

No. 1977-33

AN ACT

HB 613

Amending the act of December 14, 1967 (P.L.746, 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," providing additional investment powers, increasing the mortgage lending powers of associations and providing for determination of liable interest on savings account and certificates.

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

Section 1. Clause (22) of subsection (a) of section 701 and sections 902 and 920, act of December 14, 1967 (P.L.746, No.345), known as the "Savings Association Code of 1967," are amended to read:

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:

* * *

(22) Associations shall have all powers granted to Federal savings and loan associations except as limited or prohibited by this act. *Associations may invest in such bonds, capital stock obligations, and other securities that qualify for investment for any purposes by Federal savings and loan associations.* The department may by regulation supervise the exercise of any additional powers which associations may acquire by virtue of this subsection.

* * *

Section 902. Eighty Percent Loans on Properties Designed Primarily for Residential Use by Not More Than Four Families.—An association may make a mortgage loan on the security of real estate on which there is erected a building, a substantial portion of which is used as a one to four family residential structure or upon the security of real estate upon which

such a building is to be erected and the loan is made for financing the construction of such building. A loan made under this section shall not exceed eighty percent of the fair market value of the property. *An association may make a mortgage loan which exceeds eighty percent but does not exceed ninety percent of the fair market value of a one to four family residential structure or upon the security of real estate upon which such a building is to be erected and the loan is made for financing the construction of such building: Provided, That the principal portion of the loan in excess of seventy-five percent of the value is insured with a private mortgage guaranty company licensed to do business in the Commonwealth of Pennsylvania and approved by the department.*

Section 920. Loans on the Security of Savings Accounts *and Certificates*.—[An] *Subject to regulation by the department, an association may make loans on the security of its savings accounts and certificates* whether or not the borrower is the owner of such account, provided:

(a) The association obtains a lien upon or a pledge of such savings accounts *and certificates* as security therefor,

(b) The loan shall not exceed the withdrawal value of the savings account *and certificates* securing the loan.

(c) *Notwithstanding different provisions of any other act, interest on loans secured by the security of savings accounts and certificates shall not be less than the rate of earnings paid by the association on the account or certificate securing the loan and shall not exceed a rate two percent higher than the rate of earnings paid by the association on the account or certificate securing the loan.*

Section 2. This act shall take effect immediately.

APPROVED—The 22nd day of July, A. D. 1977.

MILTON J. SHAPP