

Act effective immediately.

Section 12. Effective date.—This act shall take effect immediately.

APPROVED—The 21st day of June, A. D. 1957.

GEORGE M. LEADER

No. 200

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; establishing limitations of actions; imposing penalties; and repealing certain acts and parts of acts," further defining and limiting the rights, powers, duties, liabilities, and immunities of such associations and of their officers, directors, shareholders, and employes, and establishing additional limitations of actions.

Building and Loan Code.

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

Subsections B, C and D, section 607, act of May 5, 1933, P. L. 457, amended July 13, 1953, P. L. 421, further amended.

Section 1. Subsections B, C and D of section 607, act of May 5, 1933 (P. L. 457), known as the "Building and Loan Code," amended July 13, 1953 (P. L. 421), are amended to read:

Section 607. Share Certificates; Issuance and Preservation.—

* * * * *

B. Every association shall make available to each holder of record of a full-paid share a copy of the by-laws of the association and of all amendments thereto, and furnish him with *either* a *passbook* or share certificate, [upon which the name of the association shall be printed, and which shall state:

(1) That the association is incorporated under the laws of this Commonwealth.

(2) The name of the registered holder of the shares represented thereby.

(3) The date of issuance of the shares.

(4) The type of shares which the certificate represents.

(5) The number of shares which the certificate represents.

(6) The par value of each share represented thereby.] *setting forth the name of the registered holder of the*

shares represented thereby, the date of issuance of the shares, the amount invested therein, and the par value of each full paid share represented thereby.

C. [Full-paid] *If full-paid share certificates are issued they shall bear printed consecutive numbers and shall be issued either from a bound share certificate book, containing a stub for each certificate, or with duplicate pre-numbered copies of the certificates for retention in the association's files. When certificates are issued from a bound share certificate book, each stub shall bear the same number as the share certificate which was attached to it, the name and address of the person in whose name the share certificate is issued, the number of shares represented by the certificate, and the date of the issuance of the certificate. The president or vice-president and the secretary or treasurer, or such officers as the by-laws provide, shall sign each full-paid share certificate issued and it shall be sealed with the corporate seal.*

D. Upon a partial withdrawal of full-paid shares *represented by a certificate*, the original certificate shall be surrendered to the association for cancellation and a new certificate *or passbook shall be issued for the unretired balance. Upon the complete withdrawal of full-paid shares represented by a certificate* the certificate [representing such shares] shall be surrendered to the association for cancellation. Any share certificate which has been cancelled or for which the association has issued a substitute certificate *or passbook*, or which for any other reason has been surrendered to the association, shall be preserved by it for at least seven years.

Section 2. Subsection B of section 611 of the act, amended October 14, 1955 (P. L. 696), is amended to read:

Section 611. Transfer of Shares.—

* * * * *

B. Except as otherwise specifically provided in this act, the transfer of full-paid shares [and the share certificates representing them,] shall be in accordance with the provisions of the Uniform Commercial Code of April six, one thousand nine hundred fifty-three (Pamphlet Laws 3), its amendments and supplements.

Section 3. Subsection C of section 615 of the act, amended May 15, 1945 (P. L. 485), is amended to read:

Section 615. Matured Shares.—

* * * * *

C. If the shares thus declared matured have been pledged to the association as security for a loan which is secured also by a mortgage upon real property, then the

Subsection B, section 611, act of May 5, 1933, P. L. 457, amended October 14, 1955, P. L. 696, further amended.

Subsection C, section 615, of the act amended May 15, 1945, P. L. 485, further amended.

mortgage shall be forthwith satisfied upon the payment of any delinquent fines or other charges due the association and upon the payment of a fee *to the association of not [in excess of three] more than four dollars, plus the satisfaction and filing costs*, and, in addition thereto, a fee of ten cents per mile, if the place of business of the association is not located in the county where the mortgage is to be satisfied.

* * * * *

Subsection C, section 618, and section 620, act of May 5, 1933, P. L. 457, amended July 13, 1953, P. L. 424, further amended.

