
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No.

477

Session of

1961

MESSRS. WAGNER, McMENAMIN, KROMER AND ROONEY,
IN PLACE, APRIL 5, 1961.

AS AMENDED ON SECOND READING, JUNE 27, 1961.

AN ACT

Amending the act of May 5 1933 (P L. 457) entitled "An act relating:

to the business of building and loan associations providing for
the organization and voluntary dissolution of such associations
defining the rights powers duties liabilities and immunities of
such associations and of their officers directors shareholders so-
licitors and other employes prohibiting the transaction of business
in this Commonwealth by foreign building and loan associations
conferring powers and imposing duties upon the courts recorders
of deeds and certain State departments commissions and officers

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.

establishing limitations of actions imposing penalties and repealing certain acts and parts of acts" further defining and limiting the rights powers duties and liabilities of such associations and shareholders AND further defining terms and authorizing additional types of collateral for mortgage loans

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

1 Section 1 Subsection A of section 2 act of May 5 1933 (P L 457)
2 known as the "Building and Loan Code" is amended by adding after the
3 definition of "Department" a new definition to read

4 Section 2 Definitions A The following terms shall be construed in
5 this act to have the following meanings except in those instances where
6 the context clearly indicates otherwise

7 * * *

8 "Development of Land" means the installations and improvements
9 necessary to produce from the land urban type building sites so com-
10 pleted in keeping with applicable governmental requirements and with
11 general practice in the community that they are ready for the construc-
12 tion of buildings thereon for primarily residential usage

13 * * *

1 Section 2 Subsection B of section 509 of the act is amended to
2 read

3 Section 509 Determination of Shareholders of Record

4 * * *

5 B Holders of [matured] fully paid shares or holders of shares
6 which have been voluntarily or involuntarily withdrawn or holders of
7 shares who have not assented to or have dissented from a merger or a
8 consolidation shall be entitled to notice of and to vote at any meeting of
9 shareholders until they shall have been paid in full the amount lawfully
10 due them on account of their shares The exercise of such right to vote
11 at a meeting shall not constitute waiver of or in any way affect any
12 rights granted by law to such shareholders by virtue of [the maturing
13 of] their shares having become fully paid or of their withdrawal from
14 the association either voluntarily or involuntarily or of their failure to
15 assent to or their dissent from a plan of merger or consolidation

16 * * *

17 Section 3 Sections 604 and 608 of the act amended July 13 1953
18 (P L 424) are amended to read

19 Section 604 Membership or Withdrawal Fees Other Charges An
20 association shall not levy upon any shareholder or upon any corporation

1 or person intending to become a shareholder any fee or any other charge
2 not specifically permitted by this act

3 An association may levy upon any holder of installment shares or
4 upon any corporation or person intending to become a holder of in-
5 stallment shares a membership fee which shall not exceed one-eighth of
6 one per centum of the par value of each installment share subscribed to
7 by such shareholder corporation or person All membership fees so paid
8 shall be credited to the general profit account of the association and shall
9 not be credited as dues in the passbook or other receipt issued to the
10 shareholder Upon the voluntary withdrawal before [maturity of in-
11 stallment shares] said shares are declared fully paid an association may
12 charge such withdrawal fee as the by-laws may provide Any withdrawal
13 fee shall be expressed in the by-laws in terms of a percentage of the
14 participation value of the installment shares withdrawn

15 Section 608 Shares Held in Name of Minor Any association may
16 issue shares in the name of any minor not less than twelve years of age
17 and shall pay the dividends or earnings thereon as well as the with-
18 drawal or [maturity] fully paid value of such shares to such minor
19 without the assent of his parent or guardian The receipt acquittance or

1 other action required by the association to be taken by the minor shall
2 be binding upon such minor with like effect as if such minor were of full
3 age and shall be a valid release to the association The parent or guardian
4 of such minor shall not in his capacity as parent or guardian have the
5 power to attach or in any manner transfer any shares issued to or in
6 the name of such minor

7 Section 4 Section 609 of the act is amended to read

8 Section 609 Shares Held in Name of Two or More Persons A When-
9 ever shares of an association shall be issued in the names of two or more
10 persons the association shall not pay any dividends or earnings thereon
11 or the withdrawal or [maturity] fully paid value thereof except upon
12 proper receipt acquittance or other action as the case may be of all of
13 such persons unless at the time of subscribing to the shares or at a
14 subsequent time all the parties agree to a different arrangement and
15 give the association written notice thereof

