Building and Loan Supervision
Jefferson City, Missouri

Dear Mr. McCammon:

This department is in receipt of your request
for an official opinion which reads as follows:

"We have before us a proposition whereby a state chartered insured building and loan association offers to purchase a group of loans from a state chartered non insured association and pay for these loans partly by cash and partly by issuance of its stock. One of the loans involved in this transaction is acceptable to the purchasing association only if the selling association agrees to purchase a \$200.00 full paid insured certificate issued by the purchasing association, which certificate is assigned by the selling association as additional security for the loan until the unpaid balance of the loan has been reduced by principal payments of some \$300.00.

"My question in this matter is whether or not a building and loan association may invest its funds in shares of stock issued by another building and loan association?"

It is a well settled rule that building and loan associations can exercise only such powers as

are conferred by the legislative body creating them, either by express terms or by necessary implication. 12 C. J. S. 456; 9 Am. Jur. 130.

The courts of Missouri have not passed upon the question of whether a building and loan association may purchase stock in another building and loan association. However, this question has been the subject of litigation in other jurisdictions and it has been uniformly held that such right does not exist. 12 C. J. S., page 420; 9 Am. Jur. 104.

In the case of Standard Savings and Loan Association v. Aldrich, 163 Fed. 216, the court said, l. c. 218;

"* * * The investment of funds in the shares of a company organized for a like purpose is beyond the scope of the most liberal view of the incidental or implied powers of such companies. The objects of such associations being only to lend the funds contributed by members for the purpose of building and improving homesteads, one such association could not become a member of another, nor could it lend its own funds except to its own members for the purpose indicated. The concession therefore that the Michigan Association could not legally become a member of the Standard Association, and that the latter could not legally lend its money to an association which was not and could not lawfully become a member, has not been inadvertently made. Thompson on Building Associations (2d Ed.) p. 215, section 114; 4 Am. & Eng. Enc. of L. (2d Ed.) p. 1028; Kadish v. Garden City Loan Ass'n, 151 Ill. 531, 38 N. E. 236, 42 Am. St. Rep. 256;

Hon. J. W. McCannnon

(3)

February 24, 1940

North Am. Building & Loan Ass'n
v. Sutton, 35 Pa. 463, 78 Am. Dec.
349; Mechanics' Association v.
Agency Co., 24 Conn. 159."

In *Montrose Perpetual Building Association v. Page*, 143 Md. 631, 123 A. 68, the Court of Appeals of Maryland held that a transaction whereby a building and loan association sold mortgages outright to a bank and then purchased stock in said bank was ultra vires and beyond the powers of the association. In view of the above authorities, it will be seen that an association cannot become a stockholder in another association.

CONCLUSION.

It is, therefore, the opinion of this department that a building and loan association cannot become a shareholder or purchase stock in another building and loan association.

Respectfully submitted

ARTHUR O'KEEFE
Assistant Attorney General

APPROVED:

W. J. BURKE
(Acting) Attorney General

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