
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. **477** Session of
1961

INTRODUCED BY MESSRS. WAGNER, McMENAMIN, KROMER
AND ROONEY, APRIL 5, 1961.

REFERRED TO COMMITTEE ON BANKING, APRIL 5, 1961.

AN ACT

Amending the act of May 5 1933 (P L 457) entitled "An act relating to the business of building and loan associations providing for the organization and voluntary dissolution of such associations defining the rights powers duties liabilities and immunities of such associations and of their officers directors shareholders solicitors and other employes prohibiting the transaction of business in this Commonwealth by foreign building and loan associations conferring powers and imposing duties upon the courts recorders of deeds and certain State departments commissions and officers

EXPLANATION—CAPITAL LETTERS indicate new matter added to bill. Matter stricken through is to be omitted from bill. Underscoring indicates new matter added to existing law. [Brackets] indicate matter stricken from existing law.

establishing limitations of action imposing penalties and repealing certain acts and parts of acts" further defining and limiting the rights powers duties and liabilities of such associations and shareholders further defining terms and authorizing additional types of collateral for mortgage loans

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows

1 Section 1 Subsection A of section 2 act of May 5 1933 (P L 457)
2 known as the "Building and Loan Code" is amended by adding after the
3 definition of "Department" a new definition to read

4 Section 2 Definitions A The following terms shall be construed in
5 this act to have the following meanings except in those instances where
6 the context clearly indicates otherwise

7 * * *

8 "Development of Land" means the installations and improvements
9 necessary to produce from the land urban type building sites so com-
10 pleted in keeping with applicable governmental requirements and with
11 general practice in the community that they are ready for the construc-
12 tion of buildings thereon for primarily residential usage

13 * * *

1 Section 2 Subsection B of section 509 of the act is amended to
2 read

3 Section 509 Determination of Shareholders of Record

4 * * *

5 B Holders of [matured] fully paid shares or holders of shares
6 which have been voluntarily or involuntarily withdrawn or holders of
7 shares who have not assented to or have dissented from a merger or a
8 consolidation shall be entitled to notice of and to vote at any meeting of
9 shareholders until they shall have been paid in full the amount lawfully
10 due them on account of their shares The exercise of such right to vote
11 at a meeting shall not constitute waiver of or in any way affect any
12 rights granted by law to such shareholders by virtue of [the maturing
13 of] their shares having become fully paid or of their withdrawal from
14 the association either voluntarily or involuntarily or of their failure to
15 assent to or their dissent from a plan of merger or consolidation

16 * * *

17 Section 3 Sections 604 and 608 of the act amended July 13 1953
18 (P L 424) are amended to read

19 Section 604 Membership or Withdrawal Fees Other Charges An
20 association shall not levy upon any shareholder or upon any corporation

522—Printer's No. +

1 or person intending to become a shareholder any fee or any other charge
2 not specifically permitted by this act

3 An association may levy upon any holder of installment shares or
4 upon any corporation or person intending to become a holder of in-
5 stallment shares a membership fee which shall not exceed one-eighth of
6 one per centum of the par value of each installment share subscribed to
7 by such shareholder corporation or person All membership fees so paid
8 shall be credited to the general profit account of the association and shall
9 not be credited as dues in the passbook or other receipt issued to the
10 shareholder Upon the voluntary withdrawal before [maturity of in-
11 stallment shares] said shares are declared fully paid an association may
12 charge such withdrawal fee as the by-laws may provide Any withdrawal
13 fee shall be expressed in the by-laws in terms of a percentage of the
14 participation value of the installment shares withdrawn

15 Section 608 Shares Held in Name of Minor Any association may
16 issue shares in the name of any minor not less than twelve years of age
17 and shall pay the dividends or earnings thereon as well as the with-
18 drawal or [maturity] fully paid value of such shares to such minor
19 without the assent of his parent or guardian The receipt acquittance or

1 other action required by the association to be taken by the minor shall
2 be binding upon such minor with life effect as if such minor were of full
3 age and shall be a valid release to the association. The parent or guardian
4 of such minor shall not in his capacity as parent or guardian have the
5 power to attach or in any manner transfer any shares issued to or in
6 the name of such minor.

