

## No. 84

## AN ACT

## SB 755

Amending the act of December 14, 1967 (Act No. 345), entitled "An act relating to and regulating the business of savings associations heretofore designated under other acts and special charters variously as building and loan associations and savings and loan associations; defining the rights, powers, duties, liabilities, and immunities of such associations; affecting persons engaged in the business of savings associations; affecting the members, account holders and borrowers of such associations; affecting Federal savings and loan associations whose principal office is located in the Commonwealth; prohibiting the transaction of business in this Commonwealth by foreign savings associations; conferring powers and imposing duties on certain departments and officers of the Commonwealth and on the courts, recorders of deeds; creating a Savings Association Board and defining its powers and duties; prohibiting certain actions and imposing penalties, and repealing certain acts," redefining savings accounts, adding to the types of savings contracts, extending the time for the initial payment on construction loans and clarifying the order of distribution upon liquidation.

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

Section 1. Clause (22) of section 102, clause (21) of subsection (a) of section 701, subsection (a) of section 804, clause (2) of subsection (e) of section 813, section 816, subsections (a) and (c) of section 915, and clauses (c) and (d) of section 1208, act of December 14, 1967 (Act No. 345), known as the "Savings Association Code of 1967," are amended to read:

Section 102. Definitions.—The following words and phrases when used in this act shall have, unless the context clearly indicates otherwise, the meanings given to them in this section:

\* \* \*

(22) "Savings account," the amount paid in cash to an association by a member for investment plus all earnings *or interest* credited thereto, less all withdrawals, redemptions and charges.

\* \* \*

Section 701. Powers of Associations.—(a) Every association incorporated pursuant to or operating under the provisions of this code shall have all of the powers enumerated, authorized, and permitted by this code and such other rights, privileges and powers as may be incidental to or reasonably necessary or appropriate for the accomplishment of the objects and purposes of the association. Among others, and except as otherwise limited by the provisions of this code, every association shall have the following powers:

\* \* \*

(21) To acquire savings and pay earnings *or interest* thereon, and to lend and invest its funds as provided in this code.

\* \* \*

Section 804. Types of Savings Contracts.—(a) An association [shall

not receive money on deposit but] may make any type of savings account contract [not prohibited by this act or other applicable law] *including a savings deposit account. Savings deposit accounts shall be issued in accordance with such regulations as the department shall prescribe.* No type of account may be created by any association which imposes fines as penalties for late payment or nonpayment for a period of longer than six months [or which creates a debtor-creditor relationship]. The resolution of the board creating the account may provide for transfer of the account at the termination of this period to another type of account.

\* \* \*

Section 813. Withdrawals from Savings Accounts.—\* \* \*

(e) Effect of withdrawal applications:

\* \* \*

(2) [A savings member filing a withdrawal application shall not become a creditor of the association by reason of such filing.] The membership of a savings account holder who has filed an application for withdrawal shall remain unimpaired so long as any withdrawal value remains to his credit on the books of the association.

Section 816. [Method of Paying Earnings on Savings Accounts.] *Authorizing Payment of Earnings or Interest on Savings Accounts.*—The board of directors shall determine the earnings *or interest* to be credited not less frequently than annually to savings accounts on the books of the association unless a savings account holder shall have requested and the association shall have agreed to pay earnings *or interest* on such savings account in cash. Earnings *or interest* payable in cash may be paid by check or bank draft. All accounts of the same type and class shall be paid the same rate of earnings *or interest*.

Section 915. Terms of Mortgage.—All mortgages shall be written on a monthly direct reduction loan basis and the contract shall provide that the first monthly payment shall be made not later than sixty days after the advance of the loan, provided however:

(a) If a direct reduction loan is to finance new construction the first monthly payment may be postponed to a date not later than [twelve] *twenty-four* months after the date of the first advance made on the loan.

\* \* \*

(c) If the loan is made for the purpose of financing new construction of a one to four family residential property and is in an amount not to exceed eighty percent of the fair market value thereof it may be made for a term not exceeding [eighteen] *twenty-four* months without requiring amortization during said [eighteen] *twenty-four* months. Interest shall be payable not less frequently than semi-annually. If the loan is for the purpose of financing construction of residential property designed for use by more than four families and in an amount not exceeding seventy-five percent of the fair market value it may be made for a period not exceeding

[**eighteen**] *twenty-four* months without amortization but interest shall be payable not less frequently than semi-annually.

\* \* \*

Section 1208. Distribution of Assets Upon Liquidation.—In the distribution of assets of an association which is liquidated or dissolved, either under this act or by any other method, payment shall be made of liabilities and obligations to members in the following order:

\* \* \*

(c) Third, the payment of all other [**creditor claims,**

(d) **Fourth, to payment of savings accounts on a basis pro rata to the balance in each account.]** *creditors and savings accounts of all types. Said payments to each creditor shall be pro rata to the amount owing said creditor and savings accounts on a basis pro rata to the balance in each account. Any excess of assets remaining after creditors and savings accounts are paid in full shall be distributed to savings accounts on a basis pro rata to the balance in each account as of the date of liquidation or dissolution.*

Section 2. This act shall take effect immediately.

APPROVED—The 1st day of August, A. D. 1969.

RAYMOND P. SHAFER

The foregoing is a true and correct copy of Act of the General Assembly No. 84.



Secretary of the Commonwealth.