16 B Whenever shares of an association shall be issued in the names
17 of two or more persons and such shares shall have been subscribed for
18 under an arrangement with the association whereby the dividends or
19 earnings thereon or the withdrawal or [maturity] fully paid value
20 thereof may be paid upon receipt acquittance or other action as the case

1 may be of either or any of such persons the association may pay such
2 dividends earnings withdrawal value or [maturity] fully paid value upon
3 such receipt acquittance or other action as the case may be of either or
4 any of such persons pursuant to the arrangement provided for in this
5 section notwithstanding the fact that one or more of the other persons
6 may be dead and the association has notice thereof

7 C This section shall not be construed to affect shares in the names
8 of a husband and his wife

9 Section 5 Section 610 of the act amended October 14 1955 (P L
10 696) is amended to read

11 Section 610 Death of One Holding Shares as Trustee Whenever
12 shares of an association shall be issued to any person describing himself
13 in subscribing for such shares as trustee for any person or persons and
14 no other notice of the existence and terms of a valid trust than such
15 description shall have been given to the association the dividends or
16 earnings on such shares as well as the withdrawal or [maturity] fully
17 paid value of such shares shall in the event of the death of the person
18 so described as trustee be paid to the person or persons for whose bene-
19 fit the shares were stated to have been subscribed if at the time of pay-
20 ment such beneficiary is over sixteen years of age Payment shall be

1 made to any such beneficiary who is not less than sixteen years of age
2 under the same conditions as if such shares had been originally sub-
3 scribed for by him If there are two or more benefoiaries named on any
4 such shares the association shall in the absence of written notice to the
5 contrary make payment to such of the beneficiaries as may survive the
6 trustee in equal portions The receipt or acquittance of any such bene-
7 ficiary or beneficiaries for payments made in accordance with this section
8 shall be a full complete and valid release of the association from any
9 further liability for the amounts so paid

10 Section 6 Subsection A of section 613 of the act amended May 15
11 1945 (P L 485) is amended to read

12 Section 613 Involuntary Withdrawal of Optional Payment or In-
13 stallment Shares A An association may [at or before maturity] compel
14 withdrawal of optional payment or installment shares which are not
15 pledged to the association as security for mortgage loans granted by it
16 but it shall not have the power to compel withdrawal of any optional
17 payment or any installment share as the case may be unless it shall have
18 on hand sufficient funds to pay such withdrawals immediately and until
19 all optional payment or all installment shares respectively issued prior
20 to the date of issuance of such share have first been voluntarily or in-

1 voluntarily withdrawn In the case of installment shares issued in series
2 such compulsory withdrawal shall be pro rata among the shares of the
3 same series

4 * * *

5 Section 7 Section 615 of the act amended May 15 1945 (P L 485)
6 and June 21 1957 (P L 366) is amended to read

7 Section 615 [Matured Shares A Installment shares shall be de-
8 clared matured by the board of directors of an association whenever
9 the dues paid thereon by the shareholder plus the dividends credited
10 thereto equal the aggregate par value of the installment shares sub-
11 scribed to by such shareholder Notice of such maturity shall forthwith
12 be given to the holder of such shares and at the option of the holder
13 thereof such shares shall be listed for payment as withdrawn shares or
14 with the consent of the association such shares may be converted into
15 full-paid shares or into optional payment shares If the shareholder does
16 not elect one of the options within thirty days after maturity such
17 shares shall immediately be converted at the option of the association
18 into optional payment shares or full-paid shares or be listed for payment
19 as withdrawn shares] Fully-Paid Shares A Installment shares shall
20 be declared fully paid by the board of directors of an association

1 whenever the dues paid thereon by the shareholder plus the dividends
2 credited thereto equal the aggregate par value of the installment shares
3 subscribed to by such shareholder

4 Upon being declared fully paid the association shall immediately
5 convert such shares to full-paid shares or optional payment shares or a
6 combination thereof and the shareholder shall be notified promptly of
7 such conversion