Section 4. Subsection C of section 618 and section 620 of the act, amended July 13, 1953 (P. L. 424), are amended to read:

Section 618. Dividends on Shares; Undivided Profits.—

* * * * *

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] *reserves*. 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. [Reserve for Contingent Losses; Reserve for Bad Debts] *Reserves*.—Every association shall [set aside each year] *maintain general reserves which shall be used solely for the purpose of absorbing losses. Such reserves shall consist of any of the following: a reserve for contingent losses; a reserve for bad debts; and in the case of an association whose accounts are insured by the Federal Savings and Loan Insurance Corporation, a Federal insurance reserve. Whenever the general reserves of an association are not equal to at least eight per centum of the participation value of all its outstanding shares, and whenever the aggregate general reserves and undivided profits of an association are not equal to at least twelve per centum of such participation value, it shall credit to its general reserves each year an amount*

equal to not less than five per centum and as much more as may be deemed desirable of its net profits for such year [as a reserve for contingent losses, until the total amount of such reserve shall equal at least ten per centum of the assets of such association. 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] *such reserves* if the aggregate of those reserves exceeds twenty per centum of the assets of the association unless the department in writing shall authorize or require the association to set aside an additional amount 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] *reserves* 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] *general reserves* shall exceed twenty per centum of the assets of the association, or, if the department has authorized or directed the creation of such reserves in excess of twenty per centum and they exceed the amount authorized or directed by the department, the amount above twenty per centum or such other amount as has been authorized or directed by the department may be transferred, at the next regular meeting of the board of directors, to the general profit account of the association.

Section 5. Section 621 of the act, amended July 2, 1935 (P. L. 574), is amended to read:

Section 621, act of May 5, 1933, P. L. 457, amended July 2, 1935, P. L. 574, further amended.

Section 621. Reduction of Liability to Shareholders. —Whenever the losses of any association resulting from a depreciation of its securities, or otherwise, exceed its accumulated profits and its reserve [for contingent losses] *accounts*, so that the fair value of its assets is less than the total amount due its creditors and shareholders, the court of common pleas of the county in which the place of business of the association is located may, upon the petition of the association, approved by a majority of all its directors, and by the department, order a reduction of its liability to its shareholders. The manner of apportioning the losses among the corporations or persons, whose claims arose through the ownership of shares of the association, shall be the same as that provided by this act in the case of an association which is in possession of the Secretary of Banking as receiver, or which is being liquidated in pursuance of a

plan of voluntary dissolution authorized by this act.

Such petition shall be advertised at least once in a newspaper of general circulation.

The act amended by adding a new section 622.

Section 6. The act is amended by adding, after section 621, a new section to read:

Section 622. Adverse Claims Against Shares.—A. Notice to an association of an adverse claim against shares standing in the name of any shareholder shall not be effectual to cause the association to recognize such adverse claim, unless the adverse claimant shall procure either an attachment or proper restraining order against the association from a court of competent jurisdiction in a cause of action therein instituted by him, wherein the shareholder or his legal representative is made a party in the manner provided by law, or unless he shall execute to the association in form, and with sureties, acceptable to it a bond indemnifying the association from any liability, loss, damages, costs and expenses arising from the recognition of such adverse claim.

B. This section shall not apply, in any instance, where the person in whose name the shares are held is a fiduciary for such adverse claimant, and the facts constituting such relationship as well as the facts showing reasonable cause of belief on the part of the claimant that such fiduciary is about to misappropriate the shares are made to appear by an affidavit of such claimant.

Section 704 of the act amended.

Section 7. Section 704 of the act is amended to read:

Section 704. Notice of Meeting to Adopt Amendments to Articles.—Written notice shall, not less than ten days before the shareholders' meetings called by the board of directors for the purpose of considering any proposed amendment to the articles of an association, be given to each shareholder of record [, except that written notice of any proposed amendment for increasing the authorized capital stock of the association shall be given to each shareholder of record at least sixty days before such meeting]. Such notice shall state the place, the day, and the hour of the meeting, and shall set forth the proposed amendment or a summary of the changes to be effected thereby.

Section 803 of the act amended by adding a new clause (6).

