

thirty dollars (\$30.00) per diem in addition to expenses incurred when actually engaged in official meetings or otherwise in the performance of their official duties as directed by the chairman.

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Section 2. This act shall take effect immediately.

APPROVED—The 1st day of September, A. D. 1965.

WILLIAM W. SCRANTON

No. 238

AN ACT

HB 841

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, solicitors 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; 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 their shareholders and borrowers, and authorizing additional types of loans and investments, and granting rights to and imposing duties on the Department of Banking.

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

Section 1. Subsection A of section 201, act of May 15, 1933 (P. L. 457), known as the "Building and Loan Code," amended June 24, 1939 (P. L. 740), is amended to read:

Section 201. Association Name; Change of Name.—A. The name of an association may be in any language, but it shall be expressed in English letters or characters. It shall contain the words "building and loan association" or "savings and loan association." The name of an association shall not contain the words "trust," "bank," "deposit," "discount," or any other word which may deceptively lead to the conclusion that it is authorized to perform any act or conduct any business which is forbidden to it by law, by its charter, or otherwise. The name of the association shall not contain the words ["Pennsylvania," "Commonwealth," "State"] "Government," "Official," "Federal," "National," "United States," or "Insured."

The name of an association shall not be the same as, or deceptively

¹ "1" in original.

similar to, that of any other corporation authorized to transact business in this Commonwealth, or the name of any unincorporated body whatsoever, voluntarily registered with the Department of State under any act, unless such other corporation or unincorporated body is about to change its name, or to cease doing business or is being wound up, or, in the case of a foreign corporation, is about to withdraw from doing business in this Commonwealth, and the written consent of such other corporation or unincorporated body to the adoption of its name, or a deceptively similar name, has been given and is filed with the Department of State and with the Department of Banking.

* * *

Section 2. Subsection C of section 306 of the act is amended to read:

Section 306. Approval of Articles by Department of Banking.—

* * *

C. If the Department of Banking disapproves the articles, it shall return them to the Department of State, stating in detail its reasons for doing so. The Department of State shall immediately give notice to the proposed incorporators of the action of the Department of Banking and of the reasons therefor as stated to it by that department. [The proposed incorporators may, within thirty ¹days after the Department of State gives them notice of the disapproval of their articles, appeal from such disapproval to the Governor, who shall hear such appeal promptly, and within thirty days thereafter, decide the matter and certify his decision to the Department of Banking.] The decision of the [Governor] Department of Banking shall be conclusive ²and not subject to any review. [The Department of Banking shall act in accordance therewith.]

Section 3. Section 401 of the act, amended December 22, 1955 (P. L. 884), is amended to read:

Section 401. Number and Election of Directors; Executive Committee.—Subject to the provisions of this act, the number, qualifications, terms of office, manner of election, time and place of meeting, compensation, and powers and duties of the directors of an association may be prescribed from time to time by the by-laws. Except as otherwise provided in the by-laws—

(1) A director shall be elected for a term of one year.

(2) The number of directors shall be the same as that stated in the articles.

(3) Vacancies in the board of directors [shall] may be filled by the remaining members of the board, though less than a quorum, and each

¹ "day" in original.

² "an" in original.

person so ¹ elected shall be a director until his successor is elected by the shareholders, who may make such election at the next annual meeting of the shareholders, or at any special meeting duly called for that purpose and held prior thereto.

(4) The regular meetings of the board of directors shall be held at the principal place of business of the association, but special meetings may be held at such place within this Commonwealth as a majority of the directors may from time to time designate.

(5) A majority of all the directors in office shall be necessary to constitute a quorum for the transaction of business, and except as otherwise provided in this act, or in the articles or by-laws of a particular association, the acts of a majority of the directors who are present, at a meeting at which a quorum is present, shall be the acts of the board of directors.

(6) The board of directors may, by resolution passed by a majority of the whole board, delegate three or more of its number to constitute an executive committee, which, to the extent provided in such resolution, shall have and exercise the authority of the board over the ordinary operations of the business of the association between the dates of the monthly meetings of the board. Every such committee shall keep full minutes of all business transacted by it, and shall present detailed reports of all such transactions at each monthly meeting of the board.

