

Section 516. Duties of Supervisors, Township Superintendents, and Roadmasters.—The township supervisors, or the supervisors [acting] *employed* as superintendents or roadmasters, shall—

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APPROVED—The 21st day of June, A. D. 1963.

WILLIAM W. SCRANTON

No. 99

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 defining and limiting the rights, powers, duties and liabilities of such associations and shareholders, and further defining terms, and authorizing additional types of loans.

Building and Loan Code.

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

Subsection A, section 2, act of May 5, 1933, P. L. 457, amended by adding a new definition.

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

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:

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"Housing Facilities for the Aging" means housing accommodations, individual or multiple, designed for the purpose of providing accommodations for occupancy by aging persons or of providing rest homes or nursing homes existing, constructed or altered so as to be suitable primarily for the occupancy of persons of fifty-five years of age and older and limited principally to the occupancy of such persons.

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Subsection A, section 2 of act, amended October 14, 1955, P. L. 696, further amended.

Section 2. The definition of "Mortgage Loans" in subsection A of section 2 of the act, amended October 14, 1955 (P. L. 696), is amended to read:

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 *or note or other evidence of indebtedness* of the borrower, by a mortgage on real estate in fee simple or on a leasehold [and by installment shares or direct reduction loan shares].

* * * * *

Section 3. Subsections A and E of section 618 of the act, amended June 12, 1951 (P. L. 524), are amended to read:

Subsections A and E, section 618 of act, amended June 12, 1951, P. L. 524, further amended.

Section 618. Dividends on Shares; Undivided Profits.—A. The rate of cash dividend paid on full-paid shares during any dividend period shall not exceed the rate of dividends credited during such period to optional payment shares of the association, and the rate of dividends credited to optional payment shares during any dividend period shall not exceed the rate of dividends credited during such period to installment shares; Provided, however, That unless the by-laws otherwise provide, an association shall not be required to credit dividends on accounts with a balance of less than [twenty-five dollars (\$25)] *fifty dollars (\$50)* on a dividend declaration date, or to optional payment shares issued under a Christmas club, vacation club or other similar plan whereby they shall automatically be listed for withdrawal no later than fifteen months after the date of issuance.

* * * * *

E. All shares of the same type standing on the books of an association at the close of a dividend period, including shares for which notices of withdrawal have been given, but which have not been paid, shall participate with all other shares of the same type equally in dividends pro rata to the average amount, including previously credited dividends standing to the credit of each share during the dividend period: Provided, however, That unless the by-laws otherwise provide, an association shall not be required to credit dividends on accounts with a balance of less than [twenty-five dollars (\$25)] *fifty dollars (\$50)* on a dividend declaration date, or to optional payment shares issued under a Christmas club, vacation club or other similar plan whereby they shall automatically be listed for withdrawal no later than fifteen months after the date of issuance. The board of directors may fix a date in each month for determining

the date of investment of share payments, in which event such share payments received by the association on or before such determination date shall receive dividends as though invested for the entire month, and such share payments received subsequent to such determination date shall receive *dividnds as though invested during the next succeeding month: Provided, however, That the board of directors may permit investments of one hundred dollars (\$100) or more to receive dividends calculated from the date of actual receipt by the association in any event: And provided further, That in the case of installment shares upon which fines are charged for arrearages, all payments of dues may, for dividend purposes, be considered as having been paid when due.

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Subsection C, section 802 of act, amended June 24, 1939, P. L. 740, further amended.

Section 4. Subsection C of section 802 of the act, amended June 24, 1939 (P. L. 740), is amended to read:

Section 802. Power to Borrow Money; Issuance of Notes; Pledging of Collateral.— * * *

C. An association shall not have power to pledge or hypothecate any of its assets for money borrowed by it, except in the case of money borrowed from the Federal Home Loan Bank or any other agency or instrumentality of the United States Government, other than a national bank. An association may pledge or hypothecate to the Federal Home Loan Bank or to any other agency or instrumentality of the United States Government, other than a national bank, for money borrowed, **its bonds or notes or other evidences of indebtedness and mortgages or other assets, including the shares pledged with the association as security, and it shall not be required to secure the consent of the owner of the mortgaged real property or of the shares in order to make such pledge.