8 B If the shares thus declared [matured] fully paid have not been
9 pledged to the association as security for a loan the association shall
10 before making payment or converting such shares deduct an amount
11 equal to any delinquent fines or other charges due it by such shareholder

12 C If the shares thus declared [matured] fully paid have been
13 pledged to the association as security for a loan which is secured also
14 by a mortgage upon real property then the mortgage shall be forthwith
15 satisfied upon the payment of any delinquent fines or other charges due
16 the association and upon the payment of a fee to the association of not
17 more than four dollars plus the satisfaction and filing costs and in addi-
18 tion thereto a fee of ten cents per mile if the place of business of the
19 association is not located in the county where the mortgage is to be
20 satisfied

1 D If the shares thus declared [matured] fully paid have been
2 pledged to the association pursuant to a loan upon which the sole
3 security is such shares the note shall be forthwith cancelled and the
4 amount of the loan together with the amount of any delinquent fines
5 or other charges due the association shall be deducted from the partici-
6 pation value of such shares The balance shall be [payable to such share-
7 holder in the same manner as provided by this act in the case of shares
8 which have been declared matured which are not pledged to the asso-
9 ciation as security for a loan] converted into full-paid shares or optional
10 payment shares or a combination thereof and the shareholder shall be
11 notified promptly of such conversion

12 Section 8 Subsection D of section 616 of the act amended May 15
13 1945 (P L. 485) is amended to read

14 Section 616 Order of Payment and Funds to Be Used to Pay With-
15 drawn Shares Power to Sue * * *

16 D Whenever withdrawn shares have not been paid by an associa-
17 tion for a period of six months after [the maturities have been declared
18 or] the withdrawals have become effective owing to the fact that the
19 funds in the treasury which under this act are to be applied to the pay-

1 ment of such shares are insufficient to pay them in full so much of the
2 bonds or other obligations of the United States of the Commonwealth
3 of Pennsylvania of the Federal Home Loan Bank Board of a Federal
4 Home Loan Bank or of the Federal Savings and Loan Insurance Corpo-
5 ration owned by the association as shall be necessary to pay such with-
6 drawn shares shall be sold and the proceeds paid into the treasury of
7 the association to be used to pay such shares unless the department shall
8 give written permission to the association to hold such bonds or other
9 obligations for a longer period of time

10 * * *

11 Section 9 Subsection C of section 618 and ~~section 620~~ of the act
12 amended June 21 1957 (P L 366) are amended to read

13 Section 618 Dividends on Shares Undivided Profits

14 * * *

15 C The books of each association shall be closed at least annually
16 and as much oftener as the board of directors may determine and the net
17 profits for the period determined and transferred to the undivided profit
18 account Dividends shall be declared on all types of shares at the same
19 date and at least annually by resolution of the board of directors out of
20 the undivided profits after appropriate transfers to reserves For the

1 purpose of [maturing installment shares] having installment shares be-
2 come fully paid special dividends may be declared between regular
3 dividend dates to installment shares nearly [matured] fully paid and
4 special dividends may also be declared between regular dividend dates to
5 installment optional payment and full-paid shares in the case of with-
6 drawal between dividend dates Such special dividends shall not be de-
7 clared unless justified by the earnings for the current period and shall
8 not in any event exceed the rate of the last regular dividend on the same
9 type of shares

10 * * *

11 Section 620 Reserves Every association shall maintain general re-
12 serves which shall be used solely for the purpose of absorbing losses
13 Such reserves shall consist of any of the following a reserve for contin-
14 gent losses a reserve for bad debts a reserve for losses on uninsured
15 improvement loans as hereinafter provided and in the case of an associ-
16 ation whose accounts are insured by the Federal Savings and Loan In-
17 surance Corporation a Federal insurance reserve Whenever the general
18 reserves of an association are not equal to at least eight per centum of
19 the participation value of all its outstanding shares and wherever the
20 aggregate general reserves and undivided profits of an association are

1 not equal to at least twelve per centum of each participation value it
2 shall credit to its general reserves each year an amount equal to not less
3 than five per centum and as much more as may be deemed desirable of
4 its net profits for each year Provided however That no profits shall be
5 set aside to such reserves if the aggregate of those reserves exceeds
6 twenty per centum of the assets of the association unless the department
7 in writing shall authorize or require the association to set aside an addi-
8 tional amount which the department shall deem desirable or necessary to
9 safeguard the interests of the shareholders of such association Such
10 reserves may be loaned or invested in the same manner as is authorized
11 by this act in the case of other funds of the association