7 Section 4 Section 609 of the act is amended to read

8 Section 609 Shares Held in Name of Two or More Persons A When-
9 ever shares of an association shall be issued in the names of two or more
10 persons the association shall not pay any dividends or earnings thereon
11 or the withdrawal or [maturity] fully paid value thereof except upon
12 proper receipt acquittance or other action as the case may be of all of
13 such persons unless at the time of subscribing to the shares or at a
14 subsequent time all the parties agree to a different arrangement and
15 give the association written notice thereof.

16 B Whenever shares of an association shall be issued in the names
17 of two or more persons and such shares shall have been subscribed for
18 under an arrangement with the association whereby the dividends or
19 earnings thereon or the withdrawal or [maturity] fully paid value

522—Printer's No.

1 thereof may be paid upon receipt acquittance or other action as the case
2 may be of either or any of such persons the association may pay such
3 dividends earnings withdrawal value or [maturity] fully paid value upon
4 such receipt acquittance or other action as the case may be of either or
5 any of such persons pursuant to the arrangement provided for in this
6 section notwithstanding the fact that one or more of the other persons
7 may be dead and the association has notice thereof

8 C This section shall not be construed to affect shares in the names
9 of a husband and his wife

10 Section 5 Section 610 of the act amended October 14 1955 (P L
11 696) is amended to read

12 Section 610 Death of One Holding Shares as Trustee Whenever
13 shares of an association shall be issued to any person describing himself
14 in subscribing for such shares as trustee for any person or persons and
15 no other notice of the existence and terms of a valid trust than such
16 description shall have been given to the association the dividends or
17 earnings on such shares as well as the withdrawal or [maturity] fully
18 paid value of such shares shall in the event of the death of the person
19 so described as trustee be paid to the person or persons for whose bene-
20 fit the shares were stated to have been subscribed if at the time of pay-

1 ment such beneficiary is over sixteen years of age Payment shall be
2 made to any such beneficiary who is not less than sixteen years of age
3 under the same conditions as if such shares had been originally sub-
4 scribed for by him If there are two or more beneficiaries named on any
5 such shares the association shall in the absence of written notice to the
6 contrary make payment to such of the beneficiaries as may survive the
7 trustee in equal portions The receipt or acquittance of any such bene-
8 ficiary or beneficiaries for payments made in accordance with this section
9 shall be a full complete and valid release of the association from any
10 further liability for the amounts so paid

11 Section 6 Subsection A of section 613 of the act amended May 15
12 1945 (P L 485) is amended to read

13 Section 613 Involuntary Withdrawal of Optional Payment or In-
14 stallment Shares A An association may [at or before maturity] compel
15 withdrawal of optional payment or installment shares which are not
16 pledged to the association as security for mortgage loans granted by it
17 but it shall not have the power to compel withdrawal of any optional
18 payment or any installment share as the case may be unless it shall have
19 on hand sufficient funds to pay such withdrawals immediately and until
20 all optional payment or all installment shares respectively issued prior

1 to the date of issuance of such share have first been voluntarily or in-
2 voluntarily withdrawn In the case of installment shares issued in series
3 such compulsory withdrawal shall be pro rata among the shares of the
4 same series

5 * * *

6 Section 7 Section 615 of the act amended May 15 1945 (P L 485)
7 and June 21 1957 (P L 366) is amended to read

8 Section 615 [Matured Shares A Installment shares shall be de-
9 clared matured by the board of directors of an association whenever
10 the dues paid thereon by the shareholder plus the dividends credited
11 thereto equal the aggregate par value of the installment shares sub-
12 scribed to by such shareholder Notice of such maturity shall forthwith
13 be given to the holder of such shares and at the option of the holder
14 thereof such shares shall be listed for payment as withdrawn shares or
15 with the consent of the association such shares may be converted into
16 full-paid shares or into optional payment shares If the shareholder does
17 not elect one of the options within thirty days after maturity such
18 shares shall immediately be converted at the option of the association
19 into optional payment shares or full-paid shares or be listed for payment
20 as withdrawn shares] Fully-Paid Installment Shares A Installment shares

1 shall be declared fully paid by the board of directors of an association
2 whenever the dues paid thereon by the shareholder plus the dividends
3 credited thereto equal the aggregate par value of the installment shares
4 subscribed to by such shareholder

