

having reached superannuation retirement age, and who shall die while in county service before filing with the retirement board a written application for retirement as heretofore provided, or has died and whose payments into the fund have not been withdrawn, shall be considered as having elected Option one as provided in section twelve of this act, as of the date of his or her death. In such event, payment under Option one shall be made to the beneficiary designated in the nomination of beneficiary form on file with the retirement board. If said beneficiary has predeceased the contributor, payment under Option one shall be made to the legal representative of said contributor.

Section 13.3. When Effective.—The provisions of sections 13.1 and 13.2 shall apply to all contributors who became eligible for retirement before the first day of January, one thousand nine hundred fifty-two, and who have died since that date without having filed a written statement as required in the act: Provided, however, That application for payment of benefits shall be made within six (6) months of the effective date of this act.

APPROVED—The 7th day of October, A. D. 1955.

GEORGE M. LEADER

No. 192

AN ACT

Amending the act of May five, one thousand nine hundred thirty-three (Pamphlet Laws 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, liabilities, and immunities of such associations, and making further provisions governing the transfer of shares, the payment of trustee accounts, authorized investments, security for mortgage loans, and loans secured by chattel paper.

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

Building and
Loan Code.

Subsection A,
section 2, act of
May 5, 1933,
P. L. 457,
amended by add-
ing a new defini-
tion, "Leasehold
Interest."

Section 1. Subsection A of section two, act of May five, one thousand nine hundred thirty-three (Pamphlet Laws 457), known as the "Building and Loan Code," is amended by adding, after the definition of "incorporator," a new definition to read:

Section 2. Definitions.—A. The following terms shall be construed in this act to have the following mean-

ings except in those instances where the context clearly indicates otherwise:

* * * * *

“Leasehold Interest” means a lease upon real estate which is security for the payment of an obligation and which by its terms is a lease having a period of not less than fifty years to run from the date the obligation on such leasehold is executed, or is renewable for a period of at least fifty years from the date of the obligation and the right of renewal of the lease on behalf of the lessee shall be vested in the mortgagee until the obligation is eliminated or paid off.

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Section 2. The definition of “Mortgage Loans” in subsection A of section two of the act amended May fifteen, one thousand nine hundred forty-five (Pamphlet Laws 485), is amended to read:

Subsection A, section 2, act of May 5, 1933, P. L. 457, amended by re-defining “Mortgage Loans.”

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

* * * * *

“Mortgage Loans” means loans which are secured, pursuant to the provisions of this act, by the bond of the borrower, by a mortgage on real [property] estate in fee simple or on a leasehold, and by installment shares or direct reduction loan shares.

* * * * *

Section 3. Section six hundred ten of the act is amended to read:

Section 610, act of May 5, 1933, P. L. 457, amended.

Section 610. Death of One Holding Shares as Trustee.—Whenever shares of an association shall be issued to any person describing himself in subscribing for such shares as trustee for any person *or persons*, and no other notice of the existence and terms of a valid trust than such description shall have been given to the association, the dividends or earnings on such shares, as well as the withdrawal or maturity value of such shares, shall, in the event of the death of the person so described as trustee, be paid to the person *or persons* for whose benefit the shares were stated to have been subscribed if, at the time of [such death] *payment*, such beneficiary is over sixteen years of age. [If he is a minor not less than sixteen years of age such payment] *Payment* shall be made to [him] *any such beneficiary who is not less than sixteen years of age* under the same conditions as [in the case of] *if such shares had been* originally subscribed for by [such minor] *him. If there are two or more beneficiaries named on any such shares, the association shall,*

in the absence of written notice to the contrary, make payment to such of the beneficiaries as may survive the trustee, in equal portions. The receipt or acquittance of any such beneficiary or beneficiaries for payments made in accordance with this section shall be a full, complete and valid release of the association from any further liability for the amounts so paid.

Section 611, act of May 5, 1933, P. L. 457, amended March 15, 1937, P. L. 63, further amended.