12 If due to a reduction of the assets of an association or due to any
13 other cause whatsoever the aggregate general reserves shall exceed
14 twenty per centum of the assets of the association or if the department
15 has authorized or directed the creation of such reserves in excess of
16 twenty per centum and they exceed the amount authorized or directed
17 by the department the amount above twenty per centum or such other
18 amount as has been authorized or directed by the department may be
19 transferred at the next regular meeting of the board of directors to the
20 general profit account of the association

1 In addition to the foregoing reserve requirements an association
2 which pursuant to the authority of section 911 of this act has made
3 loans for property repair alteration or improvement which are not in-
4 ured under Title I of the National Housing Act shall each year credit
5 to a reserve for losses on such loans in addition to all other reserves re-
6 quired under this act an amount equal to not less than ten per centum
7 of the gross interest earned on such loans during that year Provided
8 that during any period when such reserve for losses on such loans shall
9 exceed twenty per centum of the aggregate unpaid balances of all such
10 loans outstanding no farther credits need then be made to such reserve
11 and the excess above said twenty per centum may with the approval of
12 the department be transferred to one of the other general reserves

13 Section 10 Subsection A of section 802 of the act amended April
14 20 1949 (P L 656) is amended to read

15 Section 802 Power to Borrow Money Issuance of Notes Pledging
16 of Collateral A An association may by resolution of its board of direc-
17 tors borrow money at a rate of interest not exceeding six per centum
18 per annum to a total amount not exceeding fifty per centum of the
19 participation value of shares which have not been pledged to the associa-

1 tion as security for mortgage loans or which have not on the date of
2 such borrowing been [matured] declared fully paid or for which notice
3 of withdrawal has not on such date been given Provided That the amount
4 of all existing share loans shall be deducted in determining the participa-
5 tion value of shares And provided further That at any time an associa-
6 tion has shares listed for payment as withdrawn shares which it may be
7 unable to pay in full within thirty days without borrowing an amount
8 in excess of the limitation aforesaid such association may borrow such
9 larger amount as may be necessary to meet the association's withdrawal
10 demands subject to the prior written approval of the department

11 * * *

12 Section 11 Subsection D of section 802 and subsection A of sec-
13 tion 808 of the act amended May 15 1945 (P L 485) are amended to
14 read

15 Section 802 Power to Borrow Money Issuance of Notes Pledging
16 of Collateral * * *

17 D An association shall not grant any mortgage loan if the amount
18 of borrowed money owed by it to corporations or persons except the
19 Federal Home Loan Bank or any other agency or instrumentality of

1 the United States Government other than national banks exceeds fifteen
2 per centum of the participation value of shares which have not been
3 pledged to the association as security for mortgage loans or which have
4 not been [matured] fully paid or for which notice of withdrawal has
5 not been given The amount of all existing share loans shall be deducted
6 in determining the participation value of shares This provision shall
7 not be construed to affect the right of an association to readjust or other-
8 wise refinance any mortgage loan which it has granted

9 Section 808 Segregation of Dues Upon Order of Department A
10 Whenever it shall appear to the department that the affairs of an as-
11 sociation are in such condition that the action hereinafter provided in
12 this section is justified the department may by written order issued in
13 the manner provided by law direct that all payments made thereafter
14 on account of shares which have not been transferred and pledged to
15 the association as security for loans shall be segregated from the other
16 assets of the association and that the association shall not grant any
17 further loans make any payments on account of withdrawn or [matured]
18 fully-paid shares or allow any credit for the value of any shares on ac-
19 count of the principal of any loan until such order is revoked in writ-
20 ing by the department Such order of the department shall be known

1 as an order of segregation Such segregated moneys shall either be kept
2 on deposit in a depository selected in the manner provided by this act
3 or invested in the bonds designated by this act as authorized invest-
4 ments for associations The money so segregated and the bonds in which
5 such moneys are invested shall be known as the segregated fund

