

No. 72

AN ACT

HB 255

Amending the act of November 30, 1965 (P.L.847, No.356), entitled "An act relating to and regulating the business of banking and the exercise by corporations of fiduciary powers; affecting persons engaged in the business of banking and corporations exercising fiduciary powers and affiliates of such persons; affecting the shareholders of such persons and the directors, trustees, officers, attorneys and employes of such persons and of the affiliates of such persons; affecting national banks located in the Commonwealth; affecting persons dealing with persons engaged in the business of banking, corporations exercising fiduciary powers and national banks; conferring powers and imposing duties on the Banking Board, on certain departments and officers of the Commonwealth and on courts, prothonotaries, clerks and recorders of deeds; providing penalties; and repealing certain acts and parts of acts," enlarging the lending and investment powers of institutions, the surplus account requirements, and the additional powers related to the conduct of the business of savings banks.

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

Section 1. Subsection (a) of section 310, act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965," is amended to read:

Section 310. Real Estate Loans

(a) Permissible loans; maximum amount and term—An institution may, subject to the requirements of this section, make or acquire a loan secured by a lien on real estate (including a lease-hold) located in any state or the District of Columbia, in a dependency or insular possession of the United States or in the Commonwealth of Puerto Rico, in an amount and for a term not to exceed:

- (i) in the case of improved real estate, including farm land;
 - (A) two-thirds of the value for ten years, *if unamortized*, or
 - (B) four-fifths of the value for thirty years, if the terms of the loan require substantially equal payments at successive intervals of not more than one year each and in an amount sufficient to pay all principal of and interest on the loan within the term of the loan, except that the date of the initial payment on a loan to a commercial or industrial borrower may be deferred for a period not in excess of three years from the date of the loan; or
 - (C) *ninety percent of the value of a one-family residential property for thirty years, in an amount not to exceed forty thousand dollars (\$40,000), or such larger amount as the department may permit by regulation, subject to the same requirements set forth in clause (B); or*

(D) ninety-five percent of the value for thirty years, if that principal portion of the loan in excess of seventy-five percent of the value is made in reliance upon a private company mortgage insurance or guarantee acceptable to the Department of Banking, subject to the same requirements set forth in clause (B); or

(ii) in the case of unimproved real estate to be acquired or developed with the proceeds of the loan:

(A) **[one-half]** *two-thirds* of the value for three years, or

(B) **[two-thirds]** *three-fourths* of the value for **[three]** *five* years, when utilities, roads or streets necessary for the development of such real estate have been completed.

* * *

Section 2. Subsection (e) of section 310 of the act, amended in part November 27, 1968 (P.L.1104, No.345), is amended to read:

Section 310. Real Estate Loans

* * *

(e) Excepted loans—The restrictions and requirements of this section shall not apply to:

(i) a loan guaranteed at least to the extent of twenty percent thereof, or for which a written commitment for such guarantee has been issued, by the Veterans Administration pursuant to the Veterans' Benefits Act;

(ii) a loan insured, or for which a written commitment to insure has been issued, pursuant to national housing legislation;

(iii) a loan insured, or for which a written commitment to insure has been issued, by the Farmers Home Administration pursuant to the Consolidated Farmers Home Administration Act;

(iv) a loan made pursuant to the Small Business Act;

(v) an investment security acquired pursuant to section 307; or

(vi) a loan in connection with which the institution takes a real estate lien as security in the exercise of banking prudence but as to which it is relying for repayment on:

(A) the general credit of the obligor or of an installment buyer or of a lessee of the real estate,

(B) collateral other than the real estate lien,

(C) a guaranty, or an agreement to take over or purchase the loan in the event of default, by a financially responsible person other than a person engaged in the business of guaranteeing real estate loans, or

(D) an agreement by a financially responsible person to take over or purchase the loan, or to provide funds for payment thereof, within a period of **[three]** *five* years from the date of the loan and there is a certificate of reliance setting forth the applicable facts.

