

or a greater amount, as a reserve for contingent losses, until the total amount of such reserve shall equal at least five per centum and not more than twenty per centum of the assets of such association, unless the department in writing approves the creation of a total reserve of a lesser or a greater amount. The department may at any time require any association to set aside such additional amount as the department shall deem necessary to safeguard the interests of the shareholders of such association. Such reserve for contingent losses may be loaned or invested in the same manner as is authorized by this act in the case of other funds of the association.

If, due to a reduction of the assets of an association or due to any other cause whatsoever, the reserve for contingent losses shall exceed twenty per centum of the assets of the association, or, if the department has authorized or directed the creation of a reserve for contingent losses in excess of such twenty per centum and such reserve exceeds such amount authorized or directed by the department, the amount above such twenty per centum or such other amount as has been authorized or directed by the department shall be transferred, at the next regular meeting of the board of directors, to the general profit account of the association.

APPROVED—The 12th day of June, A. D. 1951.

JOHN S. FINE

No. 137.

AN ACT

To further amend the act, approved the fifth day of May, one thousand nine hundred thirty-three (Pamphlet Laws 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 employees; 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; establishing limitations of actions; imposing penalties; and repealing certain acts and parts of acts," by further regulating the withdrawals of certain optional payment shares; providing that accounts of less than a certain amount need not be credited with dividends; further regulating the terms of mortgage contracts and the terms of bonds securing mortgages, and the types of property upon which mortgages may be taken.

"Building and
Loan Code."

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

Section 1. Subsection A of section 612 and subsections A and E of section 618 of the act, approved the fifth day of May, one thousand nine hundred thirty-three (Pamphlet Laws 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; establishing limitations of actions; imposing penalties; and repealing certain acts and parts of acts," as amended or last amended by the act, approved the fifteenth day of May, one thousand nine hundred forty-five (Pamphlet Laws 485), are hereby further amended to read as follows:

Subsection A of section 612 and subsections A and E of section 618, act of May 5, 1933, P. L. 457, as amended or last amended by act of May 15, 1945, P. L. 485, further amended.

Section 612. Voluntary Withdrawals.—A. Any shareholder may, upon giving written notice to the association, withdraw any shares, whether full-paid, optional payment, or installment, which are not pledged to the association as security for a mortgage loan granted by it. The secretary or other officer designated by the by-laws of the association shall endorse, on the written notice of an intention to withdraw required by this section, the date of its receipt by the association, and shall record such notice and the date of its receipt by the association in a book to be used solely for the recording of notices of withdrawals. *Optional payment shares issued under a Christmas club, vacation club or other similar plan whereby they are to be withdrawn no later than fifteen months after the date of issuance shall be automatically listed for withdrawal as of the end of the effective period of the plan, and such listing shall be considered to have the same effect as if written notice of withdrawal was given the association by the shareholder thirty days prior to the end of such period.*

Section 618. Dividends on Shares; Undivided Profits.—A. The rate of cash dividend paid on full-paid shares during any dividend period shall not exceed the rate of dividends credited during such period to optional payment shares of the association, and the rate of dividends credited to optional payment shares during any dividend period shall not exceed the rate of dividends credited during such period to installment shares: *Provided, however, That unless the by-laws otherwise provide, an association shall not be required to credit dividends on accounts with a balance of less than twenty-five dollars (\$25) on a dividend declaration date, or to optional payment shares issued under a Christmas club, vacation*

club or other similar plan whereby they shall automatically be listed for withdrawal no later than fifteen months after the date of issuance.

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E. All shares of the same type standing on the books of an association at the close of a dividend period, including shares for which notices of withdrawal have been given, but which have not been paid, shall participate with all other shares of the same type equally in dividends pro rata to the average amount, including previously credited dividends standing to the credit of each share during the dividend period: [However, the] *Provided, however, That unless the by-laws otherwise provide, an association shall not be required to credit dividends on accounts with a balance of less than twenty-five dollars (\$25) on a dividend declaration date, or to optional payment shares issued under a Christmas club, vacation club or other similar plan whereby they shall automatically be listed for withdrawal no later than fifteen months after the date of issuance.* The board of directors may fix a date in each month for determining the date of investment of share payments, in which event such share payments received by the association on or before such determination date shall receive dividends as though invested for the entire month, and such share payments received subsequent to such determination date shall receive dividends as though invested during the next succeeding month: *Provided, however, That the board of directors may permit investments of one hundred dollars (\$100) or more to receive dividends calculated from the date of actual receipt by the association in any event: And provided further, That in the case of installment shares upon which fines are charged for arrearages, all payments of dues may, for dividend purposes, be considered as having been paid when due.*

Clauses (2) and (4) of subsection A and subsections B and D of section 903, said act, subsections A and D of which were last amended by act of May 15, 1945, P. L. 485, and subsection B of which was last amended by act of April 20, 1949, P. L. 656, further amended.