6 If an association at any time after an order of segregation has
7 become effective has no liability except to its shareholders arising from
8 the ownership of shares it may with the written consent of the depart-
9 ment transfer to the segregated fund a portion or all of any cash
10 which it may have on hand and bonds if any designated by this act as
11 authorized investments Cash and bonds so transferred shall become a
12 part of the segregated fund the same as though paid into the segregated
13 fund by the shareholders whose shares are not pledged to the asso-
14 ciation as security for loans in proportion to the participation value
15 of their shares on the date that the order of segregation was issued
16 Such segregated fund shall not be subject to any attachment issued on
17 a judgment obtained by any creditor or shareholder of the association

18 During the period of segregation the segregated fund shall be

1 available exclusively for the benefit of the shareholders who made such
2 payments or for whose benefit the transfer of cash and bonds was made
3 and may be withdrawn during such period of segregation upon thirty
4 days' written notice

5 * * *

6 Section 12 Subsection B of section 811 of the act amended April
7 20 1949 (P L 656) is amended to read

8 Section 811 Prohibition Upon Accepting Deposits or Discounting
9 Commercial Paper * * *

10 B An association shall not purchase or discount any note bill of
11 exchange draft or other commercial paper except that the prohibitions
12 of this subsection shall not be construed to apply to any loan [for invest-
13 ment incurred under Title I of the National Housing Act] for property
14 repair alteration or improvement which is specifically authorized by this
15 act and which conforms to section 914 hereof and such rules and regu-
16 lations relating thereto as may be prescribed by the Secretary of Bank-
17 ing and the Building and Loan Board

18 * * *

19 Section 13 12 Clause (3) of subsection A of section 903 of the act
20 amended October 14 1955 (P L 696) is amended to read

1 Section 903 Security for Mortgage Loans A An association shall
2 grant mortgage loans to its shareholders or to any person intending to
3 become a shareholder upon the following security only

4 * * *

5 (3) The bond of the borrower secured by a mortgage upon real
6 estate owned by the borrower in fee simple or in which he has a lease-
7 hold interest as tenant under a lease such mortgage being for an amount
8 not to exceed one-half of the amount of the loan such portion of the
9 loan to be known as the straight-mortgage portion of the loan and a
10 bond for the remainder of the loan secured by the transfer and pledge
11 to the association of installment shares in such association which belong
12 to the borrower and which have a par value at least equal to the amount
13 of such remainder of the loan and further secured by a mortgage upon
14 the real estate or leasehold interest as aforesaid for an amount equal
15 to such remainder of such loan such remainder of such loan to be
16 known as the share-mortgage portion of the loan A loan secured by
17 both a straight mortgage and a share mortgage in this manner shall
18 be known as a split-mortgage loan A split-mortgage loan may also be
19 in the form of a single bond and mortgage which meets all the require-
20 ments of this section

1 The straight-mortgage portion of a split-mortgage loan shall not
2 be secured by shares and an association shall not charge fines upon
3 such portion of the loan

4 An association shall not demand payment of the straight-mortgage
5 portion of a split-mortgage loan except in case of a default by the
6 borrower in the terms of the loan until the share-mortgage portion of
7 such loan has been repaid in full by the [maturing of the shares
8 assigned or pledged as security therefor] shares assigned or pledged
9 therefor being declared fully paid or by any other method Upon such
10 payment of the share-mortgage portion of a split-mortgage loan an
11 association shall either demand and enforce payment of the straight-
12 mortgage portion of the loan or convert such loan to a share-mortgage
13 loan or to a direct reduction mortgage loan upon the transfer and pledge
14 to the association of installment shares in such association which belong
15 to the borrower and which have a par value at least equal to the amount
16 of such loan or of one direct reduction loan share in such association
17 which belongs to the borrower

18 * * *

19 Section 44 13 Subsection A of section 903 of the act is amended by
20 adding at the end thereof a new clause to read

1 Section 903 Security for Mortgage Loans A An association shall
2 grant mortgage loans to its shareholders or to any person intending
3 to become a shareholder upon the following security only

4 * * *

5 (5) The bond of the borrower secured by a mortgage upon real
6 estate owned by the borrower in fee simple when the borrower shall
7 use the funds derived by him from said mortgage for the acquisition
8 and development of land or where the mortgagor has title to the land
9 then for its development for primarily residential usage Any such
10 mortgage shall not exceed sixty per centum of the value of such real
11 estate security therefor as of the completion of the development Any
12 such loans shall be repayable within three years and the interest on
13 any such loan shall be payable at least semi-annually No association
14 shall make any loan under this subsection if the resulting aggregate of
15 its investments in loans under this subsection would exceed five per
16 centum of the participation value of its shares Said five per centum of
17 the participation value of its shares shall be in addition to any other
18 limitation on the percentage of its assets which may be invested in

