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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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# SENATE BILL

No.

**556**

Session of

1961

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INTRODUCED TO MESSRS. SILVERT AND WEINER,  
APRIL 24, 1961.

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REFERRED TO COMMITTEE ON BANKING, APRIL 24, 1961.

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## AN ACT

Amending the act of May 15 1933 (P L. 624) entitled as amended "An act relating to the business of banking and to the exercise of fiduciary powers by corporations providing for the organization of corporations with fiduciary powers and of banking corporations with or without fiduciary powers including the conversion of National banks into State banks and for the licensing of private bankers and employes' mutual banking associations defining the rights powers duties liabilities and immunities of such corpora-

EXPLANATION.—CAPITAL LETTERS indicate new matter added to bill. Matter stricken through is to be omitted from bill. Underscoring indicates new matter added to existing law. [Brackets] indicate matter stricken from existing law.

tions of existent corporations authorized to engage in a banking business with or without fiduciary powers of private bankers and employes' mutual banking associations and of the officers directors trustees shareholders attorneys and other employes of all such corporations employes mutual banking associations or private bankers or of affiliated corporations associations or persons restricting the exercise of banking powers by any other corporation association or person and of fiduciary powers by any other corporation conferring powers and imposing duties upon the courts prothonotaries recorders of deeds and certain State departments commissions and officers imposing penalties and repealing certain acts and parts of acts" further regulating certain loans secured by mortgages on deeds of trust on real property

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

- 1 Section 1 Subsection A of section 1012 act of May 15 1933 (P L.
- 2 624) known as the "Banking Code" amended September 11 1959 (P L.
- 3 881) and October 2 1959 (P L. 1017) is amended to read
- 4 Section 1012 Loans on and Investments in Bonds or Notes Secured
- 5 By Mortgages or Deeds of Trust and Judgments of Record A A bank

1 or a bank and trust company shall have the power to lend on the security  
2 of or invest in bonds or notes secured by mortgages or deeds of trust  
3 upon real property but it shall lend upon or invest in only such bonds  
4 or notes secured by mortgages or deeds of trust as (1) are first liens on  
5 [unencumbered] improved real property including improved farm land  
6 situated within the Commonwealth or within fifty miles of a boundary  
7 thereof and (2) do not exceed two-thirds of the actual value of such real  
8 property where such bonds or notes or deeds of trust shall become  
9 due within ten years after the making of such loan or investment or  
10 do not exceed three-quarters of the actual value of such real property  
11 where such loan or investment shall be amortized over a period not  
12 exceeding twenty years after the making of such loan or investment in  
13 substantially equal monthly quarterly semi-annual or annual payments  
14 sufficient in amount to pay all interest and effect full repayment of  
15 principal within such twenty-year period Provided however That a bank  
16 or a bank and trust company while having the entire investment in such  
17 a first lien on real property may subject to like conditions in respect to  
18 amortization invest in a second lien on the same real property which  
19 may be either a bond or note secured by a mortgage or deed of trust  
20 or a judgment if the total amount invested in both liens does not at

1 any time exceed two-thirds or three-quarters as the case may be of the  
2 actual value of such real property Any building which is upon and is  
3 included in the valuation of such real property shall be insured against  
4 loss by fire to the benefit of such bank or bank and trust company by  
5 the borrower or mortgagor during the term of the bond note mortgage  
6 deed of trust or judgment in a company which is authorized to do busi-  
7 ness in Pennsylvania and is approved by the bank or bank and trust  
8 company making the investment It shall be lawful for a bank or bank  
9 and trust company to renew such policies at the expense of the borrower  
10 or mortgagor from year to year or for a longer or a shorter period not  
11 however exceeding the term of the obligation in case he shall fail to  
12 do so All necessary charges and expenses paid by such bank or bank  
13 and trust company for such renewals shall be paid by such borrower  
14 or mortgagor In case such borrower or mortgagor shall refuse upon  
15 demand to pay such charges and expenses they shall be added to the  
16 amount secured by the mortgage deed of trust or judgment and shall  
17 together with interest from the date of the payment of such charges  
18 and expenses constitute a lien upon the property subject to the mort-  
19 gage deed of trust or judgment All expenses of searches examinations

1 certificates of title or appraisal of actual value and all expenses of draw-  
2 ing and recording of papers shall be paid by such mortgagor or bor-  
3 rower The actual value of the real property shall be determined by two  
4 reputable persons especially familiar with real property values in the  
5 vicinity of the particular property to be appraised selected from or  
6 approved by the board of directors They shall inspect the property and  
7 shall state in writing that the actual value of the real property in-  
8 spected to the best of their judgment is as stated Such report shall be  
9 filed and preserved among the records of the bank or bank and trust  
10 company The provisions of this subsection shall not apply to loans on  
11 the security of or investments in bonds or notes secured by mortgages  
12 or deeds of trust upon leasehold interests in real property made under  
13 such rules and regulations as may be prescribed by the Secretary of  
14 Banking with the approval of the Banking Board nor to loans on the  
15 security of bonds or notes secured by mortgages or deeds of trust upon  
16 real property situated within the Commonwealth or within fifty miles  
17 of a boundary thereof made or for which a written commitment to  
18 guarantee has been made in accordance with the provisions of the  
19 "Servicemen's Readjustment Act of 1944" its amendments and supple-  
20 ments and rules and regulations promulgated from time to time pur-

