

No. 1982-313

AN ACT

HB 103

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," further providing for powers of mutual savings banks; authorizing fees for revolving credit plans; and providing for the elimination of the Banking Board.

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

Section 1. Section 203, act of November 30, 1965 (P.L.847, No.356), known as the "Banking Code of 1965," is amended by adding a subsection to read:

Section 203. Additional Powers Related to Conduct of Business of Incorporated Institutions Other Than Trust Companies

A bank, a bank and trust company and 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:

* * *

(d) Subsidiaries—the power to acquire and hold, without limitation of amount, the stock of subsidiary corporations engaged in activities permissible for such institution, if the shares are acquired with the prior written approval of the department and in accordance with the terms and conditions of transfer prescribed by the department.

Section 2. The act is amended by adding a section to read:

Section 321. Authorization of Fees for Revolving Credit Plans

Pursuant to an agreement with a customer, an institution may charge on an annual or other periodic basis, fees for privileges made available under a credit card or other revolving credit plan which permits purchases or loans or both from time to time. Such fees may not be in excess of fifteen dollars (\$15) in any twelve-month period for each credit card account or other revolving credit plan and may be collected in addition to interest, finance charges, service charges and other charges permitted by law. At least fifteen days prior to the effective date of any such fee or an increase in the amount thereof, an institution shall mail or deliver to a customer a written notice that the fee or increase will be incurred only if the customer expressly agrees or if the customer or an authorized person uses the plan by making a purchase or obtaining a loan after the effective

date stated in the notice. Such notice shall be given in compliance with the disclosure requirements of the Federal Truth in Lending Act and regulations thereunder.

Section 3. Section 506 of the act, amended April 16, 1981 (P.L.9, No.4) and April 8, 1982 (P.L.262, No.79), 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 without the necessity for mortgage security, subject to the following provisions:

(A) when such loans are insured or are the subject of a written commitment to insure pursuant to national housing legislation, they may be granted in such amounts and upon such terms as are permitted by such legislation or regulations issued thereunder,

(B) when any such loan is not insured under national housing legislation, the principal amount thereof shall not exceed the amount authorized under Title I of the National Housing Act and the loan shall be evidenced by a note or other written evidence of debt requiring repayment in regular monthly installments over a period not exceeding that authorized under Title I of the National Housing Act. The note or other written evidence of debt may contain a provision that if the borrower shall sell the premises or assign his leasehold interest therein or remove therefrom any improvements described in the security agreement the entire balance remaining due on the loan shall immediately become due and payable. The annual interest rate for loans made under this subsection shall not exceed the sum of the authorized interest rate for loans insured under Title I of the National Housing Act plus the annual rate for insurance on loans insured under Title I of the National Housing Act or creditor insurance applied to the loan. In addition to the interest herein authorized a savings bank may make the following charges in connection with said loan:

(1) premiums for insurance obtained in connection with the loan, but not including any charge for creditor insurance, if any, on such loan,

(2) a single delinquency charge for each installment in arrears for a period of more than fifteen days other than by reason of acceleration or by reason of delinquency on a prior installment in an amount not to exceed the lesser of five dollars (\$5) or five percent of the amount of the installment,

(3) a charge for an extension in an amount not to exceed two percent of the unpaid balance of the loan. Said charge may be

imposed only one time during the life of the loan,

(4) fees paid for filing documents in public offices in connection with said loan, and

(5) actual expenditures, including reasonable attorneys' fees, for proceedings to collect the loans,

(C) the aggregate amount of all such loans held by any one savings bank at one time with or without insurance under national housing legislation shall not exceed twenty percent of its total assets. Any such loan made without such insurance shall also conform to rules and regulations which may be prescribed from time to time by the department,

(D) a loan is authorized under subsection (a)(ii)(B) only if the savings bank retains in its files written evidence that the loan is of the type that would be insurable under Title I of the National Housing Act. Such written evidence shall be retained in the files of the savings bank while the loan is outstanding and for a period of one year thereafter;

(iii) notwithstanding different provisions of any other law, make loans secured by at least an equal amount of deposits of the borrower in the savings bank at a rate of interest not less than the rate of interest paid by the savings bank on said deposits, and the rate of interest charged on such loans shall not be more than two percent higher than the rate of interest paid by the savings bank[,] on said deposits, or make loans secured by at least an equal amount 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, subject to the prudent man rule of section 504(c) of this act:

(A) for terms not less than ten years, or

(B) in the case of a savings bank which has elected to exercise the conditional powers provided in section 513, for terms of less than ten years, except that the total amount of such short term loans shall not exceed **[five] seven and one-half** percent of the assets of the savings bank[, and except that such loans may only be made within this Commonwealth or within seventy-five miles of the savings bank's principal place of business] **prior to January 1, 1984, or ten percent of the assets of the savings bank thereafter;**

(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; **[and]**

(vi) in the case of a savings bank which has elected to exercise the conditional powers provided in section 513, make secured or unsecured loans for personal, family or household purposes, **including loans reasonably incident to the provision of such credit,** and subject to regulation by the department, issue credit cards, extend credit in connection therewith, and otherwise engage in or participate in credit card operations, except that the total amount of such loans or exten-

sions of credit shall not exceed **[twenty] thirty** percent of the assets of such savings bank. In any loan or extension of credit made under the authority of this clause a savings bank may charge or impose any rate or charge which could be imposed by a bank in connection with any such loan or extension of credit and shall be subject to the same restrictions and limitations imposed upon a bank in connection with such loan or extension of credit;

(vii) make overdraft loans specifically related to deposits which are subject to negotiable orders of withdrawal; and

(viii) make loans for the payment of educational expenses.

A savings bank 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).

(b) A savings bank may, subject to regulation by the department, **[acquire and lease personal property pursuant to a binding arrangement for the leasing of such property to a corporate customer for commercial, industrial or business use upon terms requiring payment to the savings bank, during the minimum period of the lease which shall be not less than ten years, of rentals which in the aggregate will exceed the total expenditures by the savings bank for or in connection with the acquisition, ownership, maintenance and protection of the property] make investments in tangible personal property, including, without limitation, vehicles, manufactured homes, machinery, equipment or furniture, for rental or sale, but such investment may not exceed ten percent of the assets of the savings bank.**

Section 4. The heading of Chapter 20 of the act is amended to read:

Chapter 20
Provisions Applicable to Department of Banking
[and Banking Board]

Section 5. Section 2005 of the act is amended to read:

Section 2005. **[Banking Board] Additional Powers of the Department of Banking**

[(a) Functions—The functions of the Banking Board shall be:

(i) to] To exercise the power to remove from his office or position an officer, employe, director, trustee or attorney of an institution pursuant to the provisions of section 501 of the Department of Banking Code**[, and].**

[(ii) to be available upon call of the department for advice concerning any action of the department on any other matter arising under this act, but the department shall have the responsibility for decision as to any such action.

(b) Term of office—The term of office of each member of the Banking Board appointed after the effective date of this act shall be five years. The current term of each member serving on the effective date of this act shall continue for the remainder of the period for which he was appointed.

(c) Qualifications—A member of the Banking Board appointed by

the Governor from nominations submitted by the Pennsylvania Bankers Association shall have at least five years' experience in any business of the kinds in which institutions are engaged. At all times at least two members who are serving under appointments made by the Governor other than from nominations shall be individuals who are not engaged in any business of the kinds in which institutions are engaged.]

Section 6. All acts and parts of acts inconsistent with this act are repealed.

Section 7. This act shall take effect immediately.

APPROVED—The 17th day of December, A. D. 1982.

DICK THORNBURGH