Section 4. The act is amended by adding after section 512, a new section to read :

Section 513. Disclosure of Information Concerning Accounts.—
Record books and accounts of associations are private and confidential and the contents thereof may not be divulged by any officer, director or employe of an association except to authorized employes of the Department of Banking, the Department of Revenue of the Commonwealth of Pennsylvania, or authorized representatives of the Federal Home Loan
² Bank Board who shall have the right to inspect the records of an association: Provided, That an association shall upon request furnish to any shareholder or account holder information regarding his own account.
The Department of Banking shall by regulation or ruling, in any specific case, establish procedures for communication by one shareholder of an

¹ "electetd" in original.

² "Bank" not in original.

association with other shareholders of the same association: Provided, That it determines that the request is made for legitimate purposes and can be complied with in such manner as not to disclose the investments of any shareholders in the association. Any such communications shall be subject to the terms and conditions including payment of costs prescribed by the Department of Banking.

Section 5. Subsection C of section 708 of the act is amended to read:

Section 708. Approval of Articles of Amendment by Department of Banking.— * * *

C. If the Department of Banking disapproves the articles of amendment, it shall return them to the Department of State, stating in detail its reasons for doing so. The Department of State shall immediately give notice to the association of the action of the Department of Banking and of the reasons therefor as stated to it by that department. [The association may, within thirty days after the Department of State sends it notice of the disapproval of its articles of amendment, appeal from such disapproval to the Governor, who shall hear such appeal promptly, and, within thirty days thereafter, decide the matter and certify his decision to the Department of Banking.] The decision of the [Governor] Department of Banking shall be conclusive and not subject to review.

[The Department of Banking shall act in accordance therewith.]

Section 6. Section 803 of the act is amended by adding after clause (8), the following new clauses to read:

Section 803. Authorized Investments.—Except as otherwise specifically provided in this act, an association shall not make any investments except as follows:

* * *

(9) Obligations of any county, city, borough, town, township, school district, institution district or other political subdivision of the Commonwealth of Pennsylvania having the power to levy taxes: Provided, That the faith and credit of such political subdivision is pledged for the payment of said obligations: And provided further, That at the date of the investment in such obligations such political subdivision is not in default in the payment of any part of the principal or interest owing by it upon any part of its funded indebtedness.

(10) Obligations of any municipality authority issued pursuant to the

laws of the Commonwealth relating to the creation or operation of municipality authorities, if the obligations are not in default and if the project for which the obligations were issued is under lease to a school district or school districts, or if the obligations are not in default and if the project for which the obligations were issued is under lease to a municipality or municipalities or subject to a service contract with a municipality or municipalities pursuant to which the authority will receive lease rentals or service charges available for fixed charges on the obligations which will average not less than one and one-fifth (1 1/5) times the average annual fixed charges for such obligations over the life thereof, or if the obligations are not in default and if for the period of five fiscal years next preceding the date of acquisition, the income of such authority available for fixed charges has averaged not less than one and one-fifth (1 1/5) times its average annual fixed charges of such obligations over the life of such obligations. As used in this clause the term "income available for fixed charges" shall mean income after deducting operating and maintenance expenses and unless the obligations are payable in serial annual maturities or are supported by annual sinking fund payments, depreciation but excluding extraordinary non-recurring items of income or expenses, and the term "fixed charges" shall include principal, both maturity and sinking fund, and interest on bonded debt. In computing such income available for fixed charges for the purpose of this section, the income so available of any corporation acquired by any municipality authority may be included, such income to be calculated as though such corporation had been operated by a municipality authority and an equivalent amount of bonded debt were outstanding.

(11) Bonds or other interest-bearing obligations of The General State Authority.

(12) Capital stock obligations or other securities of any service corporation organized under the laws of the Commonwealth of Pennsylvania if the entire capital stock of such corporation is available for purchase

only by savings and loan associations organized and existing under the laws of the Commonwealth of Pennsylvania and by Federal savings and loan associations having their home office in the State of Pennsylvania. The Secretary of Banking shall have the right to define service corporations and the activities thereof. No association may make an investment in a service corporation if its then aggregate outstanding investments under this paragraph of this section would exceed one per centum of its assets.

Section 7. Subsection C of section 811 of the act, added October 14, 1955 (P. L. 696), is amended to read:

Section 811. Prohibition Upon Accepting Deposits or Discounting Commercial Paper.—

* * *

C. [Subject to the provisions of subsections A and B of this section, the provisions of this or any other act shall not be construed to prohibit an association or a Federal savings and loan association operating in Pennsylvania from acting as agent for the sale of express company money orders and travelers checks, or from receiving from its shareholders or members money for transmission through the Federal Home Loan Bank of which the association is a member.]