1 straight mortgage loans and loans on other than one to ~~four~~-family
2 properties

3 * * *

4 Section ~~45~~ 14 Subsections B and C of section 903 of the act amended
5 June 21 1957 (P L 366) are amended to read

6 Section 903 Security for Mortgage Loans * * *

7 B [An] Except as otherwise hereinafter provided an association
8 shall not grant any mortgage loan upon real property owned by the
9 borrower in fee simple unless the mortgage securing such loan is a first
10 lien upon unencumbered improved real property [the improvement
11 being a dwelling for not more than twelve families which is used or to
12 be used in whole or in part for residential purposes] excluding theaters
13 and factories or upon real property upon which [such] an improvement
14 is in the process of construction situated anywhere within the Com-
15 monwealth or within fifty miles of a boundary thereof or where it is
16 not a first lien upon such property every equal or prior lien is owned
17 by the association

18 An association shall not grant any mortgage loan secured by a
19 mortgage upon a leasehold interest in real property leased to the bor-
20 rower as tenant under a lease unless (1) the property so leased is im-

1 proved real property (the improvement being a dwelling for not more
2 than twelve families which is used or to be used in whole or in part
3 for residential purposes] excluding theaters and factories or unless
4 [such] an improvement is in the process of construction thereon
5 situated anywhere within the Commonwealth or within fifty miles of a
6 boundary thereof and (2) the loan on a leasehold interest otherwise
7 conforms to such rules and regulations as may be prescribed by the
8 Secretary of Banking with the approval of the Building and Loan Board

9 An association shall primarily confine its mortgage lending to
10 direct reduction interest reduction and share mortgage loans secured
11 by residential real property which is used or to be used in whole or
12 [in part] a substantial portion of which is used or to be used as a
13 dwelling for not more than four families and on such property may
14 lend an amount which together with any other outstanding loan held
15 by such association and secured by a mortgage upon the same property
16 or leasehold interest does not exceed eighty per centum of the fair
17 market value thereof An association may however invest an amount
18 not to exceed an aggregate of [fifteen] twenty per centum of its total
19 assets in mortgages without provision for monthly amortization as here-
20 inbefore provided and in mortgages of real property other than one to

1 four family property on which the maximum loans shall not exceed the
2 following percentages of fair market value seventy-five per centum of
3 the value of five or six family residential property sixty per centum
4 of the value of residential property for more than six families but for
5 not more than twelve families and fifty per centum of the value of
6 other improved income-producing properties excluding theaters and
7 factories Provided however That any mortgage loan may be increased
8 by the withdrawal value upon the day of the granting of such loan of
9 shares to be assigned or pledged to the association by the borrower
10 or by any other shareholder as additional security for such loan Any
11 additional shares assigned or pledged as additional collateral security
12 for the mortgage loan by the borrower or any other shareholder may be
13 released by the association whenever the mortgage loan otherwise meets
14 all of the requirements of this act and could be legally made at the
15 time of release without the requirement of additional collateral Pro-
16 vided also That an association may accept and hold additional collateral
17 of any kind if the loan meets all of the requirements of this act and
18 could have been legally made without such additional collateral

19 Without regard to the limitations set forth in this subsection an
20 association may grant any mortgage loan which is insured or guaranteed

1 in whole or in part by the United States or any instrumentality thereof
2 or if there is a commitment to so insure or guarantee Provided That the
3 real estate security therefor shall be a building [used or to be used in
4 whole or in part for residential purposes] situated within the Common-
5 wealth or within fifty miles of a boundary thereof An association may
6 also purchase and take an assignment of any such insured or guaranteed
7 mortgage loan which is secured by a dwelling for not more than four
8 families situated outside of the aforesaid lending area Provided That
9 (1) the seller and assignor is an association or corporation insured by the
10 Federal Savings and Loan Insurance Corporation or the Federal Deposit
11 Insurance Corporation (2) that the real estate security is situated within
12 the regular lending area of the seller and assignor and (3) that the
13 seller and assignor agrees in writing to service the loan until it is
14 repaid in full