5 Upon being declared fully paid the association shall immediately
6 convert such shares to full-paid shares and the shareholder shall be
7 notified promptly of such conversion

8 B If the shares thus declared [matured] fully paid have not been
9 pledged to the association as security for a loan the association shall
10 before making payment or converting such shares deduct an amount
11 equal to any delinquent fines or other charges due it by such shareholder

12 C If the shares thus declared [matured] fully paid have been
13 pledged to the association as security for a loan which is secured also
14 by a mortgage upon real property then the mortgage shall be forthwith
15 satisfied upon the payment of any delinquent fines or other charges due
16 the association and upon the payment of a fee to the association of not
17 more than four dollars plus the satisfaction and filing costs and in addi-
18 tion thereto a fee of ten cents per mile if the place of business of the
19 association is not located in the county where the mortgage is to be
20 satisfied

1 D If the shares thus declared [matured] fully paid have been
2 pledged to the association pursuant to a loan upon which the sole
3 security is such shares the note shall be forthwith cancelled and the
4 amount of the loan together with the amount of any delinquent fines
5 or other charges due the association shall be deducted from the partici-
6 pation value of such shares The balance shall be [payable to such share-
7 holder in the same manner as provided by this act in the case of shares
8 which have been declared matured which are not pledged to the asso-
9 ciation as security for a loan] converted into fully-paid shares and the
10 shareholder shall be notified promptly of such conversion

11 Section 8 Subsection D of section 616 of the act amended May 15
12 1945 (P L 485) is amended to read

13 Section 616 Order of Payment and Funds to Be Used to Pay With-
14 drawn Shares Power to Sue * * *

15 D Whenever withdrawn shares have not been paid by an associa-
16 tion for a period of six months after [the maturities have been declared
17 or] the withdrawals have become effective owing to the fact that the
18 funds in the treasury which under this act are to be applied to the pay-
19 ment of such shares are insufficient to pay them in full so much of the

1 bonds or other obligations of the United States of the Commonwealth
2 of Pennsylvania of the Federal Home Loan Bank Board of a Federal
3 Home Loan Bank or of the Federal Savings and Loan Insurance Corpo-
4 ration owned by the association as shall be necessary to pay such with-
5 drawn shares shall be sold and the proceeds paid into the treasury of
6 the association to be used to pay such shares unless the department shall
7 give written permission to the association to hold such bonds or other
8 obligations for a longer period of time

9 * * *

10 Section 9 Subsection C of section 618 and section 620 of the act
11 amended June 21 1957 (P L 366) are amended to read

12 Section 618 Dividends on Shares Undivided Profits

13 * * *

14 C The books of each association shall be closed at least annually
15 and as much oftener as the board of directors may determine and the net
16 profits for the period determined and transferred to the undivided profit
17 account Dividends shall be declared on all types of shares at the same
18 date and at least annually by resolution of the board of directors out of
19 the undivided profits after appropriate transfers to reserves For the

1 purpose of [maturing installment shares] having installment shares be-
2 come fully paid special dividends may be declared between regular
3 dividend dates to installment shares nearly [matured] fully paid and
4 special dividends may also be declared between regular dividend dates to
5 installment optional payment and full-paid shares in the case of with-
6 drawal between dividends dates Such special dividends shall not be de-
7 clared unless justified by the earnings for the current period and shall
8 not in any event exceed the rate of the last regular dividend on the same
9 type of shares

10 * * *

11 Section 620 Reserves Every association shall maintain general re-
12 serves which shall be used solely for the purpose of absorbing losses
13 Such reserves shall consist of any of the following a reserve for contin-
14 gent losses a reserve for bad debts and in the case of an association whose
15 accounts are insured by the Federal Savings and Loan Insurance Cor-
16 poration a Federal insurance reserve Whenever the general reserves
17 of an association are not equal to at least eight per centum of the par-
18 ticipation value of all its outstanding shares and whenever the aggregate
19 general reserves and undivided profits of an association are not equal
20 to at least twelve per centum of such participation value it shall credit