1 suant to the provisions of said act provided that such loans are  
2 guaranteed in an amount equal to at least twenty per centum thereof  
3 nor shall the provisions of this section apply to bonds or notes secured  
4 by mortgages or deeds of trust which are insured by or for which a  
5 commitment to insure has been made by the Federal Housing Ad-  
6 ministrator pursuant to the provisions of the National Housing Act  
7 of one thousand nine hundred and thirty-four approved the twenty-  
8 seventh day of June one thousand nine hundred and thirty-four its  
9 amendments and supplements nor shall the provisions of this subsection  
10 apply to loans on the security of bonds or notes secured by mortgages  
11 or deeds of trust upon real property situated within the Commonwealth  
12 for which a written commitment to insure the payment thereof has  
13 been made by the United States Department of Agriculture in accord-  
14 ance with the provisions of Title I of the Bankhead-Jones Farm Tenant  
15 Act of the twenty-second day of July one thousand nine hundred thirty-  
16 seven its amendments and supplements rules and regulations promul-  
17 gated from time to time pursuant to the provisions of said act nor shall  
18 the provisions of this subsection apply to loans secured in whole or in  
19 part by bonds or notes secured by mortgages or deeds of trust made

1 under the provisions of the Small Business Act of 1953 approved July  
2 30 1953 its amendments and supplements and rules and regulations  
3 promulgated from time to time pursuant to the provisions of said act  
4 nor to public utility railroad or industrial bonds or other securities com-  
5 monly known as investment securities although such bonds may be  
6 secured in whole or in part by a mortgage upon real property

7 \* \* \*

8 Section 2 Subelause (a) of clause (8) of subsection A of section  
9 1208 and clause (1) of subsection B of section 1209 of the act amended  
10 September 11 1959 (P L 881) and October 2 1959 (P L 1012) are  
11 amended to read

12 Section 1208 Authorized Investments of Savings Banks Not Under  
13 Special Charter A Except as otherwise specifically provided in this act  
14 a savings bank other than a savings bank organized under a special act  
15 of the General Assembly shall not make any investments except as  
16 follows

17 \* \* \*

18 (8) (a) Bonds or notes secured by mortgages or deeds of trust  
19 which are first liens upon [unencumbered] improved real property in-  
20 cluding improved farm land situated within any Commonwealth or

1 State of the United States or the District of Columbia (i) to the  
2 extent of not more than two-thirds of the actual value of such real  
3 property and for a term not exceeding ten years or for a term not  
4 exceeding twenty years if such mortgages or deeds of trust contain  
5 provisions requiring monthly quarterly semi-annual or annual pay-  
6 ments sufficient in amount to pay all interest and effect full repayment  
7 of the principal within the term thereof or (ii) to the extent of not  
8 more than eighty per centum of the actual value of such real property  
9 and for a term not exceeding twenty-five years if the improvements  
10 on such real property do not consist of a manufacturing plant or  
11 theater and if such mortgages or deeds of trust contain provisions  
12 requiring amortization as aforesaid Provided however That such sav-  
13 ings bank while having the entire investment in such a bond or note  
14 may subject to like conditions invest in a bond or note secured by a  
15 mortgage or deed of trust or judgment which is a second lien on the  
16 same real property if the total invested in both liens does not at any  
17 time exceed the aforesaid proportions of the actual value of such real  
18 property And provided further That at least seventy-five per centum  
19 of the aggregate amount invested pursuant to subsection A clause (8)  
20 shall be invested in bonds or notes qualifying for purchase or invest-

1 ment pursuant to provisions other than those of subclause (ii) hereof  
2 The provisions of this subclause (a) shall not apply to loans on the  
3 security of or investments in bonds or notes secured by mortgages or  
4 deeds of trust upon leasehold interest in real property made under such  
5 rules and regulations as may be prescribed by the Secretary of Bank-  
6 ing with the approval of the Banking Board

7 \* \* \*

8 Section 1209 Authorized Investments of Special Charter Savings  
9 Banks

10 \* \* \*

11 B No such savings bank shall purchase or invest in bonds or notes  
12 secured by mortgages or deeds of trust of real property except

13 (1) Bonds or notes secured by mortgages or deeds of trust which  
14 are first liens upon [unencumbered] improved real property including  
15 improved farmland situated within any Commonwealth or State of  
16 the United States or the District of Columbia (a) to the extent of  
17 not more than two-thirds of the actual value of such real property  
18 and for a term not exceeding ten years or for a term not exceeding  
19 twenty years if such mortgages or deeds of trust contain provisions

1 requiring monthly quarterly semi-annual or annual payments sufficient  
2 in amount to pay all interest and effect full repayment of principal  
3 within the term thereof or (b) to the extent of not more than eighty  
4 per centum of the actual value of such real property and for a term  
5 not exceeding twenty-five years if the improvements on such real  
6 property do not constitute a manufacturing plant or theater and if  
7 such mortgages or deeds of trust contain provisions requiring amorti-  
8 zation as aforesaid Provided however That a savings bank while hav-  
9 ing the entire investment in such a bond or note may subject to like  
10 conditions invest in a bond or note secured by a mortgage or deed of  
11 trust or in a judgment which is a second lien on the same real property  
12 if the total invested in both liens does not at any time exceed the  
13 aforesaid proportions of the actual value of such real property And  
14 provided further That at least seventy-five per centum of the aggregate  
15 amount invested pursuant to this subsection B shall be invested in bonds  
16 or notes qualifying for purchase or investment pursuant to provisions  
17 other than those of subclause (b) The provisions of this clause (1)  
18 shall not apply to loans on the security of or investments in bonds or  
19 notes secured by mortgages or deeds of trust upon leasehold interests

1 in real property made under such rules and regulations as may be pre-  
 2 scribed by the Secretary of Banking with the approval of the Banking  
 3 Board

4 \* \* \*

5 Section 3 This act shall take effect immediately

We certify that this bill has passed the Senate and the House of  
 Representatives.

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 Chief Clerk, Senate

.....  
 President pro tempore, Senate

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 Speaker, House of Representatives

Approved The ..... day of ..... A. D. 1881.

.....  
 Governor