15 No association shall make any loan for the acquisition and develop-
16 ment of land for primarily residential usage unless its general reserves
17 surplus and undivided profits aggregate a sum in excess of five per
18 centum of the participation value of its shares Said mortgage and its
19 accompanying bond shall require development of the real estate security
20 to be commenced in not more than nine months after the date of such

1 instruments and shall provide that the loan is in default in the event
2 that the development has not been commenced on or before the ex-
3 piration of such nine months No association shall (1) before commence-
4 ment of the development of the real estate security for a loan made
5 pursuant to the provisions of this section disburse from the proceeds of
6 such loan an amount equal to more than sixty per centum of the value
7 of such real estate security at the time the loan is made and prior
8 to the commencement of the development thereof or (2) after com-
9 mencement of such development and prior to the completion thereof
10 make any disbursement of such loan proceeds when such disbursement
11 together with all prior disbursements exceeds sixty per centum of such
12 value of the real estate security plus sixty per centum of the cost of
13 such development at the date of such disbursement Provided That in
14 no event shall more than eighty-five per centum of the principal ob-
15 ligation of the loan be disbursed prior to the completion of the develop-
16 ment of the real estate security for such loan

17 The provisions of this subsection shall not be construed to apply
18 to a purchase money mortgage taken by an association upon real property
19 or leasehold interest in real property owned by it nor to the readjustment

1 or refinancing in any other manner of a mortgage loan owed to the
2 association upon the effective date of this act

3 O [An] On mortgages secured by one to twelve family residential
4 properties an association shall not directly or indirectly grant loans to
5 any one corporation or person [mortgage loans] to a total amount
6 [exceeding] in excess of ten per centum of the participation value of
7 its outstanding shares On mortgages secured by other improved income-
8 producing properties an association shall not directly or indirectly grant
9 loans to any one corporation or person to a total amount in excess of
10 one per centum of the participation value of its outstanding shares

11 In computing the total mortgage loans made by an association
12 to an individual there shall be included all mortgage loans made by the
13 association to a partnership or other unincorporated association of
14 which he is a member all mortgage loans made either for his benefit or
15 for the benefit of such partnership or other unincorporated association
16 and all mortgage loans to or for the benefit of a corporation of which
17 he owns twenty-five per centum or more of the capital stock

18 In computing the total mortgage loans made by an association to
19 a partnership or other unincorporated association there shall be included
20 all mortgage loans to its individual members all mortgage loans made

1 for the benefit of such partnership or other unincorporated association
2 or of any member thereof and all mortgage loans to or for the benefit
3 of any corporation of which the partnership or unincorporated associa-
4 tion or any member thereof owns twenty-five per centum or more of
5 the capital stock

6 In computing the total mortgage loans made by an association to
7 a corporation there shall be included all mortgage loans made for the
8 benefit of the corporation and all mortgage loans to or for the benefit of
9 any individual who owns twenty-five per centum or more of the capital
10 stock of such corporation

11 A mortgage loan shall be deemed to be made for the benefit of a
12 corporation or person to the extent that the proceeds of such loans
13 are credited or transferred to such corporation or person

14 * * *

15 Section ~~16~~ 15 Subsections A and B of section 911 of the act amended
16 March 15 1937 (P L 63) are amended to read

17 Section 911 Repayment of Loans before [Maturity] Shares are
18 Declared Fully Paid A A borrower shall have the right to repay a
19 loan to an association at any time before the [maturity of the shares
20 securing such loan] shares securing such loan are declared fully paid

1 unless the by-laws of an association provide that such repayment can be
2 made only at a regular meeting of the board of directors of such
3 association

4 B When a borrower repays a loan to an association before the
5 [maturity of the shares securing such loan] shares securing such loan
6 are declared fully paid he may

7 (1) Pay the amount of the principal of the loan in cash and have
8 the shares securing such loan retransferred to him by the association or

9 (2) In the case of a mortgage loan apply the withdrawal value
10 of the shares securing such loan against the principal of such loan and
11 pay the balance in cash or