Section 4. Section six hundred eleven of the act, amended March fifteen, one thousand nine hundred thirty-seven (Pamphlet Laws 63), is amended to read :

Section 611. Transfer of Shares.—A. Installment, optional payment, or direct reduction loan shares [for which share certificates have not been issued,] shall be transferable in the manner provided by the by-laws of the association, *or in the manner provided on any certificate that may be issued for such shares*, provided such [by-laws] *by-law or certificate provisions* are not inconsistent with law.

B. Except as otherwise specifically provided in this act, the transfer of *full-paid* shares [for which share certificates have been issued,] and the share certificates representing them, [may be regulated by the by-laws, provided such by-laws are not inconsistent] *shall be in accordance* with the provisions of the Uniform [Stock Transfer Act approved the *fifth day of May, one thousand nine hundred eleven (Pamphlet Laws one hundred twenty-six),] *Commercial Code of April six, one thousand nine hundred fifty-three (Pamphlet Laws 3)*, its amendments and supplements.

Section 803, act of May 5, 1933, P. L. 457, amended May 15, 1945, P. L. 485, further amended.

Section 5. Section eight hundred three of the act, amended May fifteen, one thousand nine hundred forty-five (Pamphlet Laws 485), is amended to read :

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

(1) Bonds or other interest-bearing obligations of the United States, or those for the payment of the principal and interest on which the faith and credit of the United States is pledged.

(2) Bonds [or], debentures [issued by a] *or other obligations of the Federal Home Loan* [Bank or consolidated debentures issued by the Federal Home Loan Bank Board] *Banks issued* under the provisions of the Federal Home Loan Bank Act, approved the twenty-second day of July, one thousand nine hundred thirty-two, its amendments and supplements.

(2.1) Bonds or interest-bearing debentures issued by the Federal Savings and Loan Insurance Corporation

* fifty in original.

under the provisions of Title IV of the National Housing Act, approved the twenty-seventh day of June, one thousand nine hundred thirty-four, its amendments and supplements.

(3) Bonds or other interest-bearing obligations of the Commonwealth of Pennsylvania, or those for the payment of principal and interest on which the faith and credit of this Commonwealth is pledged.

(4) *Obligations issued by the Federal National Mortgage Association under the provisions of the National Housing Act, its amendments and supplements, but the aggregate amount of all such investments held by an association at any one time shall not exceed five per centum of its total share capital.*

(5) *Stock of the Federal National Mortgage Association acquired by an association through making non-refundable capital contributions in connection with the sale of mortgages to the Federal National Mortgage Association.*

Section 6. Section eight hundred eleven of the act is amended by adding, at the end thereof, a new subsection to read:

Section 811, act of May 5, 1933, P. L. 457, amended by adding a new subsection C.

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.

Section 7. Subsections A and B of section nine hundred three of the act, amended May fifteen, one thousand nine hundred forty-five (Pamphlet Laws 485), and June twelve, one thousand nine hundred fifty-one (Pamphlet Laws 524), are amended to read:

Subsections A and B, section 903, act of May 5, 1933, P. L. 457, amended May 15, 1945, P. L. 485, and June 12, 1951, P. L. 524, further amended.

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:

(1) The bond of the borrower, secured by the transfer and pledge to the association of installment shares in such association, which belong to the borrower and which have a par value at least equal to the amount of the loan, and further secured by a mortgage upon real [property

which belongs to] *estate owned by the borrower in fee simple, or in which he has a leasehold interest as tenant under a lease*, such mortgage being for at least the full amount of the loan. A loan secured in this manner shall be known as a share-mortgage loan, and the mortgage securing such loan as a share mortgage.

(2) The bond of the borrower, secured by the transfer and pledge to the association of one direct reduction loan share in such association, which belongs to the borrower and further secured by a mortgage upon real [property which belongs to] *estate owned by the borrower in fee simple, or in which he has a leasehold interest as tenant under a lease*, such mortgage being for at least the full amount of the loan. The mortgage contract shall provide for monthly payments, starting not later than sixty days after the advance of the loan: Provided, however, That on any mortgage loan granted to finance new construction, an association may postpone the first monthly payment until completion of the improvement, but not later than twelve months after the date of the first advance made on the loan. A loan secured in this manner shall be known as a direct reduction mortgage loan, and the mortgage securing such loan as a direct reduction mortgage.

