

## **DOB OPINION 96-001**

**Date:** January 26, 1996

**From:** John L. Bley, Director, Department of Financial Institutions

**Subject:**  
**Automobile Extended Service Program**

A question has arisen concerning whether Washington state banks are able to engage in the sale of extended service contracts to the same degree that national banks already can in Washington state. This letter confirms that authority.

As I understand it the \_\_\_\_\_ in cooperation with the Corporation for American Banking, a for-profit subsidiary of the American Bankers Association, is developing a sponsored automobile extended service program for its members. This program will be underwritten through \_\_\_\_\_, Inc. You are interested in making this program available to state-chartered banks to allow them to sale extended service contracts to bank automobile loan customers. These contracts will allow state banks to earn a fee, minimize the risk of borrowers' default and bring a valuable service to their customers. We are aware that the Office of the Comptroller of Currency has recently confirmed that national banks can sell extended service contracts (see OCC Interpretive Letter No. 671). Under Washington law, state-chartered banks are afforded the same powers and authorities as national banks.RCW 30.04.215(3).Furthermore, this activity would also be considered by this office to be incidental to the business of banking and therefore state-chartered banks would have direct authority to engage in such activities.RCW 30.08.140(13).

Should you have any questions, please contact the undersigned.