1 to its general reserves each year an amount equal to not less than five
2 per centum and as much more as may be deemed desirable of its net
3 profits for such year Provided however That no profits shall be set aside
4 to such reserves if the aggregate of those reserves exceeds twenty per-
5 centum of the assets of the association unless the department in writ-
6 ing shall authorize or require the association to set aside an additional
7 amount which the department shall deem desirable or necessary to safe-
8 guard the interests of the shareholders of such association Such re-
9 serves may be loaned or invested in the same manner as is authorized
10 by this act in the case of other funds of the association

11 If due to a reduction of the assets of an association or due to any
12 other cause whatsoever the aggregate general reserves shall exceed
13 twenty per centum of the assets of the association or if the department
14 has authorized or directed the creation of such reserves in excess of
15 twenty per centum and they exceed the amount authorized or directed
16 by the department the amount above twenty per centum or such other
17 amount as has been authorized or directed by the department may be
18 transferred at the next regular meeting of the board of directors to the
19 general profit account of the association

1 In addition to the foregoing reserve requirements an association
2 which pursuant to the authority of section 914 of this act has made
3 loans for property repair alteration or improvement which are not in-
4 sured under Title I of the National Housing Act shall each year credit
5 to a reserve for losses on such loans in addition to all other reserves re-
6 quired under this act an amount equal to not less than ten per centum
7 of the gross interest earned on such loans during that year Provided
8 That during any period when such reserve for losses on unsecured loans
9 shall exceed twenty per centum of the aggregate unpaid balances of all
10 such loans outstanding no further credits need then be made to such
11 reserve and the excess above said twenty per centum may with the ap-
12 proval of the department be transferred to one of the general reserves

13 Section 10 Subsection A of section 802 of the act amended April
14 20 1949 (P L 656) is amended to read

15 Section 802 Power to Borrow Money Issuance of Notes Pledging
16 of Collateral A An association may by resolution of its board of direc-
17 tors borrow money at a rate of interest not exceeding six per centum
18 per annum to a total amount not exceeding fifty per centum of the
19 participation value of shares which have not been pledged to the associa-
20 tion as security for mortgage loans or which have not on the date of

1 such borrowing been [matured] declared fully paid or for which notice
2 of withdrawal has not on such date been given Provided That the amount
3 of all existing share loans shall be deducted in determining the participa-
4 tion value of shares And provided further That at any time an associa-
5 tion has shares listed for payment as withdrawn shares which it may be
6 unable to pay in full within thirty days without borrowing an amount
7 in excess of the limitation aforesaid such association may borrow such
8 larger amount as may be necessary to meet the association's withdrawal
9 demands subject to the prior written approval of the department

10 * * *

11 Section 11 Subsection D of section 802 and subsection A of sec-
12 tion 808 of the act amended May 15 1945 (P L 485) are amended to
13 read

14 Section 802 Power to Borrow Money Issuance of Notes Pledging
15 of Collateral * * *

16 D An association shall not grant any mortgage loan if the amount
17 of borrowed money owed by it to corporations or persons except the
18 Federal Home Loan Bank or any other agency or instrumentality of
19 the United States Government other than national banks exceeds fifteen
20 per centum of the participation value of shares which have not been

1 pledged to the association as security for mortgage loans or which have
2 not been [matured] fully paid or for which notice of withdrawal has
3 not been given The amount of all existing share loans shall be deducted
4 in determining the participation value of shares This provision shall
5 not be construed to affect the right of an association to readjust or other-
6 wise refinance any mortgage loan which it has granted

7 Section 808 Segregation of Dues Upon Order of Department A
8 Whenever it shall appear to the department that the affairs of an as-
9 sociation are in such condition that the action hereinafter provided in
10 this section is justified the department may by written order issued in
11 the manner provided by law direct that all payments made thereafter
12 on account of shares which have not been transferred and pledged to
13 the association as security for loans shall be segregated from the other
14 assets of the association and that the association shall not grant any
15 further loans make any payments on account of withdrawn or [matured]
16 fully-paid shares or allow any credit for the value of any shares on ac-
17 count of the principal of any loan until such order is revoked in writ-
18 ing by the department Such order of the department shall be known
19 as an order of segregation Such segregated moneys shall either be kept

1 on deposit in a depository selected in the manner provided by this act
2 or invested in the bonds designated by this act as authorized invest-
3 ments for associations The money so segregated and the bonds in which
4 such moneys are invested shall be known as the segregated fund