Notwithstanding the provisions of this or any other act, an association or a Federal savings and loan association operating in Pennsylvania is authorized to receive money for transmission through a Federal Home Loan Bank and to sell money orders and/or travelers checks as agent for any bank or bank and trust company existing under the laws of the Commonwealth of Pennsylvania, express companies and any bank whose deposits are insured by the Federal Deposit Insurance Corporation.

Section 8. Clause (5) of subsection A of section 903 of the act, added June 21, 1963 (P. L. 154), is amended to read:

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

* * *

(5) The bond or note or other obligation of the borrower secured by a mortgage upon real estate owned by the borrower in fee simple, which real estate either is or out of the proceeds of the loan will be developed

into building lots or sites which, in accordance with applicable governmental requirements and with general practices in the community, are building lots or sites ready for the construction thereon of one to four family residential properties. No such mortgage shall exceed [sixty] seventy per centum of the fair market value of the building lots or sites as developed. Any such loan shall be repayable within three years and the interest on any such loan shall be payable at least semi-annually. No association shall make any loan under this paragraph if the resulting aggregate of its investments in loans under this paragraph would exceed five per centum of the participation value of its shares. Said five per centum of the participation value of its shares shall be in addition to any other limitation on the percentage of its assets which may be invested in straight mortgage loans and loans on other than one to four family properties.

Section 9. Subsections B and C of section 903 of the act, amended June 21, 1963 (P. L. 154), are amended to read:

Section 903. Security for Mortgage Loans.— * * *

B. Except as otherwise hereinafter provided, an association shall not grant any mortgage loan upon real property owned by the borrower in fee simple unless the mortgage securing such loan is a first lien upon improved real property, excluding theaters and factories, or upon real property upon which an improvement is in the process of construction, situated anywhere within the Commonwealth, or within fifty miles of a boundary thereof, or within one hundred miles of the main office of the association without regard to Commonwealth boundary lines, or where it is not a first lien upon such property, every equal or prior lien is owned by the association.

An association shall not grant any mortgage loan secured by a mortgage upon a leasehold interest in real property leased to the borrower as tenant under a lease, unless (1) the property so leased is improved real property, excluding theaters and factories, or unless an improvement is in the process of construction thereon, situated anywhere within the Commonwealth, or within fifty miles of a boundary thereof, or within one hundred miles of the main office of the association without regard to Commonwealth boundary lines, and (2) the loan on a leasehold interest otherwise conforms to such rules and regulations as may be prescribed by the Secretary of Banking with the approval of the Building and Loan Board.

An association shall primarily confine its mortgage lending to direct

reduction, interest reduction and share mortgage loans secured by residential real property which is used or to be used, in whole or a substantial portion of which is used or to be used, as a dwelling for not more than four families and on such property may lend an amount which, together with any other outstanding loan held by such association and secured by a mortgage upon the same property or leasehold interest, does not exceed eighty per centum of the fair market value thereof. An association may, however, invest an amount not to exceed an aggregate of [twenty] thirty per centum of its total assets in mortgages without provision for monthly amortization as hereinbefore provided, and in mortgages of real property, other than one to four family property, on which the maximum loans shall not exceed the following percentages of fair market value: seventy-five per centum of the value of a residential property designed for use by more than four families and sixty per centum of the value of other improved income-producing properties excluding theaters and factories: Provided, however, That any mortgage loan may be increased by the withdrawal value upon the day of the granting of such loan of shares to be assigned or pledged to the association by the borrower or by any other shareholder as additional security for such loan. Any additional shares assigned or pledged as additional collateral security for the mortgage loan by the borrower or any other shareholder may be released by the association whenever the mortgage loan otherwise meets all of the requirements of this act, and could be legally made at the time of release without the requirement of additional collateral: Provided also, That an association may accept and hold additional collateral of any kind if the loan meets all of the requirements of this act and could have been legally made without such additional collateral.

Without regard to the limitations set forth in this subsection, an association may grant any mortgage loan which is insured or guaranteed, in whole or in part, by the United States or any instrumentality thereof, or if there is a commitment to so insure or guarantee: Provided, That the real estate security therefor shall be a building situated within the Commonwealth or within fifty miles of a boundary thereof, or within one hundred miles of the main office of the association without regard to Commonwealth boundary lines. An association may also purchase and take an assignment of any such insured or guaranteed mortgage loan which is secured by a dwelling for not more than four families situated outside of the aforesaid lending area. [Provided, That (1) the seller and assignor is an association or corporation insured by the Federal Sav-

ings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation, (2) that the real estate security is situated within the regular lending area of the seller and assignor, and (3) that the seller and assignor agrees in writing to service the loan until it is repaid in full.]