Section 8. Section 803 of the act is amended by adding, at the end thereof, a new clause to read:

Section 803. Authorized Investments.—Except as otherwise specifically provided in this act, an association shall not make any investments except as follows:

• • • • •

(6) *Shares of any building and loan or savings and loan association organized under the laws of this Commonwealth or of any Federal savings and loan associa-*

tion operating in Pennsylvania, to the extent to which the withdrawal or repurchase value of such shares is insured by the Federal Savings and Loan Insurance Corporation pursuant to the provisions of the National Housing Act, its amendments and supplements.

Section 9. Subsection A of section 902 of the act is amended to read:

Subsection A.
section 902 of
the act,
amended.

Section 902. Application for Mortgage Loan; Preservation of Application; Penalty.—A. An association shall not grant a mortgage loan unless it shall first have obtained a written application, *containing appropriate information with respect to the applicant for the loan and the real estate offered as security therefor, which shall be signed by the person for whose benefit the loan is to be made* [, which shall set forth:

(1) The name, address, age and occupation of the applicant for the loan.

(2) The name and address of the employer of the applicant, if the applicant is employed.

(3) The location of the real property and the character of the improvements thereon.

(4) The name and address of the owner in fee of the real property at the time the application is made to the association.

(5) How and when title to the real property was acquired by the applicant, the actual cost of the real property, and the actual cost of any permanent improvements made thereon after the applicant acquired title, or, if applicant does not have title at the time application is made, the date of the agreement of sale or option and the actual consideration to be paid for such real property.

(6) Whether any money or other thing of value has been or is to be paid to any corporation or person, other than the association, as a fee, commission, or gift for procuring or for endeavoring to procure such loan from the association, or for services in making searches of title of real property offered to the association as security or in drawing papers incident to the loan for which such real property is given as security, or for any other reason whatsoever, and if so, the amount or value of such fee, commission, or gift and to whom it has been or is to be paid.

(7) Whether in fact the applicant is the beneficial owner of the real property, and if not, who is the beneficial owner].

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Clause (4), subsection A, and subsections B, C and D, section 903 of the act, subsections A and B amended October 14, 1955, P. L. 696, subsection C amended May 15, 1948, P. L. 485, and subsection D amended June 12, 1951, P. L. 524, further amended.

Section 10. Clause (4) of subsection A and subsections B, C and D of section 903 of the act, subsections A and B amended October 14, 1955 (P. L. 696), subsection C amended May 15, 1945 (P. L. 485), and subsection D amended June 12, 1951 (P. L. 524), are amended to read:

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:

* * * * *

(4) The bond of the borrower secured by a mortgage upon real estate owned by the borrower in fee simple or in which he has a leasehold interest as tenant under a lease, such mortgage being for the full amount of the loan but without provision for 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] *seventy-five* per centum of the fair market value of a five or six family property, or *sixty per centum of the fair market value of a seven to twelve family property*: And provided further, That the aggregate amount of all loans made without provision for monthly amortization 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 upon real property owned by the borrower in fee simple unless the mortgage securing such loan is a first lien upon unencumbered, improved real property, the improvement being a dwelling for not more than [six] *twelve* 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] *an improvement* 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.

An association shall not grant any mortgage loan secured by a mortgage upon a leasehold interest in real property leased to the borrower as tenant under a lease, unless (1) the property so leased is improved real property, the improvement being a dwelling for not more

than [six] *twelve* families, which is used or to be used in whole or in part for residential purposes, or unless such [a building] *an improvement* is in the process of construction *thereon*, situated anywhere within the Commonwealth, or within fifty miles of a boundary thereof, and (2) the loan on a leasehold interest otherwise conforms to such rules and regulations as may be prescribed by the Secretary of Banking with the approval of the Building and Loan Board.

An association shall [not grant any mortgage loan] *primarily confine its mortgage lending to direct reduction, interest reduction and share mortgage loans secured by residential real property which is used or to be used, in whole or in part, as a dwelling for not more than four families and on such property may lend an amount which, together with any other outstanding loan held by such association and secured by a mortgage upon [such] the same property or [such] leasehold interest, [shall] does not 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] thereof. An association may, however, invest an amount not to exceed an aggregate of fifteen per centum of its total assets in mortgages without provision for monthly amortization as hereinbefore provided, and in mortgages of real property, other than one to four family property, on which the maximum loans shall not exceed the following percentages of fair market value; seventy-five per centum of the value of five or six family residential property, sixty per centum of the value of residential property for more than six families but for not more than twelve families: 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. Any additional shares assigned or pledged as additional collateral security for the mortgage loan 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.*

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 or leasehold interest in 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.