5 If an association at any time after an order of segregation has
6 become effective has no liability except to its shareholders arising from
7 the ownership of shares it may with the written consent of the depart-
8 ment transfer to the segregated fund a portion or all of any cash
9 which it may have on hand and bonds if any designated by this act as
10 authorized investments Cash and bonds so transferred shall become a
11 part of the segregated fund the same as though paid into the segregated
12 fund by the shareholders whose shares are not pledged to the asso-
13 ciation as security for loans in proportion to the participation value
14 of their shares on the date that the order of segregation was issued
15 Such segregated fund shall not be subject to any attachment issued on
16 a judgment obtained by any creditor or shareholder of the association

17 During the period of segregation the segregated fund shall be
18 available exclusively for the benefit of the shareholders who made such
19 payments or for whose benefit the transfer of cash and bonds was made

1 and may be withdrawn during such period of segregation upon thirty
2 days' written notice

3 * * *

4 Section 12 Subsection B of section 811 of the act amended April
5 20 1949 (P L. 656) is amended to read

6 Section 811 Prohibition Upon Accepting Deposits or Discounting
7 Commercial Paper * * *

8 B An association shall not purchase or discount any note bill of
9 exchange draft or other commercial paper except that the prohibitions
10 of this subsection shall not be construed to apply to any unsecured loan
11 [or investment insured under Title I of the National Housing Act]
12 for property repair alteration or improvement which is specifically
13 authorized by this act

14 * * *

15 Section 13 Clause (3) of subsection A of section 903 of the act
16 amended October 14 1955 (P L. 696) is amended to read

17 Section 903 Security for Mortgage Loans A An association shall
18 grant mortgage loans to its shareholders or to any person intending to
19 become a shareholder upon the following security only

20 * * *

1 (3) The bond of the borrower secured by a mortgage upon real
2 estate owned by the borrower in fee simple or in which he has a lease-
3 hold interest as tenant under a lease such mortgage being for an amount
4 not to exceed one-half of the amount of the loan such portion of the
5 loan to be known as the straight-mortgage portion of the loan and a
6 bond for the remainder of the loan secured by the transfer and pledge
7 to the association of installment shares in such association which belong
8 to the borrower and which have a par value at least equal to the amount
9 of such remainder of the loan and further secured by a mortgage upon
10 the real estate or leasehold interest as aforesaid for an amount equal
11 to such remainder of such loan such remainder of such loan to be
12 known as the share-mortgage portion of the loan A loan secured by
13 both a straight mortgage and a share mortgage in this manner shall
14 be known as a split-mortgage loan A split-mortgage loan may also be
15 in the form of a single bond and mortgage which meets all the require-
16 ments of this section

17 The straight-mortgage portion of a split-mortgage loan shall not
18 be secured by shares and an association shall not charge fines upon
19 such portion of the loan

1 An association shall not demand payment of the straight-mortgage
2 portion of a split-mortgage loan except in case of a default by the
3 borrower in the terms of the loan until the share-mortgage portion of
4 such loan has been repaid in full by the [maturing of the shares
5 assigned or pledged as security therefor] shares assigned or pledged
6 therefor being declared fully paid or by any other method Upon such
7 payment of the share-mortgage portion of a split-mortgage loan an
8 association shall either demand and enforce payment of the straight-
9 mortgage portion of the loan or convert such loan to a share-mortgage
10 loan or to a direct reduction mortgage loan upon the transfer and pledge
11 to the association of installment shares in such association which belong
12 to the borrower and which have a par value at least equal to the amount
13 of such loan or of one direct reduction loan share in such association
14 which belongs to the borrower

15 * * *

16 Section 14 Subsection A of section 903 of the act is amended by
17 adding at the end thereof a new clause to read

18 Section 903 Security for Mortgage Loans A An association shall
19 grant mortgage loans to its shareholders or to any person intending