* * * * *

Subsection A, section 903 of act, amended October 14, 1955, P. L. 696, June 21, 1957, P. L. 366 and September 25, 1961, P. L. 1646, further amended.

Section 5. Subsection A of section 903 of the act, amended October 14, 1955 (P. L. 696), June 21, 1957 (P. L. 366) and September 25, 1961 (P. L. 1646), 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:

(1) The bond or note or other evidence of indebtedness 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

* "dividnds" in original.
 ** "it" in original.

at least equal to the amount of the loan, and further secured by a mortgage upon real 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 *or note or other evidence of indebtedness* 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 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] *to a date* 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 *or note or other evidence of indebtedness* of the borrower, secured by a mortgage upon real 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 *or note or other evidence of indebtedness* 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 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 *or note or other evidence of indebtedness* 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.

* "borrower" in original.

An association shall not demand payment of the straight-mortgage portion of a split-mortgage loan, except 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 shares assigned or pledged therefor being declared fully paid 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 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 *or note or other evidence of indebtedness* of the borrower secured by a mortgage upon real 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] *eighteen months* 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-five per centum of the fair market value of a [five or six family] *residential* property [or sixty per centum of the fair market value of a seven to twelve family property] *designed for use by more than four families: And provided further, That if such a loan is made for a term not exceeding eighteen months and for the purpose of facilitating the trade in or exchange of residential real property, a substantial portion of which is used as a dwelling for not more than four families, it may be made in an amount not to exceed eighty per centum of the fair market value thereof:* And provided further, That the aggregate amount of all loans made without provisions for monthly amortization to all persons and corporations shall not exceed fifteen per centum of the total assets of such association.

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Subsection A, section 903 of act, amended by adding a new clause (5).

Section 6. Subsection A of section 903 of the act is amended by adding, at the end thereof, a new clause 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:

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(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 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 7. Subsections B and C of section 903 of the act, amended September 25, 1961 (P. L. 1646), is amended to read:

Subsections B and C, section 903 of act, amended September 25, 1961, P. L. 1646, further amended.

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 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, 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 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 [five or six family] *a residential property designed for use by more than four families* and sixty per centum of the value of [residential property for more than six families but for not more than twelve families and fifty 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. An *association may

* "association" in original.

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 Savings 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 requirement 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 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 per centum of the fair market value of the real estate security at the date of the mortgage plus sixty 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 [one to twelve family] residential properties, 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

* "associatoin" in original.

benefit of a corporation or person to the extent that the proceeds of such loans are credited or transferred to such corporation or person.

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Section 8. Subsection D of section 903 of the act, amended June 21, 1957 (P. L. 366), is repealed.

Subsection D, section 903 of act, amended June 21, 1957, P. L. 366, repealed.

Section 9. Subsection E of section 903 of the act, added September 2, 1961 (P. L. 1221), is renumbered as subsection D and is amended to read:

Subsection E, section 903 of act, added September 2, 1961, P. L. 1221, renumbered subsection D and amended.

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

[E] D. Without regard to the limitations set forth in the other subsections of this section, an association may grant a mortgage loan which exceeds eighty per centum of the fair market value of the real estate securing said mortgage, provided said loan meets all of the following requirements:

(1) The association at the time of the [disbursement] *granting* of the loan has general reserves and surplus equal to at least five per centum of the association's [total] assets.

(2) The loan is made upon the security of a first lien upon real estate upon which there is located a structure designed for residential use for one family, construction of which has been completed prior to the date on which the mortgage securing the loan is executed and prior to the date on which any disbursement on the loan is made. Said loans may also be made to finance the construction of a structure designed for residential use for one family, provided the amount by which such a loan exceeds eighty per centum of the value of the real estate shall not be disbursed unless and until the construction has been fully completed and, *if the structure is being built for sale, unless and until* the title to said real estate has been conveyed to a purchaser who has executed an agreement with the association assuming and agreeing to pay the loan. There shall not be located on the real estate upon which the mortgage is a first lien any other structure designed or used, in whole or in part, for use as a dwelling or any structure designed or used, in whole or in part, for any business use or for any use not ancillary to the residential use aforesaid.

