

from any State or municipal tax and from levy, sale, garnishment, attachment or any other process whatsoever and shall be unassignable.

Section 28. Fraud; Correction of Errors.—Any person who shall knowingly make any false statement, or shall falsify or permit to be falsified, any record or records of the retirement system herein established in any attempt to defraud such system, shall be guilty of a misdemeanor, and, upon conviction, shall be sentenced to pay a fine not exceeding one thousand dollars (\$1000), or suffer imprisonment not exceeding one year, or both, in the discretion of the court.

Should any such change in records fraudulently made or any mistake in records inadvertently made, result in any contributor or beneficiary receiving more or less than he would have been entitled to had the records been correct, then on the discovery of such error the board shall correct such error, and shall adjust the payments which shall be made to the contributor or annuitant in such manner that the actuarial equivalent of the benefit to which he was correctly entitled shall be paid.

Section 29. Transfer of Existing Fund.—Whenever any city establishes a retirement system under the provisions of this act, all of the assets and liabilities of any existing pension fund shall be transferred to the fund created under such retirement system.

After such transfer, the fund created under the provisions of this act shall be subject to all of the liabilities of the fund so transferred, including liability for continuing the payment of retirement allowances payable to persons retired prior to such transfer in accordance with the laws and regulations under which such persons were retired.

The moneys in the fund so transferred shall be distributed among the accounts of the fund created under the provisions of this act in such proportion as the actuary shall determine.

APPROVED—The 23rd day of September, A. D. 1959.

DAVID L. LAWRENCE

No. 401

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, 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 regulating the exercise of powers by the Department of Banking and boards thereof; extending the time in which the department may approve or disapprove articles of incorporation or amendment; providing for contribution by associations and ratifying contributions heretofore made; permitting and limiting the sale of participations in direct reduction mortgages; and repealing inconsistent legislation.

**Building and
Loan Code.**

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

**Act of May 5,
1933, P. L. 457,
amended by add-
ing section 14.**

Section 1. The act of May 5, 1933 (P. L. 457), known as the "Building and Loan Code," is amended by adding, after section 13, a new section to read:

Section 14. Exercise of Powers.—Whenever the department or any board thereof is required or authorized by this act to approve or disapprove any action of an association under its supervision, or to exercise any authority or power conferred upon it by this act in addition to any other standards provided for the exercise of such discretion by this act or any other law, it shall exercise such discretion in such manner as it deems necessary to insure the safe and sound conduct of the business of any association subject to its supervision, to conserve its assets, to maintain public confidence in the business of such associations and to protect the public interest and the interests of shareholders and other creditors thereof.

**Subsection B,
section 306 of
the act, amended.**

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

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

* * * * *

B. Within [thirty days] *sixty days* after the receipt of the articles from the Department of State, the Department of Banking shall, upon the basis of the facts disclosed by the investigation provided for by this section either approve or disapprove the articles. It shall immediately notify the Department of State in writing of its action. If it shall approve the articles, it shall endorse its approval thereon and shall return them to the Department of State.

**Subsection B,
section 708 of
the act, amended.**

Section 3. Subsection B of section 708 of the act is amended to read:

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

* * * * *

B. Within [thirty days] *sixty days* after the receipt of the articles of amendment from the Department of State, the Department of Banking shall, upon the basis of the facts disclosed by the investigation provided for by this section, either approve or disapprove such articles. It shall immediately notify the Department of State in writing of its action. If it shall approve the articles of amendment, it shall endorse its approval thereon, and shall return them to the Department of State.

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Section 4. Section 801 of the act is amended by adding, at the end thereof, two new clauses to read:

Section 801 of the act, amended by adding two new clauses (11) (a), (b), (c) and (d) and (12).

Section 801. Powers of Associations.—In addition to the general corporate powers granted by this act, and in addition to any powers specifically granted to an association elsewhere in this act, an association shall have the following powers, subject to the limitations and restrictions imposed by this act:

* * * * *

(11) *To make contributions to, or for the use or benefit of—*

(a) *The United States, any state, territory or any political subdivision thereof, or the District of Columbia or any possession of the United States, for exclusively public purposes, or*