1 to become a shareholder upon the following security only

2 * * *

3 (5) The bond of the borrower secured by a mortgage upon real
4 estate owned by the borrower in fee simple when the borrower shall
5 use the funds derived by him from said mortgage for the acquisition
6 and development of land or where the mortgagor has title to the land
7 then for its development for primarily residential usage Any such
8 mortgage shall not exceed sixty per centum of the value of such real
9 estate security therefor as of the completion of the development Any
10 such loans shall be repayable within three years and the interest on
11 any such loan shall be payable at least semi-annually No association
12 shall make any loan under this subsection if the resulting aggregate of
13 its investments in loans under this subsection would exceed five per
14 centum of the participation value of its shares Said five per centum of
15 the participation value of its shares shall be in addition to any other
16 limitation on the percentage of its assets which may be invested in
17 straight mortgage loans and loans on other than one to four-family
18 properties

19 * * *

1 Section 15 Subsections B and C of section 903 of the act amended
2 June 21 1957 (P L 366) are amended to read

3 Section 903 Security for Mortgage Loans * * *

4 B [An] Except as otherwise hereinafter provided an association
5 shall not grant any mortgage loan upon real property owned by the
6 borrower in fee simple unless the mortgage securing such loan is a first
7 lien upon unencumbered improved real property [the improvement
8 being a dwelling for not more than twelve families which is used or to
9 be used in whole or in part for residential purposes] excluding theaters
10 and factories or upon real property upon which [such] an improvement
11 is in the process of construction situated anywhere within the Com-
12 monwealth or within fifty miles of a boundary thereof or where it is
13 not a first lien upon such property every equal or prior lien is owned
14 by the association

15 An association shall not grant any mortgage loan secured by a
16 mortgage upon a leasehold interest in real property leased to the bor-
17 rower as tenant under a lease unless (1) the property so leased is im-
18 proved real property [the improvement being a dwelling for not more
19 than twelve families which is used or to be used in whole or in part
20 for residential purposes] excluding theaters and factories or unless

1 [such] an improvement is in the process of construction thereon
2 situated anywhere within the Commonwealth or within fifty miles of a
3 boundary thereof and (2) the loan on a leasehold interest otherwise
4 conforms to such rules and regulations as may be prescribed by the
5 Secretary of Banking with the approval of the Building and Loan Board
6 An association shall primarily confine its mortgage lending to
7 direct reduction interest reduction and share mortgage loans secured
8 by residential real property which is used or to be used in whole or
9 [in part] a substantial portion of which is used or to be used as a
10 dwelling for not more than four families and on such property may
11 lend an amount which together with any other outstanding loan held
12 by such association and secured by a mortgage upon the same property
13 or leasehold interest does not exceed eighty per centum of the fair
14 market value thereof An association may however invest an amount
15 not to exceed an aggregate of [fifteen] twenty per centum of its total
16 assets in mortgages without provision for monthly amortization as here-
17 inbefore provided and in mortgages of real property other than one to
18 four family property on which the maximum loans shall not exceed the
19 following percentages of fair market value seventy-five per centum of

1 the value of five or six family residential property sixty per centum
2 of the value of residential property for more than six families but for
3 not more than twelve families and fifty per centum of the value of
4 other improved income-producing properties excluding theaters and
5 factories Provided however That any mortgage loan may be increased
6 by the withdrawal value upon the day of the granting of such loan of
7 shares to be assigned or pledged to the association by the borrower
8 or by any other shareholder as additional security for such loan Any
9 additional shares assigned or pledged as additional collateral security
10 for the mortgage loan by the borrower or any other shareholder may be
11 released by the association whenever the mortgage loan otherwise meets
12 all of the requirements of this act and could be legally made at the
13 time of release without the requirement of additional collateral Pro-
14 vided also That an association may accept and hold additional collateral
15 of any kind if the loan meets all of the requirements of this act and
16 could have been legally made without such additional collateral

17 Without regard to the limitations set forth in this subsection an
18 association may grant any mortgage loan which is insured or guaranteed
19 in whole or in part by the United States or any instrumentality thereof
20 or if there is a commitment to so insure or guarantee Provided That the

1 real estate security therefor shall be a building [used or to be used in
2 whole or in part for residential purposes] situated within the Common-
3 wealth or within fifty miles of a boundary thereof An association may
4 also purchase and take an assignment of any such insured or guaranteed
5 mortgage loan which is secured by a dwelling for not more than four
6 families situated outside of the aforesaid lending area Provided That
7 (1) the seller and assignor is an association or corporation insured by the
8 Federal Savings and Loan Insurance Corporation or the Federal Deposit
9 Insurance Corporation (2) that the real estate security is situated within
10 the regular lending area of the seller and assignor and (3) that the
11 seller and assignor agrees in writing to service the loan until it is
12 repaid in full

