

No. 93

AN ACT

To further amend the act, approved the fifth day of May, one thousand nine hundred thirty-three (Pamphlet Laws 457) (No. 108), 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," by further defining and limiting the rights, powers, duties, liabilities and immunities of such associations and of their directors and shareholders, and providing for the review of by-laws under certain circumstances by the Building and Loan Board.

"Building and Loan Code."

Subsections A and C of section 313, act of May 5, 1933, P. L. 457 (No. 108), as amended by act of July 2, 1935, P. L. 574, further amended.

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

Section 1. Subsections A and C of section three hundred thirteen of the act, approved the fifth day of May, one thousand nine hundred thirty-three (Pamphlet Laws 457) (No. 108), 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 by the act, approved the second day of July, one thousand nine hundred thirty-five (Pamphlet Laws 574), are hereby further amended to read as follows:

Section 313. By-Laws; Adoption, Amendment, or Repeal; Approval by Department.—A. Except as herein otherwise provided, the shareholders shall have the power to make, alter, amend, and repeal the by-laws of an association. The authority to make by-laws may be expressly vested by the articles in the board of directors, subject to the power of the shareholders to change or repeal such by-laws, but the board of directors shall not make or alter any by-laws fixing their qualifications, classification, term of office, or compensation, any by-laws regulating the [proportion of the profits of the association or the rate of interest paid to] *withdrawal fee that*

may be charged a withdrawing shareholder, or any by-laws authorizing the board of directors, without action by the shareholders of the association, to approve a plan of merger. Unless the articles or by-laws otherwise provide, the by-laws shall be adopted, altered, amended, and repealed by a majority vote of the board of directors or of the shareholders entitled to vote thereon, as the case may be, at any regular or special meeting duly convened after notice to the shareholders or directors of that purpose.

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C. Immediately upon the adoption of the by-laws, or *of any additions thereto, or any alteration, amendment, or repeal thereof, notice of such fact and a copy of such by-law or such alteration, amendment, or repeal shall forthwith be sent to the Department of Banking. The Department of Banking shall, within ninety days after receipt thereof, have the power to disapprove, for any reasonable cause stated in writing, any such by-law or any such alteration, amendment, or repeal thereof, but such by-law, alteration, amendment, or repeal shall be effective until the department actually disapproves it and gives notice thereof to the association. *The association may, in the event of such disapproval, within sixty days from the receipt of notice thereof, appeal from such disapproval to the Building and Loan Board, who shall hear such appeal promptly and shall, within thirty days after such hearing, decide the matter and certify its decision to the Department of Banking. The decision of the Building and Loan Board shall be conclusive and not subject to review. The Department of Banking shall act in accordance therewith.*

Section 2. Section five hundred four of said act, as amended by the act, approved the twenty-fourth day of April, one thousand nine hundred forty-seven (Pamphlet Laws 76), is hereby further amended to read as follows:

Section 504, said act, as amended by act of April 24, 1947, P. L. 76, further amended.

Section 504. [Shareholders May] *Number of Votes; Right to Vote in Person or by Proxy.*—Except as otherwise specifically provided in this act, every shareholder of record, borrowing member or obligor of an association shall have the right, at every shareholders' meeting, to one vote. In addition thereto any shareholder of record shall have as many more votes as he may have shares in excess of the par value of one share standing in his name on the books of the association. *In calculating such additional votes, no fractional units of less than full par value shall be counted nor shall fractional voting be permitted.* Every shareholder may vote either in person or by

* "of" omitted in original.

proxy. Every proxy shall be executed in writing by the shareholder, or by his duly authorized attorney in fact, and filed with the association. A proxy, unless coupled with an interest, shall be revocable at will notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the association. [No unrevoked proxy shall be valid after eleven months from the date of its execution unless coupled with an interest.] A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the association. A shareholder shall not sell his vote or execute a proxy to any person for any sum of money or anything of value.

Section 604, said act, as last amended by act of May 15, 1945, P. L. 485, further amended.

Section 3. Section six hundred four of said act, as last amended by the act, approved the fifteenth day of May, one thousand nine hundred forty-five (Pamphlet Laws 485), is hereby further amended to read as follows:

Section 604. Membership or Withdrawal Fees; Other Charges.—An association shall not levy upon any shareholder, or upon any corporation or person intending to become a shareholder, any fee, or any other charge not specifically permitted by this act.