C. An association shall not, directly or indirectly, grant to any one corporation or person mortgage loans to a total amount exceeding [five] *ten* per centum of the participation value of its outstanding shares [, but any association may grant to any one corporation or person mortgage loans to a total amount of ten thousand dollars].

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

In computing the total mortgage loans made by an association to a partnership or other unincorporated association, there shall be included all mortgage loans to its individual members, all mortgage loans made for the benefit of such partnership or other unincorporated association, or of any member thereof, and all mortgage loans to or for the benefit of any corporation of which the partnership or unincorporated association, or any member thereof, owns twenty-five per centum or more of the capital stock.

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

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

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

Section 11. Section 904 of the act is amended by adding, at the end thereof, a new subsection to read:

Section 904 of the act amended by adding a new subsection C.

Section 904. Charges for Services in Connection with Mortgage Loans.—

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C. *Upon the closing of a mortgage loan, the association shall furnish the borrower with a loan settlement statement, showing in detail the charges or fees the borrower has paid or obligated himself to pay to the association or to any other person in connection with such loan, and a copy of such loan settlement statement shall be retained in the records of the association for the life of the loan.*

Section 12. Subsections A and B of section 907 of the act, amended May 15, 1945 (P. L. 485), are amended to read:

Subsections A and B, section 907, of the act, amended May 15, 1945, P. L. 485, further amended.

Section 907. Interest Reduction Loans and Direct Reduction Loans.—A. A borrower, with the consent of the association, may have the periodical installments of dues on his shares credited on account of the principal of the mortgage loan at such times as shall be provided in the mortgage and also in its accompanying bond or other obligation, if any; and the interest, and the premium if any, thereon shall be computed on the balance of the principal of the loan in each case when the dues have been so credited. The borrower in such case may agree that the subsequent dues on his shares shall become automatically increased by the amount of the reduction of interest, and of premium if any, in each case when the dues have been so credited, so that the total of each monthly installment of dues and interest, and premium if any, shall remain the same until the loan has been paid in full, but the right to have the dues on the shares credited on account of the principal of the loan, as well as the agreement, if any, that the dues on the shares shall become automatically increased as herein provided, shall be set forth in the mortgage and also in its accompanying bond or other obligation, if any.

The borrower shall have the right, with the consent of the association, when the dues so credited on account of the principal of the loan shall equal the par value of one or more shares, to have the number of shares re-

duced to such number that their aggregate par value shall not be less than the reduced amount or balance of the principal of the loan still remaining unpaid. The periodical installments of dues on the shares thus reduced, as well as the interest on the reduced principal of the loan, and premium thereon if any, shall be payable after the date of such reduction the same as if the shares had been originally issued in such reduced number as of such date and such loan made for such reduced amount.

When the dues on the shares are credited on account of the principal of the loan as herein provided, such shares shall not participate in the profits of the association nor be subject to losses. When the loan has been paid in full by the crediting of the dues thereon as herein provided, the borrower shall be entitled to have his mortgage satisfied upon the payment of a fee *to the association* of not [exceeding three] *more than four* dollars, *plus the satisfaction and filing costs*, and in addition thereto, a fee of ten cents per mile, if the place of business of the association is not located in the county where the mortgage is to be satisfied.