13 No association shall make any loan for the acquisition and develop-
14 ment of land for primarily residential usage unless its general reserves
15 surplus and undivided profits aggregate a sum in excess of five per
16 centum of the participation value of its shares Said mortgage and its
17 accompanying bond shall require development of the real estate security
18 to be commenced in not more than nine months after the date of such
19 instruments and shall provide that the loan is in default in the event
20 that the development has not been commenced on or before the ex-

1 piration of such nine months No association shall (1) before commence-
2 ment of the development of the real estate security for a loan made
3 pursuant to the provisions of this section disburse from the proceeds of
4 such loan an amount equal to more than sixty per centum of the value
5 of such real estate security at the time the loan is made and prior
6 to the commencement of the development thereof or (2) after com-
7 mencement of such development and prior to the completion thereof
8 make any disbursement of such loan proceeds when such disbursement
9 together with all prior disbursements exceeds sixty per centum of such
10 value of the real estate security plus sixty per centum of the cost of
11 such development at the date of such disbursement Provided That in
12 no event shall more than eighty-five per centum of the principal ob-
13 ligation of the loan be disbursed prior to the completion of the develop-
14 ment of the real estate security for such loan

15 The provisions of this subsection shall not be construed to apply
16 to a purchase money mortgage taken by an association upon real property
17 or leasehold interest in real property owned by it nor to the readjustment
18 or refinancing in any other manner of a mortgage loan owed to the
19 association upon the effective date of this act

1 C [An] On mortgages secured by one to twelve family residential
2 properties an association shall not directly or indirectly grant loans to
3 any one corporation or person [mortgage loans] to a total amount
4 [exceeding] in excess of ten per centum of the participation value of
5 its outstanding shares On mortgages secured by other improved income-
6 producing properties an association shall not directly or indirectly grant
7 loans to any one corporation or person to a total amount in excess of
8 one per centum of the participation value of its outstanding shares

9 In computing the total mortgage loans made by an association
10 to an individual there shall be included all mortgage loans made by the
11 association to a partnership or other unincorporated association of
12 which he is a member all mortgage loans made either for his benefit or
13 for the benefit of such partnership or other unincorporated association
14 and all mortgage loans to or for the benefit of a corporation of which
15 he owns twenty-five per centum or more of the capital stock

16 In computing the total mortgage loans made by an association to
17 a partnership or other unincorporated association there shall be included
18 all mortgage loans to its individual members all mortgage loans made
19 for the benefit of such partnership or other unincorporated association
20 or of any member thereof and all mortgage loans to or for the benefit

1 of any corporation of which the partnership or unincorporated associa-
2 tion or any member thereof owns twenty-five per centum or more of
3 the capital stock

4 In computing the total mortgage loans made by an association to
5 a corporation there shall be included all mortgage loans made for the
6 benefit of the corporation and all mortgage loans to or for the benefit of
7 any individual who owns twenty-five per centum or more of the capital
8 stock of such corporation

9 A mortgage loan shall be deemed to be made for the benefit of a
10 corporation or person to the extent that the proceeds of such loans
11 are credited or transferred to such corporation or person

12 * * *

13 Section 16 Subsections A and B of section 911 of the act amended
14 March 15 1937 (P L 63) are amended to read

15 Section 911 Repayment of Loans before [Maturity] Shares are
16 Declared Fully Paid A A borrower shall have the right to repay a
17 loan to an association at any time before the [maturity of the shares
18 securing such loan] shares securing such loan are declared fully paid
19 unless the by-laws of an association provide that such repayment can be

1 made only at a regular meeting of the board of directors of such
2 association

3 B When a borrower repays a loan to an association before the
4 [maturity of the shares securing such loan] shares securing such loan
5 are declared fully paid he may

6 (1) Pay the amount of the principal of the loan in cash and have
7 the shares securing such loan retransferred to him by the association or

8 (2) In the case of a mortgage loan apply the withdrawal value
9 of the shares securing such loan against the principal of such loan and
10 pay the balance in cash or