An association may levy upon any holder of installment shares, or upon any corporation or person intending to become a holder of installment shares, a membership fee which shall not exceed one-eighth of one per centum of the par value of each installment share subscribed to by such shareholder, corporation, or person. All membership fees so paid shall be credited to the general profit account of the association, and shall not be credited as dues in the passbook or other receipt issued to the shareholder. Upon the voluntary withdrawal before maturity of installment shares, an association may charge such withdrawal fee as the by-laws may provide. *Any withdrawal fee shall be expressed in the by-laws in terms of a percentage of the participation value of the installment shares withdrawn.*

Section 608, said act, amended.

Section 4. Section six hundred eight of said act is hereby amended to read as follows:

Section 608. Shares Held in Name of Minor.—Any association may issue shares in the name of any minor not less than [sixteen] *twelve* years of age, and shall pay the dividends or earnings thereon, as well as the withdrawal or maturity value of such shares, to such minor, without the assent of his parent or guardian. The receipt, acquittance, or other action required by the asso-

ciation to be taken by the minor *shall be binding upon such minor with like effect as if such minor were of full age and shall be a valid release to the association.* The parent or guardian of such minor shall not, in his capacity as parent or guardian, have the power to attach, or in any manner transfer, any shares issued to or in the name of such minor.

Section 5. Subsection B of section six hundred thirteen of said act, as last amended by the act, approved the fifteenth day of May, one thousand nine hundred forty-five (Pamphlet Laws 485), is hereby further amended to read as follows:

Subsection B of section 613, said act, as last amended by act of May 15, 1945, P. L. 485, further amended.

Section 613. Involuntary Withdrawal of Optional Payment or Installment Shares.—

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B. The association shall pay [on each] *to the shareholder whose installment or optional payment share is thus involuntarily withdrawn the full amount of the [dues paid thereon by the shareholder, plus the full portion of the accumulated earnings of such association credited to such share] participation value of such share less any indebtedness or charges due by him.*

Section 6. Subsection A of section six hundred seventeen of said act, as last amended by the act, approved the fifteenth day of March, one thousand nine hundred thirty-seven (Pamphlet Laws 63), is hereby further amended to read as follows:

Subsection A of section 617, said act, as last amended by act of March 15, 1937, P. L. 63, further amended.

Section 617. Fines.—A. Any association may impose fines upon its shareholders for failure to pay dues on installment shares, *or dues*, interest [, or] *and premiums on a share-mortgage loan*, but a fine shall not exceed one per centum per month of the amount of the dues, interest, or premiums which are in arrears, for the period during which they have been in such arrears. Such fines may be deducted from or charged against the [earnings of the association properly apportionable to] *participation value of the shares in the association on account of which such defaults are made*, but fines for a longer period than six months shall not under any circumstances be deducted from or charged against [the dues paid by the shareholders upon] such shares.

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Section 7. Subsections B and C of section six hundred eighteen of said act, as 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:

Subsections B and C of section 618, said act, as last amended by act of May 15, 1945, P. L. 485, further amended.

Section 618. Dividends on Shares; Undivided Profits.—

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B. [An association may retain earnings in an undivided profit account to be used] *Any surplus net income or other available earnings which remain after reserve and dividend requirements have been met may, at the discretion of the board of directors, [for the purpose of paying additional dividends] be retained in an undivided profit account:* Provided, That the total undivided profits on hand at any one time shall not exceed ten per centum of the participation value of all outstanding shares of the association.

C. The books of each association shall be closed at least annually, and as much oftener as the board of directors may determine, and the net profits for the period determined and transferred to the undivided profit account. Dividends shall be declared *on all types of shares at the same date and* at least annually, by resolution of the board of directors, out of the undivided profits after appropriate transfers to the reserve for contingent losses *or the reserve for bad debts.* For the purpose of maturing installment shares, special dividends may be declared between regular dividend dates to installment shares nearly matured, and special dividends may also be declared between regular dividend dates to installment, optional payment and full-paid shares in the case of withdrawal between dividend dates. Such special dividends shall not be declared unless justified by the earnings for the current period, and shall not in any event exceed the rate of the last regular dividend on the same type of shares.

Section 620, said act, as last amended by act of June 12, 1951, P. L. 523, further amended.