Section 2. Clauses (2) and (4) of subsection A and subsections B and D of section 903 of said act, subsections A and D of which were last amended by the act, approved the fifteenth day of May, one thousand nine hundred forty-five (Pamphlet Laws 485), and subsection B of which was last amended by the act, approved the twentieth day of April, one thousand nine hundred forty-nine (Pamphlet Laws 656), are hereby further amended to read as follows:

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

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(2) The bond of the borrower, secured by the transfer and pledge to the association of one direct reduction

loan share in such association, which belongs to the borrower and further secured by a mortgage upon real property which belongs to the borrower, such mortgage being for at least the full amount of the loan [: Provided, That an association may accept and hold additional collateral of any kind, if the loan meets all of the requirements of this act, and could have been legally made without the additional collateral]. *The mortgage contract shall provide for monthly payments, starting not later than sixty days after the advance of the loan: Provided, however, That on any mortgage loan granted to finance new construction, an association may postpone the first monthly payment until completion of the improvement, but not later than twelve months after the date of the first advance made on the loan.* A loan secured in this manner shall be known as a direct reduction mortgage loan, and the mortgage securing such loan as a direct reduction mortgage.

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(4) The bond of the borrower secured by a mortgage upon real property which belongs to the borrower without monthly amortization, for a term not exceeding ten years: Provided, That the loan, *except as hereinafter provided*, does not together with any other loans held by such association upon such property, exceed fifty per centum of the fair market value of such property: *And provided further, That if such a loan is made for a term not exceeding one year and for the purpose of financing new construction, it may be made in an amount not to exceed eighty per centum of the fair market value of a one to four family property, or seventy per centum of the fair market value of a five or six family property:* And provided further, That the aggregate amount of all loans [so] made pursuant to the provisions of this subsection to all persons and corporations shall not exceed fifteen per centum of the total assets of such association.

B. An association shall not grant any mortgage loan unless the mortgage securing such loan (1) is a first lien upon unencumbered, improved real property, the improvement being a dwelling for not more than [four] six families, which is used or to be used in whole or in part for residential purposes, or upon real property upon which such a building is in the process of construction, situated anywhere within the Commonwealth, or within fifty miles of a boundary thereof, or where it is not a first lien upon such property, every equal or prior lien is owned by the association; and (2) does not, together with any other lien held by such association upon such property, exceed eighty per centum of the fair market value of [such real property, plus] *a one to four family property, or seventy per centum of the fair market value of a five or six family property: Provided,*

*however, That any mortgage loan may be increased by the withdrawal value upon the day of the granting of such loan of shares to be assigned or pledged to the association by the borrower or by any other shareholder as additional security for such *loan. [: Provided, however, That shares of the association owned by any shareholder may be] Any additional shares assigned or pledged as additional collateral security for the mortgage loan [, and in such event, the mortgage loan granted upon such property may be increased by the withdrawal value of the additional pledged shares to an amount not to exceed a maximum total mortgage loan of ninety per centum of the fair market value of such real property, and the association may release this additional collateral] by the borrower or any other shareholder may be released by the association whenever the mortgage loan otherwise meets all of the requirements of this act, and could be legally made at the time of release without the requirement of additional collateral: Provided also, That an association may accept and hold additional collateral of any kind if the loan meets all of the requirements of this act and could have been legally made without such additional collateral. An association shall not take any lien upon real property as security for a mortgage loan if such lien is *in status* equal to any lien owned by any other corporation or person.*

Without regard to the limitations set forth in this subsection, an association may grant any mortgage loan which is insured or guaranteed, in whole or in part, by the United States or any instrumentality thereof, or if there is a commitment to so insure or guarantee: Provided, That the real estate security therefor shall be a building used or to be used, in whole or in part, for residential purposes situated within the Commonwealth, or within fifty miles of a boundary thereof.

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

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D. An association shall not [, upon the security of any one piece of real property,] grant mortgage loans totaling more than [twenty] *twenty-five* thousand dollars upon the security of any one to four family property, or forty thousand dollars upon the security of any five or six family property.

APPROVED—The 12th day of June, A. D. 1951.

JOHN S. FINE

* "loans" in original.