11 (3) In the case of a share loan take credit for the withdrawal value
12 of the shares securing such loan up to the amount of the principal of
13 the loan and as to any balance remaining acquire the rights of a with-
14 drawing shareholder

15 * * *

16 Section 17 Subsection B of section 912 of the act is amended to read

17 Section 912 Demand by Association of Payment of Mortgage or

18 Share Loans * * *

19 B Except as otherwise provided in this section an association
20 which is not in the possession of the Secretary of Banking as receiver

1 or of a liquidating trustee or liquidating trustees shall not except upon
2 a default by the borrower have the power to demand payment of any
3 mortgage loan or share loan until the shares transferred and pledged
4 to it as security for the loan have [matured] been declared fully paid

5 * * *

6 Section 18 Section 914 of the act amended October 14 1955 (P L.
7 696) is amended to read

8 Section 914 [Title I FHA] Loans for Property Repair Alteration
9 or Improvement Notwithstanding any other provisions of this or any
10 other act an association may grant loans for the repair alteration or
11 improvement of real property without the necessity of mortgage security
12 [when] When such loans are insured or will be insured under Title 1
13 of the National Housing Act approved the twenty-seventh day of
14 June one thousand nine hundred thirty-four its amendments and supple-
15 ments [Such loans] they may be granted in any amount and on any
16 terms permitted by [the said National Housing Act] that act or the
17 regulations issued thereunder [but the] When any such loan is not
18 insured under Title 1 of the National Housing Act the principal
19 amount thereof shall not exceed thirty-five hundred dollars (\$3500)

1 and the loan shall be evidenced by a judgment note which shall be
2 recorded and must be a first lien upon unencumbered improved real
3 property or a lien upon improved real property all prior liens on which
4 shall be owned by the association Said judgment note shall require re-
5 payment in regular monthly installments over a period not exceeding
6 five years with interest at a rate not exceeding six dollars (\$6) per one
7 hundred dollars (\$100) per annum upon the original face amount of
8 the note for the entire period of the loan Provided That if the entire
9 unpaid balance outstanding on such a loan is paid prior to maturity a re-
10 fund or credit shall be made to the borrower of that portion of the
11 original interest charge which is unearned on the basis of the number of
12 months remaining to the original maturity date Interest charged and
13 collected as herein provided shall not be deemed usurious The aggregate
14 amount of all such loans held by an association at any one time with or
15 without Title 1 Insurance shall not exceed fifteen per centum of its
16 [total] assets The aggregate amount of unpaid principal due from any one
17 borrower on all loans granted pursuant to this section shall not at any
18 time exceed thirty-five hundred dollars (\$3500) Any such loan made
19 without Title 1 Insurance shall also conform to rules and regulations

1 which may be prescribed from time to time by the Secretary of Banking
2 with the approval of the Building and Loan Board

3 Section 19 Subsection A of section 1112 of the act amended May
4 15 1945 (P L 485) is amended to read

5 Section 1112 Order of Preference in Distribution A The following
6 shall be the order followed by the liquidating trustee or trustees as the
7 case may be in the distribution pursuant to the provisions of this act
8 of the assets of any association which is being liquidated in pursuance
9 of a plan of voluntary dissolution

10 First Any reasonable expense incurred by the liquidating trustee
11 or trustees as the case may be in the management liquidation or dis-
12 tribution of the assets and affairs of the association any fee or other
13 debt owing to the department for examinations or other services rendered
14 or penalties incurred any other claim of the Commonwealth of Penn-
15 sylvania and any other claim which is given a preference by law

16 Second Any claim of a creditor of the association other than the
17 claim of a shareholder arising from his ownership of shares

18 Third Any claim of a shareholder whether or not reduced to a
19 judgment arising from his ownership of shares whether such shares

1 be installment optional payment full-paid prepaid [matured] fully paid
 2 or any other type and whether or not notice of withdrawal of such
 3 shares has been given to the association The amount of the claim arising
 4 from each shall be the participation value of such share less any amount
 5 lawfully deductible therefrom by the association

6 * * *

We certify that this bill has passed the Senate and the House of
 Representatives.

.....
 Chief Clerk, Senate

.....
 President pro tempore, Senate

.....
 Speaker, House of Representatives

Approved The day of A. D. 1961.

.....
 Governor