(3) The principal obligation of the loan specified in the mortgage securing the loan does not exceed the lowest of the following:

(i) The sum of [twenty-two thousand dollars (\$22,000)] *twenty-six thousand five hundred dollars (\$26,500)*;

(ii) Ninety per centum of so much of the value of the real estate as does not exceed [twenty thousand dollars

(\$20,000)] *twenty-five thousand dollars (\$25,000) plus eighty per centum of so much of the value as exceeds [twenty thousand dollars (\$20,000) but does not exceed] twenty-five thousand dollars (\$25,000); or*

(iii) [Ninety] *If the loan is made to finance the purchase of the real estate, ninety per centum of so much of the purchase price as does not exceed [twenty thousand dollars (\$20,000)] twenty-five thousand dollars (\$25,000) plus eighty per centum of so much of such purchase price as exceeds [twenty thousand dollars (\$20,000) but does not exceed] twenty-five thousand dollars (\$25,000).*

(4) The mortgage contract requires that, in addition to interest and principal payments on the loan, there shall be paid an amount equivalent to one-twelfth of the estimated annual taxes, assessments and hazard insurance premiums on the real estate security, said payments to be made monthly, in advance, to the association.

(5) [Borrower has executed] *The borrower, or if the dwelling is to be erected for sale the person assuming the mortgage, shall execute a certification in writing, not later than the date on which the mortgage or assumption agreement is executed, [and not later than the date on which any disbursement is made, a certificate in writing to the association stating that] which shall state—*

(i) *The purpose for which the loan is sought, and if for the purpose of enabling the borrower to purchase the security property [from] the name of the vendor or vendors [named therein for a stated], and the full amount of the purchase price thereof.*

(ii) *No lien or charge upon such property, other than the lien of the association or liens or charges which will be discharged from the proceeds of the loan, has been given or executed by the borrower or has been contracted or agreed to be so given or executed.*

(iii) *The borrower is actually occupying the property as a dwelling or in good faith intends to do so.*

(6) [The] *If the loan is sought or assumed for the purpose of enabling a purchaser to acquire the security property, the vendor or vendors shall execute a certification, in writing, to the association stating that no lien or charge upon such property, other than the lien of the association or liens or charges which will be discharged from the proceeds of the loan, has been given or executed to the vendor or vendors by the borrower or has been contracted or agreed to be given or executed.*

(7) *The resulting aggregate of the principal amount of such loan and of the association's investment in the principal on all other loans made under this clause,*

exclusive of any loans with respect to which the association's investment in the principal amount thereof does not exceed eighty per centum of the value of the property according to the appraisal on which such loan was made, does not at the time of the disbursement on such loan exceed fifteen per centum of the association's assets. Said fifteen per centum shall be in addition to any percentage of assets permitted to be invested in any other type of mortgage.

Section 10. The section heading and subsection B of section 905 of the act, amended September 23, 1959 (P. L. 981), are amended to read:

Section heading and subsection B, section 905 of act, amended September 23, 1959, P. L. 981, further amended.

Section 905. [Limitations Upon Disposal of Mortgages and Upon Sales and Purchases of Participation Interests Therein] *Assignment of Mortgages and Right to Participate in Mortgages.*— * * *

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.] *An association may participate with other lenders in making any type of mortgage loan that associations have authority to make under the provisions of this act: Provided, That each of the lenders is an association organized under the laws of this Commonwealth or is an association or corporation which has its principal office within the Commonwealth, and is insured by the Federal*

Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation.

Section 905 of act, amended by adding a new subsection C.

Section 11. Section 905 of the act is amended by adding, at the end thereof, a new subsection to read:

Section 905. * * *

*C. In addition to the authority set forth in subsection B of this section, 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 twenty-five 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 under this subsection 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.*

Subsection A, section 907 of act, amended June 21, 1957, P. L. 366, further amended.