(3) The bond of the borrower, secured by a mortgage upon real [property which belongs to] *estate owned by the borrower in fee simple or in which he has a leasehold interest as tenant under a lease*, such mortgage being for an amount not to exceed one-half of the amount of the loan, such portion of the loan to be known as the straight-mortgage portion of the loan; and a bond for the remainder of the loan, secured by the transfer and pledge to the association of installment shares in such association, which belong to the borrower and which have a par value at least equal to the amount of such remainder of the loan, and further secured by a mortgage upon [such real property,] *the real estate or leasehold interest as aforesaid*, for an amount equal to such remainder of such loan, such remainder of such loan to be known as the share-mortgage portion of the loan. A loan secured by both a straight mortgage and a share mortgage in this manner shall be known as a split-mortgage loan. A split-mortgage loan may also be in the form of a single bond and mortgage which meets all the requirements of this section.

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

An association shall not demand payment of the straight-mortgage portion of a split-mortgage loan, ex-

cept in case of a default by the borrower in the terms of the loan, until the share-mortgage portion of such loan has been repaid in full by the maturing of the shares assigned or pledged as security therefor or by any other method. Upon such payment of the share-mortgage portion of a split-mortgage loan, an association shall either demand and enforce payment of the straight-mortgage portion of the loan, or convert such loan to a share-mortgage loan or to a direct reduction mortgage loan upon the transfer and pledge to the association of installment shares [or direct reduction loan shares] in such association which belong to the borrower and which have a par value at least equal to the amount of such loan *or of one direct reduction loan share in such association which belongs to the borrower.*

(4) The bond of the borrower secured by a mortgage upon real [property which belongs to] *estate owned by* the borrower *in fee simple or in which he has a leasehold interest as tenant under a lease such mortgage being for the full amount of the loan but without provision for* monthly amortization, for a term not exceeding ten years: Provided, That the loan, except as hereinafter provided, does not together with any other loans held by such association upon such property, exceed fifty per centum of the fair market value of such property: And provided further, That if such a loan is made for a term not exceeding one year and for the purpose of financing new construction, it may be made in an amount not to exceed eighty per centum of the fair market value of a one to four family property, or seventy per centum of the fair market value of a five or six family property: And provided further, That the aggregate amount of all loans made [pursuant to the provisions of this subsection] *without provision for monthly amortization* to all persons and corporations shall not exceed fifteen per centum of the total assets of such association.

B. An association shall not grant any mortgage loan *upon real property owned by the borrower in fee simple* unless the mortgage securing such loan [(1)] is a first lien upon unencumbered, improved real property, the improvement being a dwelling for not more than six families, which is used or to be used in whole or in part for residential purposes, or upon real property upon which such a building is in the process of construction, situated anywhere within the Commonwealth, or within fifty miles of a boundary thereof, or where it is not a first lien upon such property, every equal or prior lien is owned by the association [and (2) does not].

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, the improvement being a dwelling for not more than six families, which is used or to be used in whole or in part for residential purposes, or unless such a building is in the process of construction, situated anywhere within the Commonwealth, or within fifty miles of a boundary thereof, 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 not grant any mortgage loan which, together with any other [lien] outstanding loan held by such association and secured by a mortgage upon such property or such leasehold interest, shall exceed eighty per centum of the fair market value of a one to four family property, or seventy per centum of the fair market value of a five or six family property: 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. [An association shall not take any lien upon real property as security for a mortgage loan if such lien is in status equal to any lien owned by any other corporation or person.]

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 used or to be used, in whole or in part, for residential purposes situated within the Commonwealth, or within fifty miles of a boundary thereof.

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.