B. A mortgage loan secured by the transfer and pledge of one direct reduction loan share, shall be repaid by the monthly application and credit of the dues paid on such share on account of the principal of the mortgage loan. The interest, or interest and premium shall be computed monthly on the unpaid balance of the principal of the loan, and such interest, or interest and premium if not paid, may be added to the unpaid principal, together with any and all payments or advances made by the association for taxes, water rents, assessments, insurance premiums, or other charges or advances permitted by law. Payments made by the borrower shall be applied first to the interest, or interest and premium due the association, and the remainder of the monthly payment shall be credited on account of dues on the direct reduction loan share. The subsequent periodical dues on the direct reduction loan share shall become automatically increased by the amount of the reduction of interest, or interest and premium, when the dues have been so credited to the principal of the loan, so that the total of each monthly installment of dues and interest, or dues, interest and premium shall remain the same until the loan has been paid in full. When the loan has been repaid in full by the crediting of the dues thereon as herein provided, the borrower shall be entitled to have his mortgage satisfied upon the payment of a fee *to the association* of not [exceeding three] *more than four* dollars, *plus the satisfaction and filing costs*, and in addition thereto, a fee of ten cents per mile, if

the place of business of the association is not located in the county where the mortgage is to be satisfied.

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Section 13. Subsection C of section 911 and subsection B of section 1002 of the act, amended March 15, 1937 (P. L. 63), are amended to read:

Subsection C, section 911, and subsection B, section 1002 of the act, amended March 15, 1937. P. L. 63, further amended.

Section 911. Repayment of Loans before Maturity.—

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C. Upon paying a loan to an association in the manner provided in this section, a borrower shall be entitled, in the case of a mortgage loan, to the satisfaction of his mortgage upon the payment of a fee *to the association of not [exceeding three] more than four dollars, plus the satisfaction and filing costs*, and in addition thereto, a fee of ten cents per mile, if the place of business of the association is not located in the county where the mortgage is to be satisfied, and in the case of a share loan, to the return of his note.

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Section 1002. Approval of Joint Plan of Merger or Consolidation, or Plan of Conversion.—

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B. The board of directors of each association or Federal savings and loan association, upon approving such plan of merger, consolidation or conversion in accordance with the provisions of this act, shall, by resolution, direct that the plan be submitted to a vote of the shareholders of such association or Federal savings and loan association entitled to vote thereon, at an annual or special meeting of the shareholders. Written notice shall, not less than fifteen days before such annual or special meeting, be given respectively to each shareholder of record [, unless the plan of merger or consolidation contemplates an increase in the authorized capital of the constituent associations in which event sixty days' notice of such meeting shall be given to each shareholder]. The notice shall state the place, day, hour, and purpose of the meeting, and a copy or a summary of the plan of merger, consolidation or conversion, as the case may be, shall be included in or enclosed with such notice: Provided, however, That in the case of the surviving association in a merger, if the articles or by-laws specifically so provide, the plan of merger shall not be required to be submitted to the shareholders for approval, but in such case written notice of such contemplated merger shall be given to all shareholders of the surviving association, prior to the day upon which the articles of merger are filed with the Department of State: And provided further, That in such event, upon request in writ-

ing to the secretary of the association, any shareholder of the surviving association shall be entitled to receive forthwith a copy of the proposed plan of merger.

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APPROVED—The 21st day of June, A. D. 1957.

GEORGE M. LEADER

No. 201

AN ACT

Amending the act of August 22, 1953 (P. L. 1344), entitled "An act relating to marriage; and amending, revising, consolidating and changing the law relating thereto," further regulating the issuance of marriage licenses.

The Marriage Law.

Clause (e), section 5, act of August 22, 1953, P. L. 1344, amended.

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

Section 1. Clause (e) of section 5, act of August 22, 1953 (P. L. 1344), known as "The Marriage Law," is amended to read:

Section 5. Restrictions on the Issue of Marriage License.—No license to marry shall be issued by any clerk of the orphans' court:

• • • • •

(e) If either of the applicants is [an epileptic, or is] or has been, within five years preceding the time of the application, an inmate of an institution for [epileptics] weakminded, insane, or persons of unsound mind, unless a judge of the orphans' court shall decide that it is for the best interest of such applicant and the general public to issue the license, and shall authorize the clerk of the orphans' court to issue the license.

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APPROVED—The 21st day of June, A. D. 1957.

GEORGE M. LEADER

No. 202

AN ACT

Amending the act of June 23, 1931 (P. L. 932), entitled "An act relating to cities of the third class; and amending, revising, and consolidating the law relating thereto," fixing the minimum requirements necessary to entitle contributors to the police pension fund to retire; further regulating appropriations to the fund and the payment of increments upon retirement.