No association shall make any loan on the security of developed building lots or sites or on the security of real estate to be developed into such building lots or sites at any time when its aggregate general reserves and undivided profits are less than five per centum of the participation value of its shares. If the building lots or sites are completely developed at the time the loan is made, the mortgage and accompanying bond or note or other obligation shall require the borrower within a period of not more than six months to commence construction of one to four family residential properties on a specified number of such building lots or sites and within a period of three years to complete construction of such properties on all of the building lots or sites. Failure to comply with the aforesaid requirements shall be a default under the mortgage and accompanying bond or note or other obligation, and shall make the entire loan due and payable. If the building lots or sites are to be developed out of the proceeds of the loan, the mortgage and accompanying bond or note or other obligation shall require development of the real estate security to be commenced in not more than nine months, and shall provide that the loan is in default in the event that development has not been commenced on or before the expiration of such nine months. No association shall, at the time of making a loan pursuant to this paragraph, disburse from the proceeds of such loan an amount equal to more than [sixty] seventy per centum of the value of the real estate security at that time. When the real estate is to be developed into building lots or sites out of the proceeds of the loan, no disbursement shall be made which together with previous disbursements shall exceed [sixty] seventy per centum of the fair market value of the real estate security at the date of the mortgage plus [sixty] seventy per centum of the actual cost of the completed developments at the date of such disbursement.

Without regard to the limitations set forth in this subsection, an association may grant mortgage loans in an amount not exceeding at any one time five per centum of its assets in amortized loans or participating interest therein to provide housing facilities for the aging, which facilities are existing or are to be constructed for such purpose or altered for such purpose. No such loan shall exceed ninety per centum of the

appraised value of the improved real estate given as security therefor.

The provisions of this subsection shall not be construed to apply to a purchase money mortgage taken by an association upon real property or leasehold interest in real property owned by it, nor to the readjustment or refinancing in any other manner of a mortgage loan owed to the association upon the effective date of this act.

C. [On mortgages secured by residential properties, an] An association shall not, directly or indirectly, grant loans to any one corporation or person to a total amount in excess of ten per centum of the participation value of its outstanding shares. [On mortgages secured by other improved income-producing properties, an association shall not, directly or indirectly, grant loans to any one corporation or person to a total amount in excess of one per centum of the participation value of its outstanding shares.]

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

In computing the total mortgage loans made by an association to a partnership or other unincorporated association, there shall be included all mortgage loans to its individual members, all mortgage loans made for the benefit of such partnership or other unincorporated association, or of any member thereof, and all mortgage loans to or for the benefit of any corporation of which the partnership or unincorporated association, or any member thereof, owns twenty-five per centum or more of the capital stock.

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

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

* * *

Section 10. The act is amended by adding after section 915, a new section to read:

Section 916. Educational Loans.—Associations may invest in loans, obligations and advances of credit (all of which are hereinafter referred to in this section as “loans”), made for the payment of expenses incurred or to be incurred in acquiring an education at a post secondary institution of higher learning, but no association shall make any investment in loans under this section if the principal amount of its investment in such loans would thereupon exceed five per centum of its assets. Such loans shall be made under such regulations as the Secretary of Banking may prescribe. Any person under the age of twenty-one years securing an educational loan under this section or an educational loan made by a Federal association shall be deemed to have full legal capacity to contract and shall have all the rights, powers, privileges and obligations of a person of full age with respect thereto.

APPROVED—The 1st day of September, A. D. 1965.

WILLIAM W. SCRANTON

No. 239

AN ACT

HB 1170

Amending the act of April 29, 1959 (P. L. 58), entitled “An act consolidating and revising the Vehicle Code, the Tractor Code, the Motor Vehicle Financial Responsibility Act and other acts relating to the ownership, possession and use of vehicles and tractors,” providing for the erection of traffic signals on or near boundary lines of certain political subdivisions and for the allocation of the costs thereof.

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

Section 1. The act of April 29, 1959 (P. L. 58), known as “The Vehicle Code,” is amended by adding, after section 1110, a new section to read:

Section 1110.1. Traffic Signals Benefiting Adjoining Localities.—

(a) When there is the need for a traffic signal to be installed on or so near the boundary of two municipalities or townships adjoining each