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Section 8. Section nine hundred fourteen of the act, added April twenty, one thousand nine hundred forty-nine (Pamphlet Laws 656), is amended to read:

Section 914. Title I FHA Loans.—Notwithstanding any other provisions of this act, an association may grant loans [to any of its mortgage borrowers] for the repair, alteration or improvement of [the mortgaged real estate on the security of a note which is] *real property without the necessity of mortgage security when such loans are insured or will be insured under Title I of the National Housing Act*, approved the twenty-seventh day of June, one thousand nine hundred thirty-four, its amendments and supplements. Such loans may be granted in any amount and on any terms [that may be acceptable to the Federal Housing Administration] *permitted by the said National Housing Act or the regulations issued thereunder, but the aggregate amount of all such loans held by an association at any one time shall not exceed fifteen per centum of its total assets.*

Section 9. Section nine hundred fifteen of the act, added May twenty-three, one thousand nine hundred forty-seven (Pamphlet Laws 272), is amended to read:

Section 915. [Chattel Mortgages] *Loans Secured by Chattel Paper*.—When an association holds a mortgage on real estate [as security for a loan] *or on a leasehold interest therein* it may also grant a [chattel mortgage] *loan secured by chattel paper* to the mortgagor of the real estate *or leasehold interest* to assist him in the purchase of consumer's durable goods, such as electrical appliances, ranges, refrigerators, awnings, screens, storm doors and sash, furnace burners and equipment pertaining thereto, space heaters, air conditioning systems, ventilating fans, laundry equipment, water heaters, water supply equipment, water treatment apparatus and similar items to be used in connection with the occupancy of the mortgaged premises: Provided, That the amount of [such chattel mortgage] *the loan secured by such chattels* shall not exceed seventy-five per cent (75%) of the purchase price of [said article] *the chattels* nor shall its term exceed (5) years. No such [chattel mortgage] *loan secured by chattel paper* may be granted unless it [is] *constitutes* a first lien on the chattels described therein [, nor shall the]. *The total of all [chattel mortgages granted] loans secured by chattel paper due an association at any one time* in connection with *chattels installed or used on any one piece of mort-*

Section 914, act of May 5, 1933, P. L. 457, added April 20, 1949, P. L. 656, amended.

Section 915, act of May 5, 1933, P. L. 457, added May 23, 1947, P. L. 272, amended.

gaged real estate or any one leasehold interest shall not exceed the sum of one thousand dollars (\$1,000). Any [chattel mortgage] loan secured by chattel paper which is granted by an association in reliance on this section shall conform to the requirements of [the act, approved the first day of June, one thousand nine hundred forty-five (Pamphlet Laws 1358),] article nine of the Uniform Commercial Code, approved April six, one thousand nine hundred fifty-three (Pamphlet Laws 3), its amendments and supplements. In addition to [the chattel mortgage] obtaining a security agreement for such loans, the association shall also secure a [bond or judgment] promissory note evidencing the borrower's agreement to repay the amount loaned, such repayments to be made on a direct reduction basis in monthly installments over the term of the [chattel mortgage] loan. The [bond or] note shall further provide that if the obligor shall sell the mortgaged real estate, or assign his leasehold interest therein, or remove therefrom any chattel described in the [chattel mortgage.] security agreement, the entire balance remaining due on the [chattel mortgage] loan shall immediately become due and payable. No [title] examination of the public records shall be required in connection with [the granting of any chattel mortgage, provided the] a loan secured by chattel paper if the borrower is newly acquiring title to all the chattels described in the security agreement and the seller of the chattels [furnished] furnishes the association with a receipted bill of sale for the [chattels described in the mortgage] same.

APPROVED—The 14th day of October, A. D. 1955.

GEORGE M. LEADER

No. 193

AN ACT

Amending the act of March ten, one thousand nine hundred forty-nine (Pamphlet Laws 30), entitled "An act relating to the public school system, including certain provisions applicable as well as to private and parochial schools; amending, revising, consolidating and changing the laws relating thereto", increasing rental charge allowed for use of receiving district's school plant in calculating tuition charge per high school pupil to be paid by sending district.

Public School
Code of 1949.

Clause (3), section 2561, act of March 10, 1949, P. L. 30, amended August 19, 1953, P. L. 1169, further amended.

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

Section 1. Clause (3) of section two thousand five hundred sixty-one, act of March ten, one thousand nine hundred forty-nine (Pamphlet Laws 30), known as the "Public School Code of one thousand nine hundred forty-nine," amended August nineteenth, one thousand