12 (3) In the case of a share loan take credit for the withdrawal value
13 of the shares securing such loan up to the amount of the principal of
14 the loan and as to any balance remaining acquire the rights of a with-
15 drawing shareholder

16 * * *

17 Section ~~47~~ 16 Subsection B of section 912 of the act is amended to
18 read

19 Section 912 Demand by Association of Payment of Mortgage or
20 Share Loans * * *

1 B Except as otherwise provided in this section an association
2 which is not in the possession of the Secretary of Banking as receiver
3 or of a liquidating trustee or liquidating trustees shall not except upon
4 a default by the borrower have the power to demand payment of any
5 mortgage loan or share loan until the shares transferred and pledged
6 to it as security for the loan have [matured] been declared fully paid

7 * * *

8 Section 18 Section 914 of the act amended October 14 1955 (P L
9 606) is amended to read

10 Section 914 [Title I FHA] Loans for Property Repair Alteration
11 or Improvement Notwithstanding any other provisions of this or any
12 other act an association may grant loans for the repair alteration or
13 improvement of real property without the necessity of mortgage security
14 [when] When such loans are insured or will be insured under Title I
15 of the National Housing Act approved the twenty-seventh day of
16 June one thousand nine hundred thirty-four its amendments and supple-
17 ments [Such loans] they may be granted in any amount and on any
18 terms permitted by [the said National Housing Act] that act or the
19 regulations issued thereunder [but the aggregate amount of all such
20 loans held by an association at any one time shall not exceed fifteen per]

1 percentum of its total assets} When any such loan is not insured under

2 Title 4 I of the National Housing Act the principal amount thereof shall

3 not exceed thirty-five hundred dollars (\$3500) and the loan shall be

4 evidenced by a judgment note which shall be recorded and must be a

5 first lien upon improved real property or a lien upon improved real

6 property all prior liens on which shall be owned by the association Said

7 judgment note shall require repayment in regular monthly installments

8 over a period not exceeding three years with interest at a rate not ex-

9 ceeding six dollars (\$6) per one hundred dollars (\$100) per annum upon

10 the original face amount of the note for the entire period of the loan

11 Provided That if the entire unpaid balance outstanding on such a loan

12 is paid prior to maturity a refund or credit shall be made to the borrower

13 of that portion of the original interest charge which is unearned on the

14 basis of the number of months remaining to the original maturity date

15 Interest charged and collected as herein provided shall not be deemed

16 usurious The aggregate amount of all such loans held by an association

17 at any one time with or without Title 4 I Insurance shall not exceed

18 fifteen per centum of its total assets The aggregate amount of unpaid

19 principal due from any one borrower on all loans granted pursuant

20 to this section shall not at any time exceed thirty-five hundred

1 dollars (\$3500) Any such loan made without Title 1 I Insurance shall
2 also conform to rules and regulations which may be prescribed from
3 time to time by the Secretary of Banking with the approval of the
4 Building and Loan Board

5 Section ~~40~~ 17 Subsection A of section 1112 of the act amended May
6 15 1945 (P L 485) is amended to read

7 Section 1112 Order of Preference in Distribution A The following
8 shall be the order followed by the liquidating trustee or trustees as the
9 case may be in the distribution pursuant to the provisions of this act
10 of the assets of any association which is being liquidated in pursuance
11 of a plan of voluntary dissolution

12 First Any reasonable expenso incurred by the liquidating trustee
13 or trustees as the case may be in the management liquidation or dis-
14 tribution of the assets and affairs of the association any fee or other
15 debt owing to the department for examinations or other services rendered
16 or penalties incurred any other claim of the Commonwealth of Penn-
17 sylvania and any other claim which is given a preference by law

18 Second Any claim of a creditor of the association other than the
19 claim of a shareholder arising from his ownership of shares

20 Third Any claim of a shareholder whether or not reduced to a

1 judgment arising from his ownership of shares whether such shares
 2 be installment optional payment full-paid prepaid [matured] fully paid
 3 or any other type and whether or not notice of withdrawal of such
 4 shares has been given to the association The amount of the claim arising
 5 from each share shall be the participation value of such share less any
 6 amount lawfully deductible therefrom by the association

7 * * *

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

.....
Chief Clerk, Senate

.....
President pro tempore, Senate

.....
Speaker, House of Representatives

Approved The day of A. D. 1961.

.....
Governor