* * *

Section 3. Subsection (d) of section 311 of the act, amended July 23, 1970 (P.L.597, No.199), is amended by adding a clause to read:

Section 311. Transactions With Respect to Shares of Corporate Stock and Capital Securities

* * *

(d) Ownership—An institution may acquire and hold:

* * *

(vi) shares of stock of a corporation organized to promote the public welfare and community development, expand the economy or provide for social reform, subject to regulation by the department.

* * *

Section 4. The section heading and subsections (a) and (e) of section 316 of the act, added November 27, 1968 (P.L.1104, No.345), are amended to read:

Section 316. Authorizing Certain Loans for Commercial, Business, Professional, Agricultural or Nonprofit Purposes
Including Revolving Credit Plans

(a) Maximum rate—An institution may make a charge for an installment loan which complies with the requirements of this section at a rate not in excess of five dollars (\$5) per one hundred dollars (\$100) per annum computed on the original principal amount for the period of the loan. *If such loan is one of a series of loans under an agreement ("revolving credit plan") providing a maximum outstanding balance of all such loans at any time, the institution may make a charge at a rate not in excess of three-fourths of one percent per month on the actual outstanding balance of the loan.*

* * *

(e) Installments—The total amount payable on the loan shall be payable in installments [of substantially equal amounts] at substantially equal intervals of not more than [six months] *one year* each.

* * *

Section 5. Clause (c) of section 502 of the act is amended to read:

Section 502. Additional Powers Related to Conduct of Business of Savings Banks

A savings bank shall have, in addition to other powers granted by this act or its articles and subject to the limitations and restrictions contained in this act or in its articles:

* * *

(c) Trusts for self-employed individuals—the power to act as trustee of funds or contributions received under a trust instrument conforming with the requirements of the Self-employed Individuals Tax Retirement Act and regulations thereunder and to invest such funds or contributions only in interest-bearing deposits in the savings bank [in amounts fully insured by federal deposit insurance];

* * *

Section 6. Subsection (b) of section 504 of the act, amended

November 27, 1968 (P.L.1104, No.345), is amended by adding a clause to read:

Section 504. Investments

* * *

(b) Authority under this act or other statutes—Except as otherwise provided in its articles, a savings bank may, in addition to investments authorized by its articles, other provisions of this act or other statutes, make investments in:

* * *

(x) corporations formed to promote the public welfare and community development, expand the economy and provide for social reform, subject to regulation by the department.

* * *

Section 7. Subsections (a) and (e) of section 505 of the act are amended to read:

Section 505. Real Estate Loans

(a) Permissible loans; maximum amount and term—A savings bank may, subject to the requirements of this section, make or acquire a loan secured by a lien on real estate (including a leasehold) located in any state or the District of Columbia, in a dependency or insular possession of the United States or in the Commonwealth of Puerto Rico, in an amount and for a term not to exceed:

(i) in the case of improved real estate, including farm land:

(A) two-thirds of the value for ten years [or] , *if unamortized; or*

(B) four-fifths of the value for thirty years, if the terms of the loan require payments which are substantially equal except for the last payment at successive intervals of not more than one year each and in an amount sufficient to pay all principal of and interest on the loan within thirty years, except that the date of the initial payment on a loan to a commercial or industrial borrower may be deferred for a period not in excess of three years from the date of the loan; or

(C) ninety percent of the value of a one family residential property for thirty years, in an amount not to exceed forty thousand dollars (\$40,000), unless the department by regulation approves the granting of loans under this subsection in greater amounts, subject to the same requirements set forth in clause (B); or

(D) ninety-five percent of the value for thirty years, if that portion of the loan in excess of seventy-five percent of the value is made in reliance upon a private company mortgage insurance or guarantee acceptable to the Department of Banking, subject to the same requirements set forth in clause (B); or

(ii) in the case of unimproved real estate to be acquired or developed with the proceeds of the loan:

(A) **[one-half]** *two-thirds* of the value for three years, or

(B) [~~two-thirds~~] *three-fourths* of the value for [~~three~~] *five* years, when utilities, roads or streets necessary for the development of such real estate have been completed.