Section 8. Section six hundred twenty of said act, as last amended by the act, approved the twelfth day of June, one thousand nine hundred fifty-one (Pamphlet Laws 523), is hereby further amended to read as follows:

Section 620. Reserve for Contingent Losses; *Reserve for Bad Debts.*—Every association shall set aside each year not less than five per centum and [not more than twenty-five per centum] *as much more as may be deemed desirable* of its net profits for such year [, unless the department in writing approves the setting aside of a lesser or *a greater amount,] as a reserve for contingent losses, until the total amount of such reserve shall equal at least [five] *ten* 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] *Every association may also maintain a reserve for bad debts: Provided, however, That no profits shall be set aside to the reserve for contingent losses or the reserve for bad debts if the aggregate of those reserves exceeds twenty*

* "a" omitted in original.

per centum of the assets of the association unless the department [may at any time] in writing shall authorize or require [any] the association to set aside [such] an additional amount [as] which the department shall deem desirable or necessary to safeguard the interests of the shareholders of such association. Such reserve for contingent losses and reserve for bad debts 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 aggregate of the reserve for contingent losses and the reserve for bad debts 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] such reserves in excess of [such] twenty per centum and [such reserve exceeds such] they exceed the 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] may be transferred, at the next regular meeting of the board of directors, to the general profit account of the association.

Section 9. Section nine hundred eight of said act, as amended by the act, approved the fifteenth day of March, one thousand nine hundred thirty-seven (Pamphlet Laws 63), is hereby further amended to read as follows:

Section 908, said act, as amended by act of March 15, 1937, P. L. 63, further amended.

Section 908. Foreclosure on Mortgage for Non-Payment of Dues, Interest, Premiums, or Fines.—In the case of a default in the payment of dues, interest, premiums, or fines due on a mortgage loan, an association, if there be no other default, shall not have the power to enforce payment of the principal of such loan by legal proceedings unless the total arrearages are equivalent to at least [four] two contracted monthly payments.

Section 10. Subsection E of section twelve hundred one of said act is hereby amended to read as follows:

Subsection E of section 1201, said act, amended.

Section 1201. Books, Records, and Accounts of Associations; Reports; Prohibitions; Penalty.—

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E. An association shall preserve in such form and manner that they may be readily produced upon proper demand, all its records of original or final entries for a period of seven years from the date of making the last entry on the same: *Provided, however, That this provision shall not be construed to prevent the destruction of such records after two years if the association has caused the same to be recorded, copied or reproduced by any photographic, photostatic, microfilm or similar*

process and retains such records in that form. Any photographic or microfilmed reproduction or photostatic copy of such records shall be admissible in evidence in any proceeding equally and with the same force and effect as the original record.

APPROVED—The 13th day of July, A. D. 1953.

JOHN S. FINE

No. 94

AN ACT

To amend section 1 of the act, approved the twenty-fourth day of June, one thousand nine hundred thirty-nine (Pamphlet Laws 746), entitled "An act authorizing federal savings and loan associations to issue share accounts in the name of certain minors and in the joint names of two or more persons, and validating the acquittances of such minors and validating the acquittances of either person in a joint account, under certain conditions; and outlining the procedure for the payment of share accounts issued in the name of a trustee following the death of the trustee," by further providing for the issuance of share accounts to minors and validating their acquittances.

Federal savings and loan associations.

Section 1, act of June 24, 1939, P. L. 746, amended.

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

Section 1. Section 1 of the act, approved the twenty-fourth day of June, one thousand nine hundred thirty-nine (Pamphlet Laws 746), entitled "An act authorizing federal savings and loan associations to issue share accounts in the name of certain minors and in the joint names of two or more persons, and validating the acquittances of such minors and validating the acquittances of either person in a joint account, under certain conditions; and outlining the procedure for the payment of share accounts issued in the name of a trustee following the death of the trustee," is hereby amended to read as follows:

Shares, dividends, etc., to minor aged 12 or over, without consent of parent, etc.

Section 1. Any federal savings and loan association existing under an Act of Congress approved June 13, 1933, known as the Home Owners' Loan Act of 1933, its amendments and supplements, may issue share accounts in the name of any minor not less than [sixteen] *twelve* years of age, and shall pay the dividends thereon, as well as the [repurchase] *withdrawal* value of such share accounts, to such minor, without the assent of his parent or guardian. The receipt, acquittance, or other action required by the federal savings and loan association to be taken by the minor *shall be binding upon such minor with like effect as if such minor were of full age and shall be a valid release* to the federal savings and loan association.

Receipt of such minor binding and a valid release.