(b) *A corporation trust or community chest fund or foundation created or organized in the United States or in any possession thereof, or under the laws of the United States or of any state, territory or of the District of Columbia, or of any possession of the United States, and organized and operated exclusively for religious, charitable, scientific, veteran rehabilitation service, literary or education purposes, or for the prevention of cruelty to children, no part of the net earnings of which inures to the benefit of any private shareholder or individual and no substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation to the extent authorized, approved or ratified by action of the board of directors of the association, except as otherwise specifically provided or limited by its articles of incorporation or its bylaws, or by resolution duly adopted by its shareholders.*

(c) *An industrial development agency as defined by the act of May 17, 1956 (P. L. 1609), known as the "Pennsylvania Industrial Development Authority Act," and its amendments and supplements, to the extent au-*

thorized, approved or ratified by action of the board of directors of the association, except as otherwise limited by its articles of incorporation or its bylaws, or by resolution duly adopted by its shareholders.

(d) All contributions made, heretofore, by authority of the board of directors of the association for the purposes prescribed by this clause are hereby ratified and confirmed.

(12) To buy or sell participations in direct reduction mortgages, subject to the limitations contained in this act.

Section 905 of
the act, amended.

Section 5. Section 905 of the act is amended to read:

Section 905. [Limitation] *Limitations Upon Disposal of Mortgages and Upon Sales and Purchases of Participation Interests Therein.—A. Except as otherwise specifically provided in this act, an association which is not in the possession of a liquidating trustee or liquidating trustees, pursuant to a plan of voluntary dissolution, shall not, except with the written consent of the owner of the real property upon which a share mortgage is secured, sell, transfer, or assign such mortgage, and it shall not sell, transfer, or assign any such mortgage or other encumbrance until every subsequent mortgage or encumbrance owned by it upon such real property shall have been paid in full. The corporation or person to whom such transfer, sale, or assignment is made shall not have the power to charge fines or premiums, unless such corporation is a building and loan association.*

B. An association may, without the consent of the mortgagor, sell a participation interest in a direct reduction mortgage to another association or corporation located anywhere within the United States, or an association may purchase such participation interest from another association organized under the laws of this Commonwealth or any other association or corporation insured by the Federal Savings and Loan Insurance Corporation, or the Federal Deposit Insurance Corporation: Provided, That (1) the mortgage is secured by property within the regular lending area of the association or corporation originating such mortgage; (2) the originating association or corporation shall retain at least a fifty per centum interest in the unpaid balance thereof; and (3) the originating association or corporation shall agree to service the entire loan until repaid in full. Except that the security for a mortgage in which a participation interest is purchased may be located anywhere within the regular lending area of the association or corporation originating such mortgage, no participation interest shall

be purchased unless the mortgage is one that the purchasing association could otherwise make under the provisions of this act. The total dollar amount that an association may have invested in participation loans pursuant to this subsection shall at no time exceed twenty per centum of the assets of the association.

Section 6. The act of June 22, 1931 (P. L. 878), entitled "An act prohibiting the investment of funds of building and loan associations in syndicated or equal lien loans where the same are divided between or among building and loan associations, individuals, or corporations," is repealed. Specific repeal.

Section 7. This act shall take effect immediately. Act effective immediately.

APPROVED—The 23rd day of September, A. D. 1959.

DAVID L. LAWRENCE

No. 402

AN ACT

Amending the act of January 18, 1952 (P. L. 2111), entitled "An act to provide for minimum compensation and increments for administrators and members of the faculty of State Teachers Colleges; providing for leaves of absence; imposing certain duties upon the Boards of Trustees and Presidents of State Teachers Colleges and the Superintendent of Public Instruction; and repealing inconsistent laws," further providing for leaves of absence of faculty members and presidents of State Teachers Colleges.

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

Section 1. The first paragraph of section 3, act of January 18, 1952 (P. L. 2111), entitled "An act to provide for minimum compensation and increments for administrators and members of the faculty of State Teachers Colleges; providing for leaves of absence; imposing certain duties upon the Boards of Trustees and Presidents of State Teachers Colleges and the Superintendent of Public Instruction; and repealing inconsistent laws," is amended to read:

State Teachers Colleges—classification and salaries of members of faculties, etc.

First paragraph, section 3, act of January 18, 1952, P. L. 2111, amended.

Section 3. Leaves of Absence.—Upon recommendation of the President and approval by the Board of Trustees and the Superintendent of Public Instruction, a leave of absence of one semester with full pay or a leave of absence of one year with half pay, for restoration of health, study, travel or other appropriate purposes, may be granted to any member of the faculty of any State Teachers College who has completed ten or more years of