* * *

(e) Excepted loans—The restrictions and requirements of this section shall not apply to:

(i) a loan secured by a lien on a dwelling for not more than four families, guaranteed at least to the extent of twenty percent thereof, or for which a written commitment for such guarantee has been issued, by the Veterans Administration pursuant to the Veterans' Benefits Act,

(ii) a loan secured by a lien on business property, guaranteed at least to the extent of one-third thereof, or for which a written commitment for such guarantee has been issued, by the Veterans Administration pursuant to the Veterans' Benefits Act,

(iii) a loan insured, or for which a written commitment to insure has been issued, pursuant to national housing legislation,

(iv) a loan insured, or for which a written commitment to insure has been issued, by the Farmers Home Administration pursuant to the Consolidated Farmers Home Administration Act,

(v) an investment security, or

(vi) a loan which the savings bank is authorized to make and in connection with which it takes a real estate lien as security in the exercise of prudence but as to which it is relying for repayment on:

(A) the general credit of the obligor or of an installment buyer or of a lessee of the real estate,

(B) collateral other than the real estate lien,

(C) a guaranty, or an agreement to take over or purchase the loan in the event of default, by a financially responsible person other than a person engaged in the business of guaranteeing real estate loans, or

(D) an agreement by a financially responsible person to take over or purchase the loan, or to provide funds for payment thereof, within a period of [~~three~~] *five* years from the date of the loan

and there is a certificate of reliance setting forth the applicable facts.

Section 8. Subsection (a) of section 506 of the act, amended November 27, 1968 (P.L.1104, No.345), is amended to read:

Section 506. Lending Powers; Direct Leasing of Personal Property

(a) A savings bank may:

(i) make loans for a period not in excess of ninety days on the collateral security of property in which the savings bank is authorized to invest, in an amount which shall not at any time exceed ninety percent of the market value of the collateral;

(ii) make loans for repair, alteration or improvement of real estate *or for the purpose of mobile home financing* which are insured, or for which a written commitment to insure has been issued, pursuant to

national housing legislation, subject to a limitation for the aggregate amount of such loans of five percent of the total assets of the savings bank;

(iii) make loans secured by at least an equal amount of deposits of the borrower in the savings bank or of cash surrender value of life insurance;

(iv) make loans to borrowers who are engaged in commercial, industrial or financial enterprises or who are nonprofit corporations or associations for terms not less than ten years—subject to the prudent man rule of section 504 (c) of this act; and

(v) enter into transactions with a member or nonmember bank for the purpose of selling reserve balances of the savings bank to such banks without limitation

but may not lend money or discount or purchase evidences of indebtedness or agreements for the payment of money except as provided in sections 504 and 505 and in this subsection (a).

* * *

Section 9. Subsection (b) of section 1103 of the act is amended to read:
Section 1103. Surplus

* * *

(b) If the surplus of an institution is at any time less than the amount of its capital, the institution shall, until surplus is equal to such amount, transfer to surplus an amount which is at least ten percent of the net earnings of the institution for the period since the end of the last fiscal year or for any shorter period since the last declaration of a dividend:

(i) prior to the declaration of any dividend, and

(ii) in any event, at the end of each fiscal year *except that if surplus is less than fifty percent of the amount of capital, no dividend may be declared or paid without the prior approval of the department until surplus is equal to fifty percent of the amount of capital.*

Section 10. This act shall take effect immediately.

APPROVED—The 27th day of September, A. D. 1973.

MILTON J. SHAPP

The foregoing is a true and correct copy of Act of the General Assembly No. 72.



Secretary of the Commonwealth.