Section 12. Subsection A of section 907 of the act, amended June 21, 1957 (P. L. 366), is amended to read:

Section 907. Interest Reduction Loans and Direct Reduction Loans.—A. A borrower, with the consent of the association, may have the periodical installments of dues on his shares credited on account of the principal of the mortgage loan at such times as shall be provided in the mortgage and also in its accompanying bond or note or other obligation, if any; and the interest, and the premium if any, thereon shall be computed on the balance of the principal of the loan in each case when the dues have been so credited. The borrower in such case may agree that the subsequent dues on his shares shall become automatically increased by the amount of the reduction of interest, and of premium if any, in each

* "Federal" in original.

case when the dues have been so credited, so that the total of each monthly installment of dues and interest, and premium if any, shall remain the same until the loan has been paid in full, but the right to have the dues on the shares credited on account of the principal of the loan, as well as the agreement, if any, that the dues on the shares shall become automatically increased as herein provided, shall be set forth in the mortgage and also in its accompanying bond *or note* or other obligation, if any.

The borrower shall have the right, with the consent of the association, when the dues so credited on account of the principal of the loan shall equal the par value of one or more shares, to have the number of shares reduced to such number that their aggregate par value shall not be less than the reduced amount or balance of the principal of the loan still remaining unpaid. The periodical installments of dues on the shares thus reduced, as well as the interest on the reduced principal of the loan, and premium thereon if any, shall be payable after the date of such reduction the same as if the shares had been originally issued in such reduced number as of such date and such loan made for such reduced amount.

When the dues on the shares are credited on account of the principal of the loan as herein provided, such shares shall not participate in the profits of the association nor be subject to losses. When the loan has been paid in full by the crediting of the dues thereon as herein provided, the borrower shall be entitled to have his mortgage satisfied upon the payment of a fee to the association of not more than four dollars, plus the satisfaction and filing costs, and in addition thereto, a fee of ten cents per mile, if the place of business of the association is not located in the county where the mortgage is to be satisfied.

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Section 13. Section 912 of the act, amended September 25, 1961 (P. L. 1646), is amended to read:

Section 912 of
act, amended
September 25,
1961, P. L. 1646,
further amended.

Section 912. Demand by Association of Payment of Mortgage or Share Loans.—A. When the title to any real property upon which an association holds a mortgage as security for a loan is sold or otherwise transferred and the grantee does not, within thirty days after demand has been made upon him by the association, assume liability for the amount of the loan secured by the mortgage by giving the association his personal bond *or note or other evidence of indebtedness in form satisfactory to the association*, the association shall have power to enforce payment of the full amount of the loan.

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

C. The prohibition of this section shall apply despite any provision to the contrary in the note, or in the bond or other evidence of indebtedness and mortgage, respectively, upon which such loan is made.

Subsection B, section 1006 of act, amended March 15, 1937, P. L. 63, further amended.

Section 14. Subsection B of section 1006 of the act, amended March 15, 1937 (P. L. 63), is amended to read:

Section 1006. Approval of Articles of Merger, Consolidation, or Conversion by Department of Banking.—

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B. Within [thirty] *sixty* days after the receipt of the articles of merger, consolidation or conversion 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 merger, consolidation or conversion, it shall endorse its approval thereon, and shall return them to the Department of State.

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APPROVED—The 21st day of June, A. D. 1963.

WILLIAM W. SCRANTON

No. 100

AN ACT

Amending the act of July 5, 1947 (P. L. 1217), entitled "An act to promote the education and educational facilities of the people of the Commonwealth of Pennsylvania; creating a State Public School Building Authority as a body corporate and politic with power to construct, improve and operate projects and to lease the same and to fix and collect fees, rentals and charges for the use thereof; authorizing school districts to enter into contracts to lease; authorizing and regulating the issuance of bonds by said Authority; and providing for the payment of such bonds and the rights of the holders thereof; granting the right of eminent domain; increasing the powers and duties of the Department of Public Instruction; and providing that no debt of the Commonwealth shall be incurred in the exercise of any of the powers granted under this act; and making an appropriation to said Authority to pay expenses incident to its