

**Opinion No. 601****Building and Loan Associations—Stock  
—Loans—Set-Off of Assigned  
Stock Against Loan.**

**HELD:** The assignee of stock in a building and loan association which is not insolvent may set off his withdrawal stock value against his loan from the association.

August 25, 1934.

You have submitted the following question: May a withdrawing stockholder assign his stock certificate to a borrower and the latter apply the cash value as part payment of his loan?

Section 14, Chapter 57, Laws of 1927, prescribes the method of transfer of stock certificates. Undoubtedly a member of a building and loan association may sell, assign or transfer his shares to another member or to a third person on compliance with such conditions as the statute or by-laws prescribe. (9 C. J. 937, Section 34.) Upon a complete and regular transfer being made, the assignee assumes the assignor's relation as a stockholder. (Id.) The assignee is entitled to all the privileges of membership and assumes all of its liabilities. (Sundheim, Building and Loan Associations, Section 46.)

We have heretofore held that a member of a building and loan association in liquidation may not set off payments made for shares of stock in the association against his indebtedness to the association for money borrowed. (Volume 15, No. 369, Opinions of the Attorney General.) When a member procures a loan from an association he assumes a dual relationship towards it and each one is separate and distinct from the other. (Sundheim, Building and Loan Associations, Section 114, and cases cited in Note 6. See also 9 C. J. 981, Section 118.) The fact that the stock was acquired by purchase from another member would not alter the situation.

If the association is not in liquidation and not insolvent, we see no good reason why the set-off may not be made subject to such restrictions, if any, as may be contained in the by-laws. Since a member may withdraw (Section 12, Subdivision 8, Chapter 57, Laws of 1927, as amended by Chapter 11, Laws of 1933), he should be permitted to apply the withdrawal value against his loan. This is the rule in most jurisdictions. (9 C. J. 979, Section 115.)